

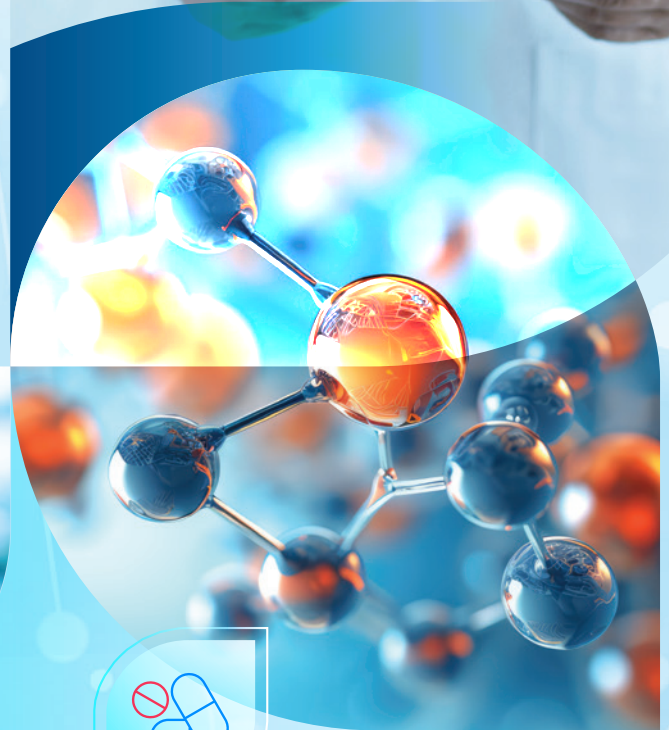


麗珠醫藥集團股份有限公司 Livzon Pharmaceutical Group Inc.*

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

Stock Code: 1513

2024
ANNUAL REPORT



* For identification purpose only

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LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Audited financial report of the Company for the twelve months ended 31 December 2024 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 financial affairs (mainly responsible for accounting work) and the person-in-charge of the accounting department (the head of the accounting department).
- (II) The original document of the audit report sealed by the accounting firm and signed and sealed by the certified public accountants.
- (III) Original copies of all documents and announcements of the Company which have been disclosed on designated websites as approved by CSRC during the Year.
- (IV) 2024 annual report of the Company in English and Chinese versions published on the website of Hong Kong Exchanges and Clearing Limited.

CHAIRMAN'S STATEMENT



Mr. Zhu Baoguo

Chairman of the Board

Dear Shareholders,

In 2024, China's pharmaceutical industry accelerated its transformation and upgrading under the dual driver of policy deepening and technological innovation. The state continuously deepened reforms of the medical and health care system, with the expansion and enhancement of centralized procurement and the normalized supervision of pharmaceutical compliance setting higher requirements for the industry landscape; strengthening support for innovative drugs and promoting the implementation of comprehensive support policies for the entire chain of innovative drugs. Meanwhile, technological innovation has become a key variable: the cutting-edge fields such as AI technology have made breakthrough progress, reconstructing the entire process of drug discovery, clinical research and production process, promoting pharmaceutical R&D from "experience-driven" to "technology-driven", and injecting new momentum into the industry.

CHAIRMAN'S STATEMENT

THE MANAGEMENT TEAM OF THE COMPANY



Mr. Tang Yanggang
Executive Director,
President



Mr. Xu Guoxiang
Executive Director,
Vice President



Mr. Du Jun
Vice President



Mr. Liu Daping
Vice President



Mr. Yang Daihong
Vice President



Ms. Si Yanxia
Vice President,
Chief Financial Officer



Ms. Huang Yuxuan
Vice President



Mr. Yang Liang
Vice President



Ms. Liu Ning
Secretary to the Board,
Company Secretary

Facing an environment of both opportunities and challenges, we adhered to taking innovation as our anchor and taking patient needs as our helm, actively responding to the national strategy of “innovation-driven development”, and steadily advancing on the path of high-quality development. In 2024, the Group recorded an operating income of RMB11,812.34 million; we recorded a net profit attributable to Shareholders of the Company of RMB2,061.10 million. Based on the robust operating results and overall financial position for the current year, the Board proposed a profit distribution plan of the Company for 2024 as follows: to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company’s total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. The plan was still subject to consideration and approval at the 2024 annual general meeting of the Company.

CHAIRMAN'S STATEMENT



We deeply understand that innovation has become the core competitiveness of pharmaceutical enterprises. In the current year, the Group has firmly implemented the “independent R&D + BD dual-drive” strategy, with “innovative drugs + high-barrier complex drug preparations” as the core approach, focusing on unmet clinical needs, expanding product lines in advantageous fields, and exploring new accessible fields. In 2024, the Group’s R&D investment accounted for 8.84% of the total operating income, focusing on the major advantageous fields such as gastroenterology, assisted reproduction

and neuropsychiatry to complete the product portfolio. We also actively expanded and strengthened in the fields of metabolic, anti-infective, cardiovascular and cerebrovascular and other chronic diseases, enriching the R&D pipeline and consolidating platform advantages. From the Beginning of the Year to the disclosure date of the Report, 2 clinical approvals and 9 production approvals were obtained for drug preparation products. As at the disclosure date of the Report, there were 7 projects in market launch review stage, 5 projects in phase III clinical stage, 8 projects in process validation/BE stage and 2 projects in phase II clinical stage. There were a total of 45 drug preparation product projects under research, including a total of 23 innovative drugs, high-barrier complex drug preparations and products with high clinical value.

Breakthroughs in Key Areas: In the gastrointestinal field, innovative potassium-competitive acid blocker (P-CAB product), JP-1366 Tablets, officially launched phase III clinical study, and JP-1366 for Injection was approved for clinical trials, further enriching the R&D pipeline of the gastrointestinal field. In the field of assisted reproduction, the new indication of endometriosis of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) has been approved for market launch, and Recombinant Human Follitropin Alfa Solution for Injection (重组人促卵泡激素注射液) has been filed for market launch at the end of January 2025 and has been accepted. In the neuropsychiatry field, after the production application for Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) in 2023, the supplementary materials were successfully submitted during the Reporting Period and it is expected to obtain approval for market launch in the first half of 2025; Aripiprazole for Injection (注射用阿立哌唑) has completed BE trials, and Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液) is undergoing BE trials, both of which are planned to be filed for market launch in 2025. In the self-immunity field, the psoriasis indication of Recombinant anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人IL-17A/F人源化单克隆抗体注射液) completed phase III clinical enrollment, and the ankylosing spondylitis indication completed phase III clinical enrollment, with plans to be filed for market launch in 2025. In the metabolic field, the application for market launch authorization of type II diabetes indication of Semaglutide Injection (司美格鲁肽注射液) was accepted, and the weight loss indication completed phase III clinical enrollment, with promising application prospects. The continuous output of R&D achievements has opened up international channels. In the Year, overseas sales revenue of drug preparation products increased by 65.98% year-on-year. Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克) in the field of assisted reproduction was approved for market launch by the US FDA in 2024, marking the recognition of Livzon’s products in the international market.

CHAIRMAN'S STATEMENT

BD Synergy Enhancing Efficiency: BD collaboration continued to take effect, in the neuropsychiatric field, drugs of D2/D3/5HT2A receptor antagonists, DHODH inhibitor innovative drugs in the anti-infection field, PDE5 inhibitor innovative drugs in the male health field, small nucleic acid innovative drugs in the metabolic field, and a new recombinant protein influenza vaccine, of which five projects are innovative drugs, continuously enriching the R&D pipeline layout.

AI Empowering R&D: AI technology has been deeply integrated into the entire R&D process – from disease target identification, drug discovery and new drug design, pharmaceutical study, clinical research to post-marketing monitoring. Combining long-term accumulated R&D experience and data resources, the application of AI tools has significantly enhanced R&D efficiency. In the future, AI will continue to empower the Group's innovation ecosystem, promoting quality improvement and efficiency enhancement in innovation and research and development.

In the continuous optimization process over the past few years, the APIs business successfully achieved transformation and upgrade at the product and market levels, from bulk APIs to high-end specialty APIs, from domestic markets to international markets, and from emerging markets to European and American markets. In the Year, the export revenue of APIs and intermediates was RMB1.668 billion, representing a year-on-year growth of 7.93%. In the traditional Chinese medicine segment, the R&D of TCM primarily focuses on the clinical positioning of psychiatry, chronic diseases and exclusive varieties. Two products in the gynecological and cardio-cerebral vascular fields of "class 3.1 compound preparation of famous ancient classical TCM (古代經典名方中藥複方製劑3.1類)" are expected to be filed for production this year. In the diagnostic reagent segment, we continuously made in-depth efforts in the layout of strategic disease areas such as self-immunity and respiratory, and a ground-breaking immunodiagnostic unique platform was certified and obtained the certification of innovative medical device in the Reporting Period. Coordinated efforts across multiple sectors promoted the Company's steady progress.

While accelerating innovative R&D and market expansion, we always regard compliance operations and product quality as the lifeline of corporate development, deepening the construction of a compliance marketing system and strictly adhering to the management of the production quality system. The Group adheres to the deep integration of academic promotion and digital marketing, building a health science popularization ecosystem through professional platforms such as "Expert Talk". The total number of followers across the entire network has exceeded 3 million, continuously conveying the concept of health knowledge and concepts. In terms of quality management system, we safeguard drug safety with whole life cycle quality management system. Currently, 100% of the production lines of the Group's marketed products have passed GMP compliance inspection. APIs production base achieved a "zero" 483 record in the FDA inspection and passed the Brazilian official inspection with "zero" defects. While ensuring the safety of medication for patients, we have built a more solid long-term value moat for the Shareholders.

CHAIRMAN'S STATEMENT

As a pharmaceutical enterprise that emphasizes social responsibility and sustainable development, we insisted on giving back to society through practical actions. The Group continuously promoted the "Public Welfare Program for Prevention and Treatment of Chronic Diseases (普惠慢病防治公益项目)", focusing on remote areas with high incidence of chronic diseases such as hypertension and hyperlipidemia, effectively alleviating the financial burden on patients through drug donations. As at the end of the Reporting Period, a total of 31 agreements in relation to the Public Welfare Program for Prevention and Treatment of Chronic Diseases have been signed, covering 9 provinces and 4 autonomous regions across the country, benefiting over 30,000 chronic disease patients. The Group has received the MSCI ESG AAA rating for two consecutive years. We were included in the S&P Global "Sustainability Yearbook" for two consecutive years and were awarded the title of "Best Progressive Enterprise in the Industry" in 2024.

In the new year, the Group will continue to adhere to the bottom line of compliance, anchor the strategy of "independent R&D + BD dual-wheel drive", and increase investment in innovative drug R&D. We will focus on core therapeutic fields such as gastroenterology, neuropsychiatry and assisted reproduction, accelerate the market launch process of key products and continuously enrich the R&D pipeline layout. We will further deepen the comprehensive application of AI technology to promote intelligent upgrades in the steps such as R&D, production and marketing. We will strengthen overseas market expansion and promote the internationalization of R&D and registration. We will adhere to give back to society through public welfare, uphold the concept of environmentally friendly production and promote the Company's sustainable development.

During the 40 years of trials and tribulations, Livzon has always adhered to the mission of "prioritizing the quality of life of patients" and the vision of "becoming a leader in the pharmaceutical industry", actively responding to challenges and seizing development opportunities. On behalf of the Board, I would like to express my heartfelt thanks to all Shareholders for their trust and support. In the future, we will continue to respond to unmet clinical needs through pharmaceutical innovation and reward Shareholders' trust with sound operations!

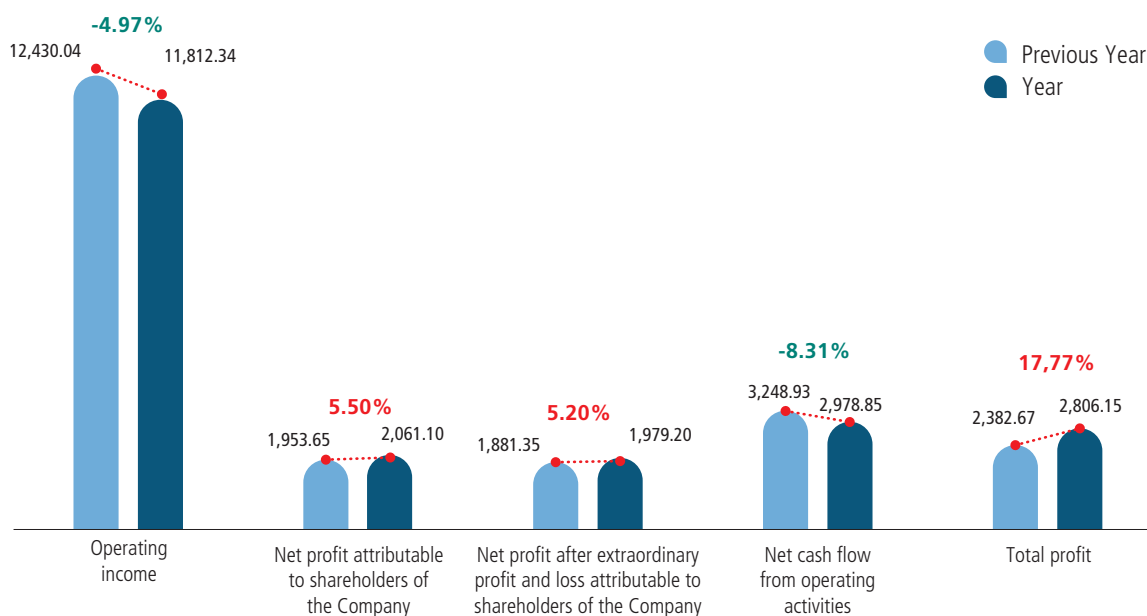
Zhu Baoguo

Chairman

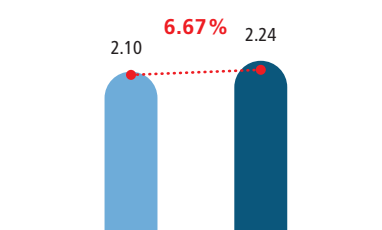
26 March 2025

FINANCIAL HIGHLIGHTS

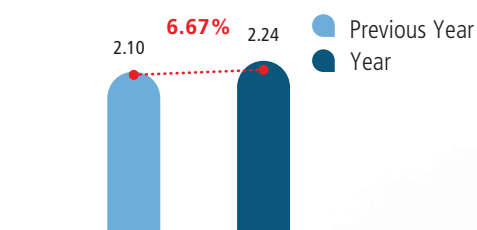
Major Financial indicators (RMB in millions)



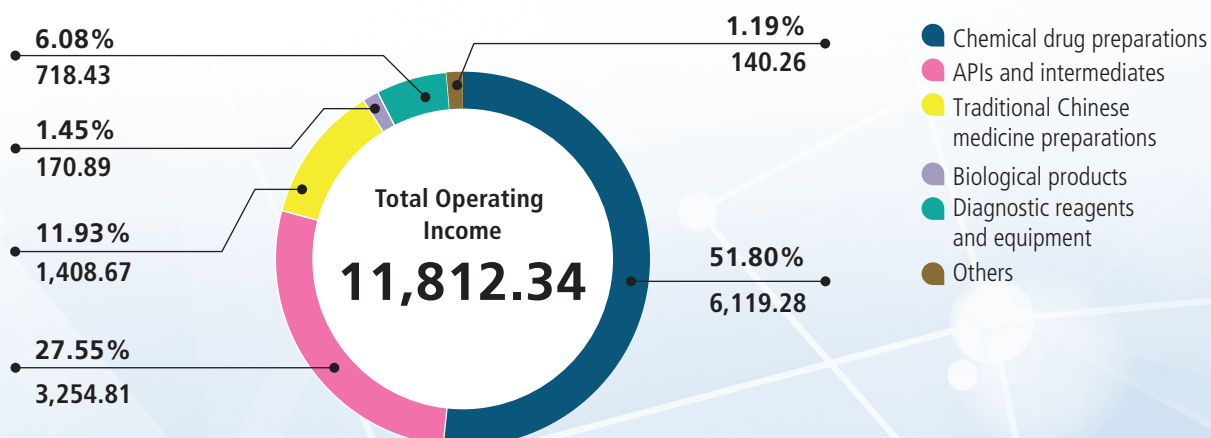
Basic earnings per share (RMB/share)



Diluted earnings per share (RMB/share)



Composition of operating income (RMB in millions)

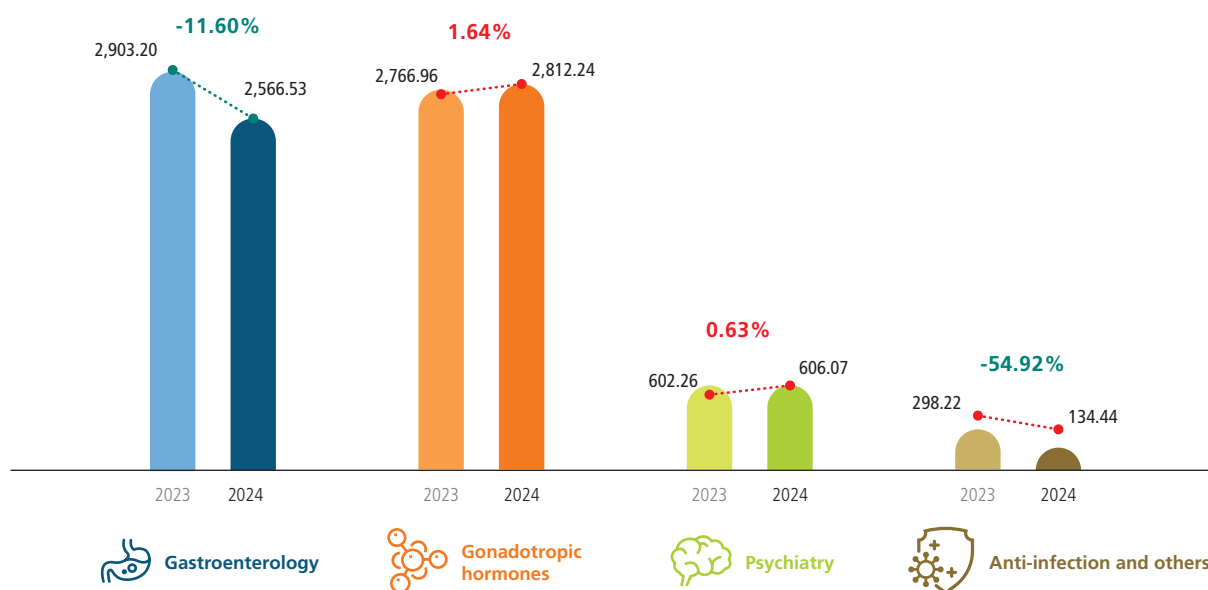


FINANCIAL HIGHLIGHTS

PERFORMANCE FOR THE YEAR IN TERMS OF REVENUE FROM VARIOUS SECTORS

Unit: RMB in millions

Chemical drug preparations

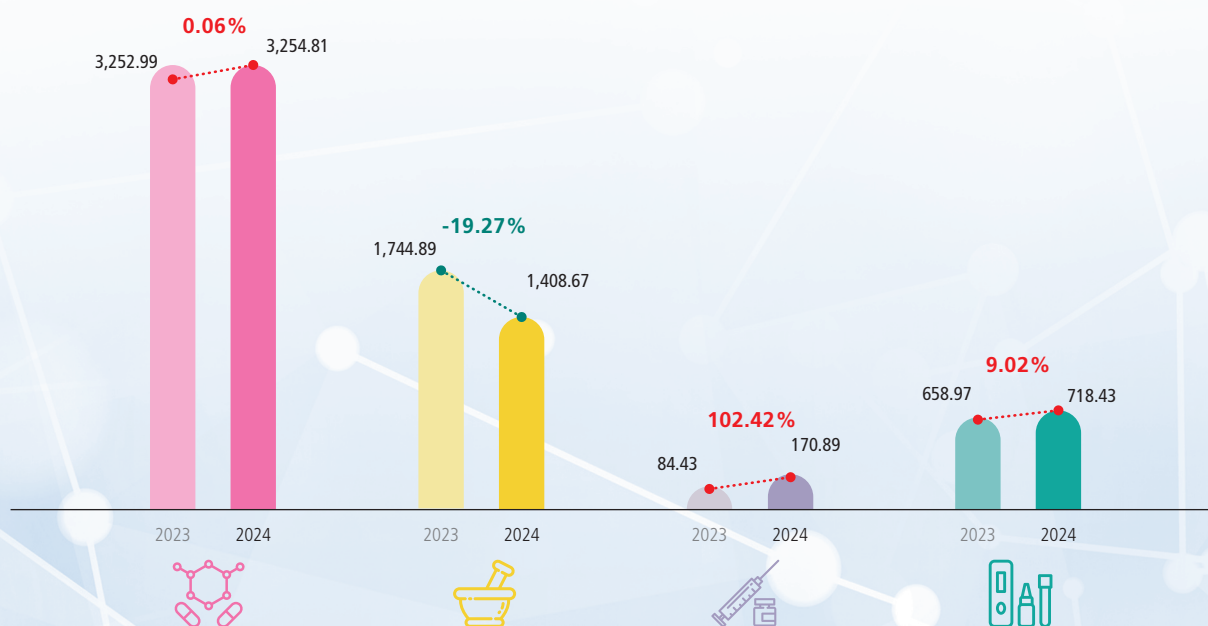


APIs and intermediates

Traditional Chinese medicine preparations

Biological products

Diagnostic reagents and equipment



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.* (麗珠醫藥集團股份有限公司) hereby warrant the truthfulness, accuracy and completeness of the contents of this annual report (the "Report"), and that there are no false representations, misleading statements or material omissions contained in the Report, and severally and jointly accept responsibility.

The financial report of the Company for the year ended 31 December 2024 has been prepared in accordance with the China Accounting Standards for Business Enterprises, and has been audited by Grant Thornton (Special General Partnership) who issued standard unqualified opinions in the audit report.

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

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

After consideration and approval by the Board of the Company, the Company's profit distribution plan for 2024 is as follows: to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized (the "Dividend Distribution Plan for the Year"). The Dividend Distribution Plan for the Year is still required to be submitted to the 2024 annual general meeting (the "AGM") of the Company for consideration and approval.

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

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

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

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", "Livzon Group", "Livzon"	the Company and its subsidiaries
"Board"	the board of directors of the Company
"Director(s)"	director(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Supervisor(s)"	supervisor(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"A Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Shenzhen Stock Exchange
"B Share(s)"	domestically listed foreign shares originally issued by the Company
"H Share(s)"	the ordinary shares in the registered capital of the Company with a nominal value of RMB1.00 each, which are listed and traded on the main board of the Hong Kong Stock Exchange
"A Shareholder(s)"	holder(s) of A Shares of the Company
"H Shareholder(s)"	holder(s) of H Shares of the Company
"Year", "Reporting Period" or "Period"	the twelve months from 1 January to 31 December 2024
"Same Period Last Year", "Previous Period" or "Previous Year"	the twelve months from 1 January to 31 December 2023
"End of the Previous Year" or "End of the Previous Period"	31 December 2023

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"Beginning of the Year", "Beginning of the Reporting Period" or "Beginning of the Period"	1 January 2024
"End of the Year", "End of the Reporting Period" or "End of the Period"	31 December 2024
"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, promulgated on 15 February 2006 and 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 People's Republic of China
"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"	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 C1 of the Hong Kong Listing Rules
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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》)

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"B-To-H Share Conversion"	conversion of the domestically listed foreign shares (B Shares) of the Company into H Shares by way of introduction for listing and trading on the main board of the Hong Kong Stock Exchange
"Joincare"	Joincare Pharmaceutical Industry Group Co., Ltd.* (健康元藥業集團股份有限公司) (Shanghai Stock Exchange stock code: 600380), a joint stock company incorporated under the laws of the PRC and listed on the main board of the Shanghai Stock Exchange in 2001 and one of the Company's controlling shareholders
"Joincare Group"	Joincare and its subsidiaries (excluding the Group)
"Baiyeyuan"	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百業源投資有限公司)
"Topsino"	Topsino Industries Limited* (天誠實業有限公司)
"Begol"	Guangzhou Begol Pharmaceutical and Health Products Import & Export Co., Ltd.* (廣州保科力醫藥保健品進出口有限公司) (formerly known as Guangzhou Begol Trading Holdings Limited* (廣州市保科力貿易公司))
"Jiaozuo Hecheng"	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.* (焦作麗珠合成製藥有限公司)
"Livzon MAB"	Livzon MABPharm Inc.* (珠海市麗珠單抗生物技術有限公司)
"Xinbeijiang Pharma"	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司)
"Fuzhou Fuxing"	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.* (麗珠集團福州福興醫藥有限公司)
"Ningxia Pharma"	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.* (麗珠集團(寧夏)製藥有限公司)
"Livzon Diagnostics"	Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司)
"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)
"Livzon Cayman"	Livzon Biologics Limited

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"Livzon International"	Livzon International Limited
"Joincare BVI"	Joincare Pharmaceutical Group Industry Co., Ltd
"Livzon HK"	Livzon Biologics Hong Kong Limited (麗珠生物科技香港有限公司)
"LivzonBio"	LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)
"Lijian Animal Healthcare"	Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司) (The English name has been submitted to the China National Intellectual Property Administration for registration. The final name shall be subject to the approved result.) (formerly known as Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司))
"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"	Macao Patacas, the lawful currency of Macau
"US\$" or "USD"	US dollars, the lawful currency of the United States
"JPY"	Japanese Yen, the lawful currency of Japan
"Euro" or "EUR"	Euro, the common currency of the European Union
"MYR"	the lawful currency of Malaysia
"Indonesian Rupiah" or IDR"	the lawful currency of Indonesia
"Cninfo"	www.cninfo.com.cn (巨潮資訊網)
"Company's website"	the website of the Company (www.livzon.com.cn)
"HKEXnews"	the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk)
"COVID-19 virus"	a new coronavirus called SARS-CoV-2
"R&D"	research and development
"IND"	Investigational New Drug

SECTION I. IMPORTANT NOTICE AND DEFINITIONS

"BD"	Business Development
"EHS"	Environment, Health and Safety
"FDA"	Food and Drug Administration
"GMP"	Good Manufacturing Practice
"GAP"	Good Agriculture Practice
"QC"	Quality Control

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

I. COMPANY INFORMATION

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

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

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

* For identification purpose only

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

II. CONTACT PERSONS AND CONTACT DETAILS

	Secretary to the Board	Representative of securities affairs
Name	Liu Ning (劉寧)	Ye Delong (葉德隆)
Address	Headquarters Building, 38 Chuangye North Road, Jinwan District, Zhuhai City, Guangdong Province, the PRC	
Telephone	(86) (756) 8135990	(86) (756) 8135992
Fax	(86) (756) 8891070	(86) (756) 8891070
E-mail	liuning@livzon.com.cn	yedelong@livzon.com.cn

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION

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

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

IV. CHANGE OF REGISTRATION DETAILS

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

V. OTHER RELEVANT INFORMATION

1. Accounting firm appointed by the Company

Name of accounting firm	Grant Thornton (Special General Partnership)
Office address of accounting firm	5th Floor, Scitech Palace, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Name of signing accountants	Wang Shuyan (王淑燕) and Wei Heng (魏恒)

2. Authorized representatives and institutions appointed by the Company pursuant to the Hong Kong Listing Rules

Authorized representatives appointed pursuant to the Hong Kong Listing Rules	Tang Yanggang (唐陽剛) and Liu Ning (劉寧)
Company Secretary	Liu Ning (劉寧)
Alternate authorized representative	Li Xiaoyu (李笑雨)
Name of H Share Registrar	Tricor Investor Services Limited
Address of H Share Registrar	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

V. OTHER RELEVANT INFORMATION *(continued)*

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

☒ Applicable ☐ Not Applicable

Name of the sponsor	Office address of the sponsor	Name of the sponsor representatives	Period of continuous supervision
Minsheng Securities Co., Ltd.	No. 8 Pu Ming Road, China (Shanghai) Pilot Free Trade Zone	Yu Chunyu (于春宇), Chen Yu (陳雨)	From 20 September 2016 to 7 December 2024

Note: According to the relevant requirements under the Administrative Measures for the Sponsorship Business of the Issuance and Listing of Securities (《證券發行上市保薦業務管理辦法》), the date of listing of the new shares under the non-public issuance of shares was 20 September 2016, and the period of continuous supervision and guidance was the period from the date of listing of the shares under the non-public issuance to 31 December 2017. During the Reporting Period, the projects invested with proceeds raised from the non-public issuance of shares by the Company have been completed, the remaining balance of proceeds will be used for permanent replenishment of working capital and Minsheng Securities Co., Ltd., the Sponsor of the Company, shall continue to perform its duties of continuous supervision and guidance in respect of deposit and utilization of the proceeds.

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

☐ Applicable ☒ Not Applicable

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. EXPLANATION ON CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS IN COMPARISON WITH THE FINANCIAL REPORT FOR THE LAST YEAR

✓ Applicable ☐ Not Applicable

1、The Ministry of Finance issued Interpretation No. 17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21) in November 2023 (hereinafter referred to as "Interpretation No. 17").

- (1) As specified by Interpretation No. 17, for liabilities arising from corporate loan arrangements, the right of a corporation to defer settlement of liabilities for more than one year after the balance sheet date may depend on whether the corporation has complied with the conditions stipulated in the loan arrangement (the "Covenants"). The Covenants that the company shall comply with on or before the balance sheet date, even if the performance of Covenants is being assessed after the balance sheet date (in some cases, the Covenants provide for an assessment after the balance sheet date based on the financial conditions on the balance sheet date), affects the judgment as to whether such right exists on the balance sheet date, which in turn affects the classification of liabilities as current or non-current on the balance sheet date. The Covenants that the company shall comply with after the balance sheet date (in some cases, the Covenants provide for an assessment based on the financial conditions at six months after the balance sheet date), will not affect the judgment as to whether such right exists on the balance sheet date, and is not related to the classification of liabilities as current or non-current on the balance sheet date.

If a term of the liability results in the settlement of the liability through the delivery of the enterprise's own equity instruments at the discretion of the counterparty, and if this option is classified as an equity instrument in accordance with the requirements of the standards and recognized separately as an equity component of a compound financial instrument, the term does not affect the liquidity classification of the liability.

The Company has implemented this requirement from 1 January 2024 and adjusted the information for the comparable periods.

The adoption of Interpretation No. 17 has not had a significant impact on the Company's financial position and operating results.

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

VI. EXPLANATION ON CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS IN COMPARISON WITH THE FINANCIAL REPORT FOR THE LAST YEAR *(continued)*

- (2) Disclosure of Supplier Financing Arrangements Interpretation No. 17 provides that for supplier financing arrangements, the following shall be disclosed: A. the terms and conditions of supplier financing arrangements (such as deferred payment terms and provision of guarantees, etc.). B. a. the presentation items and carrying amount of financial liabilities under supplier financing arrangements in the balance sheet; b. if the supplier has received funds from the financing provider, the presentation items and carrying amount of the corresponding financial liabilities shall be disclosed; c. and the payment due date range of the related financial liabilities, as well as the payment due date range of comparable accounts payable that are not a part of the supplier financing arrangements. If the range of the payment due date is large, the enterprise shall also disclose explanatory information or additional range information related to these ranges; C. the types and impacts of current changes in the carrying amount of related financial liabilities that do not involve cash receipts and payments (including business combinations, changes in exchange rates and other transactions or matters that do not require the use of cash or cash equivalents).

When disclosing liquidity risk information in accordance with the requirements of Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (《企業會計準則第37號—金融工具列報》), an enterprise shall consider whether it has obtained or has access to obtain credit for the deferred payment to the enterprise or early payment to its suppliers through supplier financing arrangements. When identifying liquidity risk concentration in accordance with requirements of the relevant standards, an enterprise shall consider the factor that supplier financing arrangements lead to the concentration of a part of the financial liabilities originally payable to suppliers with the financing providers.

The Company has implemented this requirement from 1 January 2024. At the initial implementation of the requirement, the Company is not required to disclose the relevant information for the comparable period and the opening information as required under b and c of Item B.

- 2、The Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 18《企業會計準則解釋第(18號)》(Cai Kuai [2024] No. 24) (hereinafter referred to as "Interpretation No. 18") on 31 December 2024.

Accounting treatment of a warranty-type of quality guarantee that is not a separate performance obligation. Interpretation No. 18 stipulates that when accounting for the provision for warranty-type quality guarantee that is not a separate performance obligation, an enterprise shall, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 13 – Contingencies (《企業會計準則第13號—或有事項》), debit the items such as "Main business cost" and "Other business cost" based on the determined amount of provisions, and credit the item of "Provisions". These items shall be correspondingly presented in the "Operating cost" of the income statement and in items such as "Other current liabilities," "Non-current liabilities due within one year," and "Provisions" in the balance sheet.

The Company has implemented the requirements from the date of issuance of Interpretation No. 18 and made retrospective adjustments.

The implementation of Interpretation No. 18 has not had a significant impact on the Company's financial position and operating results.

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

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

☐ Yes ☒ No

Unit: RMB'000

Item	2024	2023	Year-on-year change	2022	2021	2020
Operating income	11,812,338.85	12,430,038.33	-4.97%	12,629,579.05	12,063,863.27	10,520,409.84
Net profit attributable to Shareholders of the Company	2,061,095.80	1,953,650.83	5.50%	1,909,407.69	1,775,625.49	1,715,000.86
Net profit attributable to Shareholders of the Company after deduction of extraordinary gains and losses	1,979,195.83	1,881,345.35	5.20%	1,880,472.65	1,626,989.73	1,431,639.87
Net cash flow from operating activities	2,978,847.53	3,248,934.19	-8.31%	2,772,671.30	1,902,328.14	2,160,760.61
Total profit	2,806,146.27	2,382,666.55	17.77%	2,330,550.61	2,245,688.83	2,489,435.69
Basic earnings per share (RMB/share)	2.24	2.10	6.67%	2.04	1.90	1.83
Diluted earnings per share (RMB/share)	2.24	2.10	6.67%	2.04	1.90	1.83
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	2.15	2.02	6.44%	2.01	1.74	1.53
Weighted average return on equity	14.43%	14.00%	Increased by 0.43 percentage point	14.31%	14.32%	14.86%
Return on equity attributable to Shareholders of the Company	14.87%	13.91%	Increased by 0.96 percentage point	13.76%	13.66%	14.16%
Ratio of equity attributable to Shareholders of the Company to total assets	56.68%	56.07%	Increased by 0.61 percentage point	55.80%	58.12%	58.80%

Item	31 December 2024	31 December 2023	Change as at the End of the Year from the Beginning of the Year	31 December 2022	31 December 2021	31 December 2020
Total assets	24,455,825.70	25,044,827.13	-2.35%	24,868,169.42	22,374,099.38	20,593,611.51
Total liabilities	9,550,079.10	10,278,124.13	-7.08%	9,931,885.12	8,063,079.05	6,953,480.50
Net assets attributable to Shareholders of the Company	13,862,334.19	14,042,495.30	-1.28%	13,876,069.41	13,003,796.35	12,107,332.37
Share capital	911,345.73	923,938.14	-1.36%	935,552.69	937,865.12	944,835.40
Shareholders' equity per share attributable to Shareholders of the Company (RMB/share)	15.21	15.20	0.07%	14.83	13.87	12.81

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

1. Whether the Company has made retrospective adjustments or restatements of accounting data of prior years *(continued)*

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

☐ Yes ☒ No

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

☐ Yes ☒ No

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

Total share capital of the Company as at the trading day prior to disclosure (shares)	911,345,730.00
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Fully diluted earnings per share based on the most updated share capital:

Dividends paid for preferred shares	—
Interest paid for perpetual bonds (RMB)	—
Fully diluted earnings per share based on the most updated share capital (RMB/share)	2.26

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

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

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

IX. QUARTERLY PRINCIPAL FINANCIAL INDICATORS

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating income	3,242,814,513.73	3,039,539,737.49	2,799,249,537.14	2,730,735,066.32
Net profit attributable to shareholders of the Company	607,823,809.46	563,147,074.05	501,763,106.12	388,361,814.34
Net profit attributable to shareholders of the Company after deduction of extraordinary gains and losses	590,300,889.29	565,168,418.50	475,333,392.49	348,393,125.19
Net cash flow from operating activities	924,248,920.31	605,782,336.08	777,884,105.89	670,932,164.48

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

☐ Yes ☒ No

SECTION II. COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS

X. ITEMS AND AMOUNTS OF EXTRAORDINARY GAINS AND LOSSES

☒ Applicable ☐ Not Applicable

Item	Amount in 2024	Unit: RMB	
		Amount in 2023	Amount in 2022
Gains and losses on disposal of non-current assets (including the written-off portion of provisions made for asset impairment)	38,141,577.15	-170,440.24	860,661.89
Government grants included in the current profit or loss (except for those which are closely related to the ordinary operating business of the Company, comply with the policies of the State, entitled in accordance with determined standards and that have a continuous impact on the Company's profit or loss)	120,270,784.33	186,338,052.98	180,854,828.13
Gains or losses arising from changes in fair value derived from financial assets and financial liabilities held by non-financial enterprises and gains or losses generated on disposal of financial assets and financial liabilities, except for effective hedging activities related to the ordinary operating business of the Company	-12,234,583.55	-43,944,412.67	-97,711,369.19
Other non-operating income and expenses apart from the above items	-31,193,025.79	-32,441,943.60	-20,005,007.48
Less: income tax effect	19,295,298.12	15,584,103.48	18,392,207.16
Effect of minority interests (after tax)	13,789,475.52	21,891,665.67	16,671,869.01
Total	81,899,978.50	72,305,487.32	28,935,037.18

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

☐ Applicable ☒ Not Applicable

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The industry in which the Company operates is the pharmaceutical manufacturing industry. The pharmaceutical industry is a national strategic emerging industry and an integral part of the national economy. In 2024, the pharmaceutical manufacturing industry faced multiple pressures. Data released by the National Bureau of Statistics shows that in 2024, industrial enterprises above designated size in the pharmaceutical manufacturing industry achieved operating revenue of RMB2,529.85 billion, remaining flat year-on-year, and total profit of RMB342.07 billion, representing a decrease of 1.1% year-on-year. On the other hand, the pharmaceutical industry is at a stage where innovation is booming and policies are being adjusted. Under the promotion of the “three-medicine linkage” policy system of medical insurance, pharmaceuticals, and healthcare, the pharmaceutical industry is advancing towards high-quality development and continuously transforming and upgrading.

Livzon Group is primarily engaged in the R&D, production and sale of pharmaceutical products, which cover drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates, as well as diagnostic reagents and equipment, forming a relatively complete and competitive product portfolio.

At the 41st China Pharmaceutical Industry Information Annual Conference 2024, the Company ranked 25th on the list of China’s Top 100 Pharmaceutical Industrial Enterprises, with its operational resilience and innovative R&D capabilities recognized by the industry.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Supporting innovation of pharmaceutical R&D. In February 2024, the National Healthcare Security Administration issued the draft for public comments of the Notice on Establishing the First Price Formation Mechanism for Newly Marketed Chemical Drugs to Encourage High-Quality Innovation (《關於建立新上市化學藥品首發價格形成機制鼓勵高質量創新的通知》), which proposed to adhere to the principle that drug prices shall be determined by the market and support high-quality innovative drugs in obtaining “returns consistent with high investment and high risk”. In March 2024, the term “innovative drug” was included in the Government Work Report for the first time and was listed as one of the emerging industries to be actively cultivated. In July 2024, the State Council scrutinized and approved the Implementation Plan for Full-chain Support for the Development of Innovative Drugs (《全鏈條支持創新藥發展實施方案》). The meeting pointed out that the development of innovative drugs is related to the development of the pharmaceutical industry. It shall enhance the policy protection of the whole chain, coordinate the effective use of policies such as price management, medical insurance contribution, commercial insurance, drug preparation and use, and investment and financing, optimize the evaluation and approval mechanism and assessment mechanism for medical institutions, and put joint efforts to promote the breakthrough development of innovative drugs. Subsequently, a number of provinces and cities have successively introduced policies related to supporting innovative drugs. In addition, the Pilot Work Plan for Optimizing the Review and Approval of Clinical Trials of Innovative Drugs (《優化創新藥臨床試驗審評審批試點工作方案》) formulated by the National Medical Products Administration in July 2024 also clearly defined the optimization of the review and approval mechanism for clinical trials of innovative drugs, and the mechanism may realize the completion of the review and approval of applications for clinical trials of innovative drugs within 30 working days, thereby shortening the time required to initiate drug clinical trials. The aforementioned series of policies is expected to accelerate the R&D process of innovative drugs, promoting the transformation of China’s pharmaceutical industry towards an innovation-driven model.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The medical insurance payment system has been gradually improved. Previously, the National Healthcare Security Administration issued the Three-Year Action Plan for DRG/DIP Payment Reform (DRG/DIP支付方式改革三年行動計劃), aiming to promote high-quality development of medical insurance and facilitate supply-side structural reform. In July 2024, the National Healthcare Security Administration issued the Notice on Issuing Version 2.0 Grouping Scheme for Payment by Diagnosis Related Groups (DRG) and Diagnosis-Intervention Packet (DIP) and Deeply Promoting the Related Work (《關於印發按病組 (DRG) 和病種分值 (DIP) 付費2.0版分組方案並深入推進相關工作的通知》). The notice proposed that for eligible new drugs, consumables and new technologies and other cases that are not suitable to be paid in accordance with the DRG/DIP standards, medical institutions may independently apply for separately negotiating special cases. On one hand, this approach helps ensure the scientific nature of the application process; on the other hand, it can provide a reasonable payment channel for new drugs and technologies that are truly innovative and have high clinical value, allowing patients to have the opportunity to benefit from cutting-edge medical achievements. In November 2024, the National Healthcare Security Administration announced the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年)》). Based on adhering to “guaranteeing basic medical insurance”, the catalog continued to insist on the adjustment idea of “making up shortcomings, encouraging innovation, and optimizing structure”. A total of 91 new drugs have been added in this adjustment, of which 90 drugs were newly launched within the past five years, and 38 drugs were innovative drugs classified as “globally new”. During the negotiation stage, the success rate of negotiations for innovative drugs exceeded 90%, with more high-quality and high-clinical-value innovative drugs being included in the Medical Insurance Catalogue, significantly alleviating the financial burden on patients and improving the accessibility of innovative drugs. A series of measures in the above-mentioned medical insurance payment system are clearly oriented to encourage innovation, urging enterprises to focus on the R&D of products with genuine innovation and high clinical value and enhance the competitiveness of their own products for being included in the medical insurance catalogue.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Enhancing the quality and expanding the scope of centralized drug procurement. In May 2024, the National Healthcare Security Administration issued the Notice on Strengthening Regional Coordination to Improve Quality and Expand Coverage of Pharmaceutical Centralized Procurement in 2024 (《關於加強區域協同做好2024年醫藥集中採購提質擴面的通知》), proposing to continue to vigorously promote pharmaceutical centralized bulk-buying, strengthen regional coordination, and enhance the scale and standardization of alliance procurement. In December 2024, the tenth round of centralized purchase of drugs organized by the State generated the proposed winning results. 62 drugs were successfully purchased in this centralized purchase, and an average of more than six enterprises won bids for each drug, promoting more stable and diverse supply. Since 2018, the National Healthcare Security Administration, in conjunction with relevant departments, has organized and conducted ten rounds of state-organized centralized purchase of drugs, successfully purchasing a total of 435 drugs. In terms of price reduction, the average reduction rate for the first nine rounds of centralized purchase was about 50%. The continued advancement of centralized purchase has prompted the relevant pharmaceutical enterprises to place greater emphasis on cost control, and some enterprises may take this opportunity to adjust their development strategies and accelerate the transformation to innovative drugs. Overall, the centralized procurement of pharmaceuticals has alleviated the financial burden of “old drugs” on the public while creating opportunities to support the inclusion of new drugs into medical insurance, thereby enhancing and optimizing the medication structure for the public and promoting the quality enhancement and upgrade of the pharmaceutical industry.

Normalization of industry regulation. In May 2024, the 14 ministries and commissions under the Inter-Ministerial Mechanism for Correcting Malpractices including the National Health Commission jointly formulated and issued the Notice on the Key Points of Work for Correcting Malpractices in the Pharmaceutical Purchase and Sale Sector and Medical Services in 2024 (《關於印發2024年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》), guiding the entire industry system to carry out work on correcting malpractices in the industry, and further strengthening industry supervision. In January 2025, the State Administration for Market Regulation issued the Compliance Guidelines for Pharmaceutical Enterprises to Prevent Commercial Bribery Risks (《醫藥企業防範商業賄賂風險合規指引》). The document sorted the identification and prevention of nine specific commercial bribery risks in pharmaceutical enterprises, including academic visits and exchanges, business receptions, consulting services, outsourcing services, discounts and commissions, donations and sponsorships, free provision of medical equipment, clinical study and retail terminal sales, and elaborated on the measures for addressing commercial bribery risks in pharmaceutical enterprises in terms of the internal disposal of risks and cooperation with regulatory enforcement. The release of this document provides support and guidance for pharmaceutical companies in establishing and improving compliance management systems, clarifying the basic principles and specific practices of pharmaceutical enterprises in anti-commercial bribery related efforts, and providing a practical guidance for compliant marketing and the high-quality development of the pharmaceutical industry.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE YEAR

Livzon Group upholds the mission of prioritizing the quality of life of the patients with the goal of becoming a leading pharmaceutical enterprise within the industry, focusing on the field of life and health, with the R&D, production, and sales of pharmaceutical products as its main business. Its products include drug preparation products, APIs and intermediates, diagnostic reagents and equipment. Drug preparation products focus on therapeutic areas of gastroenterology, assisted reproduction, psychiatry and neurology. The main products are as follows:

Assisted reproduction field: Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球(貝依)), Urofollitropin for Injection (注射用尿促卵泡素(麗申寶)), Menotropins for Injection (注射用尿促性素(樂寶得)), etc.;

Gastrointestinal field: Ilaprazole Enteric-Coated Tablets and Ilaprazole Sodium for Injection (艾普拉唑腸溶片及注射用艾普拉唑鈉(壹麗安)), a series of Bismuth Potassium Citrate (枸橼酸鉍鉀(麗珠得樂)) products, 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)), etc.;

Psychiatric and Neurological Field: Fluvoxamine Maleate Tablets (馬來酸氟伏沙明片(瑞必樂)), Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片(康爾汀)), etc.;

Traditional Chinese medicine field: Shenqi Fuzheng Injection (參芪扶正注射液), Anti-viral Granules (抗病毒顆粒), etc.

In addition, the Company also produces APIs and intermediates such as Mevastatin (美伐他汀), Acarbose (阿卡波糖), 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 Antibody to Mycoplasma Pneumonia (Colloidal Gold) (肺炎支原體IgM抗體檢測試劑(膠體金法)), Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA) (人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)) and Livzon Antinuclear Antibody Test Kit (17) (Magnetic Barcode Immunofluorescence) (抗核抗體檢測試劑盒(磁條碼免疫熒光發光法)), etc.

During the Year, the Group recorded an operating income of RMB11.812 billion, representing a year-on-year decrease of 4.97%; a net profit attributable to Shareholders of the Company of RMB2.061 billion, representing a year-on-year increase of 5.50%; a net profit attributable to Shareholders of the Company after deduction of extraordinary gains and losses was RMB1.979 billion, representing a year-on-year increase of 5.20%.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

DRUG PREPARATION PRODUCTS

Ilaprazole Enteric-Coated Tablets



Leuporelin Acetate Microspheres for Injection



Fluvoxamine Maleate Tablets



Tocilizumab Injection



Anti-viral Granules



Ilaprazole Sodium for Injection



Triptorelin Acetate Microspheres for Injection



Perospirone Hydrochloride Tablets

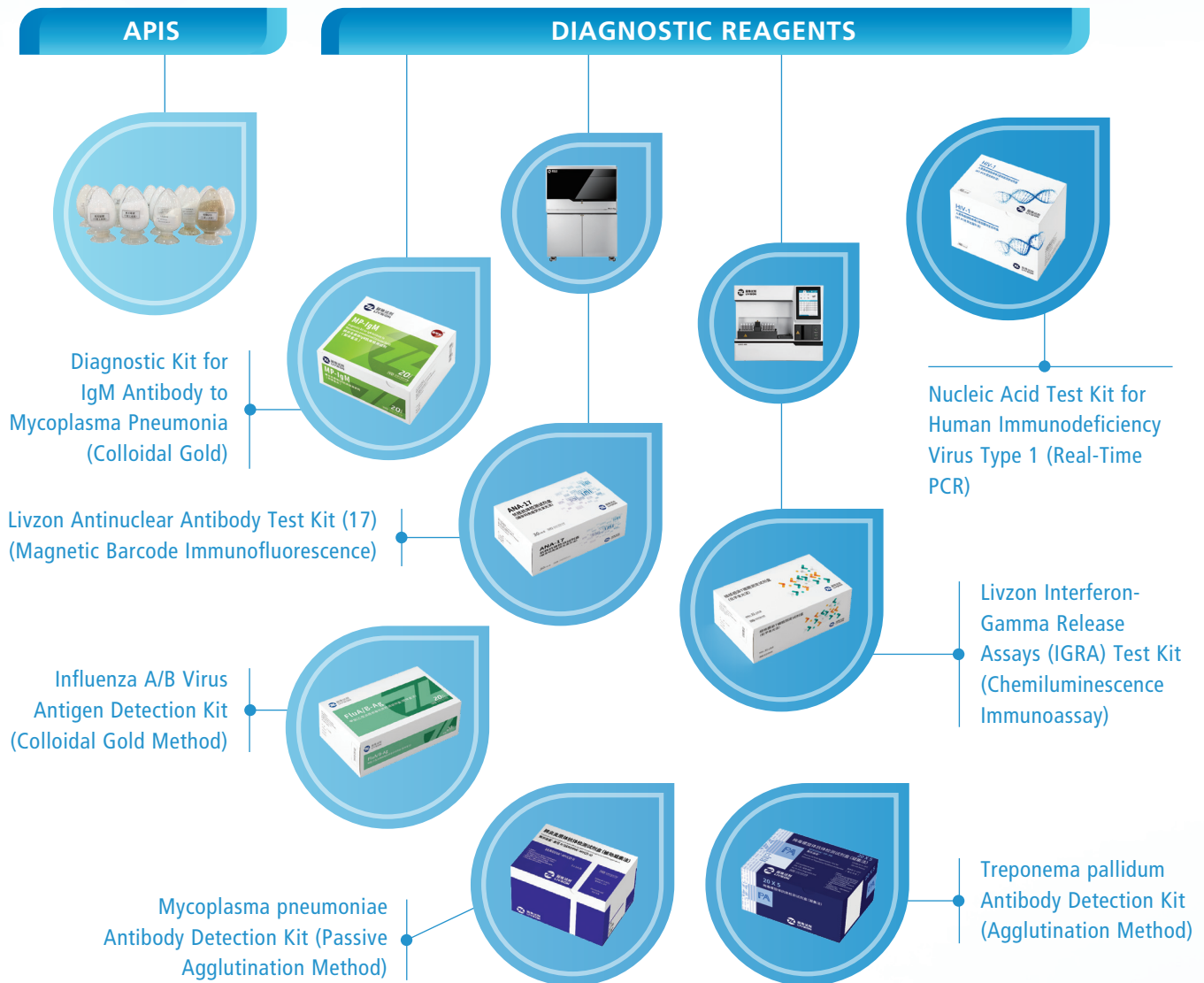


Urofollitropin for Injection



Shenqi Fuzheng Injection

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS



SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

The main factors affecting revenue include:

In the field of chemical drug preparations, the key product Ilaprazole Sodium for Injection (注射用艾普拉唑钠) experienced a decline in sales revenue due to price reductions from national medical insurance negotiations; Voriconazole for Injection (注射用伏立康唑) was included in the eighth batch of national drug centralized procurement, and Rabeprazole Sodium Enteric-coated Capsules (雷贝拉唑钠肠溶胶囊) were listed in the ninth batch of national drug centralized procurement list. Since the implementation of the relevant centralized procurement policies, their sales revenue has significantly decreased year-on-year.

In the field of traditional Chinese medicine preparations, sales revenue of Anti-viral Granules (抗病毒颗粒) products declined year-on-year in 2024, mainly due to the COVID-19 in 2023 and the persistent influenza, which led to a significant increase in market demand for Anti-viral Granules (抗病毒颗粒) and formed a high sales base, while market demand dropped back in 2024; meanwhile, the sales revenue of Shenqi Fuzheng Injection (参芪扶正注射液) increased year-on-year due to benefiting from the lifting of restrictions on the types of cancers on the Medical Insurance Catalogue.

In 2024, the progress of major tasks of the Group was set out as follows:

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI

Livzon Group continued to pay attention to new molecules and cutting-edge technologies in the field of global new drug R&D, and guided by clinical value. In terms of disease areas, we strengthened the comprehensive product layout and innovative iteration in the advantageous fields such as gastroenterology, assisted reproduction and psychoneurosis, actively expanded and improved the R&D gradient and layout in the chronic disease fields such as anti-infection, metabolism and cardiovascular and cerebrovascular diseases. In terms of technology platforms, we relied on the technologically advantageous technology platforms for sustained-release microspheres, antibody drugs and recombinant protein vaccine to enrich the pipeline; we gave play to the advantages of the national-level TCM R&D platform to advance the R&D of class 1.1 innovative TCM and exclusive varieties; meanwhile, we explored cutting-edge fields such as small nucleic acid molecules. During the Year, the Group's total expenditure related to R&D amounted to approximately RMB1.044 billion, accounting for approximately 8.84% of the total operating income.

- 1. Optimizing R&D structure and focusing on innovation:** During the Reporting Period, the Group established a modular and flat R&D management system and centrally coordinated and managed key projects under research through the R&D headquarters. We built an integrated management structure that closely connected the aspects such as pharmaceutical research, non-clinical, medical strategy, clinical operation, pharmacovigilance and registration affairs, and achieving full coverage and precise control over the entire process from the early stage of R&D to clinical trial, registration and market launch of drugs. We established an information-based R&D project management platform and enhanced the efficiency of initiation of R&D project and process management of projects. In addition, the project initiation and reassessment mechanism was strengthened. Through prudent assessment and decision-making, the projects under research, which were related to ordinary generics, lacked market competitive advantage or had low patent protection barriers, were coordinated and optimized during the Reporting Period. Superior resources and R&D investments were concentrated to fully advance competitive R&D projects.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

2. **Dual drive of independent R&D and BD:** While continuously strengthening independent innovation, the Company continued to deepen cooperative development and licensing-in in core areas. In terms of BD, we focused on the Group's key areas, including gastroenterology, psychiatry and neurology, metabolism and anti-infection, balancing short-term and medium to long-term projects. We emphasized projects with a high degree of alignment with existing pipelines or those that can form complementary advantages, to drive the Company's product iteration and the establishment of innovative technology platforms. During the Reporting Period, the Group accelerated its pace in BD, introducing six projects, including neuropsychiatric drugs such as innovative drugs of KCNQ2/3 inhibitors in the neuropsychiatric field, drugs of D2/D3/5HT2A receptor antagonists, DHODH inhibitor innovative drugs in the anti-infection field, PDE5 inhibitor innovative drugs in the male health field, small nucleic acid innovative drugs in the metabolic field, and a new recombinant protein influenza vaccine (Appendix 2), of which five projects are innovative drugs, and is accelerating the subsequent clinical development work.
3. **Accelerating innovation and R&D with efficient implementation:** The Company rationally allocated existing R&D resources through a diversified R&D platform, further focusing on the R&D of innovative drugs and high-barrier complex drug preparations, accelerating the implementation of innovative R&D results. From the Beginning of the Year to the disclosure date of the Report, 2 clinical approvals and 9 production approvals were obtained for drug preparation products. As at the disclosure date of the Report, there were 7 market launch review stage projects, 5 phase III clinical projects, 8 process validation/BE projects and 2 phase II clinical projects. There were a total of 45 drug preparation product projects under research, including a total of 23 innovative drugs, high-barrier complex drug preparations and products with high clinical value (Appendix 1). The R&D progress of key projects under research is as follows:

(1) Innovative drugs

The phase III clinical enrollment 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) for psoriasis indication was completed, marking it as the first dual-target IL-17 drug produced in China and also the first biologic drug preparation in psoriasis field to do head-to-head clinical study with the original drug, Secukinumab (司庫奇尤); the phase III clinical enrollment for the ankylosing spondylitis indication (co-developed with Kanova) was completed, with plans to apply for market approval within 2025;

The H001 Capsules (H001膠囊) are in phase II clinical trials. This product is a direct thrombin inhibitor, and its current research indication is for preventing venous thromboembolism after major orthopedic operation by blocking the activation of fibrinogen in the blood coagulation cascade, thereby blocking the formation of thrombus;

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(1) Innovative drugs *(continued)*

The Fudanafil Tablets (複達那非片) are in phase II clinical trials. As a PDE-5 inhibitor, the current research indication of Fudanafil Tablets is for treating benign prostatic hyperplasia by selectively inhibiting PDE-5 and reducing the degradation of cGMP;

The NS-041 Tablets (NS-041片) are in phase I clinical trials. As a new generation KCNQ2/3 activator, this product has shown good potential in the treatment of diseases such as epilepsy and depression. No drugs with the same target have been marketed globally;

The SG1001 Tablets (SG1001片) are in phase I clinical trials. As a new antifungal drug, it is expected to solve the drug resistance problem of triazole antibiotics. No drugs with the same target have been marketed globally;

The new Quadrivalent Influenza Recombinant Protein Vaccine (四價流感重組蛋白疫苗) has been approved for clinical trials. As the first new quadrivalent recombinant protein influenza vaccine in China, it adopts an insect cell expression system to enhance safety and significantly boosts immunogenicity through a new adjuvant;

LZHN2408 is in the pre-clinical study stage. This product is an innovative small nucleic acid drug in the field of metabolism. It adopts siRNA interference technology to inhibit the synthesis of target genes from the source and achieve long-term and stable control of the levels of target products, which can effectively enhance patents' medication compliance;

LZZN2201 is in the pre-clinical study stage. This product is a class 1.1 compound preparation of TCM (1.1類中藥複方製劑), and is used for the treatment of generalized anxiety disorder with symptoms of deficiency of liver blood and deficiency-heat disturbing the mind;

LZZN1801 is in the pre-clinical study stage. This product is a class 1.1 compound preparation of TCM developed based on hospital agreement prescription with years of clinical application, which is for the treatment of vascular vertigo.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(2) High-barrier complex drug preparations

After the production application for Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) in 2023, the supplementary materials were successfully submitted during the Reporting Period and it is expected to obtain approval for market launch in the first half of 2025;

The BE testing for Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) was completed, Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液) is undergoing BE testing. Both of these microcrystal products are planned to approval for market launch expected to be obtained within 2025;

After the indication of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) for prostate cancer was approved for market launch in 2023, the new indication for endometriosis was approved for market launch, and the central precocious puberty indication has commenced phase III clinical trials;

Following Leuprorelin Acetate Microspheres for Injection (1M) (注射用醋酸亮丙瑞林微球(1M)) becoming the world's first long-acting sustained-release drug preparation of gonadotropin-releasing hormone (GnRH) approved after completing bio-equivalence studies according to the US FDA's individual drug guidelines, Leuprorelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球(3M)) is undergoing a BE trial;

Alarelin Acetate Microspheres for Injection (注射用醋酸丙氨瑞林微球) is in phase I clinical trial;

LZHG1701 and LZHG2401 are in pre-clinical study.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(3) Products with high clinical value

The application for market launch of Semaglutide Injection (司美格魯肽注射液) for type II diabetic indications has been accepted, and phase III clinical enrollment for the weight loss indication has been completed;

The Recombinant Human Follitropin Alfa Solution for Injection (重組人促卵泡激素注射液) was submitted for market launch at the end of January 2025 and has been accepted. In addition, Progesterone Injection (II) (黃體酮注射液(II)) was approved for market launch in March 2025, forming a more complete assisted reproductive product matrix;

The phase III clinical research on the JP-1366 Tablets (the P-CAB product) has been officially commenced, and injection has been approved to conduct clinical trials, further enriching the pipeline under research in the digestive field and expanding the product matrix.

In addition, the R&D of TCM primarily focuses on the clinical positioning of psychiatry, chronic diseases and exclusive varieties. Two products in the gynecological and cardio-cerebral vascular fields of "class 3.1 compound preparation of famous ancient classical TCM (古代經典名方中藥複方製劑3.1類)" are expected to be filed for production this year.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(3) Products with high clinical value *(continued)*

Appendix 1: Innovative drugs, high-barrier complex drug preparations and products with high clinical value under research (R&D progress as of 28 February 2025)

Field	Project code	Clinical project indications	Application for clinical /pre-clinical study	R&D Progress				Approved for market launch	Registration classification
				Phase I clinical trial	Phase II clinical trial	Phase III clinical trial/BE	Application for market launch		
Gastroenterology	JP-1366 tablets (JP-1366片)	Reflux esophagitis				✓			IND has been declared as class 1 chemical drug
	JP-1366 for Injection (注射用JP-1366)	Peptic ulcer hemorrhage		✓					Class 2 chemical drug
Reproduction	Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)	Endometriosis (stage I to IV)				✓		✓	Class 2 chemical drug
	Recombinant Human Follitropin Alfa Solution for Injection (重组人促卵泡激素注射液)	Assisted reproduction and ovulation promotion					✓		Class 2 chemical drug
	Fadanafil Tablets (複達那非片)	Benign prostatic hyperplasia			✓				Class 3 therapeutic biological product
	Alarelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)	Endometriosis		✓					Class 1 chemical drug
	LZH61701	Endometriosis	✓						Class 2 chemical drug
	Leuprorelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球(3M))	Central precocious puberty				✓			Class 4 chemical drug
Psychiatry and Neurology	Aripiprazole Microspheres for Injection (注射用阿立哌唑微球)	Schizophrenia					✓		Class 4 chemical drug
	Aripiprazole for Injection (注射用阿立哌唑)	Schizophrenia				✓			Class 4 chemical drug
	Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液)	Schizophrenia				✓			Class 4 chemical drug
	LZH62403	Schizophrenia				✓			Class 2 chemical drug
	NS-041 Tablets (NS-041片)	Epilepsy		✓					Class 1 chemical drug
	LZZN2201	Depression	✓						Class 1 chemical drug
Cardiovascular	LZZN2201	Generalized anxiety disorder	✓						Class 1 compound preparation of TCM
	LZH62401	Schizophrenia	✓						Class 2 chemical drug
	H001 Capsule (H001胶囊)	Prevention of venous thromboembolism after major orthopedic operation			✓				Class 1 chemical drug
	LZZN1801	Vascular vertigo	✓						Class 1 compound preparation of TCM
	Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球)	Prostate cancer, breast cancer				✓			Class 4 chemical drug
	Alarelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球(3M))	Prostate cancer		✓					Class 2 chemical drug
Chronic Diseases	LZH61701	Breast cancer		✓					Class 2 chemical drug
	LZH61701	Prostate cancer, breast cancer	✓						Class 4 chemical drug
	Semaglutide Injection (司美格鲁肽注射液)	Type 2 diabetes					✓		Class 3 therapeutic biological product
		Weight management				✓			Class 3 therapeutic biological product
	LZH62408	Hyperuricemia, gout	✓						Class 1 chemical drug
	Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人IL-17A/F人源化单克隆抗体注射液)	Psoriasis				✓			Class 1 therapeutic biological product
Anti-infective		Ankylosing spondylitis				✓			Class 1 therapeutic biological product
	SG1001 Tablets (SG1001片)	Invasive disease		✓					Class 1 chemical drug
Vaccines	LZH62407	Invasive fungal disease	✓						Class 1 chemical drug
	Quadrivalent Influenza Recombinant Protein Vaccine (四价流感重组蛋白疫苗)	Prevention of influenza		✓					Class 1 preventive biological product

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(4) Other projects under research

Consistency evaluation: Bismuth Potassium Citrate Granules (枸橼酸鉍鉀顆粒), Perospirone Hydrochloride Tablets (8 mg) (鹽酸哌羅匹隆片 (8 mg)) and Leuporelin Acetate Microspheres for Injection (1M) were approved during the Reporting Period. Currently, two products have been registered for application, namely Perospirone Hydrochloride Tablets (4 mg) (鹽酸哌羅匹隆片 (4 mg)) and Valacyclovir Hydrochloride Tablet (鹽酸伐昔洛韋片).

APIs: During the Reporting Period, the production product supplements for the three production lines of amino acids, cephalosporins and high-end antibiotics have been completed successively. Currently, the related process confirmation and optimization work is underway. To further enhance the competitiveness in the APIs and intermediates segments, during the Reporting Period, we successfully introduced 4 projects in fields such as high-end antibiotics and pet drugs, and steadily advanced their implementation.

Diagnostic reagents: We continued to focus on the strategic disease areas to deepen its business layout. During the Reporting Period, the breakthrough and unique immunodiagnostic platform – digital liquid phase chip and chemiluminescence multifunctional integrated machine – received certification and was recognized as an innovative medical device. The diagnostic reagents equipped on this platform have been approved for market launch or have completed registration submission. The rapid detection menu for respiratory pathogens continued to expand, and the next-generation rapid high-throughput nucleic acid detection platform has been initiated.

4. **Leveraging on AI, improving quality and efficiency of R&D:** Under the strategic guidance of innovation-driven development, the Company have continuously deepened the in-depth application of AI technology in the field of R&D, comprehensively expanded its diverse application scenarios in the whole process of drug R&D, covered key stages such as disease target identification, drug discovery and new drug design, pharmaceutical study, clinical research, and post-marketing monitoring. Leveraging on the professional AI drug development platform, the Company have obtained significant phased achievements during the Reporting Period: In the early stage of drug R&D, the Company efficiently predicted the physicochemical properties and stability relationship of input molecules through the precise processes of the AI platform. The AI-based innovative molecular route design provided a new idea for the exploration of chemical synthesis pathways and process R&D, and assisted the R&D team in accurately exploring the synthesis routes with more potential and prospect among numerous possibilities. Combining long-term accumulated R&D experience and data resources, the Company effectively improved the R&D efficiency in key areas such as the removal of impurities in biopharmaceuticals. The application of AI has effectively enhanced the efficiency and quality of R&D, injected strong momentum into R&D efforts and promoted the improvement of quality and efficiency of innovative R&D.

5. **Strengthening patents, building a solid defense line for innovation:** In 2024, the Group applied for 43 domestic patents, and obtained 42 domestic patent licenses and 4 foreign patent licenses. As at 31 December 2024, the Company owned 722 domestic and overseas validly licensed patents, including 462 invention patents. Currently, 274 patents are under examination. The patents covered new drug structure/sequence, salt type/crystal type, drug preparation processes, applications, formulation, etc., and provided comprehensive intellectual property protection for the Company's innovative R&D. During the Year, the Company focused on strengthening intellectual property awareness, organized multiple professional trainings for the R&D team, and comprehensively enhanced the professional quality and perception level of R&D personnel in the field of intellectual property.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

I. DUAL DRIVE OF INDEPENDENT R&D AND BD AND ACCELERATING INNOVATIVE R&D EMPOWERED BY AI *(continued)*

(4) Other projects under research *(continued)*

Appendix 2: BD Projects during the Reporting Period

Disease field	Name/code of Major R&D projects	Target	Registration classification	Indications under development	Project progress (as of 28 February 2025)
Andrology/reproduction	Fadanafil Tablets (複達那非片)	PDE5 inhibitor	Class 1 chemical drug	Benign prostatic hyperplasia	Phase II clinical trial
Psychiatry and neurology	NS-041 Tablets (NS-041片)	Potassium ion channel agonist	Chemical drug class 1	Epilepsy	Phase I clinical trial
Psychiatry and neurology	LZHG2403	D2/D3/5HT2A receptor antagonists	Class 2 chemical drug	Schizophrenia	BE trial
Anti-infective	SG1001 Tablets (SG1001片)	DHODH inhibitor	Class 1 chemical drug	Invasive fungal infections	Phase I clinical trial
Vaccines	Quadrivalent Influenza Recombinant Protein Vaccine (四價流感重組蛋白疫苗)	Influenza vaccine	Class 1 Biological drug for prevention	Prevention of influenza caused by influenza virus infection	Phase I clinical trial
Metabolism	LZHN2408	Small nucleic acid drugs	Class 1 chemical drug	Hyperuricemia, gout	Pre-clinical study

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

II. BASED ON COMPLIANCE, STRENGTHENING ACADEMIC PROMOTION AND PROMOTING DIGITAL MARKETING

In the complex and ever-changing pharmaceutical market environment, the Company consistently focuses on compliant marketing and continuously enhances its academic influence. We are committed to providing patients with higher quality and more effective pharmaceutical solutions, and spare no pains to promote the rapid coverage of core products. At the same time, leveraging on digital marketing and AI big data analysis, we have an accurate insight into market demand, assist in formulating more targeted marketing strategies and enhance market competitiveness.

Broadening channels and enhancing the breadth and depth of market coverage: The sales of prescription drugs – firstly, we focused on improving the terminal coverage of core products, and KA hospitals, Class 3 hospitals and key Class 2 hospitals were precisely positioned as the key terminal promotion direction; secondly, we strove to strengthen the synergy and linkage of online and offline prescription drugs, closely seized the opportunities in the retail markets, and enhanced brand awareness in the market and satisfaction among patient groups; thirdly, in terms of preparation for new product promotion, we formulated targeted marketing strategies, strengthened the training and guidance of the sales team to ensure accurate communication of the features and advantages of new products and lay a solid foundation for the successful launch of new products. In terms of the retail market for OTC products, we focused on pharmacy coverage, strengthened refined operation management, and consolidated and enhanced the market penetration rate of products and brand influence through the in-depth collaboration of the internet digital marketing platform.

Academic promotion, solidifying the foundation of products: With the Company's continuous deepening of innovative R&D, innovative drugs have become the core driving force for the Company's future development, and the core position of academic marketing has also been continuously strengthened. During the Reporting Period, the Company made every effort to optimize the marketing system supported by medical evidence, deeply strengthened its medical professional positioning, continuously enriched the chain of clinical evidence, enhanced the collection and analysis of real-world data, and proceeded key tasks such as the clinical comprehensive evaluation and pharmaco-economics research of key products in the post-launch stage in an orderly manner. We provided more comprehensive evidence support for the efficacy and safety of the products.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

II. BASED ON COMPLIANCE, STRENGTHENING ACADEMIC PROMOTION AND PROMOTING DIGITAL MARKETING *(continued)*

Digital marketing, constructing a comprehensive marketing ecosystem: The Company took “Expert Talk” as the starting point to perfect the digital marketing closed loop and build a comprehensive digital marketing system. As at the End of the Reporting Period, Livzon Group’s professional health science popularization platforms such as “Digestive Expert Talk” and “Psychological Expert Talk” attracted a large user base with a strong interest and practical needs in related disease fields by virtue of their professional, practical and simple but profound characteristics. The total number of fans across the internet has exceeded 3 million, and the brand influence of Livzon Group has been further enhanced. The “Pet Expert Talk” platform in the pet drug field has been welcomed by a large number of pet lovers by providing professional pet health knowledge and practical care advice. The number of fans achieved continuous increase, and we also realized an accelerated growth in sales conversion.

Compliant marketing, ensuring steady development: In various marketing activities conducted by us, the Company consistently adhered to the bottom line of compliance. Currently, we have established multiple responsible marketing systems to manage and regulate the marketing behavior and ensure that marketing activities are lawful and compliant. Meanwhile, during the Reporting Period, a series of compliance training activities were actively carried out, and strict compliance reviews were conducted on service providers in multiple regions nationwide. We have established a comprehensive compliance risk monitoring mechanism, closely collaborated with multiple departments within the Group, and formed an all-round compliance risk prevention and control network.

Refined management, driving the improvement of unit production: In 2024, the Company’s marketing team actively responded to market changes and achieved cost reduction and efficiency increase through refined management and digital transformation. On one hand, the marketing team relied on empowerment of AI to conduct in-depth data mining and analysis and precisely target high-potential markets. On the other hand, the team optimized the entire process management from market research, product promotion to sales execution, and significantly enhanced the efficiency of marketing resource allocation. During the Reporting Period, the sales expense ratio throughout the year decreased by 1.39 percentage points year on year, reducing marketing costs.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

III. THE QUALITY MANAGEMENT SYSTEM OF THE WHOLE LIFE CYCLE PROVIDING ESCORT, PRODUCTION AND OPERATION EFFICIENCY BEING IMPROVED CONTINUOUSLY

Livzon Group established a quality management system of the whole life cycle covering the stages such as product R&D, production and sales, actively organized production and made every effort to ensure the supply of drugs.

Optimizing production operations: 1. We focused on the optimization of production processes and the innovation of technologies, continuously carried out automation upgrades and information construction, further achieved quality improvement and cost reduction, and enhanced the Company's overall competitiveness. During the Reporting Period, the Company formulated the Lean Project Production System of the Group (《集團精益項目管理制度》) to promote lean production management and reduce production and operating costs. Meanwhile, we continuously optimized production planning and scheduling to full utilization of the production lines. 2. The Group placed great emphasis on EHS management, and the overall operation of EHS in each unit was stable. On this basis, the Group revised an EHS assessment scheme for production enterprises, improved the assessment management system, and further strengthened the implementation of EHS responsibilities. 3. We continuously improved the supply chain system, strengthened the connection management of the links including production, supply and sales, enhanced the risk control capability of the supply chain and achieved a steady improvement in supply assurance capability.

Strictly adhering to production quality: At present, 100% of the production lines of the Group's marketed products have passed GMP compliance inspection. The Company takes China's GMP as the basis and takes international standards as the direction of continuous improvement, and strictly controls product quality. The Quality Management Headquarters conducts daily quality supervision, flight inspections or special inspections on each production enterprise under Livzon Group, with a focus on auditing the implementation of the holders' main responsibilities for quality and safety and the construction and operation of the PV system. During the Reporting Period, the Company conducted self-inspections, including routine quality supervision, flight inspection or special inspection, for totally 30 times. APIs production base achieved a "zero" 483 record in the FDA inspection and passed the Brazilian official inspection with "zero" defects.

Practicing energy conservation and emission reduction: The Company thoroughly applied the green development concept, fully responded to environmental protection policies, deeply integrated the concept of sustainable development into daily operations, formulated energy-saving and emission reduction targets, and strictly implemented assessment mechanisms, while vigorously improving the management system for pollutant emissions and resource utilization. In the field of waste gas treatment, the subsidiary Fuzhou Fuxing employed an advanced low-temperature refrigeration system to manage waste gas, which not only effectively reduced tail gas emissions, but also significantly decreased solvent usage, saving approximately RMB3.5 million in solvent costs annually. In respect of wastewater management, the Company addressed the issue from the source by strictly controlling wastewater discharge, while continuously optimizing sewage treatment processes to enhance treatment efficiency, and effectively reducing wastewater discharge. In response to the challenges of solid waste disposal, the Company has introduced advanced oxidation technology to render solid waste harmless and reduce its volume, significantly decreasing the amount of solid waste generated.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

III. THE QUALITY MANAGEMENT SYSTEM OF THE WHOLE LIFE CYCLE PROVIDING ESCORT, PRODUCTION AND OPERATION EFFICIENCY BEING IMPROVED CONTINUOUSLY *(continued)*

Strengthening the construction of quality culture: In order to enhance the quality risk awareness and quality management capabilities of all employees, Livzon continuously strengthened the construction of advanced quality culture, established a long-term management mechanism, actively conducted quality-themed cultural activities and created a good atmosphere in which everyone attached importance to quality. During the Reporting Period, the Quality Management Headquarters organized the activities of Annual Quality Month, focused on the 2024 quality keyword “Quality Management of the Whole Life Cycle”, and conducted special training and carried out a law regulatory knowledge competition for key personnel of drug holders.

Preparing for the marketing of new products: During the Reporting Period, focusing on the newly launched products, such as Rabeprazole Sodium Enteric-coated Tablets (雷貝拉唑鈉腸溶片), Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution (硫酸鎂鈉鉀口服用濃溶液) and Tedizolid Phosphate for Injection (注射用磷酸特地唑胺), Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片) and Perospirone Hydrochloride Tablets (鹽酸哌羅匹隆片) (8 mg), we actively did a good job in the capacity layout of products in terms of production and quality, continuously enhanced supply guarantee capabilities, and effectively accelerated the commercialization progress of new products.

IV. STEADY EXPANSION OF OVERSEAS BUSINESS, FRUITFUL ACHIEVEMENTS IN INTERNATIONAL REGISTRATION AND CERTIFICATION

The Company has promoted its internationalization strategy in multiple dimensions such as commercialization, production and operation, innovative R&D and bilateral licensing. With the Company’s continuous deepening of export business, during the Reporting Period, the Company achieved overseas revenue of RMB1.724 billion, accounting for approximately 14.59% of the total operating revenue, representing a year-on-year growth of 9.69%.

Deepening the overseas layout of APIs: In the continuous optimization process over the past few years, the APIs business successfully achieved transformation and upgrade at the product and market levels, from bulk APIs to high-end specialty APIs, from domestic markets to international markets, and from emerging markets to European and American markets. In 2024, the export revenue of APIs and intermediates was RMB1.668 billion, representing a year-on-year growth of 7.93%. Among them, the direct sales in the standardized markets accounted for 35%. In respect of the three major export business segments, namely the high-end antibiotic series, high-end veterinary drug series and intermediate product series, feature leading products such as Vancomycin (萬古霉素), Teicoplanin (替考拉寧) and Daptomycin (達托霉素), which have positioned Livzon APIs (麗珠原料藥) as the top producer and seller of a series of high-end antibiotic products in China. The performance of Livzon’s high-end antibiotic has been growing steadily for several consecutive years; high-end veterinary drugs like Milbemycin Oxime (米爾貝肟), Moxidectin (莫昔克丁) have strengthened the collaboration with international animal health giants, while continuously exploring small and medium-sized clients in the generic drug market to enhance customer coverage. Our intermediate products have maintained a very high market share for many years. The Company has deeply explored and maintained a high market share in the South American markets and Middle Eastern markets, while also newly expanding its business into the Eurasian Economic Union and African markets. As of the end of the Reporting Period, a total of 34 API and intermediate products of the Group has completed 202 international registration projects in 94 overseas countries/regions and obtained 32 international certification certificates for API and intermediate varieties, laying the foundation for the Company’s overall internationalization process and accumulating valuable experience.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

IV. STEADY EXPANSION OF OVERSEAS BUSINESS, FRUITFUL ACHIEVEMENTS IN INTERNATIONAL REGISTRATION AND CERTIFICATION *(continued)*

Expanding the overseas landscape of drug preparations: In 2024, overseas sales revenue of drug preparation products increased by 65.98% year-on-year, and the products widely covered the product fields such as assisted reproduction, gastroenterology, and anti-viral. During the Reporting Period, the Company made breakthroughs in the development of overseas emerging markets, and we actively carried out cooperative arrangements for Semaglutide (司美格鲁肽) and Tocilizumab (托珠单抗) in the emerging markets such as Latin America, the Middle East, Southeast Asia and South Asia. In terms of international certification and registration, we vigorously promoted the overseas mid-to-high-end GMP certification for drug preparations – PIC/S GMP certification and completed the on-site inspection for GMP certification by member countries of the Pharmaceutical Inspection Co-operation Scheme (PIC/S), which opened up a convenient channel for products to enter the international market. As at the end of the Reporting Period, the Group completed 31 registration projects for 17 standard products in 11 countries/regions and submitted 3 additional overseas GMP certifications. In 2024, Cetorelix Acetate for Injection (注射用醋酸西曲瑞克) was approved for marketing by the U.S. FDA, and the flagship product of the TCM segment, Anti-viral Granules (抗病毒颗粒), successfully obtained the Eurasian Economic Union (EAEU) State Registration Certificate (EAC) issued by Russia. This marked that Livzon's products gained more recognition in the international market and the progress of internationalization accelerated continuously.

Multi-point synergy, strengthening international operation capabilities: In July 2024, Livzon Group and the controlling subsidiary of Kalbe jointly established a joint venture in Indonesia to carry out production business, enhance localized production layout, fully integrate the advantageous resources of both parties and inject new momentum into promoting international development. Meanwhile, the Company continuously explored global two-way licensing cooperation, actively introduced advanced foreign technologies and products through establishing close cooperative relationships with internationally renowned enterprises, and also strived to introduce its own competitive products and technologies to the international market, exploring the “going overseas” of the products.

V. PRACTICING ESG CONCEPTS, PROMOTING SUSTAINABLE DEVELOPMENT

In 2024, Livzon Group has obtained the MSCI ESG AAA rating for two consecutive years and has been included in The Sustainability Yearbook issued by S&P Global for two consecutive years. We have also won the title of “Best Progressive Enterprise in the Industry” in 2024.

Livzon Group deeply recognizes the core value of Environmental, Social and Governance (ESG) and has thoroughly integrated the concept of sustainable development into its corporate development strategy. By establishing an ESG Committee directly led by the Board and its subordinate ESG working group, we formed a complete governance system from top-level design to implementation. The Company has incorporated sustainable development goals into the performance assessment of the management, ensured effective binding of strategic planning and execution efficiency, and promoted the organic integration of green production, social responsibility and corporate governance.

Practicing sustainable and green development: Livzon takes environmental protection as its responsibility, adheres to the orientation of green and low-carbon development, continuously optimizes its environmental management system, enhances environmental management standards and responsibility fulfillment capabilities, implements low-carbon concepts in all aspects of production and operation, responds to the national “carbon peaking and carbon neutrality” goals, and contributes to the sustainable development of society and the environment. At the same time, we have established a robust and efficient EHS management system, clearly defined the EHS management responsibilities at all levels, continuously increased investment in environmental management and actively responded to the impacts of climate change. We have actively conducted practical activities such as energy saving and emission reduction and environmental protection training, publicized and implemented environmental protection awareness, practiced the concept of low-carbon development, and promoted the achievement of low-carbon, green and high-quality development.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

V. PRACTICING ESG CONCEPTS, PROMOTING SUSTAINABLE DEVELOPMENT *(continued)*

Demonstrating the responsibility of a pharmaceutical enterprise, fulfilling social responsibilities: Livzon established a standardized public welfare management system and took actions by focusing on four major areas including rural revitalization, educational support, medical assistance and disaster response. Among them, the “Astragalus Membranaceus Industry Revitalization” program drove local farmers to increase their income through technology export and contract farming model; we cooperated with the universities such as China Pharmaceutical University to set up special scholarship and teaching assistance programs to support the development of scientific research and education; we launched a chronic disease prevention and treatment program in underdeveloped regions to alleviate patients’ treatment burdens; and we responded quickly in the emergencies such as the flood disaster in Meizhou, Guangdong and urgently donated various rescue supplies such as drugs. For a long time, Livzon Group has also been committed to improving the accessibility of drugs. Leveraging on large-scale production and supply chain optimization, we effectively reduced drug costs to benefit a wider population, especially in medium and low-income countries and the areas with scarce medical resources, and demonstrated the social responsibility of a pharmaceutical enterprise.

Improving the talent mechanism, stimulating the vitality of corporate development: Livzon has continuously optimized and improved the systematic talent development mechanism, actively expanded the global talent introduction strategy while cultivating and discovering internal talents, so as to adapt to the needs of rapid development of the enterprise and the trend of industry changes. In terms of talent cultivation, the Group has used “Livzon Business School” as its core platform to build a three-tier cultivation system covering young backbones to senior management. Through the mechanisms such as job rotation and cross-project collaboration, we have achieved rapid growth of the internal talent team. The “Livzon Cloud Academy” digital platform which was synchronously built by the Company integrated various professional training courses. The average annual training hours per employee exceeded 100 hours, providing full-cycle support for employees’ career development.

Concerning for employee well-being, creating a harmonious corporate culture: The Group always regards employee well-being as an important cornerstone of sustainable development, actively practiced the core values of “Happy Life, Happy Work”, and has created a harmonious, warm and positive corporate cultural atmosphere. We have continuously improved work and living facilities, optimized the environment of the park, and created a comfortable, convenient and pleasant work and living space for the employees. At the same time, we have actively organized and conducted various rich and colorful sports competition activities and team building activities to enrich the amateur cultural life of the employees and enhance cohesion and collaboration spirit of the team.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS

(I) Clinical Value-oriented R&D Strategy: The Core Driving Force for Sustainable Development

Building a Gradient R&D Matrix: The Company takes “clinical value orientation + differentiated innovation” as the main line of R&D, continuously strengthening innovative iterations around core advantageous areas such as gastroenterology, reproduction, and psychiatry and neurology, forming an advantageous product matrix to support the exploration of medication solutions with high clinical value. For example, in the gastroenterology field, there is a comprehensive layout of P-CAB products with different formulations and indications; in the assisted reproduction field, there is a complete layout of full-cycle products from ovulation stimulation, luteal support to ovulation induction, as well as a dual-track layout of biological drugs and chemical drug preparations; in the psychiatric and neurological field, it covers various clinical R&D stages, from schizophrenia to depression, with different combinations of short-acting and long-acting treatments. Meanwhile, we actively extend into strategic tracks in the fields of anti-infection, metabolism and chronic diseases such as cardiovascular and cerebrovascular diseases, which have broad development prospects.

Operating Multiple Technology Platforms Concurrently: The Company possesses China’s first national-level sustained-release microsphere technology platform and a national-level traditional Chinese medicine R&D platform, which have established high-barrier technological R&D advantages. Leuporelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) developed based on the microsphere platform is the world’s first long-acting sustained-release drug preparation of gonadotropin-releasing hormone (GnRH) to complete bioequivalence studies and receive approval in accordance with the U.S. FDA’s individual drug guidelines. In May 2023, Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球), the improved new drug, was launched, demonstrating more significant clinical advantages compared to the original product. Meanwhile, the Company’s antibody drug platform and recombinant protein vaccine platform have also been validated through marketed products, accumulating process advantages in core technologies such as cell line construction, large-scale cell culture and purification, and formulation. In addition, the Company is actively exploring cutting-edge fields such as small nucleic acid molecules and continues to expand its pipeline based on the advantages of its technology platforms.

Efficient R&D Execution: The Company has a R&D team of over 900 persons, with stable core frontline R&D personnel. It has formed an efficient project undertaking capability in key fields and platforms, ensuring the rapid transformation and advancement of introduced R&D projects. The continuously optimized R&D management system manages the entire process of ongoing projects from early research to clinical trials, registration and market launch according to the requirements of “modularization, flattening and integration”.

“Self-developed + BD” Driven: We emphasize the synergy with the Company’s therapeutic fields, product pipelines and technology platforms, and collaborate with research institutions and biopharmaceutical enterprises globally to quickly complement products under research through project introduction. The Company gives play to its advantages in subsequent transformation and development to ensure smooth integration into the Company’s R&D system and accelerate the R&D and commercialization process.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS *(continued)*

(II) Lean Production and Whole Chain Quality Control: Strengthening the Foundation of the Enterprise

The Company implements the mission of “prioritizing the quality of life of the patients” in practice by establishing a stringent quality management system covering the entire product life cycle, including R&D, production and sales. From raw material procurement to product dispatch, every stage is subject to strict quality standards and inspection procedures to ensure stable and reliable product quality. Livzon Group, with “lean production” as its core, formulates and implements internal control management that exceeds industry standards, continuously conducts self-inspection and self-examination; constantly carries out automation transformation and intelligent upgrades to achieve precise control and efficient operation of the production process; benchmarks international standards, actively introduces advanced international quality management concepts and methods on the basis of having the production line of listed products 100% pass GMP compliance inspections, providing a solid guarantee for products to enter the global market.

Meanwhile, the Company actively promotes green production with a high sense of social responsibility, thoroughly implements the concept of sustainable development, strictly adheres to environmental protection standards in the production process, adopts environmentally friendly materials and energy-saving technologies, reduces the discharge of waste and energy consumption, and strives to achieve an organic unity of economic benefits and environmental benefits. The Company has also established a complete supply chain system and management processes for production, supply and sales, laying a solid foundation for the market promotion and sales of its products.

(III) Comprehensive Marketing Network: Shaping the Brand Influence of Livzon

Livzon Group adopts compliant marketing as the focus and evidence marketing and academic marketing as promotion strategies. We have established a professional marketing team oriented to medicine and market and developed a leading position in the segments such as gastroenterology, assisted reproduction and major infectious disease diagnosis. After years of accumulation, the Company has established a complete terminal network which comprise of major medical institutions, retail and third-party terminals, disease control centers, health authorities, etc. At the same time, the Company has adopted “Expert Talk” as a pivot to build a comprehensive digital marketing system, combining online and offline channels to achieve effective multi-channel coverage.

In addition, the Company is also exploring and establishing a diversified overseas strategy of “local production + technology transfer”, continuously enhancing the overseas market position of APIs and actively promoting the global expansion of drug preparation products. Currently, the Company has established a branch in Malaysia and set up overseas offices in Brazil, India, Spain, Vietnam and Turkey, forming localized teams to deepen its global commercialization layout.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF CORE COMPETITIVE STRENGTHS *(continued)*

(IV) Diversified Business Layout: Building Performance Resilience

The products of Livzon Group cover multiple pharmaceutical segments such as drug preparation products, APIs and intermediates, diagnostic reagents and equipment. We have established a diversified product structure and realized the strategic layout of “innovation-driven growth and synergy against risk”. The Company has maintained stable operating cash flow and profit growth over many years, providing strong support for R&D, strategic expansion and shareholder returns.

Drug preparation products have established a certain market advantage in a number of therapeutic fields such as gastroenterology, assisted reproduction and neuropsychiatry, and the flagship products have ranked first in the market segment for many consecutive years. The APIs and intermediates business has stood out in the global market through continuous technological upgrading and capacity optimization. We have established long-term stable cooperative relationships with many well-known pharmaceutical enterprises, and many products have a leading market share around the world. With stable production operations, the APIs and intermediates business provides the Company with stable cash flow; the diagnostics business strengthens the overall solution capabilities through the “testing + treatment” linkage model, covers various clinical application scenarios and enhances the Company’s comprehensive competitiveness in the medical market.

This comprehensive and multi-level business layout enables the Group to demonstrate strong resilience in the face of policy impacts such as bulk-buying and medical insurance negotiations, allowing us to flexibly adapt to the changing market environment and complex policy changes, thereby providing a solid and powerful guarantee for the continuous and stable growth of the Company’s performance.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES

1. Summary

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

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

☐ Applicable ☒ Not Applicable

None of the future development and plans which continued until the Reporting Period was 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.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs

(1) Composition of operating income

Unit: RMB

		2024	As a percentage of operating income	2023	As a percentage of operating income	Year-on-year change
		Amount		Amount		
Total operating income		11,812,338,854.68	100.00%	12,430,038,325.82	100.00%	-4.97%
By industry						
Pharmaceutical manufacturing industry		11,812,338,854.68	100.00%	12,430,038,325.82	100.00%	-4.97%
By product						
Chemical drug preparation products	Gastroenterology products	2,566,528,687.73	21.73%	2,903,199,812.66	23.36%	-11.60%
	Gonadotropic hormones products	2,812,237,153.75	23.81%	2,766,961,135.98	22.26%	1.64%
	Psychiatry products	606,070,333.87	5.13%	602,263,230.91	4.85%	0.63%
	Anti-infection and other products	134,444,402.29	1.13%	298,215,357.99	2.39%	-54.92%
API and intermediate products		3,254,813,190.56	27.55%	3,252,993,304.38	26.17%	0.06%
Traditional Chinese medicine preparation products		1,408,665,554.58	11.93%	1,744,892,737.51	14.04%	-19.27%
Biological products		170,894,744.45	1.45%	84,426,083.26	0.68%	102.42%
Diagnostic reagent and equipment		718,428,253.32	6.08%	658,966,438.70	5.30%	9.02%
Others		140,256,534.13	1.19%	118,120,224.43	0.95%	18.74%
By region						
Domestic		10,088,731,562.36	85.41%	10,858,685,667.36	87.36%	-7.09%
Overseas		1,723,607,292.32	14.59%	1,571,352,658.46	12.64%	9.69%
By sales model						
Distribution		8,140,590,428.04	68.92%	8,819,394,611.03	70.95%	-7.70%
Direct sales		3,671,748,426.64	31.08%	3,610,643,714.79	29.05%	1.69%

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

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

Unit: RMB

	Operating income	Operating costs	Gross profit margin	Year-on-year change in operating income	Year-on-year change in operating costs	Year-on-year change in gross profit margin
By industry						
Pharmaceutical manufacturing industry	11,812,338,854.68	4,081,106,956.93	65.45%	-4.97%	-8.61%	Increased by 1.37 percentage points
By product						
Chemical drug preparation products	6,119,280,577.64	1,191,792,820.74	80.52%	-6.87%	-13.27%	Increased by 1.43 percentage points
API and intermediate products	3,254,813,190.56	2,078,062,928.99	36.15%	0.06%	-0.97%	Increased by 0.66 percentage point
Traditional Chinese medicine preparation products	1,408,665,554.58	341,044,343.07	75.79%	-19.27%	-37.72%	Increased by 7.17 percentage points
By region						
Domestic	10,088,731,562.36	3,200,341,320.67	68.28%	-7.09%	-10.64%	Increased by 1.26 percentage points
Overseas	1,723,607,292.32	880,765,636.26	48.90%	9.69%	-0.37%	Increased by 5.16 percentage points
By sales model						
Distribution	8,140,590,428.04	1,731,716,385.06	78.73%	-7.70%	-19.73%	Increased by 3.19 percentage points
Direct sales	3,671,748,426.64	2,349,390,571.87	36.01%	1.69%	1.78%	Decreased by 0.06 percentage point

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

☐ Applicable ☒ Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(3) Principal business income by region

Unit: RMB

Regions	Amount for the Year		Amount for Previous Year	
	Income of principal businesses	Costs of principal businesses	Income of principal businesses	Costs of principal businesses
Domestic	9,976,999,763.57	3,115,011,134.23	10,754,233,842.34	3,505,739,065.11
Overseas	1,723,607,292.32	880,765,636.26	1,571,352,658.46	883,993,177.38
Total	11,700,607,055.89	3,995,776,770.49	12,325,586,500.80	4,389,732,242.49

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

☒ Yes ☐ No

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

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

☐ Applicable ☒ Not applicable

(6) Composition of operating costs

Unit: RMB

By industry	item	2024		2023		Year-on-year change
		Amount	As a percentage of operating costs	Amount	As a percentage of operating costs	
Pharmaceutical industry	Costs of materials	2,196,222,372.60	53.81%	2,726,292,131.52	61.05%	-19.44%
	Labor costs	611,873,505.92	14.99%	577,766,258.19	12.94%	5.90%
	Depreciation	365,624,726.75	8.96%	361,043,003.57	8.09%	1.27%
	Energy and power	367,744,644.56	9.01%	428,225,632.60	9.59%	-14.12%
	Others	283,486,944.58	6.95%	641,329,685.71	14.36%	-55.80%
	Movements in inventories from the Beginning of the Period to the End of the Period	256,154,762.52	6.28%	-269,183,350.49	-6.03%	-195.16%
	Total operating costs	4,081,106,956.93	100.00%	4,465,473,361.10	100.00%	-8.61%

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

(7) Changes in the consolidation scope during the Reporting Period

☒ Yes ☐ No

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

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

☐ Applicable ☒ Not applicable

(9) Major customers and major suppliers

During the Year, sales to the five largest customers accounted for 8.10% (2023: 8.19%) of the income generated from the principal businesses of the Group, while purchases from the five largest suppliers accounted for approximately 32.15% (2023: 26.06%) of the Group's total purchases of raw materials. The five largest customers have maintained relationship with the Group for 16.60 years on average, and the five largest suppliers have maintained relationship with the Group for 13.00 years on average.

Major customers of the Company for the Year

Total sales to the five largest customers (RMB)	947,987,674.38
Total sales to the five largest customers as a percentage of the total sales for the Year	8.10%
Sales to related parties in the sales to the five largest customers as a percentage of the total sales for the Year	—

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

☒ Applicable ☐ Not applicable

No.	Name of customer	Amount of sales (RMB)	As a percentage of the total amount of sales for the Year
1	First	219,319,277.30	1.87%
2	Second	201,896,876.49	1.73%
3	Third	191,802,942.29	1.64%
4	Fourth	185,635,385.57	1.59%
5	Fifth	149,333,192.73	1.28%
Total		947,987,674.38	8.10%

Other information about major customers

☐ Applicable ☒ Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

4. Income and costs *(continued)*

Other information about major customers *(continued)*

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

Major suppliers of the Company for the Year

Total purchases from the five largest suppliers (RMB)	706,067,451.82
Total purchases from the five largest suppliers as a percentage of the total purchases for the Year	32.15%
Purchases from related parties in the purchases from the five largest suppliers as a percentage of the total purchases for the Year	10.19%

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

✓ Applicable ☐ Not applicable

No.	Name of supplier	Amount of purchases (RMB)	As a percentage of the total purchases for the Year
1	First	223,765,802.46	10.19%
2	Second	199,218,505.74	9.07%
3	Third	146,130,760.94	6.65%
4	Fourth	79,304,194.68	3.61%
5	Fifth	57,648,188.00	2.62%
Total		706,067,451.82	32.15%

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

Other information about major suppliers

✓ Applicable ☐ Not applicable

Jiaozuo Joincare, the largest supplier of the Company, is a wholly-owned subsidiary of Joincare. Mr. Zhu Baoguo, the chairman of the Board of the Company, is indirectly interested in Jiaozuo Joincare by virtue of his shareholdings in Joincare. For details, please refer to "CHANGES IN EQUITY AND SHAREHOLDERS" in Section VI of the Report.

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

5. Expenses

During the Year, four types of expenses incurred by the Group, including selling expenses, administrative expenses, R&D expenses and finance expenses, amounted to RMB4,745.16 million in total, representing a decrease of RMB570.46 million or 10.73% year-on-year. Details are as follows:

Unit: RMB

Item	2024	2023	Year-on-year change	Reasons for material changes
Selling expenses	3,254,638,504.70	3,598,152,721.87	-9.55%	No material changes
Administrative expenses	613,057,559.83	654,274,126.92	-6.30%	No material changes
Finance expenses	-155,890,077.89	-271,501,922.89	42.58%	Mainly due to the decrease in interest income from deposits during the Period and changes in exchange gains and losses
R&D expenses	1,033,355,508.15	1,334,695,479.62	-22.58%	No material changes
Total	4,745,161,494.79	5,315,620,405.52	-10.73%	—

During the Year, the total income tax expenses were RMB501.66 million, representing an increase of RMB16.60 million or 3.42% year-on-year, which was mainly due to an increase in the amount provided for income tax expenses based on the Company's operating results for the Period.

6. Investment in research and development

✓ Applicable ☐ Not applicable

List of Major R&D Projects of Livzon Group (R&D Progress as of 28 February 2025)

Number	Project Name/Code	Project purposes/indications	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
1	Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球)	Prostate cancer: Prostate cancer patients requiring androgen deprivation therapy Endometriosis (Phase I to IV) Central precocious puberty	Approved for market launch Approved for market launch Phase III clinical trial	Approved for market launch Approved for market launch Progressing follow-up work as planned	Enriching the Company's product pipeline in the fields of reproduction and anti-tumor
2	Lurasidone Hydrochloride Tablets (鹽酸魯拉西酮片)	Schizophrenia	Approved for market launch	Approved for market launch	Enriching the Company's product pipeline in the psychiatry and neurology field
3	Tedizolid Phosphate for Injection (注射用磷酸特地唑胺)	For the treatment of acute bacterial skin and skin soft tissue infections	Approved for market launch	Approved for market launch	Enriching the Company's product pipeline in the anti-infection field
4	Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution (硫酸鎂鈉鉀口服濃溶液)	This product is applicable to adults for intestinal cleaning before any operation requiring cleaning of the intestines (e.g. operation requiring visualisation of the intestines including endoscope, radioactivity inspection, surgical procedure)	Approved for market launch	Approved for market launch	Enriching the Company's product pipeline in the gastroenterology field

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

List of Major R&D Projects of Livzon Group (R&D Progress as of 28 February 2025)

Number	Project Name/Code	Project purposes/indications	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
5	Rabeprazole Sodium Enteric-coated Tablets (雷貝拉唑鈉腸溶片)	Gastric ulcer, duodenal ulcer, anastomotic ulcer, reflux esophagitis and Zollinger-Ellison syndromes	Approved for market launch	Approved for market launch	Enriching the Company's product pipeline in the gastroenterology field
6	Progesterone Injection (黃體酮注射液)	Supplementary treatment of progesterone in Assisted Reproductive Technology (ART)	Approved for market launch (March 2025)	Approved for market launch	Enriching the Company's product pipeline in the reproduction field
7	Aripiprazole Microspheres for injection (注射用阿立哌唑微球)	Schizophrenia	Filed for market launch	Approved for market launch	Enriching the Company's product pipeline in the psychiatry and neurology field
8	Semaglutide Injection (司美格魯肽注射液)	Type II diabetes Weight management	Filed for market launch Phase III clinical trial	Approved for market launch Progressing follow-up work as planned	Enriching the Company's product pipeline in the fields of metabolism and beauty
9	Teicoplanin for Injection (注射用替考拉寧)	Treatment of Gram-positive bacterial infections	Filed for market launch	Approved for market launch	Enriching the Company's product pipeline in the anti-infection field
10	Daptomycin for Injection (注射用達托霉素)	Complicated skin and skin-structure infections; bloodstream infections caused by <i>Staphylococcus aureus</i>	Filed for market launch	Approved for market launch	Enriching the Company's product pipeline in the anti-infection field
11	Recombinant Human Follicotropin Alfa Solution for Injection (重組人促卵泡激素注射液)	Assisted reproduction and ovulation promotion	Filed for market launch	Approved for market launch	Enriching the Company's product pipeline in the reproduction field
12	S-2022036	Reducing triglyceride levels in patients with hypertriglyceridemia	Process validation	Progressing follow-up work as planned	Enriching the Company's product pipeline in the cardiovascular field.
13	LZZG2101	Cardiovascular diseases	Process validation	Progressing follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field
14	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)	Psoriasis Ankylosing spondylitis	Phase III clinical trial Phase III clinical trial	Progressing follow-up work as planned Progressing follow-up work as planned	Enriching the Company's product pipeline in the self-immunity field
15	JP-1366 Tablets (JP-1366片)	Reflux esophagitis	Phase III clinical trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the gastroenterology field
16	Leuporelin Acetate Microspheres for Injection (3M) (注射用醋酸亮丙瑞林微球)(3M)	Prostate cancer, breast cancer, central precocious puberty	BE trial	Progressing follow-up work as planned	The first 3-month microsphere generic drug is in China, which can enrich the Company's product pipeline in the anti-tumor and reproductive field

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

List of Major R&D Projects of Livzon Group (R&D Progress as of 28 February 2025)

Number	Project Name/Code	Project purposes/indications	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
17	Paliperidone Palmitate Injection (棕榈酸帕利哌酮注射液)	Schizophrenia	BE trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the psychiatry and neurology field
18	LZHG2403	Schizophrenia	BE trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the psychiatry and neurology field
19	Aripiprazole for injection (注射用阿立哌唑)	Schizophrenia	BE trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the psychiatry and neurology field
20	H001 Capsules(H001胶囊)	For prevention of venous thromboembolism after major orthopedic surgery	Phase II clinical trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the cardiovascular and cerebrovascular field
21	Fadanafil Tablets(伐達那非片)	Benign prostatic hyperplasia	Phase II clinical trial	Progressing follow-up work as planned	It is complementary to the Company's existing QianLie Suppository(前列安栓), enriching the Company's product pipeline in the andrology or genitourinary field
22	Alarelin Acetate Microspheres for Injection(注射用醋酸丙氨瑞林微球)	Prostate cancer	Phase I clinical trial	Progressing follow-up work as planned	Strengthening the Company's product pipeline in the microsphere field and enriching the Company's product pipeline in the fields of anti-tumor, reproduction
		Endometriosis	Phase I clinical trial	Progressing follow-up work as planned	
		Breast cancer	Phase I clinical trial	Progressing follow-up work as planned	
23	SG1001 Tablets(SG1001片)	Invasive fungal infections	Phase I clinical trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field
24	NS-041 Tablets(NS-041片)	Epilepsy	Phase I clinical trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the psychiatry and neurology field
		Depression	Pre-clinical study	Progressing follow-up work as planned	
25	Quadrivalent Influenza Recombinant Protein Vaccine (四價流感重組蛋白疫苗)	For the prevention of influenza	Phase I clinical trial	Progressing follow-up work as planned	Enriching the Company's product pipeline in the vaccine field
26	JP-1366 for Injection(注射用JP-1366)	Peptic ulcer hemorrhage	Clinical trial phase I	Progressing follow-up work as planned	Enriching the Company's product pipeline in the gastroenterology field
27	LZHN2407	Invasive fungal infections	Pre-clinical study	Progressing follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field
28	LZHG2401	Schizophrenia	Pre-clinical study	Progressing follow-up work as planned	Enriching the Company's product pipeline in the psychiatry field
29	LZHG1701	Prostate cancer, breast cancer, endometriosis	Pre-clinical study	Progressing follow-up work as planned	Enriching the Company's product pipeline in the fields of anti-tumor and reproduction

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

List of Major R&D Projects of Livzon Group (R&D Progress as of 28 February 2025)

Number	Project Name/Code	Project purposes/indications	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
30	I-2023024	Acute bacterial skin and skin structure infection	Pre-clinical study	Progressing follow-up work as planned	Enriching the Company's product pipeline in the anti-infection field
31	LZHN2408	Hyperuricemia, gout	Pre-clinical study	Progressing follow-up work as planned	Establishing the Company's small nucleic acid drug platform
32	LZZN1801	Vascular vertigo	Pre-clinical study	Progressing follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field
33	LZZN2201	Generalized anxiety disorder	Pre-clinical study	Progressing follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the psychiatry and neurology field
34	LZZG2106	Cardiovascular diseases	Pilot trial	Progressing follow-up work as planned	A traditional Chinese medicine preparation which can enrich the Company's product pipeline in the cardiovascular field

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

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

R&D staff of the Company

	2024	2023	Change
Number of R&D staff (persons)	908	906	0.22%
Proportion of R&D staff to total number of employees	10.01	10.14	-0.13%
Education composition of R&D staff			
Undergraduate and below	556	519	7.13%
Postgraduate	306	339	-9.73%
Doctor	46	48	-4.17%
Age composition of R&D staff			
Below 30 years old	389	432	-9.96%
30~40 years old	403	356	13.2%
40~50 years old	91	95	-4.21%
Over 50 years old	25	23	8.7%

Investment in R&D

	2024	2023	Change
Amount of investment in R&D (RMB)	1,044,334,341.20	1,235,112,004.58	-15.45%
Proportion of R&D investment to operating income	8.84%	9.94%	Decreased by 1.10 percentage points
Amount of capitalized R&D investment (RMB)	36,645,008.45	179,375,828.56	-79.57%
Proportion of capitalized R&D investment to total investment in R&D	3.51%	14.52%	Decreased by 11.01 percentage points

Reasons for and impact of the material change in the composition of R&D staff

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF PRINCIPAL BUSINESSES *(continued)*

7. Cash flow

Item	Unit: RMB		
	2024	2023	Year-on-year change
Subtotal of cash inflow from operating activities	13,566,381,122.58	14,497,878,742.03	-6.43%
Subtotal of cash outflow from operating activities	10,587,533,595.82	11,248,944,550.23	-5.88%
Net cash flow from operating activities	2,978,847,526.76	3,248,934,191.80	-8.31%
Subtotal of cash inflow from investing activities	708,952,807.83	637,295,267.85	11.24%
Subtotal of cash outflow from investing activities	1,369,280,525.88	1,345,668,848.72	1.75%
Net cash flow from investing activities	-660,327,718.05	-708,373,580.87	6.78%
Subtotal of cash inflow from financing activities	6,105,632,957.02	3,734,100,084.01	63.51%
Subtotal of cash outflow from financing activities	8,591,516,014.11	5,390,980,840.83	59.37%
Net cash flow from financing activities	-2,485,883,057.09	-1,656,880,756.82	-50.03%
Net increase in cash and cash equivalents	-158,549,741.14	903,723,720.72	-117.54%

Main reasons for a significant year-on-year change in the relevant data

☒ Applicable ☐ Not applicable

Please refer to “VI. ANALYSIS OF FINANCIAL CONDITIONS 6. Material changes in consolidated cash flow statement items” for the details of the main factors for the significant year-on-year change in the relevant data.

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 Year

☐ Applicable ☒ Not applicable

V. ANALYSIS OF NON-PRINCIPAL BUSINESSES

☒ Applicable ☐ Not applicable

Item	Amount	As a percentage of total profit	Unit: RMB	
			Reasons for occurrence	Sustainability
Investment income	17,386,915.58	0.62%	Mainly due to changes in profit and loss from investments No in associates.	No
Gains or losses arising from changes in fair value	-15,439,155.11	-0.55%	Mainly due to changes in forward foreign exchange contracts.	No
Asset impairment	-181,548,029.77	-6.47%	Mainly due to impairment provisions for inventories and impairment provisions for R&D expenditure.	No
Non-operating income	5,479,200.66	0.20%	Mainly due to the transfer without any payment and income on disposal of wastes.	No
Non-operating expenditure	43,733,194.34	-1.56%	Mainly due to donation expenses.	No
Other income	142,537,121.92	5.08%	Mainly due to the government subsidies received.	Yes

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS

1. Material changes in asset composition

Unit: RMB

Item	At the end of 2024		At the end of 2023		Increase/ decrease 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	10,827,146,984.92	44.27%	11,325,723,855.76	45.22%	-0.95%	No material changes
Accounts receivable	1,935,502,036.72	7.91%	2,115,658,645.12	8.45%	-0.54%	No material changes
Contract assets	–	–	–	–	–	–
Inventories	1,997,642,296.29	8.17%	2,060,651,179.94	8.23%	-0.06%	No material changes
Investment properties	9,925,854.14	0.04%	10,766,737.57	0.04%	0.00%	No material changes
Long-term equity investments	1,056,220,316.06	4.32%	1,031,259,800.84	4.12%	0.20%	No material changes
Fixed assets	4,254,805,388.16	17.40%	4,294,232,468.83	17.15%	0.25%	No material changes
Construction in progress	257,366,336.12	1.05%	289,306,707.05	1.16%	-0.11%	No material changes
Right-of-use assets	25,083,211.98	0.10%	20,908,112.56	0.08%	0.02%	No material changes
Short-term loans	2,455,000,000.00	10.04%	1,860,009,625.00	7.43%	2.61%	No material changes
Contract liabilities	124,631,997.54	0.51%	137,998,394.09	0.55%	-0.04%	No material changes
Long-term loans	1,465,735,112.37	5.99%	1,612,773,278.99	6.44%	-0.45%	No material changes
Lease liabilities	13,102,527.71	0.05%	9,030,622.57	0.04%	0.01%	No material changes

High proportion of overseas assets

☐ Applicable ☒ Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

2. Assets and liabilities measured at fair value

✓ Applicable ☐ Not applicable

Unit: RMB

Item	At the Beginning of the Year	Gain or loss on change in fair value for the Year	Accumulated changes in fair value in equity	Impairment provision for the Year	Amount of purchase during the Year	Amount of disposal during the Year	At the End of the Year
Financial assets							
1. Financial assets held for trading (excluding derivative financial assets)	79,176,104.95	-5,112,717.90	-	-	1,385,000,000.00	1,370,000,000.00	89,063,387.05
2. Derivative financial assets	2,615,976.27	-2,316,308.25	-	-	-	-	299,668.02
3. Other debt investments	-	-	-	-	-	-	-
4. Other equity instrument investments	638,843,775.68	-	-40,445,383.72	-	-	36,752,782.53	561,645,609.43
5. Other non-current financial assets	-	-	-	-	-	-	-
Subtotal of financial assets	720,635,856.90	-7,429,026.15	-40,445,383.72	-	1,385,000,000.00	1,406,752,782.53	651,008,664.50
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	720,635,856.90	-7,429,026.15	-40,445,383.72	-	1,385,000,000.00	1,406,752,782.53	651,008,664.50
Financial liabilities	86,817.12	-8,010,128.96	-	-	-	-	8,096,946.08

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

☐ Yes ✓ No

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

✓ Applicable ☐ Not applicable

The forty-sixth meeting of the tenth 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 of no more than RMB1.8 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 RMB282.3569 million. The balance of the actual deposits paid by the Company and its subsidiaries for the businesses such as issuing letters of guarantee was RMB9.3303 million.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

4. Material changes in consolidated balance sheet items

Item	Unit: RMB		
	31 December 2024	31 December 2023	Year-on-year change
Other current assets	72,684,877.86	51,549,299.62	41.00% ⁽¹⁾
Other non-current assets	589,613,391.42	171,595,133.87	243.61% ⁽²⁾
Short-term loans	2,455,000,000.00	1,860,009,625.00	31.99% ⁽³⁾
Financial liabilities held for trading	8,096,946.08	86,817.12	9,226.44% ⁽⁴⁾
Taxes and surcharge payables	202,697,245.73	299,087,995.28	-32.23% ⁽⁵⁾
Non-current liabilities due within one year	48,742,085.99	659,679,477.31	-92.61% ⁽⁶⁾
Other current liabilities	10,642,182.94	49,778,126.82	-78.62% ⁽⁷⁾
Leasing liabilities	13,102,527.71	9,030,622.57	45.09% ⁽⁸⁾
Other non-current liabilities	—	90,000,000.00	-100.00% ⁽⁹⁾
Treasury share	196,616,427.46 ⁽¹⁰⁾	—	—
Capital reserve	529,244,187.41	1,322,498,474.23	-59.98% ⁽¹¹⁾
Minority interests	1,043,412,404.71	724,207,693.32	44.08% ⁽¹²⁾

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

- (1) Mainly due to the increase in the prepayment of corporate income tax during the Period.
- (2) Mainly due to new cash management business.
- (3) Mainly due to the increase in new borrowings during the Period.
- (4) Mainly due to changes in forward foreign exchange contracts.
- (5) Mainly due to the decrease in corporate income tax payable.
- (6) Mainly due to the repayment of long-term borrowings due within one year.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

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

- (7) Mainly due to the reversion of the provision for returns.
- (8) Mainly due to the increase in lease contracts signed during the Period and the increase in amount payable under lease.
- (9) Mainly due to the completion of the new factory relocation by Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制藥有限公司), a wholly-owned subsidiary of the Company, and the transfer the compensation received for demolition and relocation.
- (10) Mainly due to the repurchase of the Company's shares during the Period.
- (11) Mainly due to the cancellation of repurchased shares by the Company during the Period, offsetting the capital reserve.
- (12) Mainly due to the increase in the operating profit of non-wholly owned subsidiaries during the Period compared to the Previous Period.

Asset-liability ratio

The asset-liability ratio of the Group as at 31 December 2024 and 31 December 2023 was calculated by dividing total liabilities by total assets of the Group as at the respective dates. The asset-liability ratio of the Group decreased from 41.04% as at 31 December 2023 to 39.05% as at 31 December 2024.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

5. Material changes in consolidated income statement items

Item	The Year	Unit: RMB	
		The Previous Year	Year-on-year change
Finance expenses	-155,890,077.89	-271,501,922.89	42.58% ⁽¹⁾
Other income	142,537,121.92	204,784,436.08	-30.40% ⁽²⁾
Investment income	17,386,915.58	61,818,964.40	-71.87% ⁽³⁾
Gains arising from changes in fair value	-15,439,155.11	-25,650,756.67	39.81% ⁽⁴⁾
Credit impairment loss	-7,216,269.16	-13,065,176.79	44.77% ⁽⁵⁾
Asset impairment loss	-181,548,029.77	-310,038,083.02	41.44% ⁽⁶⁾
Gains from disposal of assets	45,202,545.04	-170,440.24	26,621.05% ⁽⁷⁾
Profit and loss attributable to minority interests	243,389,148.52	-56,049,821.04	534.24% ⁽⁸⁾
Other comprehensive net income after taxation attributable to shareholders of the parent company	8,838,354.94	-39,009,015.56	122.66% ⁽⁹⁾

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

- (1) Mainly due to the decrease in interest income from deposits during the Period and changes in exchange gains and losses.
- (2) Mainly due to the decrease in government grants received during the Period.
- (3) Mainly due to changes in profit and loss from investments in associates.
- (4) Mainly due to fluctuations in the market value of subject securities investment held.
- (5) Mainly due to the decrease of accounts receivables resulting in the corresponding decrease in expected credit loss.
- (6) Mainly due to the decrease in provision for decline in prices of inventories.
- (7) Mainly due to the completion of the new factory relocation by Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制藥有限公司), a wholly-owned subsidiary of the Company, and the transfer of profit and loss based on compensation received for demolition and relocation.
- (8) Mainly due to the increase in the operating profit of non-wholly owned subsidiaries during the Period compared to the Previous Period.
- (9) Mainly due to changes in the fair value of other equity instrument investments.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

6. Material changes in consolidated cash flow statement items

Item	The Year	Unit: RMB	
		The Previous Year	Year-on-year change
Subtotal of cash inflow from financing activities	6,105,632,957.02	3,734,100,084.01	63.51% ⁽¹⁾
Subtotal of cash outflow from financing activities	8,591,516,014.11	5,390,980,840.83	59.37% ⁽²⁾
Net cash flow from financing activities	-2,485,883,057.09	-1,656,880,756.82	-50.03% ⁽³⁾
Effect of changes in foreign exchange rates on cash and cash equivalents	8,813,507.24	20,043,866.61	-56.03% ⁽⁴⁾
Net increase in cash and cash equivalents	-158,549,741.14	903,723,720.72	-117.54% ⁽⁵⁾

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

- (1) Mainly due to the changes to the maturity structure of financing products resulting in the increase in borrowings.
- (2) Mainly due to the increase in repayment of bank borrowings and share repurchase payments during the Period.
- (3) Mainly due to the increase in repayment of bank borrowings and share repurchase payments during the Period.
- (4) Mainly due to the changes in foreign exchange rates resulting in a decrease in exchange gains from foreign exchange funds held.
- (5) Mainly due to the increase in repayment of bank borrowings and share repurchase payments during the Period.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

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

☐ Applicable ☒ Not applicable

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

8. Liquidity and financial resources

As at 31 December 2024, the Group's cash at bank and on hand amounted to RMB10,827.15 million (31 December 2023: RMB11,325.72 million), which arose primarily from operating income of the Company. The amount was used primarily for daily operation and investment activities of the Company as well as distribution of dividends.

Fiscal policy and objectives: The Group has a comprehensive and prudent financial management system in place in order to guarantee the fund safety of the Company, provide support for production operation and business development and reasonably improve the utilization efficiency of funds to realize value conservation and appreciation.

During the Year, the credit facilities that may be applied for as approved by the Board and the general meeting of the Company amounted to RMB26,455.00 million and the actual amount of credit facilities applied to banks for use amounted to RMB4,678.36 million.

Unit: RMB

Item	End of the Year (31 December 2024)			End of the Previous Year (31 December 2023)		
	Amount in foreign currency	Conversion rate	Amount in RMB	Amount in foreign currency	Conversion rate	Amount in RMB
Cash on hand:	–	–	155,198.45	–	–	143,780.93
– RMB	–	–	154,936.03	–	–	143,506.88
– USD	–	7.1884	–	–	7.0827	–
– Euro	34.87	7.5257	262.42	34.87	7.8592	274.05
Bank deposits:	–	–	10,702,613,867.91	–	–	11,215,951,981.42
– RMB	–	–	8,903,587,468.57	–	–	10,192,476,063.80
– HKD	9,931,130.18	0.92604	9,196,623.79	12,964,172.53	0.90622	11,748,392.44
– USD	225,749,684.73	7.1884	1,622,779,033.71	141,933,328.55	7.0827	1,005,271,186.14
– JPY	286,308,497.00	0.046233	13,236,900.74	3,551,792.00	0.050213	178,346.13
– Euro	92,551.10	7.5257	696,511.82	92,651.09	7.8592	728,163.45
– MOP	6,374,373.52	0.8985	5,727,374.61	6,263,135.03	0.8837	5,534,732.43
– MYR	17,061.18	1.61991	27,637.58	9,793.47	1.54154	15,097.03
– IDR	325,303,128,229.60	0.000453	147,362,317.09	–	–	–
Accrued interest on deposits	–	–	–	–	–	44,391,492.44
Other monetary fund:	–	–	124,377,918.56	–	–	109,628,093.41
RMB	–	–	8,925,970.47	–	–	2,004,030.03
HKD	5,493,980.19	0.92604	5,087,645.41	4,980,853.40	0.90622	4,513,748.97
USD	15,353,110.94	7.1884	110,364,302.68	14,558,051.93	7.0827	103,110,314.41
Total	–	–	10,827,146,984.92	–	–	11,325,723,855.76

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

8. Liquidity and financial resources *(continued)*

As at 31 December 2024, the balance of the Group's borrowings amounted to RMB3,956.95 million (31 December 2023: RMB4,120.26 million), accounting for 16.18% of total assets (31 December 2023: 16.45%), of which the balance of short-term borrowings due within one year amounted to RMB2,455.00 million (31 December 2023: RMB1,860.01 million), accounting for 10.04% of total assets (31 December 2023: 7.43%), the balance of long-term borrowings due after one year amounted to RMB1,465.74 million (31 December 2023: RMB1,612.77 million), accounting for 5.99% of total assets (31 December 2023: 6.44%) and the balance of long-term borrowings due within one year amounted to RMB36.21 million, accounting for 0.15% of total assets (31 December 2023: 2.59%). During the Year, the Group's repayment of bank borrowings amounted to RMB6,027.70 million. There was no distinct seasonal demand for each of the above borrowings.

9. Capital structure

The Group's capital structure comprises Shareholders' equity and liabilities. As at 31 December 2024, Shareholders' equity amounted to RMB14,905.75 million, total liabilities amounted to RMB9,550.08 million and total assets amounted to RMB24,455.83 million. In particular, the Group's current liabilities amounted to RMB7,625.43 million (31 December 2023: RMB8,087.14 million), representing a decrease of 5.71% from the End of the Previous Year; total non-current liabilities amounted to RMB1,924.65 million (31 December 2023: RMB2,190.99 million), representing a decrease of 12.16% from the End of the Previous Year. During the Year, the Group's repayment of debt amounted to RMB6,027.70 million (the repayment of debt in the Previous Year amounted to RMB3,125.73 million).

As at the End of the Year, equity attributable to Shareholders of the Company amounted to RMB13,862.33 million (31 December 2023: RMB14,042.50 million), representing a decrease of 1.28% from the End of the Previous Year. Minority interests amounted to RMB1,043.41 million (31 December 2023: RMB724.21 million), representing an increase of 44.08% from the End of the Previous Year.

10. Capital commitments

	Balance at the End of the Year	Unit: RMB Balance at the Beginning of the Year
Capital commitments contracted but not recognized in the financial statements		
Commitments for purchase and construction of long-term assets	143,012,133.25	395,307,398.73
Commitments for external investment	—	8,000,000.00
Commitments for R&D expenditure	304,801,419.25	306,619,716.31
Total	447,813,552.50	709,927,115.04

11. Interest rate

As at 31 December 2024, the aggregate interest-bearing bank borrowings and other borrowings amounted to RMB3,955.67 million (31 December 2023: RMB4,117.42 million). The interest rate structure was: RMB1,500.67 million bore interest at a floating interest rate and RMB2,455.00 million bore interest at a fixed interest rate of 1.51% per annum.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

12. Maturity analysis of outstanding liabilities

	31 December 2024	Unit: RMB million 31 December 2023
Within one year	3,456.79 ^{Note}	3,402.07
1-2 years	361.34	1,146.85
2-5 years	1,104.40	465.92
Over 5 years	—	—
Total	4,922.53 ^{Note}	5,014.84

Note: In this amount, except for RMB965.58 million which are bills payable, the rest are bank loans.

13. Capital commitments

As at 31 December 2024, the Group's capital commitments contracted in relation to the purchase and construction of long term assets, external investment and R&D expenditure amounted to RMB447.81 million (31 December 2023: RMB709.93 million).

14. Bank borrowings and other borrowings

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2024 are set out in "Note V. 22. Short-term loans; 31. Long-term loans" to the financial statements in the Report as prepared in accordance with the China Accounting Standards for Business Enterprises.

15. Gearing ratio

The gearing ratio as at 31 December 2024 and 31 December 2023 was calculated by dividing total debt by Shareholders' equity of the Group as at the respective dates. The gearing ratio of the Group decreased from 33.96% as at 31 December 2023 to 33.02% as at 31 December 2024.

16. Interest expenses and capitalization

	2024	Unit: RMB 2023
Interest expenses ^(Note)	88,606,560.78	102,085,923.09
Capitalized interest	—	—
Total interest expenses	88,606,560.78	102,085,923.09

Note: Interest expenses are mainly due to bank borrowings.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS OF FINANCIAL CONDITIONS *(continued)*

17. Foreign exchange risks

Details of foreign exchange risks of the Group are set out in “Note IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS” to the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises in the Report. As RMB is the major denominated currency of the Company, in case of sales, purchases and investment/financing businesses which are not settled in RMB, corresponding foreign exchange risk exposure is incurred. With “prevention and control of risk and locking in profit” as its management goal, the Company has established the Management System for Foreign Exchange Risk (《外匯風險管理制度》) that requires a certain hedging ratio, and uses foreign exchange financial derivatives to monitor and control the foreign exchange risk, so as to minimize the impact arising from fluctuations of exchange rates on the business of the Company.

18. Contingent liabilities

As at 31 December 2024, the Group had no significant contingent liabilities.

19. Pledge of assets

As at 31 December 2024, the assets of the Company subject to pledge were as follows:

	31 December 2024 (RMB)	Reasons for being subject to restriction
Assets pledged:		
Bills receivable	282,356,860.08	Pledged bills receivable for the bills pooling business
Other monetary funds	9,330,323.62	Deposits for letters of guarantee and other businesses
Total	291,687,183.70	

Note: On 30 March 2023, the forty-sixth meeting of the tenth session of the Board of the Company reviewed and passed the “Resolution on Launching the Bills Pooling Business”, agreeing that the Company and its subsidiaries should collectively share the cap for the bills pooling business amount of no more than RMB1.8 billion, which can be used on a rolling basis. As at 31 December 2024, the amount of bills receivable pledged by the Group to the banks amounted to RMB282.3569 million.

20. Investments

On 17 November 2023, the Company entered into the Capital Contribution Agreement with LivzonBio, pursuant to which the Company has agreed to make capital contribution to LivzonBio in the amount of RMB1,000,000,000 in cash. Upon completion of the registration amendment of the capital contribution on 4 February 2024, the Company’s direct interest in LivzonBio will increase from 51.00% to 60.23%.

Save as disclosed above, during the Year, the Group did not make any equity acquisition and/or other significant investments, nor was there any significant change in the investments held by the Group as compared to the relevant information disclosed in the 2023 annual report of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT

1. Overall particulars

✓ Applicable ☐ Not applicable

Amount of investment during the Year (RMB)	Amount of investment during the Same Period Last Year (RMB)	Change
1,711,305,473.04	729,635,150.00	134.54%

2. Material equity investments during the Year

✓ Applicable ☐ Not applicable

Unit: RMB

Name of investee	Principal business	Investment method	Investment amount	Percentage of shareholding	Source of funds	Partner(s)	Investment period	Type of products	Status as at balance sheet date	Expected return	Investment profit or loss in the Period	Litigation involved	Disclosure date (if any)	Disclosure index (if any)
LivzonBio, Inc.* (珠海市麗珠生物醫藥科技有限公司)	Research and development, production and sales of pharmaceutical products; Development of medical technology, technology services, technology transfer, technology consultation	Capital Contribution	1,000,000,000.00	61.66%	Self-owned funds	Joincare	Long-term	N/A	Livzon Group completed capital contribution of RMB677.94 million	-	-483,453,926.22	No	See note 1 for details	See note 1 for details
LIAN International Holding LTD.	Investment	New establishment	351,105.04	100.00%	Self-owned funds	N/A	Long-term	N/A	Completed capital contribution	-	-3,205.36	No	See note 2 for details	See note 2 for details
LIAN SGP HOLDING PTE. LTD.	Investment	New establishment	228,227,200.00	100.00%	Self-owned funds	N/A	Long-term	N/A	Completed capital contribution of USD17 million (RMB119,375,712)	-	1,598.01	No	See note 2 for details	See note 2 for details
PT Livzon Pharma Indonesia	Manufacturing industry	New establishment	482,727,168.00	80.00%	Self-owned funds	PT GLOBAL CHEMINDO MEGATRAIDING	Long-term	N/A	Completed capital contribution of IDR261,216 million (RMB119,375,712)	-	-134,300.26	No	See note 2 for details	See note 2 for details
Total	-	-	1,711,305,473.04	-	-	-	-	-	-	-	-483,589,833.83	-	-	-

- Note: 1. For details, please refer to the Announcement on Capital Contribution to LivzonBio, the Controlling Subsidiary, and the Connected Transaction (Announcement No. : 2023-100) dated on 18 November 2023 of the Company on Cninfo.
2. For details, please refer to the "Announcement on External Investment" (Announcement No. : 2024-045) published by the Company on the Cninfo on 30 July 2024.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

3. Ongoing material non-equity investments during the Year

☐ Applicable ☒ Not applicable

4. Investment in financial assets

(1) Investment in securities

☒ Applicable ☐ Not applicable

Unit: RMB

Types of securities	Securities code	Securities abbreviation	Initial investment cost	Accounting measurement	Carrying amount at the Beginning of the Period	Gains or losses arising from changes in fair value for the Period	Accumulated change in fair value Included in equity	Amount of purchase during the Period	Amount of disposal during the Period	Profit or loss for the Period	Carrying amount at the End of the Period	Accounting item	Sources of fund
Share	00135	Kunlun Energy	4,243,647.64	Measured at fair value	6,379,788.80	1,398,947.20	-	-	-	1,837,491.12	7,778,736.00	Financial assets held for trading	Self-owned funds
Fund	206001	Penghua Fund	150,000.00	Measured at fair value	937,588.47	50,041.19	-	-	-	50,041.19	987,629.66		
Share	000963	Huadong Medicine	39,851.86	Measured at fair value	13,665,713.52	-2,261,138.32	-	-	-	-1,954,599.16	11,404,575.20		
Share	BEAM(US)	Beam Therapeutics, Inc.	31,117,151.47	Measured at fair value	58,193,014.16	-4,382,375.63	-	-	-	-4,382,375.63	53,810,638.53		
Share	ELTX(US)	Elicio Therapeutics, Inc.	35,363,302.05	Measured at fair value	7,820,060.93	-	-2,966,639.59	-	-	-	4,853,421.34	Investment in other equity instruments	
Share	CARM(US)	Carisma Therapeutics, Inc.	38,807,266.00	Measured at fair value	14,907,045.58	-	-12,738,308.10	-	-	-	2,168,737.48		
Share	LLAI (LME)	LungLife Ai, Inc.	58,837,745.24	Measured at fair value	5,604,762.15	-	-4,565,044.21	-	-	-	1,039,717.94		
Share	02480	Luzhu Biotech-B	30,000,000.00	Measured at fair value	63,219,286.50	-	-13,646,967.75	-	-	-	49,572,318.75		
Other securities investment held at the End of the Period			-	-	-	-	-	-	-	-	-	-	-
Total			198,558,964.26	-	170,727,260.11	-5,194,525.56	-33,916,959.65	-	-	-4,449,442.48	131,615,774.90	-	-

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 Board

Not applicable

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

4. Investment in financial assets (continued)

(2) Information on investment in derivatives

✓ Applicable ☐ Not applicable

(i) Derivative investment for hedging purposes during the Reporting Period

✓ Applicable ☐ Not applicable

Unit: RMB0'000

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the 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)	369.88	2023/7/6	2024/1/16	366.88	-	368.47	-	-	-	-	-5.09
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	1,495.90	2023/8/1	2024/1/30	1,474.14	-	1,481.17	-	-	-	-	10.07
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,108.84	2023/9/5	2024/3/14	6,027.44	-	6,048.01	-	-	-	-	84.58
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,263.74	2023/10/9	2024/4/8	4,650.81	-	4,218.43	-	-	-	-	69.00
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	6,824.47	2023/11/2	2024/5/6	6,760.02	-	6,775.88	-	-	-	-	30.79
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,875.32	2023/12/6	2024/6/20	8,852.21	-	8,873.70	-	-	-	-	-39.69
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,078.70	2024/1/3	2024/7/2	-	9,078.70	9,077.53	-	-	-	-	-16.39
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,031.58	2024/2/4	2024/8/20	-	8,031.58	8,043.29	-	-	-	-	0.74
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,662.96	2024/3/5	2024/9/11	-	12,662.96	12,706.60	-	-	-	-	-9.17
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	11,581.36	2024/4/1	2024/10/14	-	11,581.36	11,618.31	-	-	-	-	62.71
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,178.83	2024/5/8	2024/11/11	-	9,178.83	9,180.02	-	-	-	-	50.20
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,449.33	2024/6/7	2024/12/23	-	9,449.33	9,426.32	-	-	-	-	104.63
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,379.80	2024/7/3	2024/12/23	-	10,379.80	10,002.87	-	417.44	0.03%		19.59
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	11,307.46	2024/8/1	2025/1/27	-	11,307.46	8,675.18	-	2,711.19	0.20%		-111.60
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,229.92	2024/9/3	2025/2/25	-	12,229.92	7,618.94	-	4,810.44	0.35%		-174.55

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

4. Investment in financial assets *(continued)*

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

(i) Derivative investment for hedging purposes during the Reporting Period *(continued)*

Name of the operator of derivatives investment	Related relationship	Related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Commencement date	Maturity date	Investment amount at the Beginning of the 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)	9,414.69	2024/10/14	2025/4/17	–	9,414.69	463.88	–	9,065.89	0.65%	-8.49
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,245.05	2024/11/1	2025/5/21	–	10,245.05	14.89	–	10,254.75	0.74%	4.35
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	4,169.55	2024/12/10	2025/7/16	–	4,169.55	–	–	4,169.28	0.30%	–
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	69.20	2024/9/11	2024/12/2	–	69.20	66.44	–	–	–	-3.86
Total				145,736.57	–	–	28,131.50	117,798.42	114,659.91	–	31,429.00	2.27%	67.81

Source of funds for investment in derivative	Self-financing
Litigation involved (if applicable)	Not applicable
Disclosure date of the announcement in relation to the approval of investment in derivatives by the Board (if any)	29 March 2024
Disclosure date of the announcement in relation to the approval of investment in derivatives by the shareholders' meeting (if any)	Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

4. Investment in financial assets (continued)

(2) Information on investment in derivatives (continued)

(i) Derivative investment for hedging purposes during the Reporting Period (continued)

Percentage of investment amount at the End of the Period to the													
Name of the operator of derivatives investment				Initial investment amount of derivatives 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	net assets of the Company at the End of the Period	Actual gains or losses during the Period
Related relationship	Related transaction	Type of derivatives investment											
Risk analysis of derivatives position held during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)													
To effectively manage the uncertainty risk brought by exchange rate fluctuations to 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 (《外匯風險管理辦法》) 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 locking 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, employees' improper operations, system failure and other factors. Control measures: the Company has formulated the corresponding management measures to clearly define the responsibilities of all parties, improve the review and approval process and establish supervisory mechanism, so as to effectively reduce operational risk. 3. Legal risk: the Company's foreign exchange forward business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.													
In order to manage the uncertainty risk caused by price fluctuations of bulk commodities on the purchase cost of raw materials of the Company, financial derivatives such as commodity futures contracts are employed to hedge raw materials. The Company has formulated the Measures for the Management of Commodity Futures Hedging Business (《商品期貨套期保值業務管理辦法》) 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, employees' improper operations, system failure and other factors. Control measures: the Company has formulated the corresponding management system to clearly define the division of responsibilities and approval process, and establish an improved supervisory mechanism, so as to effectively reduce operational risk through risk control of business process, decision-making process and transaction process. 3. Legal risk: the Company's commodity futures hedging business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: in addition to strengthening the knowledge of laws and regulations and market rules, the Company's responsible department also stipulates that the Company's legal department shall strictly review various business contracts, agreements and other documents, clarify rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's derivatives investment and operations meet the requirements of applicable laws and regulations as well as the Company's internal systems.													
Change in market price or fair value of the derivatives invested during the Reporting Period (specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed)													
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													

Note: The above derivative investments for hedging purposes are accounted for as financial assets held for trading.

(ii) Derivative investment for speculative purposes during the Reporting Period

☐ Applicable ☒ Not applicable

During the Reporting Period, the Company did not have derivative investments for speculative purposes.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

5. Use of proceeds

✓ Applicable ☐ Not applicable

(1) Overall use of proceeds

✓ Applicable ☐ Not applicable

Unit: RMB'000

Year of financing	Method of financing	Listing date of securities	Total amount of proceeds	Net proceeds(1)	Total amount of proceeds used during the Period	Total amount accumulated amount of proceeds used (2)	Percentage	Total amount with change in use during the Reporting Period	Total amount accumulated amount of proceeds with change in use	Percentage	Total amount of proceeds unused	Uses and whereabouts of unused proceeds	Amount of proceeds idle for more than 2 years	
							of use of the proceeds			Total				of total
							as at the end of the Reporting Period			amount of				amount of
							(3)=(2)/(1)			proceeds				proceeds
2016	Non-public issuance	20 September 2016	145,782.00	142,030.04	273.53	142,030.04	100.00%	2,209.13	70,944.99	49.95%	–	–	–	
Total	–	–	145,782.00	142,030.04	273.53	142,030.04	100.00%	2,209.13	70,944.99	49.95%	–	–	–	

Explanation on overall use of proceeds

With the "Approval in relation to the Non-public Issuance of Shares by Livzon Pharmaceutical Group Inc." (Zheng Jian Xu Ke [2016] No. 1524) issued by the China Securities Regulatory Commission, the Company made a non-public issuance of 29.0982 million ordinary shares (A Shares) denominated in RMB with a nominal value of RMB1 per share at an issue price of RMB50.10 per share, the total amount of proceeds raised amounted to RMB1,457.82 million, and after deduction of issuance expenses of RMB37.5196 million, the amount of RMB1,420.3004 million was deposited into the account of the Company on 2 September 2016.

The proceeds were mainly used for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目), the Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目), the Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期)), the Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目) as well as for replenishment of working capital and repayment of bank loans, which were consistent with the uses of the proceeds passed by the resolutions of the Board of the Company.

On 26 November 2024, the "Resolution on Conclusion of the Projects Invested with Proceeds and Utilisation of Surplus Proceeds for Permanent Replenishment of Working Capital (《關於募集資金投資項目結項並將結餘募集資金永久補充流動資金的議案》)" was considered and approved at the 2024 Third Extraordinary General Meeting of the Company, agreeing to conclude the projects invested with proceeds and permanently replenish the working capital with the surplus proceeds of RMB157.3105 million (including interest income) (the actual amount was subject to the balance of the bank's special account on the date of fund transfer). On 27 November 2024, the Company has permanently replenished working capital with the surplus proceeds of RMB155.5853 million and completed the cancellation procedures of the special account for proceeds.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

(2) Particulars of committed projects with proceeds

✓ Applicable □ Not applicable

Unit: RMB0'000

Committed investment projects and the use of over-raised proceeds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)=(2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Cumulative benefits achieved by the End of the Reporting period	Expected benefit realized	Material change in feasibility of the project
Committed investment projects											
1. Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	Yes	45,000.00	27,510.79	273.53	27,510.79	100.00%	31 December 2024	-	-	-	No
2. Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設“治療用抗體藥物研發與產業化建設項目”)	Yes	30,600.00	-	-	-	-	-	-	-	-	-
3. Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Yes	-	14,228.94	-	14,228.94	100.00%	30 June 2021	-	-	-	No
4. Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Yes	-	5,311.73	-	5,311.73	100.00%	31 August 2018	4,706.09	10,995.00	No	No
5. 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)	Yes	30,182.00	41,084.14	-	41,084.14	100.00%	31 December 2021	-	-	-	No
6. Replenishment of working capital and repayment of bank loans	Yes	36,248.04	53,894.44	-	53,894.44	100.00%	N/A	N/A	N/A	N/A	No
Subtotal of committed investment projects	-	142,030.04	142,030.04	273.53	142,030.04	-	-	4,706.09	-10,995.00	-	-
Use of over-raised proceeds											
Repayment of bank loans (if any)	-	-	-	-	142,030.04	-	-	-	-	-	-
Replenishment of working capital (if any)	-	-	-	-	-	-	-	-	-	-	-
Subtotal of the use of over-raised proceeds	-	-	-	-	-	-	-	-	-	-	-
Total	-	142,030.04	142,030.04	273.53	142,030.04	-	-	4,706.09	-10,995.00	-	-

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

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

	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)=(2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Committed investment projects and the use of over-raised proceeds										
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific projects)	1.	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): As the approval for production was obtained at a time later than expected, the commencement and progress of the later stage clinical trials for new indications of Ilaprazole Sodium for Injection (注射用艾普拉唑鈉) and Ilaprazole Enteric-Coated Tablets (艾普拉唑腸溶片) were later than expected, the upgrade of solid drug preparation workshops was delayed correspondingly and the utilization of relevant proceeds failed to meet the expected schedule. On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital (《關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next five years (2020-2024) are expected to be RMB101.9240 million, RMB46.6760 million, RMB19.00 million, RMB20.00 million and RMB20.6790 million, respectively. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds (《關於調整募集資金投資項目投資計劃的議案》) on 22 March 2021, to adjust the investment plan for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目). Upon completion of the adjustments, it is still required to invest RMB203.9967 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next four years (2021-2024) are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.00 million and RMB13.3967 million, respectively. On 26 November 2024, the Resolution on the Conclusion of Projects Invested with the Proceeds and Utilisation of the Remaining Proceeds for Permanent Replenishment of Working Capital (《關於募集資金投資項目結項並將節餘募集資金永久補充流動資金的議案》) was considered and approved at the 2024 Third Extraordinary General Meeting of the Company. The clinical study project after the market launch of the sub-project under the "Project for in-depth Development and Industrialization Upgrade of Innovative Ilaprazole Series (艾普拉唑系列創新產品深度開發及產業化升級項目)" has been terminated due to the adjustments of the Company's R&D strategy.								
	2.	Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目): As a result of the impact of policies including the adjustment of medical insurance catalogue, cost control and local adjuvant drugs, the sales generated from Shenqi Fuzheng Injection (參芪扶正注射液) (bag infusion) did not achieve the expected income level.								
Particulars of significant change in feasibility of the project		Not applicable								
Amount, uses and progress of utilization of over-raised proceeds		Not applicable								
Change in the implementation site of investment project with proceeds		On 11 December 2020, the Resolution on Adjustment to the Implementation Site and Investment Plan of a Sub-project under Certain Project Invested with Proceeds (《關於調整部分募集資金投資項目子項目實施地點及投資計劃的議案》) was considered and approved at the 2020 fifth extraordinary general meeting of the Company, pursuant to which it was agreed that the implementation site of the sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)" under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" would be adjusted from Level 1, P09 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City to Level 1, P06 Building, Livzon Industrial Park, No. 38 Chuangye North Road, Jinwan District, Zhuhai City, with the construction period remained unchanged of two years. However, due to the adjustment to the construction site and the corresponding postponement of the construction cycle, it was expected that the latest time for the project to be available for its intended use would be 31 December 2022. The construction of the chemical drug lyophilized powder injection workshop was completed and put into use in June 2022.								

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

5. Use of proceeds *(continued)*

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

Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)= (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Committed investment projects and the use of over-raised proceeds								
Adjustment to implementation method for projects invested with proceeds								
1.	<p>Addition of an implementing entity of the project invested with proceeds</p> <p>On 23 December 2016, the Resolution on the Addition of Implementing Entity to the Project Invested with Proceeds of the Company (《關於公司募集資金投資項目增加實施主體的議案》) was considered and approved at the 2016 third extraordinary general meeting of the Company, pursuant to which it was agreed that Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), a wholly-owned subsidiary of the Company, would be added as an implementing entity of the "Project for in-depth development and industrialization upgrade of innovative llaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)".</p> <p>On 19 September 2017, the Resolution on Alteration to the Projects Invested with Proceeds from the Non-public Issuance of A Shares (《關於變更非公開發行A股募集資金投資項目的議案》) was considered and approved at the 2017 first extraordinary general meeting of the Company, pursuant to which it was agreed that the following adjustments would be made to the sub-project under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)": ① change the original sub-project of "Renovation Project of Pilot Workshop (中試車間裝修項目)" to "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and additionally include Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) as one of the implementing entities; and ② terminate the preclinical research project "Risperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1個月))".</p> <p>The abovementioned addition of an implementing entity to the project invested with proceeds will not lead to changes in the direction of investment of the Company's proceeds, nor affect the normal implementation of projects invested with proceeds, or have an adverse impact on the financial position of the Company.</p>							
2.	<p>Alteration to implementing entities of projects invested with proceeds</p> <p>On 25 August 2020, the Resolution on Alteration to the Implementing Entity for Certain Projects Invested with Proceeds and Increasing Capital to a Wholly-owned Subsidiary (《關於變更部分募集資金投資項目實施主體暨向全資子公司增資的議案》) was considered and approved at the third meeting of the tenth session of the Board of the Company, pursuant to which it was agreed that the Company would inject the productive assets and capital in the area of prolonged sustained-release microsphere preparation into Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司) ("Microsphere Technology"), a wholly-owned subsidiary of the Company, by way of capital increase. And the implementing entities of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" would be changed from the Company and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) to the Company and Microsphere Technology.</p> <p>The abovementioned alteration to implementing entity of the project invested with proceeds will not affect the overall implementation of the project invested with proceeds.</p>							
3.	<p>Adjustment to sub-project under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)"</p> <p>On 30 May 2019, the Proposal on Transferring Assets Relating to Part of Projects Invested with the Proceeds and Change of Sub-Projects under Projects Invested with the Proceeds (《關於轉讓涉及部分募集資金投資項目相關資產暨變更募集資金投資項目子項目的議案》) was considered and approved at the 2018 annual general meeting of the Company, pursuant to which it was agreed that alteration would be made to the sub-project "Leuporelin Acetate Sustained Release Microspheres for Injection (3 months) (注射用醋酸亮丙瑞林緩釋微球(3個月))" under the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)", and no proceeds would be invested in this project, and its remaining balance of proceeds RMB30.3858 million would be adjusted to be used by the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)". After the adjustment, a total amount of RMB194.3191 million of proceeds was intended to be invested into the "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and the remaining investment amount for such workshop construction project would be supplemented by self-raised funds of the Company.</p> <p>The abovementioned adjustment to the investment amount of sub-project under project invested with proceeds will not affect the overall implementation of the project invested with proceeds.</p>							

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

5. Use of proceeds *(continued)*

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

Unit: RMB0'000

Committed investment projects and the use of over-raised proceeds	Change in project (including partial change)	Total amount of proceeds committed to investment	Total amount of investment after adjustment (1)	Invested amount during the Year	Cumulative invested amount as at the End of the Year (2)	Progress of investment as at the End of the Year (3)= (2)/(1)	Date when the project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project
Balance amount of proceeds arising from project implementation and reasons	<p>In view of the fact that the "Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", the "Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)" and 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)" have completed their investments and have been ready for intended use, the Company has decided to conclude the above projects.</p> <p>The sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)" under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" has completed its investment and has been ready for intended use; the sub-project, the in-depth development and construction project of "Ilaprazole tablet (艾普拉唑片)" and "Ilaprazole Sodium for injection (注射用艾普拉唑鈉)", including the procurement of research and development equipment, industrialization development and technical modification, has been completed and has been ready for intended use; the clinical study project after the market launch has been terminated due to the adjustments of the Company's R&D strategy.</p> <p>In order to enhance the utilization efficiency of the proceeds, the Company permanently supplemented its working capital with the remaining proceeds totaling RMB155.5853 million, which included unutilized funds from the above-mentioned projects invested with proceeds and interest income obtained through previous cash management, and the remaining proceeds will be used for the development of the Company's main business in the future.</p>									
Use and whereabouts of unused proceeds	Not applicable									
Problems or other issues in the use and disclosure of proceeds	Not applicable									

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

(3) Changes in projects funded with proceeds

✓ Applicable □ Not applicable

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual investment amount for the Year	Actual accumulate investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
Relocation and expansion project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (first phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	14,228.94	–	14,228.94	100.00%	30 June 2021	–	–	No
Technological transformation project of bag infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	5,311.73	–	5,311.73	100.00%	31 August 2018	4,706.09	No	No
Construction project for research & development platform for prolonged-action microsphere technologies (長效微球技術研發平台建設項目)	Increased capital injections in Livzon MAB for the construction of "Project for research & development and industrialization of therapeutic antibody-based drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")	41,084.14	–	41,084.14	100.00%	31 December 2021	–	–	No
Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)	27,510.79	273.53	27,510.79	100.00%	31 December 2024	–	–	No
Replenishment of working capital and repayment of bank loans	Replenishment of working capital and repayment of bank loans	53,894.44	–	53,894.44	100.00%	–	N/A	N/A	No
Total	–	142,030.04	273.53	142,030.04	–	–	4,706.09	–	–

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

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

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)		Actual accumulate investment amount as at the End of the Year (2)		Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
		for the Year	amount	the End of the Year	the End of the Year					
Description on reasons for change, decision-making process and information disclosure (by specific projects)	1.	Increased Capital Injections in Livzon MAB for the Construction of "Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs" (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目"): In order to better meet the needs of the Company's operation and development, taking into account the relatively long investment and construction cycle of the original project invested with proceeds, i.e. the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")", and the urgent needs to invest in construction for the "Relocation and Expansion Project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))", "Technological Transformation Project of Bag Infusion Workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)", and "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", being the new projects invested with proceeds, for the purpose of enhancing the efficiency of the Company's proceeds and ensuring the smooth development of these projects, after considered and approved at the 2017 first extraordinary general meeting of the Company, alterations were made to the "Increased Capital Injections in Livzon MAB for the Construction of 'Project for Research & Development and Industrialization of Therapeutic Antibody-based Drugs' (對麗珠單抗增資投資建設"治療用抗體藥物研發與產業化建設項目")", and the proceeds of RMB306,000,000.00 originally planned to be used in this project was allocated as follows: ① RMB143,289,400.00 for the "Relocation and Expansion Project of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (First Phase) (麗珠集團新北江製藥股份有限公司搬遷擴建項目(一期))"; ② RMB53,117,300.00 for the "Technological Transformation Project of Bag Infusion Workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目)"; ③ RMB109,593,300.00 for the sub-project "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)" under "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)". At the same time, the sub-projects of the "Construction Project for Research & Development Platform for Prolonged-Action Microsphere Technologies (長效微球技術研發平台建設項目)" were adjusted: ① the original sub-project of "Renovation Project of Pilot Workshop (中試車間裝修項目)" was changed to "Construction Project for Microsphere Workshop of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠微球車間建設項目)", and Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) was newly added as the implementing entity; ② the preclinical research project of "Risperidone Sustained-release Microspheres for Injection (1 month) (注射用利培酮緩釋微球(1個月))" was terminated.								
		For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2017-065, 2017-083).								

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT *(continued)*

5. Use of proceeds *(continued)*

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

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)		Actual accumulate investment amount as at the End of the Year (2)		Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change
		for the Year	amount	the Year	End of the Year					
3.	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): According to the actual implementation conditions of the clinical studies post market launch and industrialization development and technological reform of the products of two sub-projects of "Ilaprazole tablet (艾普拉唑片)" and "Ilaprazole Sodium for injection (注射用艾普拉唑鈉)", since Ilaprazole Sodium for injection (注射用艾普拉唑鈉) had obtained approval for market launch and was included in the latest national medical insurance catalogue in November 2019, in order to satisfy the future needs of production and sales of Ilaprazole Sodium for injection (注射用艾普拉唑鈉), and considering the suspension of R&D for Ilaprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑) and Ilaprazole Compound Preparation (艾普拉唑複方製劑) due to changes in the market environment, in order to increase the utilization efficiency of proceeds, RMB105.6790 million of proceeds would continue to be invested in two sub-projects of "Ilaprazole tablet (艾普拉唑片)" and "Ilaprazole Sodium for injection (注射用艾普拉唑鈉)", the portion of proceeds saved from these two projects in the amount of RMB102.60 million would be used in the new sub-project "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)", and the remaining balance of proceeds in the amount of RMB154.3728 million from Ilaprazole Optical Isomer Preparation (艾普拉唑光學異構體製劑) and Ilaprazole Compound Preparation (艾普拉唑複方製劑) would be used for permanent replenishment of working capital. Moreover, due to the needs of overall business development at the current stage, the Company had adjusted the layout of the industrial park. Considering the fast growth in sales maintained by Ilaprazole Sodium for injection (注射用艾普拉唑鈉), it is predicted that more expansion space would be needed for the development of production lines in future, but the existing P09 building has certain constraints, therefore the Company had decided to change the construction site of "Construction of the chemical drug lyophilized powder injection workshop (化藥凍乾粉針車間建設)" from P09 building to the P06 building in order to sufficiently safeguard the needs of Ilaprazole Sodium for injection (注射用艾普拉唑鈉) in production and operation. After the adjustment, the construction cycle would remain two years, however, due to the change in the construction site, the construction cycle would be postponed accordingly, and it is expected to be available for intended use by 31 December 2022. The construction of the chemical drug lyophilized powder injection workshop was completed and put into use in June 2022. For details, please refer to the Company's announcement disclosed in the designated media (Announcement No. 2020-023, 2020-120).									

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF INVESTMENT (continued)

5. Use of proceeds (continued)

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

Unit: RMB0'000

Project after change	Corresponding originally committed project	Total amount of proceeds intended to be invested in the project after change (1)	Actual amount as at the End of the Year (2)	Actual accumulate investment amount as at the End of the Year (2)	Investment progress as at the End of the Year (3)=(2)/(1)	Date when project is ready for intended use	Benefits realized during the Year	Expected benefit realized	Material change in feasibility of the project after change	
Particulars of and reasons for not meeting the scheduled progress or expected income (by specific projects)	1.	Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目): On 25 May 2020, the 2019 annual general meeting of the Company considered and approved the Resolution on Alteration to Certain Projects Invested with Proceeds and Adjustment to Investment Plan and Utilization of Part of Proceeds for Permanent Replenishment of Working Capital (《關於變更部分募集資金投資項目及調整投資計劃並將部分募集資金永久補充流動資金的議案》), and agreed that the Company may alter the investment in part of the sub-projects under the "Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目)" and adjust the investment plan. Upon completion of the alteration and adjustments, it is still required to invest RMB208.2790 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. As the amount of proceeds invested during 2020 was RMB4.2823 million, being lower than the expectation, the Board of the Company considered and approved the Resolution on Adjustment to Investment Plan for Projects Invested with Proceeds (《關於調整募集資金投資項目投資計劃的議案》) on 22 March 2021, to adjust the investment plan for the Project for in-depth development and industrialization upgrade of innovative Ilaprazole series (艾普拉唑系列創新產品深度開發及產業化升級項目). Upon completion of the adjustments, it is still required to invest RMB203.9967 million of the proceeds in this project, which is expected to be available for intended use by 31 December 2024. The annual investment amounts for the next four years (2021-2024) are expected to be RMB119.9240 million, RMB54.6760 million, RMB16.00 million and RMB13.3967 million, respectively.								
	2.	Technological Transformation Project of Bag Infusion workshop for Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠袋裝輸液車間技改項目): As a result of the impact of policies including the adjustment of medical insurance catalogue, cost control and local adjuvant drugs, the sales generated from Shenqi Fuzheng Injection (參芪扶正注射液) (bag infusion) did not achieve the expected income level.								
Particulars of material change in feasibility of projects after change	Not applicable									

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

VIII. DISPOSAL OF MATERIAL ASSETS AND EQUITY

1. Disposal of material assets

☐ Applicable ☒ Not applicable

2. Disposal of material equity

☐ Applicable ☒ Not applicable

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

☒ Applicable ☐ Not applicable

Unit: RMB								
Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Subsidiary	Primarily engaged in production and sale of self-made chemical drugs, biochemical drugs, microbiological preparations, biological products, etc.	450,000,000.00	5,605,508,036.44	3,946,770,770.54	3,605,875,230.88	1,235,361,129.39	1,077,611,902.16
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 Chinese patent drugs, major products include Anti-viral Granules, Stomatitis Granules, etc.	149,000,000.00	1,717,958,286.06	1,315,375,626.46	306,468,698.33	62,090,671.03	49,560,276.58
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Subsidiary	Primarily engaged in production and operation of Chinese drug preparations and pharmaceutical raw materials, etc., major products include Shenqi Fuzheng Injection (參芪扶正注射液), Xueshuantong (血栓通), etc.	61,561,014.73	853,992,223.08	675,466,596.60	642,538,924.82	343,332,606.05	281,570,057.56
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	Subsidiary	Primarily engaged in production of biochemical and polypeptide APIs, major products include biochemical APIs such as Menotrophin and Chorionic Gonadotropin.	87,328,900.00	2,027,941,044.80	1,288,413,923.28	2,012,800,539.23	768,318,795.14	661,879,663.06
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	1,900,333,335.29	977,315,273.38	1,234,655,621.78	366,327,612.67	306,752,544.23

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

IX. ANALYSIS OF MAJOR CONTROLLED AND INVESTED COMPANIES

(continued)

Unit: RMB

Name of company	Type of company	Principal business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	Subsidiary	Primarily engaged in export of APIs, intermediate products and related technologies, major products include Pravastatin, Mevastatin, Salinomycin, etc.	239,887,700.00	4,280,459,934.44	2,500,238,139.64	2,361,240,808.38	741,565,390.45	525,458,456.87
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.	USD 41,700,000	2,027,031,677.52	1,303,112,979.77	1,133,568,338.98	523,307,015.39	444,851,121.65
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 Antibody to Mycoplasma Pneumonia (Colloidal Gold) (肺炎支原體IgM抗體檢測試劑(膠體金法)), Diagnostic Kit for Human Immunodeficiency Virus Antibody (ELISA) (人類免疫缺陷病毒抗體診斷試劑盒(酶聯免疫法)) and Livzon Antinuclear Antibody Test Kit (17) (Magnetic Barcode Immunofluorescence) (抗核抗體檢測試劑盒(磁條碼免疫熒光發光法)), etc.	400,000,000.00	1,218,679,498.15	876,056,294.14	722,834,548.13	134,497,294.28	121,247,408.27
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	463,658,109.14	-1,281,454,417.53	46,423,814.38	-478,223,691.08	-479,515,900.21

Note: For the data in the consolidated financial statements of Xinbeijiang Pharma, subsidiaries under consolidation include Ningxia Pharma, Fuzhou Fuxing, and Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司). Livzon MAB is the key R&D enterprise of the Group. Its loss is mainly due to investment in R&D.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

Subsidiaries acquired and disposed of during the Year

✓ Applicable ☐ Not applicable

Company name	Method of acquirement and disposal of the subsidiary during the Reporting Period	Effect on the general production, operation and results
LIAN International Holding LTD	New establishment	No material impact
LIAN SGP HOLDING PTE. LTD	New establishment	No material impact
PT LIVZON PHARMA INDONESIA	New establishment	No material impact
Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司)	Deregistration	No material impact
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	Deregistration	No material impact
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	Deregistration	No material impact

Description of major controlled and invested companies

☐ Applicable ✓ Not applicable

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

X. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

☐ Applicable ☒ Not applicable

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

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

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

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

XIII. OTHER SIGNIFICANT EVENTS

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

XIV. PROSPECTS FOR FUTURE DEVELOPMENT

In 2025, Livzon Group will comprehensively advance in four areas: R&D, sales, production and quality and internationalization. The Company will focus on core therapeutic areas, accelerate the market launch of key products such as Aripiprazole Microspheres for Injection (注射用阿立哌唑微球), deepen external collaborations, and enrich the Company's innovative R&D pipeline. It will strictly adhere to compliance marketing principles, enhance market coverage and penetration through precise market promotion, advance intelligent manufacturing and automated production, strengthen quality control, and implement green production. In addition, the Group will expedite internationalization and actively expand into overseas markets, as well as integrate artificial intelligence into all aspects of R&D, production and sales to comprehensively enhance efficiency and competitiveness, continuously empowering high-quality development.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

The major task focuses are as follows:

(I) R&D

Livzon Group has always regarded innovative R&D as the core cornerstone of sustainable and high-quality development. In 2025, the Group will steadfastly adhere to the “dual-engine” strategy of proprietary development and technology introduction, focusing on core therapeutic areas such as gastroenterology, assisted reproduction, and psychiatry and neurology. It will continue to consolidate and expand its leading position in pioneering innovation projects and key platform technologies such as sustained release microspheres, meticulously crafting a differentiated product pipeline layout.

Firstly, we will focus on key and advantageous products by utilizing the established project evaluation and selection mechanism to thoroughly analyze market demand and competitive landscape. We will allocate R&D resources reasonably to concentrate on high-potential and high-value-added projects under development, promoting efficient progress in the R&D of key projects under development. We will accelerate the market launch process of Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) and Semaglutide Injection (司美格鲁肽注射液); advance the market application for Aripiprazole (阿立哌唑) and Paliperidone Microcrystalline (帕利哌酮微晶) products, as well as the R&D progress of core projects such as Recombinant anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人IL-17A/F人源化单克隆抗体注射液) and JP-1366;

Secondly, we will accelerate the deep integration of AI in R&D, including but not limited to predicting potential risks and effects in drug development, optimizing R&D plans, and shortening the R&D cycle. Meanwhile, we will enhance the efficiency and quality of R&D work, by utilizing artificial intelligence technology to achieve automation and intelligence in the drug research and development process, allowing researchers to devote more effort to innovative research;

Thirdly, we will integrate high-quality internal and external resources and deepen external cooperation. We will actively expand external cooperation channels by introducing and licensing innovative drugs and technologies with market potential, focusing on products in clinical and near-commercialization stages to enrich the Group's product pipeline; we will also, through collaborative development, jointly undertake R&D risks and share R&D achievements with outstanding domestic and international scientific research institutions and enterprises.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(II) Marketing

In 2025, the Company will continue to adhere to compliant and legal marketing, while deeply cultivating the market for core and key products, accelerating the promotion of new products, optimizing the layout of sales channels, and exploring potential market demand.

Precise market promotion: We will tailor accurate brand promotion strategies based on the unique attributes of various products, and concentrate on expanding the market in key departments, while focusing on core prescription drug varieties. On the basis of consolidating existing market share, we will make full effort to increase sales volume. Simultaneously, the marketing organizational structure will be reasonably adjusted to fully leverage the leading role of provincial companies, enhancing operational efficiency and profitability. The specialty sales line will be optimized to improve the professionalism and specificity of the sales team. Driven by evidence-based marketing, specialized and differentiated market promotion strategies will be developed according to the characteristics of products in different fields such as gastroenterology, assisted reproduction, psychiatry and neurology, traditional Chinese medicine. We will increase investment in grassroots markets and non-centralized procurement markets, enhance coverage and penetration rates, and further explore market potential. We will carry out market access and promotion work for new products in recent years, while preparing sales for products about to be launched.

Innovative digital marketing: We will deepen cooperation with e-commerce platforms with the innovative digital marketing model, explore new retail models integrating online and offline channels, and broaden product sales channels. We will explore the potential of artificial intelligence in customer insights, market forecasting and precision marketing to enhance the scientific and precise nature of marketing decisions.

Strictly adhering to the bottom line of compliance: We will deepen the construction of the compliance system, further improve compliance regulations, strengthen compliance training for marketing personnel, and enhance monitoring and early warning of risks. We will strictly supervise cooperative service providers to ensure their marketing activities meet high standards of compliance requirements.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

(III) Production and Quality

In respect of production management, the Company is committed to enhancing production efficiency and product quality. We will continuously strengthen internal operations management, vigorously promote the application of enterprise intelligence, and achieve precise control and efficient operation of the production process. Through technological innovation and process optimization, we will increase production and reduce costs, while strictly controlling quality, thereby effectively enhancing market competitiveness.

We will coordinate the product layout and capacity planning of the APIs production business, and effectively supplement the existing production line products to maximize the utilization of the production line. In addition, we will focus on the flagship products of the APIs segment, conduct in-depth process optimization work, and make every effort to increase production capacity.

We will closely follow the Company's innovative drug strategy regarding the production of drug preparation products, making early preparations for production line planning and supply chain coordination to fully prepare for the commercialization of new products, ensuring timely and high-quality market launch. At the same time, we will optimize supply chain management, continuously enhance product delivery capabilities, and meet market demand.

We will adhere to a strict quality control philosophy, and establish a comprehensive and multi-level quality management system to ensure the effective operation of the quality system; each aspect of quality management will be detailed and optimized through refined management, continuously enhancing the level of quality management. We will promote green production processes and environmental protection measures, vigorously advance energy conservation, emission reduction and resource recycling projects to facilitate the Company's sustainable development.

(IV) Internationalization

In 2025, the Group will fully accelerate the "going overseas" process, actively promote overseas registration and application of drugs, and vigorously expand overseas markets, injecting new impetus into the Group's long-term development and high-quality growth.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIV. PROSPECTS FOR FUTURE DEVELOPMENT *(continued)*

IV. Internationalization *(continued)*

Firstly, we will strengthen the expansion of overseas markets and local operations. We will formulate targeted marketing strategies, actively expand overseas sales channels, and further increase the export share of products. For APIs business: 1. On one hand, we will focus on strategic cooperation with existing customers to maximize market share; and, on the other hand, focus on developing new customers to increase customer coverage and seek new growth points. On the basis of stabilizing the high market share of multiple active pharmaceutical ingredients, we will accelerate the launch of new generic products in collaboration with drug preparation clients; 2. We will further enhance the implementation capability of contract manufacturing projects to achieve new business value-added points; 3. We will fully leverage the advantages of the industrial chain, strengthen information sharing and collaborative cooperation upstream and downstream, and enhance market competitiveness. For drug preparation products, we will deeply explore potential, enhance market share and coverage, and accelerate the expansion into the breadth and depth of emerging markets on the basis of consolidating existing advantageous markets, while exploring the licensing and sales of biologics in the European and American markets. It is worth mentioning that through the joint venture established by the Company in Indonesia, localized supply is achieved, which is expected to reduce production costs and improve market response speed.

Secondly, we will accelerate the advancement of R&D and registration in the overseas market. We will accelerate the registration and application process for the products such as Cetrorelix Acetate for Injection (注射用醋酸西曲瑞克), Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒毛促性素), Ilaprazole series (艾普拉唑系列), Tocilizumab Injection (托珠单抗注射液) and Semaglutide Injection (司美格鲁肽注射液), while deepening global innovation cooperation and continuing to strengthen the collaborative development, licensing introduction, and technology transfer of global innovative products. The Company will also continue to enhance the quality management standards in the production process, ensuring that export products strictly comply with international standards such as ICH and PIC/S, providing a solid guarantee for the products to enter the global market.

Thirdly, we will strengthen the development of the talent team, by actively introducing high-end talents with an international perspective and rich experience, forming a professional international team, strengthening important tasks such as the development of overseas markets, registration applications, and the advancement of cooperative projects, thereby providing solid talent support for the implementation of the Group's internationalization strategy.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES

1. Risk of changes in industrial policies

As an important component of the national economy, the development of the pharmaceutical industry is closely linked to the industry policies formulated by the State. China is continuously deepening reforms of the pharmaceutical and health system, and the system of relevant policies and regulations is being further revised and improved. Measures such as the enforcement and adjustment of the Medical Insurance Catalogue, the improvement of bulk-buying efforts, the support schemes for new innovative drugs and their clinical trials, and concentrated rectification in the pharmaceutical industry have all brought profound impacts on the future development of the pharmaceutical industry, and have also affected the Company's research and development, production, and sales to varying degrees. In addition, external policy factors such as geopolitics and macroeconomic policies will also have a certain impact on the operations of pharmaceutical enterprises. On 27 November 2024, the NHSA issued the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年)》) (the "Medical Insurance Catalogue"). In this adjustment, a total of 91 drugs were added to the Medical Insurance Catalogue while 43 drugs were removed from the Medical Insurance Catalogue. 117 drugs outside the Medical Insurance Catalogue participated in the negotiation or bidding, among which, 89 drugs were negotiated or bid successfully, with a success rate of 76% and an average price reduction of 63%, which were basically the same as 2023. After this round of adjustment, the total number of medicines included in the Medical Insurance Catalogue increased to 3,159, of which 1,765 were Western medicines, 1,394 were proprietary Chinese medicines.

Response measures: As at the end of the Reporting Period, a total of 191 products of the Company were included in the Medical Insurance Catalogue, including 92 drugs in the class A list and 99 drugs in the class B list, enhancing the accessibility and affordability of medicines for patients and creating favorable market opportunities for hospital admission of drugs. In recent years, the adjustment of the Medical Insurance Catalogue has been continuously improved and entered the era of dynamic adjustment. Looking ahead, the Company will continue to closely monitor policy changes and promptly adjust its strategy. We will enhance market access capabilities by actively incorporating into the medical insurance catalog and participating in volume-based procurement to increase product market access opportunities. At the same time, we will promote product upgrades by continuously increasing R&D investment and enhancing innovation capabilities. We will also reduce costs through large-scale production and refined management to cope with the corresponding price pressure. In addition, compliance management will be enhanced, and a comprehensive compliance system will be established to ensure that the Company's operations meet policy requirements.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

2. Risk of fluctuation in the prices of products

Due to the fierce market competition, especially under the impact of many factors in various aspects, including medical insurance, tenders, centralized bulk-buying and other industry policies, the pharmaceutical enterprises face pressure of price decline. In December 2024, the selection results of the Tenth Round of State-Organized Drug Centralized Procurement Products were announced. A total of 62 drugs were successfully procured in this round of centralized procurement, and all of them were the drugs which had expired patent periods, were produced by multiple enterprises and had sufficient competition. These drugs covered areas such as hypertension, diabetes, oncology, cardiovascular diseases, infections and mental illnesses. Price reduction was also reflected in the national medical insurance negotiations. The national medical insurance negotiations for 2024 were completed in 30 October 2023. There was an average price reduction of 63% for the drugs newly admitted through negotiation and bidding. At the same time, the State has begun to pay attention to the problem of unfairly high prices and discriminatory high prices of drugs. In January 2024, the NHSA issued the Notice on Promoting Fair, Honest, Transparent, and Balanced Inter-provincial Prices of Drugs with the Same Generic Name and Same Brand (《關於促進同通用名同廠牌藥品省際間價格公平誠信、透明均衡的通知》), urging and guiding enterprises to correct unfairly high prices and discriminatory high prices, and promoting the prices of related drugs to return to a more equitable range.

Response measures: For bulk-buying, although the selection may lead to a significant decrease in the prices of drugs, it can maintain a stable minimum procurement volume during the procurement cycle, which helps the Company reduce the unit production cost of drugs through large-scale production. Meanwhile, if the Company can secure a certain additional market share on the basis of being selected, it will further offset the financial impact brought by price reductions, which is of significant strategic significance for consolidating the Company's market position within the industry. The Company has no products participating in the Tenth Round of national centralized procurement. Subsequently, the Company will continue to pay close attention to the dynamic progress of the national centralized bulk-buying, actively promote the consistency evaluation of related drugs, effectively reduce production costs through process optimization, and provide products with high quality and competitive prices for clinical use. At the same time, the Company will continue to explore products with high potential and high barriers, continuously optimize the product structure, and reduce the financial impact of fluctuations in the prices of certain marketed products. For the medical insurance negotiations, the Company will continue to pay close attention to the relevant policies issued by the State, and strengthen the clinical and pharmaco-economics research of its products in the post-launch stage, to actively respond to the future adjustments to the Medical Insurance Catalogue. In addition, the Company places great importance on the affordability and fairness of pricing of products, provide high-quality drugs at reasonable prices to a wide range of patients. The economic development levels of various regions are fully considered in product pricing to ensure that the prices of drugs are open and transparent while reducing the financial burden on patients.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

3. Risk of R&D for new drugs

In general, pharmaceutical products 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, and such processes have some characteristics such as many segments, a long cycle and high risk. Furthermore, after the product is successfully researched and produced, the scale of market sales may also be affected by numerous factors, making it difficult to predict the financial profit that new products will bring to pharmaceutical enterprises. In July 2024, the State Council reviewed and approved the Implementation Plan for Supporting the Development of Innovative Drugs Across the Entire Chain (《全鏈條支持創新藥發展實施方案》), proposing to strengthen policy protection across the entire chain, coordinate and make good use of the policies on price management, medical insurance payment, commercial insurance, preparation and use of drugs, investment and financing, optimize the review and approval process and the assessment mechanism of medical institutions, and jointly promote breakthrough development of innovative drugs. It is necessary to mobilize scientific and technological innovation resources from all sectors, strengthen basic research on new drug creation, and consolidate the foundation for the development of innovative drugs in China. In July 2024, the National Medical Products Administration formulated the Pilot Work Plan for Optimizing the Review and Approval of Clinical Trials of Innovative Drugs (《優化創新藥臨床試驗審評審批試點工作方案》) to accelerate the marketing process of innovative drugs by optimizing review and approval processes and strengthening the capacity building of technical support institutions. The promulgation of the above policies has, to a certain extent, reduced the risks associated with R&D of new drugs, which helps innovative pharmaceutical enterprises to continue to maintain their vitality in scientific research and innovation, so as to ensure the long-term and high-quality development of the pharmaceutical industry.

Response measures: Based on unfulfilled clinical needs, the Company continuously increases efforts in innovative R&D, and continues to innovate, R&D innovative drugs and high-barrier complex preparations required urgently in clinical application and with high added-value. The Company will further improve the R&D and innovation system, actively attract and cultivate high-end R&D talents, and provide solid talent support for the Company's innovative R&D. Secondly, the Company continuously strengthens the process regulation and risk prevention and control capabilities of R&D project initiation, and concentrates efforts on breakthroughs in the R&D of core products. During the Reporting Period, the Company strengthened the project reassessment mechanism and coordinated the optimization of projects under research. At the same time, the Company actively expanded domestic and international R&D, cooperation and introduction efforts of innovative drugs, accelerated the pace of the Company's international development, actively explored overseas markets, and sought new profit growth points for the Company's high-quality development. Finally, the Company will make full use of the Company's advantages in APIs to reinforce the integration of APIs and drug preparations, realize the synergetic development of APIs and drug preparations, and provide a strong guarantee for the long-term sustainability of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

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

The supply and pricing of raw materials such as traditional Chinese medicinal materials, APIs, supplementary materials, and packaging materials have been affected by a number of external factors, thereby affecting the Company's profitability. Specifically, force majeure factors such as macroeconomic conditions, adjustments in monetary policy, enhanced environmental management requirements and natural disasters may lead to restricted supply or significant price fluctuations of these raw materials. In addition, changes in industry policies have also intensified the upward pressure on raw material prices. For example, the improvement of quality standards in the national new Pharmacopoeia and the implementation of safety, environmental protection and other policies increased the industrial chain cost of chemical raw materials production and further aggravated the purchase price increase of certain raw materials.

Response measures: Firstly, the Company has already built its own GAP production base for some of the key categories of the raw materials of traditional Chinese medicinal materials to ensure stable supply and quality of raw materials. Secondly, the Company continuously monitors the price trends of upstream raw materials and makes rational arrangement for inventory and purchasing cycle to reduce risk of market fluctuation. Furthermore, the Company continuously conducts refine production subject to guarantee on quality and implements effective cost control measures. The raw materials for Ilaprazole series (艾普拉唑系列) products, Shenqi Fuzheng Injection (参芪扶正注射液), Bismuth Potassium Citrate series (得乐系列) products, reproduction series products and psychiatric products, which are the Group's key drug preparation products, were supported by the entire industry chain within the Group, not only guaranteeing a stable supply of raw materials, but also ensuring controllability of prices. In addition, prices of raw materials for the Group's APIs segment fluctuated to a certain extent as a result of the impact of industry and trading policies at home and abroad. However, the Company has promptly initiated response measures such as strategic reserve procurement and may conduct futures hedging activities in a timely manner to control the cost of main raw and auxiliary materials, so as to ensure the stable operation of production and operation.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XV. RISKS AND RESPONSE MEASURES *(continued)*

5. Risk of environmental protection

Issues such as wastewater and waste gas pollution may arise during the production process of pharmaceutical enterprises, which will affect the surrounding environment. Moreover, as national and local environmental protection authorities intensify their efforts of environmental protection regulation and social awareness of environmental protection increases, higher environmental protection requirements are being imposed on APIs production enterprises. Expenses related to environmental protection and environmental management are continuously increasing, leading to an increase in the production and operation costs of APIs production companies.

Response measures: The Company takes the responsibility of protecting the environment, always implements the concept of green development, strictly complies with the national environmental protection policies and legal requirements, and has formulated environmental management targets, assessment mechanisms, and management systems, and strictly implemented them. Meanwhile, the Company established the EHS management framework, strictly implemented EHS management responsibilities at all levels, and continuously increased investment in environmental management. In addition, the Company actively conducts training activities to enhance the environmental awareness and capabilities of our employees and continuously improve the Company's environmental performance. In the future, the Company will further increase investments and efforts in environmental protection, conduct environmental protection training and education in a regular manner, optimize internal control standards and management systems, continuously improve equipment and facilities, process technology and production processes related to production and operation, and reduce the environmental impact during production and operation. Meanwhile, the Company will continue to refine the management of pollutant discharge and resource utilization, surveillance on major waste discharge units will be stepped up, to continuously reduce pollutant and waste discharge and improve the efficiency of energy and resource utilization and strictly monitor the risks of environmental protection. Subsequently, the Company will keep practicing green and low-carbon operations and strives to achieve carbon neutrality by 2055.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. OTHER EVENTS

1. Reserves

Details of the amounts and movements of reserves of the Group during the Year are set out in “Consolidated Statement of Changes in Shareholders’ Equity” and “Note V. 39. Surplus reserve” to the financial statements in the Report.

2. Distributable reserves

As at 31 December 2024, the distributable reserves of the Company calculated in accordance with China Accounting Standards for Business Enterprises amounted to RMB2,841 million (31 December 2023: RMB3,956 million).

3. Fixed assets

Details of movements in fixed assets during the Year are set out in “Note V. 12. Fixed assets” to the financial statements in the Report.

4. Connected transactions

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

5. Management contracts

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

6. Review by Audit Committee

The financial results for the year ended 31 December 2024 have been reviewed by the Audit Committee of the Company. For the details of “KEY AUDIT MATTERS”, please refer to “AUDIT REPORT” in Section VII of the Report.

7. Relationship with employees, customers and suppliers

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVI. OTHER EVENTS *(continued)*

8. Permitted indemnity provision

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

9. Compliance with laws and regulations

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

10. Environmental policies and performance

For details of the Group's environmental policies and performance during the Year, please refer to 2024 Environmental, Social and Governance Report.

XVII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Repurchase of A Shares

2023 Repurchase Plan of A Shares:

On 19 December 2023, the repurchase of part of the Company's A Shares scheme (the "First Repurchase Scheme of A Shares") had been considered and approved at the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second class meeting of H Shareholders of the Company. In order to promote the stable development of the Company and effectively safeguard the interests of the Shareholders, the Company intends to use its own funds to repurchase part of its A Shares by means of centralized bidding, and all the repurchased shares will be cancelled for reducing the registered capital. According to the First Repurchase Scheme of A Share, the repurchase price shall not exceed RMB38.00 per A Share. The aggregate amount of funds to be used for the repurchase shall not be less than RMB400.0000 million (inclusive) and not more than RMB600.0000 million (inclusive). The implementation period of the First Repurchase Scheme of A Share (the "First Repurchase Period") was twelve months from 19 December 2023.

During the Reporting Period, the Company has repurchased a total of 16,474,564 A Shares of the Company by means of centralized bidding transactions pursuant to the First Repurchase Scheme of A Share during the First Repurchase Period, accounting for 1.78% of the total issued share capital and 2.65% of the total issued A Shares of the Company. The highest purchase price was RMB37.96 per share, while the lowest purchase price was RMB32.95 per share. The aggregate amount of funds utilized was RMB599,782,582.73 (excluding the transaction costs).

The A Shares repurchased according to the First Repurchase Scheme of A Share have been cancelled on 25 December 2024.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES *(continued)*

Repurchase of A Shares *(continued)*

2024 Repurchase Plan of A Shares:

On 24 December 2024, the repurchase of part of the Company's A Shares scheme (the "Second Repurchase Scheme of A Shares") had been considered and approved at the 2024 fourth extraordinary general meeting, the 2024 second class meeting of A Shareholders and the 2024 second class meeting of H Shareholders of the Company. In order to promote the stable development of the Company and effectively safeguard the interests of the Shareholders, the Company intends to use its own funds to repurchase part of its A Shares by means of centralized bidding, and all the repurchased shares will be cancelled for reducing the registered capital. According to the Second Repurchase Scheme of A Shares, the repurchase price shall not exceed RMB45.00 per A Share. The aggregate amount of funds to be used for the repurchase shall not be less than RMB600.0000 million (inclusive) and not more than RMB1,000.0000 million (inclusive). The implementation period of the Second Repurchase Scheme of A Shares (the "Second Repurchase Period") was twelve months from 25 December 2024.

As at 28 February 2025, the Company has repurchased a total of 9,425,955 A Shares of the Company by means of centralized bidding transactions pursuant to the Second Repurchase Scheme of A Shares during the Second Repurchase Period, accounting for 1.03% of the total issued share capital and 1.56% of the total issued A Shares of the Company. The highest purchase price was RMB38.37 per share, while the lowest purchase price was RMB35.18 per share. The aggregate amount of funds utilized was RMB341,957,191.15 (excluding the transaction costs).

The A Shares repurchased according to the Second Repurchase Scheme of A Shares have not been cancelled.

The monthly reports on the repurchase of A Shares during the First Repurchase Period and the Second Repurchase Period are as follows:

Month	Number of repurchases (shares)	Maximum purchase price per share (RMB/share)	Minimum purchase price per share (RMB/share)	Total funds used (RMB'000, excluding transaction costs)
January 2024	1,553,500	35.15	33.73	5,340.15
February 2024	599,100	33.95	32.95	2,003.50
July 2024	2,741,600	36.80	35.05	9,843.15
August 2024	810,000	35.42	34.61	2,834.07
September 2024	2,150,800	35.92	34.95	7,629.95
October 2024	1,445,000	37.45	36.59	5,360.59
November 2024	3,906,700	37.96	36.85	14,636.05
December 2024 ⁽¹⁾	3,991,664	38.37	37.36	15,080.25
January 2025 ⁽²⁾	5,850,055	37.94	35.18	21,149.36
February 2025 ⁽³⁾	2,852,100	36.65	35.66	10,296.90

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES *(continued)*

Repurchase of A Shares *(continued)*

Notes:

- (1) The A-share repurchase in December 2024 included two repurchase plans. The First Repurchase Scheme of A Share repurchased 3,267,864 shares, with the maximum purchase price of RMB37.95 per share and the minimum purchase price of RMB37.36 per share, using a total amount of funds of RMB123.308 million (excluding transaction costs). The Second Repurchase Scheme of A Shares repurchased 723,800 shares, with the maximum purchase price of RMB38.37 per share and the minimum purchase price of RMB37.50 per share, using a total amount of funds of RMB27.4946 million (excluding transaction costs).
- (2) The A Shares repurchased in January 2025 all belong to the Second Repurchase Scheme of A Shares.
- (3) The A Shares repurchased in February 2025 all belong to the Second Repurchase Scheme of A Shares.

Repurchase of H Shares

To obtain the flexibility and ability in pursuing the best interests for the Company and its Shareholders and to strengthen the long-term investment value of the Company and faith of investors, the grant of general mandate to the Board to repurchase H Shares of the Company (the "First H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 30 October 2023 and by the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second class meeting of H Shareholders of the Company on 19 December 2023, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 30,983,121 H Shares, representing 10% of the total number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the First H Share Repurchase Mandate approved by the shareholders of the Company.

As at 27 June 2024, the Company made a total repurchase of 2,778,800 H Shares of the Company under the First H Share Repurchase Mandate, accounting for 0.30% of the total issued share capital and 0.90% of the total issued H Shares of the Company as at 27 June 2024. The highest purchase price was HKD26.15 per share, while the lowest purchase price was HKD23.05 per share. The aggregate amount of funds used for the repurchase was HKD68,157,390.00 (excluding the transaction costs). On 28 June 2024, the H Shares repurchased by the Company were cancelled. The First H Share Repurchase Mandate expired on 14 June 2024 (i.e., upon the conclusion of the 2023 annual general meeting of the Company).

In order to promote the stable development of the Company and effectively protect the interests of the Shareholders, the grant of general mandate to the Board to repurchase H Shares of the Company (the "Second H Share Repurchase Mandate") had been considered and approved by the Board of the Company on 13 May 2024 and by the 2023 annual general meeting, the 2024 first class meeting of A Shareholders and the 2024 first class meeting of H Shareholders of the Company on 14 June 2024, respectively. The maximum number of H Shares proposed to be repurchased shall not exceed 30,705,241 H Shares, representing 10% of the total number of H Shares in issue and having not been repurchased as at the date of the passing of the resolution in relation to the Second H Share Repurchase Mandate approved by the shareholders of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES *(continued)*

Repurchase of H Shares *(continued)*

Pursuant to the Second H Share Repurchase Mandate, as at 3 January 2025, the Company repurchased a total of 7,245,300 H Shares of the Company, accounting for 0.80% of total share capital of the Company and 2.36% of the total issued H Shares of the Company. The highest purchase price was HKD27.80 per share, while the lowest purchase price was HKD23.75 per share. The aggregate amount of funds utilized was HKD190,692,395.00 (excluding the transaction costs). The H Shares repurchased under the Second H Share Repurchase Mandate have not yet been canceled.

The monthly reports on the repurchase of H Shares under the First H Share Repurchase Mandate and the Second H Share Repurchase Mandate are as follows⁽¹⁾:

Month	Number of repurchases (shares)	Maximum purchase price per share (HKD/share)	Minimum purchase price per share (HKD/share)	Total funds used (HKD'000, excluding transaction costs)
January 2024	2,317,500	25.15	23.05	5,662.17
February 2024	158,800	23.95	23.15	374.16
April 2024	302,500	26.15	25.50	779.41
July 2024	1,302,700	24.95	23.75	3,158.12
September 2024	681,900	25.55	24.80	1,724.28
November 2024	1,423,400	27.00	26.00	3,780.48
December 2024	3,565,700	27.80	26.50	9,669.09
January 2025	271,600	27.55	26.85	737.28

Note:

- (1) The H Shares repurchased from January to April 2024 fall under the First H Share Repurchase Mandate, while the H Shares repurchased from July 2024 to January 2025 fall under the Second H Share Repurchase Mandate.

Save as disclosed above, throughout the period from 1 January 2024 to 31 December 2024, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company (including the sale of H treasury shares (as defined in the Hong Kong Listing Rules)). As at the End of the Reporting Period, the Company did not hold any H treasury shares (as defined in the Hong Kong Listing Rules).

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XVIII. NON-PUBLIC ISSUANCE OF A SHARES

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

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

For progress on historical events, please refer to the following announcements of the Board meetings of the Company: announcement of the thirty-fifth meeting of the eighth session of the Board on 24 March 2017, announcement of the second meeting of the ninth session of the Board on 2 August 2017, announcement of the eleventh meeting of the ninth session of the Board on 23 March 2018, announcement of the eighteenth meeting of the ninth session of the Board on 17 August 2018, announcement of the twenty-fifth meeting of the ninth session of the Board on 27 March 2019, announcement of the thirty-seventh meeting of the ninth session of the Board on 25 March 2020, announcement of the third meeting of the tenth session of the Board on 25 August 2020, announcement of the fifth meeting of the tenth session of the Board on 16 November 2020, announcement of the fourteenth meeting of the tenth session of the Board on 22 March 2021.

On 27 September 2024, the Company convened the nineteenth meeting of the eleventh session of the Board and the tenth meeting of the eleventh session of the Board of Supervisors, at which the Resolution on Conclusion of Projects Invested with the Proceeds and Utilisation of the Remaining Proceeds for Permanent Replenishment of Working Capital (《關於募集資金投資項目結項並將節餘募集資金永久補充流動資金的議案》) was considered and approved. It was agreed that the Company would close the projects invested with the Proceeds and permanently replenish the working capital with the Remaining Proceeds (the actual amount shall be subject to the balance of the designated bank accounts for the Proceeds on the day the funds are transferred). After the transfer of the Remaining Proceeds, the special account for Proceeds opened at the bank will no longer be used. Minsheng Securities Co., Ltd. expressed a verification opinion without objection on the above-mentioned matters. The aforesaid resolution was considered and approved at the 2024 third extraordinary general meeting of the Company held on 26 November 2024. During the Reporting Period, the Company has permanently replenished working capital with the Remaining Proceeds and completed the cancellation procedures of the special account for the Proceeds. The tripartite regulatory agreement on the Proceeds signed by the Company and the relevant banks was terminated accordingly.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES

1. The 2022 Share Options Incentive Scheme

On 29 August 2022, the Company convened the thirty-fourth meeting of the tenth session of the Board to consider and approve the “2022 Share Options Incentive Scheme of the Company (Draft)” (《2022年股票期權激勵計劃(草案)》) and its summary (the “2022 Share Options Incentive Scheme”), pursuant to which, it was proposed to grant to incentive participants 20,000,000 share options which involved a total of 20,000,000 ordinary A Shares. In particular, there would be 18,000,000 shares options under the first grant (the “First Grant”), and 2,000,000 shares options under the reserved grant (the “Reserved Grant”).

On 21 September 2022, the Company convened the thirty-sixth meeting of the tenth session of the Board to consider and approve the amendments to the terms of the 2022 Share Options Incentive Scheme, and approve the 2022 Share Options Incentive Scheme (Revised Draft) (《2022年股票期權激勵計劃(草案修訂稿)》) and its summary (the “2022 Share Options Incentive Scheme (Revised)”).

On 14 October 2022, the 2022 Share Options Incentive Scheme (Revised) was considered and approved at the 2022 second extraordinary general meeting, the 2022 second class meeting of A Shareholders and the 2022 second class meeting of H Shareholders of the Company.

Purpose of the scheme

The 2022 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.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

Incentive participants

The incentive participants of the 2022 Share Options Incentive Scheme include the Directors, senior management, mid-level management and relevant core personnel of the Company. The incentive participants shall exclude independent Directors, Supervisors and Shareholders individually or in aggregate holding 5% or more of the shares of the Company or the de facto controllers and their spouses, parents or children.

Total number of shares issuable

On 7 November 2022, the Company convened the thirty-ninth meeting of the tenth session of the Board to consider and approve: the adjustment to the list of incentive participants and the number of share options under the First Grant of the 2022 Share Options Incentive Scheme (Revised): the adjustment to the number of incentive participants under the First Grant from 1,034 to 1,026 and the adjustment to the number of share options under the First Grant from 18,000,000 to 17,973,500. The number of share options under the Reserved Grant is 2,000,000. The total number of shares granted under the First Grant and the Reserved Grant represents 1.97% and 0.22% of total share capital in issue as at the disclosure date of the Report or amounts in the aggregate to 2.19% of total share capital in issue as at the disclosure date of the Report.

Maximum entitlement

None of the incentive participants will be granted share options which, if exercised in full, would result in the total number of A Shares issued and to be issued in respect of all options or awards granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company to such incentive participants (excluding any options and awards lapsed) in the 12-month period up to and including the date of such grant exceeding 1% of A Shares in issue as at the date of such grant. The total number of A Shares which may be issued in respect of all options or awards to be granted under the 2022 Share Options Incentive Scheme, any other share option scheme(s) or share award scheme(s) of the Company must not, in aggregate, exceed 10% of A Shares in issue as at the date of approval of the 2022 Share Options Incentive Scheme by the Shareholders.

Validity period of the scheme

The validity period of the 2022 Share Options Incentive Scheme shall not be longer than 60 months (namely 22 November 2027) commencing on the registration date of the First 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. The remaining validity period of the 2022 Share Options Incentive Scheme as at the date of the Report is approximately two years and eight months.

Vesting period, exercise period and exercise date

The vesting period (namely vesting period) of the 2022 Share Options Incentive Scheme refers to the period between the registration date of grant of the share options and the exercise date of the share options. The vesting period of the share options under the First Grant are 12 months, 24 months and 36 months, respectively, while the vesting period of the share options under the Reserved Grant are 12 months and 24 months, respectively.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

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

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

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

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

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

Basis for determining exercise price

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

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the 2022 Share Options Incentive Scheme (i.e. 30 August 2022) (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 RMB30.679 per A Share;
- (2) the average trading price of the A Shares of the Company for the last 20 trading days preceding the date of announcement of the 2022 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 RMB31.303 per A Share.

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

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the Board resolution on the grant of share options under the Reserved Grant (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);
- (2) one of the average trading prices of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the Board resolution on the grant of the share options under the Reserved Grant.

The incentive participants are not required to pay any amount for accepting the grant of options.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

Performance target and individual performance assessment

(1) Performance targets at the Company level

The share options granted under the 2022 Share Options Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the incentive participants is a condition to exercise the share options.

The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for Share Options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

Note: The above indicators of “net profit” and “compound growth rate of the net profit” are calculated on the basis of the net profit attributable to the shareholders of the Company after deducting the extraordinary gains or losses and excluding the share-based payment expense under the 2022 Share Options Incentive Scheme, and the same below.

The performance targets of the Reserved Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Second exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

In the event the Company fails to meet the performance targets above, all share options which are exercisable by the incentive participants in the respective assessment year shall not be exercised and shall be cancelled by the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

Performance target and individual performance assessment *(continued)*

(2) Performance targets at individual level

The assessment of the incentive participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment, and the comprehensive appraisal results of the incentive participants for each assessment year will be graded as follows:

Appraisal results	Excellent	Good	Qualified	Failed
Personal exercise percentage	100%		80%	0%

If the performance target at the Company level for the respective year is met, the actual personal exercise amount of an incentive participant for the respective year = exercise percentage × the scheduled personal exercise amount of the incentive participant for the respective year.

The Company shall cancel the share options granted to the incentive participants which cannot be exercised in the respective year.

Fair value and accounting policies of the share options

(1) Fair value

First Grant

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

Parameters	Explanation for parameters
Price of subject share	RMB36.89 per share (the price on the date of grant)
Exercise price	RMB31.31 per share option
Validity period of share options	The validity periods of the three exercise periods are 1 year, 2 years and 3 years, respectively
Risk-free interest rate	Risk-free interest rates of the three exercise periods are 1.50%, 2.10% and 2.75%, respectively (based on one-year, two-year, three-year time deposit rate)
Volatility of underlying share	The volatility of the three exercise periods are 21.00%, 20.26% and 21.81%, respectively (based on the historic volatility rate of the SZSE Composite Index in the latest 12 months, 24 months and 36 months)
Dividend yield of underlying share	The dividend yields for the three exercise periods are 3.96%, 3.24% and 3.11%, respectively (based on the average dividend rate of the Company in the latest one year, two years and three years)

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

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

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

(1) Fair value *(continued)*

First Grant *(continued)*

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

	Tranche 1	Tranche 2	Tranche 3
Fair value of the share options (RMB/share option)	5.80	6.41	7.51
Exercise amount (0'000 share options)	718.94	539.21	539.21
Total cost for the period (RMB0'000)	4,169.85	3,456.30	4,049.43
Total cost (RMB0'000)		11,675.59	

According to the aforesaid calculation, on 7 November 2022, the date of grant, the Group granted 17,973,500 share options to the incentive participants under the First Grant with the total fair value of RMB116.7559 million which would be recognized in phases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost of the 2022 Share Options Incentive Scheme.

Reserved Grant

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

Parameters	Explanation for parameters
Price of subject share	RMB34.68 per share (the price on the date of grant)
Exercise price	RMB36.26 per share option
Validity period of share options	The two validity periods of share options are 1 year and 2 years, respectively
Risk-free interest rate	Risk-free interest rates of the two exercise periods of share options are 1.50% and 2.10%, respectively (listed based on one-year, two-year fixed deposit rate, respectively)
Volatility of underlying share	The volatility of the two exercise periods of share options are 14.61% and 18.83%, respectively (listed based on the volatility rate of the SZSE Composite Index in the latest 12 months and 24 months, respectively)
Dividend yield of underlying share	The dividend yields for the two exercise periods of share options are 4.08% and 4.02%, respectively (listed based on the average of the dividend rate of the Company for 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: Risk-free interest rates are chosen on the basis of the interest rate of time deposits in the corresponding exercise period of share options.

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

(1) Fair value *(continued)*

Reserved Grant *(continued)*

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

	Tranche 1	Tranche 2
Fair value of the share options (RMB/share option)	1.0236	2.3200
Exercise amount (0'000 share options)	100.00	100.00
Total cost for the period (RMB0'000)	102.36	232.00
Total cost (RMB0'000)		334.36

According to the aforesaid calculation, on 30 October 2023, the date of grant, the Group granted 2,000,000 share options to the incentive participants under the Reserved Grant with the total fair value of RMB3.3436 million which will be recognized in phrases during the implementation process of the 2022 Share Options Incentive Scheme as the incentive cost of the 2022 Share Options Incentive Scheme.

(2) Accounting policies

Pursuant to the requirements of Enterprise Accounting Standard No. 11 – Share-based Payments (《企業會計準則第11號—股份支付》), the Company will update the expected amount of share options exercisable on each balance sheet date during the vesting period based on latest available subsequent information such as the change in the number of incentive participants who are entitled to exercise and the completion status of performance targets. Services received during the period will be accounted in relevant costs or fees and capital reserves based on the fair value of the share options on the date of grant of the First Grant and the Reserved Grant.

First Grant

With 7 November 2022 as the date of the First Grant, granting 17,973,500 share options to 1,026 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB31.31 per A Share. Registration of the First Grant was completed on 23 November 2022. The abbreviation of the share options: Livzon JLC3. The code of the share options: 037312.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

(2) Accounting policies *(continued)*

First Grant *(continued)*

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

Unit: 0'000 share options

Incentive participant	Position	Beginning of the Reporting Period			During the Reporting Period					End of the Reporting Period		
		Number of share options held ⁽²⁾⁽³⁾	Number of share options vested ⁽²⁾	Number of share options unvested ⁽²⁾⁽³⁾	Number of share options granted	Number of share options vested ⁽²⁾	Number of share options exercised ⁽²⁾⁽⁵⁾	Number of share options lapsed	Number of share options cancelled ⁽⁶⁾	Number of share options held ⁽²⁾⁽³⁾	Number of share options vested ⁽²⁾⁽³⁾	Number of share options unvested ⁽²⁾⁽³⁾
Tang Yanggang	Executive Director and President	16.00	6.40	9.60	-	-	-	6.40	4.80	4.80	-	4.80
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	16.00	6.40	9.60	-	-	-	6.40	4.80	4.80	-	4.80
Yang Daihong	Vice President	12.00	4.80	7.20	-	-	4.80	-	3.60	3.60	-	3.60
Si Yanxia	Vice President and Chief Financial Officer	12.00	4.80	7.20	-	-	3.00	1.80	3.60	3.60	-	3.60
Huang Yuxuan	Vice President	12.00	4.80	7.20	-	-	4.80	-	3.60	3.60	-	3.60
Du Jun	Vice President	12.00	4.80	7.20	-	-	-	4.80	3.60	3.60	-	3.60
Yang Liang	Vice President	12.00	4.80	7.20	-	-	2,7103	2,0897	3.60	3.60	-	3.60
Hou Xuemei ⁽⁴⁾	Mid-level management	6.40	2.56	3.84	-	-	-	2.56	1.92	1.92	-	1.92
Mid-level management and relevant core personnel of the Company (1,018 persons)		1,698.95	665.14	1,033.81	-	-	650.7852	14,3548	534.9550	498.8550	-	498.8550

Notes:

- (1) The registration of the First Grant under the 2022 Share Options Incentive Scheme was completed on 23 November 2022. Therefore, during the Reporting Period, the total number of share options that can be granted under the First Grant was 0.
- (2) The grant date of the aforesaid share options is 7 November 2022, and the exercise price is RMB31.31 per A Share. For details of the vesting period (namely vesting period) and exercise period of the aforesaid share options, please refer to the relevant contents of "Vesting period (namely vesting period), exercise period and exercise date" and "Performance target and individual performance assessment" as set out above. The total fair value of the aforesaid share options as at the date of grant (7 November 2022) was RMB116.7559 million. For details of the fair value and accounting policies of such share options, please refer to the relevant contents of "Fair value and accounting policies of the share options" as set out above.
- (3) On 4 November 2022 (trading day before the grant date), the closing price of the A Shares of the Company was RMB38.10 per share.
- (4) Hou Xuemei is the spouse of Tao Desheng, a Director of the Company, and is the close associate of Tao Desheng under the Hong Kong Listing Rules.
- (5) The weighted average closing price of the A Shares of the Company immediately preceding the exercise date of share options was RMB37.63 per share.
- (6) The exercise price of the share options cancelled during the Reporting Period was RMB31.31 per A share.
- (7) As at the End of the Reporting Period, all share options granted under the First Grant have been granted and some have been vested to the incentive participants. Therefore, the total number of share options that can be granted under the First Grant was 0 at the End of Reporting Period.
- (8) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

1. The 2022 Share Options Incentive Scheme *(continued)*

(2) Accounting policies *(continued)*

Reserved Grant

With 30 October 2023 as the date of the Reserved Grant, granting 2,000,000 share options to 243 incentive participants (incentive participants were not required to pay any consideration to the Company when accepting the share options) with the exercise price of RMB36.26 per A Share. Registration of the Reserved Grant was completed on 28 November 2023. The abbreviation of the share options: Livzon JLC4. The code of the share options: 037409.

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

Unit: 0'000 share options

Incentive participant	Position	Beginning of the Reporting Period			During the Reporting Period					End of the Reporting Period		
		Number of share options held	Number of share options vested	Number of share options unvested ⁽²⁾⁽³⁾	Number of share options granted	Number of share options vested	Number of share options exercised	Number of share options lapsed	Number of share options cancelled ⁽⁴⁾	Number of share options held ⁽²⁾⁽³⁾	Number of share options vested	Number of share options unvested ⁽²⁾⁽³⁾
Du Jun	Vice President	3.00	–	3.00	–	–	–	–	1.50	1.50	–	1.50
Mid-level management and relevant core personnel of the Company (242 persons)		197.00	–	197.00	–	–	–	–	98.50	98.50	–	98.50

Notes:

- (1) The registration of the Reserved Grant under the 2022 Share Options Incentive Scheme was completed on 28 November 2023. Therefore, during the Reporting Period, the total number of share options that can be granted under the Reserved Grant was 0.
- (2) The grant date of the aforesaid share options is 30 October 2023, and the exercise price is RMB36.26 per A Share. For details of the vesting period (namely vesting period) and exercise period of the aforesaid share options, please refer to the relevant contents of "Vesting period (namely vesting period), exercise period and exercise date" and "Performance target and individual performance assessment" as set out above. The total fair value of the aforesaid share options as at the date of grant (30 October 2023) was RMB3.3436 million. For details of the fair value and accounting policies of such share options, please refer to the relevant contents of "Fair value and accounting policies of the share options" as set out above.
- (3) On 27 October 2023 (trading day before the grant date), the closing price of the A Shares of the Company was RMB34.27 per share.
- (4) The exercise price of the share options cancelled during the Reporting Period was RMB36.26 per A share.
- (5) As at the End of the Reporting Period, all share options granted under the Reserved Grant have been granted but not yet vested to the incentive participants. Therefore, the total number of share options that can be granted under the Reserved Grant was 0 at the End of Reporting Period.
- (6) The 2022 Share Options Incentive Scheme does not include Related Entity Participants (as defined in Chapter 17 of the Hong Kong Listing Rules) or Service Providers (as defined in Chapter 17 of the Hong Kong Listing Rules). The Company has also not granted or will grant options in excess of 1% of the total issued share capital of the Company to any incentive participant.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XIX. SHARE OPTIONS INCENTIVE SCHEMES *(continued)*

2. The shares issued for share options and awards granted under all share plans

During the Reporting Period, the number of shares issued by the Company in respect of the share options and awards granted under all plans divided by the weighted average number of relevant class of shares (A Shares) in issue during the year was approximately 1.10%.

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

1. The First Phase Ownership Scheme

The Medium to Long-term Business Partner Share Ownership Scheme (Draft) (《中長期事業合夥人持股計劃(草案)》) and its summary (the "Ownership Scheme") was considered and approved by the 2020 first extraordinary general meeting of the Company on 11 February 2020. In order to further improve the Ownership Scheme, on 11 December 2020, the Company's 2020 fifth extraordinary general meeting considered and approved the revision of some provisions under the Ownership Scheme. On 6 May 2021, the 2021 second extraordinary general meeting of the Company considered and approved the first phase ownership scheme under the Ownership Scheme (the "First Phase Ownership Scheme") and its administrative measures.

The holders of the First Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"), and the maximum subscription shares held by the Connected Holders were 53,375,051 shares (the "Maximum Subscription Shares"), and the corresponding maximum subscription amount was RMB53,375,051.

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 total number of shares involved in the First Phase Ownership Scheme was 2,348,960 A Shares, representing approximately 0.26% of the total share capital of the Company as at the disclosure date of the Report.

On 26 May 2024, the lock-up period of the First Phase Ownership Scheme expired. As at 20 November 2024, a total of 2,348,960 shares of the Company held under the First Phase Ownership Scheme have been fully sold through centralized bidding transactions, accounting for 0.26% of the total share capital of the Company. The employee share ownership scheme for this phase has been fully implemented and will be terminated. The Company will complete the liquidation of relevant assets and the distribution of proceeds in accordance with the provisions of the First Phase Ownership Scheme.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

1. The First Phase Ownership Scheme *(continued)*

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

Purpose and benefits of the 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, which will help to optimize the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

Target participants

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. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the First Phase Ownership Scheme.

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. The total amount of funds to be held by the First Phase Ownership Scheme is RMB117.46109 million, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the First Phase Ownership Scheme or receiving the distribution income according to the First Phase Ownership Scheme.

Number of shares and maximum entitlement

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

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

1. The First Phase 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, namely 27 May 2021 to 26 May 2025. The remaining validity period of the First Phase Ownership Scheme as at the date of the Report is approximately two months.

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, namely 27 May 2021 to 26 May 2024.

Shares allocation of Holders

The list and shares of Holders are set out below:

Holders	Type	Proportion to the total amount of the First Phase Ownership Scheme	Shares unvested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	Shares held as at 1 January 2024 (0'000 shares)	Shares vested during the Period (0'000 shares) ⁽²⁾⁽³⁾	Shares cancelled during the Period (0'000 shares)	Shares lapsed during the Period (0'000 shares)	Shares held as at 31 December 2024 (0'000 shares)	Shares unvested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
Tang Yanggang	Executive Director	7.13%	–	837.3502	–	–	–	837.3502	–
Xu Guoxiang	Executive Director	5.00%	–	587.3055	–	–	–	587.3055	–
The top five highest paid individuals (except for Tang Yanggang and Xu Guoxiang)		9.34%	–	1,097.5637	–	–	–	1,097.5637	–
Others (73 persons)		78.53%	–	9,223.8896	–	–	–	9,223.8896	–

Notes: (1) On 6 May 2021, the First Phase Ownership Scheme was considered and approved at the 2021 second extraordinary general meeting. On 26 May 2021, the First Phase Ownership Scheme purchased a total of 2,348,960 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB117,268,338.21, and a total of 117,461,090 shares under the First Phase Ownership Scheme have been vested to the Holders.

(2) For the details of duration and lock-up period, please refer to relevant contents of “Duration and lock-up period” as set out above. The employees of the Company are not required to pay any amount for participating in the First Phase Ownership Scheme or receiving the distribution income according to the First Phase Ownership Scheme.

(3) On 25 May 2021 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB49.16 per share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

1. The First Phase Ownership Scheme (continued)

Shares allocation of Holders (continued)

Among which, the list and shares subscription of the Connected Holders are set out below:

Holders	Positions held with the Company/ subsidiaries of the Company	Shares subscribed (0'000 shares)	Proportion to the total amount of the First Phase Ownership Scheme
Tang Yanggang	Executive Director and President	837.3502	7.13%
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	587.3055	5.00%
XU PENG	Vice President (Resigned)	334.0666	2.84%
Yang Daihong	Vice President	352.3833	3.00%
Huang Yuxuan	Vice President	411.1138	3.50%
Si Yanxia	Vice President, Chief Financial Officer	293.6527	2.50%
Zhou Peng	Vice President (Resigned)	234.9222	2.00%
Yang Liang	Vice President	293.6527	2.50%
Wang Maolin	Chief Supervisor	117.4611	1.00%
Hou Xuemei ^(note)	Chief Scientist of a subsidiary of the Company	161.6556	1.38%
Directors and general managers of subsidiaries of the Company		1,713.9414	14.59%

Note: Hou Xuemei is the spouse of Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

2. The Second Phase Ownership Scheme

On 20 May 2022, the 2021 annual general meeting of the Company considered and approved the second phase ownership scheme under the Ownership Scheme (the “Second Phase Ownership Scheme”) and its administrative measures (the “Administrative Measures”).

The holders of the Second Phase Ownership Scheme (the “Holders”) include connected persons of the Company (the “Connected Holders”), and the maximum subscription shares held by the Connected Holders were 27,123,084 shares (the “Maximum Subscription Shares”), and the corresponding maximum subscription amount was RMB27,123,084.

On 8 July 2022, in order to ensure the smooth implementation of the Second Phase Ownership Scheme, having comprehensively considered external factors and the actual conditions of the Company, the 2022 first extraordinary general meeting of the Company considered and approved the amendment to the Second Phase Ownership Scheme and its administrative measures, which would change from being managed by commissioning the asset management agency to being managed by the Company itself.

From 10 August 2022 to 12 August 2022, the Second Phase Ownership Scheme purchased a total of 2,057,711 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB31.56 per share, and the transaction amount was approximately RMB64.9514 million. As at 12 August 2022, the Second Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 13 August 2022 to 12 August 2025). The total number of shares involved in the Second Phase Ownership Scheme was 2,057,711 A Shares, representing approximately 0.23% of the total share capital of the Company as at the disclosure date of the Report.

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

Purpose and benefits of the scheme

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

2. The Second Phase Ownership Scheme *(continued)*

Target participants

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

Source of funds

Funds for participation of the Company's employees in the Second Phase Ownership Scheme come from the special fund (the "Special Fund") of the Second Phase Ownership Scheme set aside by the Company. The total amount of funds to be held by the Second Phase Ownership Scheme is RMB64.96547 million, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the Second Phase Ownership Scheme or receiving the distribution income according to the Second Phase Ownership Scheme.

Number of shares and maximum entitlement

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

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

Duration and lock-up period

The duration of the Second Phase Ownership Scheme shall be 48 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2026. The remaining validity period of the Second Phase Ownership Scheme as at the date of the Report is approximately one year and five months.

Lock-up periods of the Underlying Shares obtained by the Second Phase Ownership Scheme shall be 36 months, which is calculated from the time when the Company makes an announcement on the transfer of the last tranche of the Underlying Shares in the Second Phase Ownership Scheme to the account in the name of the Second Phase Ownership Scheme, namely 13 August 2022 to 12 August 2025.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

2. The Second Phase Ownership Scheme (continued)

Shares allocation of Holders

The list and shares of Holders are set out below:

Holders	Type	Proportion to the total amount of the Second Phase Ownership Scheme	Shares unvested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	Shares held as at 1 January 2024 (0'000 shares)	Shares vested during the Period (0'000 shares) ⁽²⁾⁽³⁾	Shares cancelled during the Period (0'000 shares)	Shares lapsed during the Period (0'000 shares)	Shares held as at 31 December 2024 (0'000 shares)	Shares unvested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
Tang Yanggang	Executive Director	6.00%	–	389.7928	–	–	–	389.7928	–
Xu Guoxiang	Executive Director	5.00%	–	324.8274	–	–	–	324.8274	–
The top five highest paid individuals (except for Tang Yanggang and Xu Guoxiang)		14.25%	–	925.7579	–	–	–	925.7579	–
Others (71 persons)		74.75%	–	4,856.1689	–	–	–	4,856.1689	–

- Notes: (1) On 20 May 2022, the Second Phase Ownership Scheme was considered and approved at the 2021 annual general meeting. As at 12 August 2022, the Second Phase Ownership Scheme purchased a total of 2,057,711 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB64.9514 million, and a total of 64,965,470 shares under the Second Phase Ownership Scheme have been vested to the Holders.
- (2) For the details of duration and lock-up period, please refer to relevant contents of “Duration and lock-up period” as set out above. The employees of the Company are not required to pay any amount for participating in the Second Phase Ownership Scheme or receiving the distribution income according to the Second Phase Ownership Scheme.
- (3) On 11 August 2022 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB31.75 per share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

2. The Second Phase Ownership Scheme (continued)

Shares allocation of Holders (continued)

Among which, the list and shares subscription of the Connected Holders are set out below:

Holders	Positions held with the Company/ subsidiaries of the Company	Shares subscribed (0'000 shares)	Proportion to the total amount of the Second Phase Ownership Scheme
Tang Yanggang	Executive Director and President	389.7928	6.00%
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	324.8274	5.00%
XU PENG	Vice President (Resigned)	178.6550	2.75%
Yang Daihong	Vice President	194.8964	3.00%
Huang Yuxuan	Vice President	227.3791	3.50%
Si Yanxia	Vice President, Chief Financial Officer	162.4137	2.50%
Zhou Peng	Vice President (Resigned)	97.4482	1.50%
Yang Liang	Vice President	162.4137	2.50%
Wang Maolin	Chief Supervisor	64.9655	1.00%
Hou Xuemei ^(note)	Chief Scientist of a subsidiary of the Company	64.9655	1.00%
Directors and general managers of subsidiaries of the Company		844.5511	13.00%

Note: Hou Xuemei is the spouse of Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

3. The Third Phase Ownership Scheme

On 7 November 2023, the 2023 second extraordinary general meeting of the Company considered and approved the third phase ownership scheme under the Ownership Scheme (the "Third Phase Ownership Scheme") and its administrative measures (the "Administrative Measures").

The holders of the Third Phase Ownership Scheme (the "Holders") include connected persons of the Company (the "Connected Holders"), and the maximum subscription shares held by the Connected Holders were 32,499,841 shares (the "Maximum Subscription Shares"), and the corresponding maximum subscription amount was RMB32,499,841.

From 22 November 2023 to 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions through the trading system of Shenzhen Stock Exchange. The average transaction price was RMB34.20 per share, and the transaction amount was approximately RMB71.0403 million. As at 22 December 2023, the Third Phase Ownership Scheme has completed the share purchase, and the Shares would be locked up for 36 months as required (from 23 December 2023 to 22 December 2026). The total number of shares involved in the Third Phase Ownership Scheme was 2,077,100 A Shares, representing approximately 0.23% of the total share capital of the Company as at the disclosure date of the Report.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

3. The Third Phase Ownership Scheme *(continued)*

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

Purpose and benefits of the scheme

The Third 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, which will help to optimize the compensation structure of the Company, promote the long-term stable development of the Company and enhance the overall value of the Company.

Target participants

The scope of the Holders of the Third 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 Third Phase Ownership Scheme is 84, of which 8 are Directors (excluding independent non-executive Directors), Supervisors and senior management. Shareholders holding more than 5% of the shares of the Company and de facto controllers shall not participate in the Third Phase Ownership Scheme.

Source of funds

Funds for participation of the Company’s employees in the Third Phase Ownership Scheme come from the special fund (the “Special Fund”) of the Third Phase Ownership Scheme set aside by the Company. The total amount of funds to be held by the Third Phase Ownership Scheme is RMB71.037901 million, all of which are the Special Fund set aside by the Company. The employees of the Company are not required to pay any amount for participating in the Third Phase Ownership Scheme or receiving the distribution income according to the Third Phase Ownership Scheme.

Number of shares and maximum entitlement

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

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

3. The Third Phase Ownership Scheme (continued)

Duration and lock-up period

The duration of the Third 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 Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2027. The remaining validity period of the Third Phase Ownership Scheme as at the date of the Report is approximately two years and nine months.

Lock-up periods of the Underlying Shares obtained by the Third 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 Third Phase Ownership Scheme to the account in the name of the Third Phase Ownership Scheme, namely 23 December 2023 to 22 December 2026.

Shares allocation of Holders

The list and shares of Holders are set out below:

Holders	Type	Proportion to the total amount of the Third Phase Ownership Scheme	Shares unvested at the Beginning of the Reporting Period (0'000 shares) ⁽¹⁾	Shares held as at 1 January 2024 (0'000 shares)	Shares vested during the Period (0'000 shares) ⁽²⁾⁽³⁾	Shares cancelled during the Period (0'000 shares)	Shares lapsed during the Period (0'000 shares)	Shares held as at 31 December 2024 (0'000 shares)	Shares unvested at the End of the Reporting Period (0'000 shares) ⁽¹⁾
Tang Yanggang	Executive Director	6.00%	–	426.2274	–	–	–	426.2274	–
Xu Guoxiang	Executive Director	5.00%	–	355.1895	–	–	–	355.1895	–
The top five highest paid individuals (except for Tang Yanggang and Xu Guoxiang)		15.00%	–	1,065.5687	–	–	–	1,065.5687	–
Others (71 persons)		74.00%	–	5,256.8045	–	–	–	5,256.8045	–

Notes: (1) On 7 November 2023, the Third Phase Ownership Scheme was considered and approved at the 2023 second extraordinary general meeting. As at 22 December 2023, the Third Phase Ownership Scheme purchased a total of 2,077,100 A Shares of the Company by means of centralized bidding transactions with transaction amount of RMB71.0403 million, and a total of 71,037,901 shares under the Third Phase Ownership Scheme have been vested to the Holders.

(2) For the details of duration and lock-up period, please refer to relevant contents of “Duration and lock-up period” as set out above. The employees of the Company are not required to pay any amount for participating in the Third Phase Ownership Scheme or receiving the distribution income according to the Third Phase Ownership Scheme.

(3) On 21 December 2023 (at the trading day prior to the share being vested), the closing price of the A shares of the Company is RMB34.91 per share.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

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

(continued)

3. The Third Phase Ownership Scheme (continued)

Shares allocation of Holders (continued)

Among which, the list and shares subscription of the Connected Holders are set out below:

Holders	Positions held with the Company/ subsidiaries of the Company	Shares subscribed (0'000 shares)	Proportion to the total amount of the Third Phase Ownership Scheme
Tang Yanggang	Executive Director and President	426.2274	6.00%
Xu Guoxiang	Vice Chairman and Vice President	355.1895	5.00%
Yang Daihong	Vice President	213.1137	3.00%
Huang Yuxuan	Vice President	248.6327	3.50%
Si Yanxia	Vice President, Chief Financial Officer	177.5948	2.50%
Du Jun	Vice President	248.6327	3.50%
Yang Liang	Vice President	177.5948	2.50%
Wang Maolin	Chief Supervisor	71.0379	1.00%
Hou Xuemei ^(note)	Chief Scientist of a subsidiary of the Company	71.0379	1.00%
Directors and general managers of subsidiaries of the Company		1,260.9227	17.75%

Note: Hou Xuemei is the spouse of Tao Desheng, the vice chairman of Company, and therefore is a connected person of the Company.

XXI. PROFIT DISTRIBUTION PLAN

For 2024 profit distribution plan, please refer to "XVII. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY" in Section IV of the Report for relevant information.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXII. AUDITORS

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

For explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the Previous Year, please refer to "EXPLANATION ON CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTION OF SIGNIFICANT ACCOUNTING ERRORS IN COMPARISON WITH THE FINANCIAL REPORT FOR THE LAST YEAR" in Section II of the Report for relevant information.

On 14 June 2024, the 2023 annual general meeting of the Company considered and approved to renew the appointment of Grant Thornton (Special General Partnership) as the auditor of the Company for the year 2024. The Company has not changed its auditors in the past three years.

XXIII. TAXATION AND TAX RELIEF

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions which were in issue during the year ended 31 December 2024. Shareholders, if necessary, shall seek professional advice from their tax and legal advisors for advices relating to tax payment or its impacts:

A Shareholders

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXIII. TAXATION AND TAX RELIEF *(continued)*

A Shareholders *(continued)*

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

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

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

H Shareholders

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

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXIII. TAXATION AND TAX RELIEF *(continued)*

H Shareholders *(continued)*

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

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016] 127號)), (1) for dividends received by domestic individual investor from investing in the Company's H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the Company is obliged to withhold individual income tax at a tax rate of 20% when the Company shall apply to China Securities Depository and Clearing Corporation Limited ("CSDCC") for the registrar of domestic individual investors. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements; (2) for dividends received by domestic enterprise investors from investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, such amount shall be reckoned in their gross revenue and subject to corporate income tax pursuant to laws. In particular, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted pursuant to laws. The Company shall apply to CSDCC for the registrar of domestic enterprise investors. The Company will not withhold the income tax on dividends for the domestic enterprise investors, and the tax payable shall be declared and paid by the domestic enterprise investors.

During the Year, no Shareholder has waived or agreed to waive any dividends.

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

Each of the Directors and Supervisors has entered into a respective Director and Supervisor service contract with the Company. Contents of such contracts are the same in all material respects. The service contracts of the Directors and Supervisors will expire upon the expiry of the term of the eleventh session of the Board in place (i.e. 30 June 2026). Save for the aforesaid service contracts, no service contract that cannot be terminated within one year without payment of compensation (other than statutory compensation) has been or proposed to be entered into between the Company and the Directors or the Supervisors.

Save for the aforesaid service contracts and matters disclosed in the Report, none of the Directors or Supervisors (or any entities connected with them) of the Company had a material interest, whether direct or indirect, in any other transactions, arrangements or contacts of significance which had been entered into by the Company, any of its subsidiaries, or its holding company or the holding company's subsidiaries for the year ended 31 December 2024.

XXV. ARRANGEMENT OF PURCHASING SHARES OR BONDS BY DIRECTORS

Save for the 2022 Share Options Incentive Scheme, the Company or its subsidiaries or the holding company of the Company or its subsidiaries did not enter into any arrangement at any time during the Year that enabled the Directors, Supervisors and senior management of the Company to acquire benefits by means of purchasing shares or bonds of the Company or any other corporation.

SECTION III. MANAGEMENT DISCUSSION AND ANALYSIS

XXVI. PRE-EMPTIVE RIGHTS

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

XXVII. CHARITABLE DONATION

During the Year, the expenditure of charitable donation of the Group amounted to RMB12.98 million (2023: RMB16.98 million).

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

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

Executive Directors

Mr. Tang Yanggang (唐陽剛先生) (President)
Mr. Xu Guoxiang (徐國祥先生) (Vice Chairman and Vice President)

Non-executive Directors

Mr. Zhu Baoguo (朱保國先生) (Chairman)
Mr. Tao Desheng (陶德勝先生) (Vice Chairman)
Mr. Qiu Qingfeng (邱慶豐先生)
Mr. Lin Nanqi (林楠棋先生) (appointed on 26 November 2024)
Mr. Yu Xiong (俞雄先生) (resigned on 14 October 2024)

Independent non-executive Directors

Mr. Bai Hua (白華先生)
Mr. Tian Qiusheng (田秋生先生)
Mr. Wong Kam Wa (黃錦華先生)
Mr. Luo Huiyuan (羅會遠先生)
Ms. Cui Lijie (崔麗婕女士)

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

Mr. Wang Maolin (汪卯林先生) (Chief Supervisor)
Mr. Huang Huamin (黃華敏先生)
Mr. Tang Yin (湯胤先生)

By order of the Board

Zhu Baoguo

Chairman

26 March 2025

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

I. BASIC CORPORATE GOVERNANCE

During the year ended 31 December 2024, in strict accordance with the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies (《上市公司治理準則》), the Shenzhen Listing Rules, the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Companies Listed on the Main Board of the Shenzhen Stock Exchange (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), the Hong Kong Listing Rules and other requirements of normative documents relating to the governance of listed companies announced by the CSRC, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, the Company constantly enhances the corporate governance structure and strengthens the internal control systems of the Company to achieve higher corporate governance standards. The Board believed that the actual conditions of corporate governance of the Company are compliant with the rules and requirements of normative documents including the Guidelines for Corporate Governance of Listed Companies without deviation.

During the Year, the decision-making and supervisory organs of the Company including the general meetings, the Board, 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.

Any significant difference between the actual conditions of corporate governance of the Company and the standards of normative documents regarding corporate governance of listed companies issued by CSRC

☐ Yes ☒ No

II. INDEPENDENCE OF THE COMPANY FROM ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS IN RESPECT OF ASSET, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS

The Company is completely independent from its controlling shareholders in respect of business, personnel, asset, organization and finance.

1. In respect of asset, the ownership of property between the Company and controlling shareholders is clear. The Company has the ownership of property completely and independently;
2. In respect of personnel, the Company's labor, personnel and salary management are completely separated from its controlling shareholders;
3. In respect of finance, the Company has independent financial management department and financial accounting system, which are strictly separated from controlling shareholders;
4. In respect of organization, the Company has independent and complete organization, which is strictly separated from controlling shareholders;
5. In respect of business, the Company has independent and complete business and self-management ability, and owns independent production, procurement and sales system, which is strictly separated from its controlling shareholders.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

III. COMPETING BUSINESS

✓ Applicable ☐ Not applicable

On 10 January 2014, for the purposes of advancing the implementation of the Company's B-to-H Share Conversion, Mr. Zhu Baoguo (the de facto controller of the Company), Ms. Liu Guangxia and Joicare (the controlling Shareholder of the Company) and its controlling shareholder, namely Baiyeyuan (collectively the "Covenantors") entered into the non-competition undertakings letter. The Covenantors have provided confirmations concerning their compliance with the terms of the "non-competition undertaking letter", details are as follows:

Each of the Covenantors hereby confirmed that since the date of the "non-competition undertaking letter" (i.e. 10 January 2014) and up to 31 December 2024, each of the Covenantors and the companies under his/her/its control (other than the Company and its subsidiaries) have strictly complied with and enforced the terms of the non-competition undertaking without breaching any terms of the "non-competition undertaking letter" under any circumstances.

Independent Directors of the Company also conducted review on the performance of the non-competition undertaking by the Covenantors, and concluded that the Covenantors had complied with the "non-competition undertaking letter". Save as disclosed in this Report, none of the Directors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

IV. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS CONVENED DURING THE YEAR

1. General meetings during the Reporting Period

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Meeting resolutions
2024 First Extraordinary General Meeting	Extraordinary general meeting	52.2136%	12 January 2024	13 January 2024	Consideration and approval of the Resolution on the Termination of the Proposed Spin-off and Listing of A Controlling Subsidiary of the Company on the ChiNext Board, the Resolution on the Application for Listing of Livzon Diagnostics, A Controlling Subsidiary of the Company, on the NEEQ, and the Resolution on the Authorization Granted by the General Meeting to the Board and Its Authorized Persons to Deal With Matters Relating to the Listing of Livzon Diagnostics on the NEEQ
2024 Second Extraordinary General Meeting	Extraordinary general meeting	36.2177%	5 March 2024	6 March 2024	Consideration and approval of the Resolution on the Reduction of the Registered Capital of the Company, the Resolution on the Amendments to the Articles of Association, the Resolution on the Amendments to the Rules and Procedures for General Meetings, and the Resolution on the Amendments to the Rules and Procedures for Board Meetings

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Meeting resolutions
2023 Annual General Meeting	Annual general meeting	52.7727%	14 June 2024	15 June 2024	Consideration and approval of the Work Report of the Board for the Year 2023, the Work Report of the Supervisory Committee for the Year 2023, the Financial Accounts Report for the Year 2023, the 2023 Annual Report of Livzon Pharmaceutical Group Inc. (full text and summary), the Resolution on the Appointment of the Auditor of the Financial Statements and Internal Control of the Company for the Year 2024, the 2023 Annual Profit Distribution Plan, the Resolution on the Company's Facility Financing and Provision of Financing Guarantees to Its Subsidiaries, the Resolution on the Company's Provision of Financing Guarantees to Its Controlling Subsidiary Lijian Animal Healthcare, the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme, and the Resolution on the Grant of General Mandate to the Board to Repurchase H shares of the Company
2024 First Class Meeting of A Shareholders	Class meeting	46.5974%			Consideration and approval of the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme and the Resolution on the Grant of General Mandate to the Board to Repurchase H shares of the Company
2024 First Class Meeting of H Shareholders	Class meeting	65.1813%			Consideration and approval of the Resolution on the Renewal of the Repurchase of Part of the Company's A Shares Scheme and the Resolution on the Grant of General Mandate to the Board to Repurchase H shares of the Company

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

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

Meeting sessions	Type of meeting	Participation percentage of investors	Date of meeting	Disclosure date	Meeting resolutions
2024 Third Extraordinary General Meeting	Extraordinary general meeting	54.5551%	26 November 2024	27 November 2024	Consideration and approval of the Resolution on a Three-year Continuing Guarantee Support Framework Agreement for 2025-2027 Entered into between the Company and Its Controlling Subsidiary Livzon MAB, the Continuing Connected Transactions of Provision of Financing Guarantees by the Company to Livzon MAB Contemplated Thereunder and the Annual Caps of the Guarantees, the Resolution on the Conclusion of Projects Invested with the Proceeds and Utilisation of the Remaining Proceeds for Permanent Replenishment of Working Capital and the Resolution on the Election of Mr. Lin Nanqi as a Non-executive Director of the 11th session of the Board of Directors
2024 Fourth Extraordinary General Meeting	Extraordinary general meeting	53.0140%	24 December 2024	25 December 2024	Consideration and approval of the Resolution on the Repurchase of Part of the Company's A Shares Scheme
2024 Second Class Meeting of A Shareholders	Class meeting	45.1801%	24 December 2024	25 December 2024	Consideration and approval of the Resolution on the Repurchase of Part of the Company's A Shares Scheme
2024 Second Class Meeting of H Shareholders	Class meeting	68.7328%	24 December 2024	25 December 2024	Consideration and approval of the Repurchase of Part of the Company's A Shares Scheme

2. Shareholders of preference shares with resumed voting rights requesting to hold extraordinary general meeting

☐ Applicable ☒ Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

V. CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES

1. Corporate governance culture

The Company is committed to ensuring that its business is conducted with high standards of business ethics, reflecting the Company's belief in integrity, transparency and accountability for accomplishing its long-term business objectives. The Company believes that this approach will maximize the return to its shareholders in the long run and benefit its employees, business partners and the communities in which the Company operates.

Corporate governance involves the processes by which the Board guides the management of the Group on how to operate its business to achieve its business objectives. The Board is committed to maintaining and establishing sound corporate governance practices to ensure:

- (1) sustainable returns to all shareholders of the Company;
- (2) protection of the interests of institutions/individuals that have business dealings with the Company;
- (3) understanding and appropriate management of the operating risks within each business segment;
- (4) provision of high-quality products and services to the satisfaction of patients; and
- (5) maintenance of high business ethics standards.

2. Compliance with the corporate governance code

The Board of the Company regularly monitored and reviewed the progress of the Group's corporate governance practices to ensure compliance with the relevant codes. The Company adopts the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules as its corporate governance code.

The Company confirmed that during the period from 1 January 2024 to 31 December 2024, the Company strictly and fully complied with the governance principles and the code provisions (the "Code Provisions") as set out in Part 2 of the Corporate Governance Code of Appendix C1 of the Hong Kong Listing Rules.

3. Securities transactions of Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix C3 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 C1 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 2024 to the disclosure date of this Report. All Directors and Supervisors have confirmed that they have complied with the standards as set out in the above codes during the period from 1 January 2024 to the disclosure date of this Report. The Company has also made specific enquiry to all of the employees in respect of compliance to the standards set out in the above-mentioned code by the employees, and noted that there has been no incident of non-compliance with the standards as set out in the above-mentioned code.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Duties of the Board and management

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

The members of the Board of the Company are elected at and accountable to the general meetings, and shall exercise the following authority and powers: (1) to convene general meetings and report to the meetings; (2) to implement the resolutions passed at general meetings; (3) to determine the Company's business plans and investment schemes; (4) to prepare the Company's annual financial budget and final accounts; (5) to formulate the Company's profit distribution plan and loss recovery plan; (6) to formulate proposals for increases or reductions of the Company's registered capital and for the issuance and listing of corporate bonds or other securities; (7) to draft plans for material acquisition, acquisition of the shares of the Company under the circumstances as required in (i) and (ii) of the first paragraph of Article 28 of the Articles of Association, merger, division, dissolution or change in corporate form; (8) to determine the acquisition of the shares of the Company under the circumstances as required in (iii) to (vii) of the first paragraph of Article 28 of the Articles of Association within the authorization of the general meeting; (9) save as otherwise provided by the securities regulatory authorities and the stock exchanges where the shares of the Company are listed, to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, external guarantee, entrusted wealth management, connected transaction and external donation within the authorization of the general meeting; (10) to determine the establishment of the Company's internal management structure; (11) to decide to appoint or dismiss the Company's president, the secretary of the Board and other senior officers, and to determine their remunerations, rewards and penalties; and pursuant to the president's nominations, to determine the appointment or dismissal of senior officers including vice presidents and chief financial officer of the Company and to decide on their remunerations, rewards and penalties; (12) to formulate the Company's basic management system; (13) to formulate the proposed amendments to the Articles of Association; (14) to deal within formation disclosures of the Company; (15) to propose to the general meeting for appointment or replacement of the accounting firms serving as the auditors of the Company; (16) to receive work report submitted by the president and to review his performance; (17) to exercise other duties and powers specified in the laws, regulations or the Articles of Association and authorized by the general meetings.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Duties of the Board and management *(continued)*

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

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

As at the disclosure date of this Report, the Board of the Company has a total of eleven members, of which two executive Directors are Tang Yanggang (President) and Xu Guoxiang (Vice Chairman and Vice President); four non-executive Directors are Zhu Baoguo (Chairman), Tao Desheng (Vice Chairman), Qiu Qingfeng and Lin Nanqi; and five independent non-executive Directors are Bai Hua, Tian Qiusheng, Wong Kam Wa, Luo Huiyuan and Cui Lijie. For details of the biographies of the above Directors, please refer to "XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT" of Section IV of this Report.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Duties of the Board and management *(continued)*

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

		Attendance of relevant meetings during their term of office/Number of relevant meetings held during their term of office	
Name	Position	Board meetings	General meetings (including class meetings)
I. Executive Directors			
Tang Yanggang	Director and President	12/12	9/9
Xu Guoxiang	Vice Chairman and Vice President	12/12	8/9
II. Non-executive Directors			
Zhu Baoguo	Chairman	12/12	4/9
Tao Desheng	Vice Chairman	12/12	5/9
Qiu Qingfeng	Director	12/12	9/9
Lin Nanqi (appointed on 26 November 2024)	Director	3/3	3/3
Yu Xiong (resigned on 14 October 2024)	Director	9/9	4/5
III. Independent Non-executive			
Bai Hua	Independent Director	12/12	9/9
Tian Qiusheng	Independent Director	12/12	9/9
Wong Kam Wa	Independent Director	12/12	9/9
Luo Huiyuan	Independent Director	12/12	8/9
Cui Lijie	Independent Director	12/12	9/9

In addition to the above twelve Board meetings, the chairman also held one meeting with independent non-executive Directors of the Company during the Year.

Save as disclosed in biographies of Directors of the Company set out in this Report, there is no financial, business or family relationship or material/relevant relationship between the members of the Board.

Prior notices are given for meetings convened during the Year in accordance with relevant requirements to ensure all Directors have the opportunity to attend meetings and propose matters for discussion to be incorporated into agenda. All of the Directors may obtain opinions and services from the secretary to the Board to ensure compliance with Board procedures and all applicable rules and regulations. The Company has purchased liability insurances for Directors, Supervisors and senior management.

The Board possesses the skills, experience and diversity of views and perspectives appropriate to and required by the Company's business and regularly reviews the performance of the Directors to ensure that every Director is able to devote sufficient time and contribution to the Company in accordance with his/her role and Board responsibilities. The Board has a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors), so the Board is highly independent and able to make effective independent judgement.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Duties of the Board and management *(continued)*

Training and professional development: Every newly appointed director will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of his duties and responsibilities under the Hong Kong Listing Rules and relevant statutory provisions. The Company arranged for Directors to participate in professional training organized by the CSRC and the Shenzhen Stock Exchange from time to time for obtaining training qualification certificates or qualification certificates recognized by relevant authority, and regularly provided all Directors with relevant updates on regulations, industry information and Directors' duties. Meanwhile, Directors are encouraged to participate in courses and lectures organized by professional institutions to enhance the Directors' continuous professional development and further education and update their knowledge and skills. All Directors have provided records of training they have taken during the year ended 31 December 2024 and attended trainings rendered by professional groups and/or learned materials about their duties and responsibilities.

	Continuous professional development of Directors	
	Attending professional training/courses/lectures	Reading books and materials
Executive Directors		
Tang Yanggang	✓	✓
Xu Guoxiang	✓	✓
Non-executive Directors		
Zhu Baoguo	✓	✓
Tao Desheng	✓	✓
Qiu Qingfeng	✓	✓
Lin Nanqi (appointed on 26 November 2024)	✓	✓
Yu Xiong (resigned on 14 October 2024)	✓	✓
Independent Non-executive Directors		
Bai Hua	✓	✓
Tian Qiusheng	✓	✓
Wong Kam Wa	✓	✓
Luo Huiyuan	✓	✓
Cui Lijie	✓	✓

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

5. Chairman and president

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

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

The president, i.e. the chief executive officer (CEO), shall be accountable to the Board and exercises the following duties and powers: to be in charge of the production, operation and management of the Company, to organize and implement the resolutions adopted by the Board, and to report his work to the Board; to organize and implement the annual business plans and investment plans of the Company; to draft schemes for the establishment of the Company's internal management departments; to formulate the basic management system of the Company; to formulate the detailed rules and regulations of the Company; to make proposals regarding the appointment or removal of the vice president and chief financial officers of the Company; to appoint or remove managerial officers other than those to be appointed or removed by the Board; and to perform other duties and powers authorized by the Articles of Association or the Board.

6. Independent non-executive Directors

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

7. Directors' term of office

According to the Articles of Association, all Directors of the eleventh session of the Board (including non-executive Directors) are elected at general meetings with a term of three years from 30 June 2023 to 30 June 2026. Directors can be re-elected upon expiration of the term, provided that no term of office of independent non-executive Directors shall last for more than six years.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

8. Directors' responsibility for the financial statements

The Directors acknowledged their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company. The Directors believed that the Company had adopted and applied consistently appropriate accounting policies in preparing the financial statements in compliance with all related accounting standards.

9. Special committees of the Board

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

Audit Committee

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

During the Year, the Audit Committee had discussed the Group's annual, interim and quarterly financial statements, reviewed the accounting principles and practices, internal supervision system adopted by the Group and considered audit conducted and fees charged by auditor. On 26 March 2025, the Committee reviewed the 2024 Self-Evaluation Report on Risk Management and Internal Control of the Company.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

9. Special committees of the Board *(continued)*

Audit Committee *(continued)*

During the Year, five meetings were convened by the Audit Committee, details were as follows:

- (1) On 9 January 2024, the fourth meeting of the Audit Committee of the eleventh session of the Board was held by way of telecommunication, during which the Resolution on the 2023 Financial Audit Plan of Livzon Pharmaceutical Group Inc. was considered and approved.
- (2) On 27 March 2024, the fifth meeting of the Audit Committee of the eleventh session of the Board was held by way of telecommunication, during which the 2023 Audit Report of the Company, the 2023 Final Financial Report of the Company, the 2023 Annual Results Announcement and Annual Report of the Company, the Resolution on the 2023 Continuing Connected Transactions of the Company, the 2023 Self-Evaluation Report on Risk Management and Internal Control of the Company, the Resolution on Consideration of the Evaluation Report on the Audit Work Carried Out by Grant Thornton (Special General Partnership) for the year 2023 and the Resolution on Considering the Re-appointment of Grant Thornton (Special General Partnership) as the Audit Firm of the Company for the year 2024 were considered and approved.
- (3) On 23 April 2024, the sixth meeting of the Audit Committee of the eleventh session of the Board was held by way of telecommunication, during which the Resolution on the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for the Three Months Ended 31 March 2024 of the Company and its Subsidiaries was considered and approved.
- (4) On 22 August 2024, the seventh meeting of the Audit Committee of the eleventh session of the Board was held by way of telecommunication, during which the Unaudited Interim Report, Interim Results Announcement and Financial Report for the Six Months Ended 30 June 2024 of the Company, the Resolution on Continuing Connected Transactions of the Company for the First Six Months of 2024 and the Special Report on Deposit and the Actual Use of the Fund Raised by the Company for the First Six Months of 2024 were considered and approved.
- (5) On 23 October 2024, the eighth meeting of the Audit Committee of the eleventh session of the Board was held by way of telecommunication, during which the Resolution on the Unaudited Consolidated Financial Statements and the Quarterly Results Announcement for the Nine Months Ended 30 September 2024 of the Company and its Subsidiaries was considered and approved.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

9. Special committees of the Board *(continued)*

Remuneration and Assessment Committee

The Remuneration and Assessment Committee under the eleventh session of the Board is comprised of three independent non-executive Directors. The chairman of the committee is Mr. Tian Qiusheng and other committee members are Ms. Cui Lijie and Mr. Bai Hua. The member composition is in compliance with the requirements under Rule 3.25 of the Hong Kong Listing Rules. The key responsibilities of the Remuneration and Assessment Committee are to assess and review and advise the Board on the remuneration packages for and the performance of the chairman of the Board, executive Directors and senior management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, so as to ensure that any Director or any of their associates shall not be involved in fixing their remuneration and related matters, as well as to review and/or approve matters relating to share plans as referred to in Chapter 17 of the Hong Kong Listing Rules.

During the Year, the Remuneration and Assessment Committee held a meeting to consider and approve the Resolution on Reviewing the Remuneration of Senior Management of the Company for 2023 and the Resolution on Adjusting the Remuneration of Certain Senior Management of the Company. The share options incentive scheme of the Company does not grant options or awards to Directors and senior management as specified in Rule 17.06B(7) and (8) of the Hong Kong Listing Rules (vesting period of less than 12 months or without performance targets and/or claw-back mechanism).

Details in relation to remuneration of the senior management are disclosed in "Note X. 5. Related Transactions" of the financial report in this Report.

Nomination Committee

The Nomination Committee under the eleventh 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 Rule 3.27A of the Hong Kong Listing Rules. The key responsibilities of the Nomination Committee are to review the structure, number of members and composition of the Board (in respect of various areas including gender, ages, cultural and education background, skills, knowledge and experience); to study the criteria and procedures for selection and appointment of Directors and senior management, and to make recommendations thereon to the Board; to advise the Board on the appointment or re-appointment of Directors and succession plan for Directors (particularly the chairman and the president); and to evaluate the independence of independent non-executive Directors.

During the Year, the Nomination Committee held four meetings to consider and approve the Resolution on the Nomination of the Vice President of the Company, revise the Board Diversity Policy of Livzon Pharmaceutical Group Inc., the Resolution on the Nomination of Mr. Lin Nanqi as the Non-executive Director Candidate of the Eleventh Session of the Board, and the Resolution on the Nomination of Ms. Liu Ning as the Secretary to the Board, the Company Secretary, and Authorised Representative of the Company.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

9. Special committees of the Board *(continued)*

Nomination Committee *(continued)*

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

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

Strategy Committee

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

ESG Committee

The ESG Committee under the eleventh 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.

During the Year, the ESG Committee held five meetings to review the 2023 ESG report, the achievement of the 2023 environmental management goals and carbon emission reduction goals, the energy conservation, emission reduction and carbon emission reduction in the first half of 2024, ESG management improvement suggestions for 2024, as well as review and evaluate employee diversity, human rights due diligence, gender salary gap, data security, privacy protection and other management works for 2023.

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

9. Special committees of the Board *(continued)*

Attendance of the meetings of special committees of the Board

During the Year, attendance of the meetings of special committees of the Board was as follows:

Name	Position	Attendance of relevant meetings during their term of office/ Number of relevant meetings held during their term of office				
		Meetings of Audit Committee	Meetings of Nomination Committee	Meetings of Remuneration and Assessment Committee	Meetings of Strategy Committee	Meetings of ESG Committee
Zhu Baoguo	Non-executive Director and Chairman	N/A	N/A	N/A	0/0	5/5
Tang Yanggang	Executive Director	N/A	N/A	N/A	0/0	5/5
Tao Desheng	Non-executive Director and Vice Chairman	N/A	4/4	N/A	0/0	N/A
Bai Hua	Independent Non-executive Director	5/5	N/A	1/1	N/A	5/5
Wong Kam Wa	Independent Non-executive Director	N/A	N/A	N/A	N/A	5/5
Tian Qiusheng	Independent Non-executive Director	5/5	4/4	1/1	N/A	5/5
Luo Huiyuan	Independent Non-executive Director	5/5	4/4	N/A	N/A	N/A
Cui Lijie	Independent Non-executive Director	N/A	N/A	1/1	N/A	N/A

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

10. Shareholders' engagement

The Company attaches high importance to its effective communication with shareholders through which the shareholders can conduct clear assessment on the results of the Group, and make inquiries to the Board. Major ways of communication between the Company and shareholders are as follows:

Information disclosure on the Company's website

The Company will use the most comprehensive and timely manner for disclosure of all significant information related to the Group to those who are interested in receiving the Company's information. The Company's website (www.livzon.com.cn) may provide important information related to the Group's activities and corporate issues (such as annual reports and interim reports to Shareholders, announcements, ESG reports, business development and operation, corporate governance practice and other information etc.) available for inspection by Shareholders and other stakeholders. In addition, announcements issued through the Hong Kong Stock Exchange are also available on the Company's website.

Telephone number and email

The Company provides its telephone number (86-756-8135888, 86-756-8135990, 86-756-8135992) and email address (LIVZON_GROUP@livzon.com.cn) to Shareholders for communicating with the Company.

Convening of general meetings

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

Easy Interactive Platform of the Shenzhen Stock Exchange

The Company collects valuable suggestions about the Company from the general investors through the Easy Interactive Platform of the Shenzhen Stock Exchange, and gives replies in detail to the questions raised by the general investors to the Company on the Easy Interactive Platform.

WeChat official account

The WeChat official account “麗珠醫藥” registered by the Company is a convenient gateway for investors to follow the information about the Company. By means of subscribing to the Company's WeChat official account, investors can receive wechat-push released by the account at any time, so as to get relevant information on the Company's daily operation more conveniently and quickly, as well as understand the Company's corporate culture publicity campaign, team building activities, party, work union and youth league organizations and other activities.

Investor relations activities

The Company has established a proper communication mechanism with investors, investors can get knowledge of the Company's operation through, among others, specific target research, performance briefings, on-site visits, roadshows and media interviews, and maintain full communication with the Company's management and core technical personnel. For the investor relations activities mentioned above, the Company has maintained written research minutes and made public disclosure through the information disclosure websites designated by the CSRC and the stock exchange.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

11. Shareholders' rights and shareholders communication policy

Procedure for convening general meetings by shareholders

Pursuant to Article 73 of the Articles of Association: "In compliance with the Article 78 herein, shareholders, individually or jointly, holding 10% or more of the Company's shares may request the Board to convene an extraordinary general meeting or a class meeting of Shareholders and to add resolutions to the agenda of the meeting, and such proposals shall be made to the Board in writing. For such proposal, the Board shall, in accordance with laws, administrative regulations and these Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting or a class meeting of Shareholders, within 10 days upon receipt of such proposal.

If the Board agrees to convene the extraordinary general meeting or class meeting of Shareholders, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Changes made to the original proposal in the notice shall be approved by the relevant Shareholder.

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

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

If the Supervisory Committee fails to give a relevant notice within the designated period, it shall be deemed that the Supervisory Committee fails to convene and preside over the general meeting. The shareholder(s) continuously holding for 90 days individually or collectively more than 10% of the shares of the Company may convene and preside over the meeting by himself/themselves."

Pursuant to Articles 74, 75 and 76 of the Articles of Association: "If the Supervisory Committee or Shareholder(s) decide(s) to convene the general meeting by itself/themselves, it/they shall issue a written notice to the Board and file with the stock exchange.

Shareholding proportion of the convening Shareholders who intend to convene a general meeting shall not be less than 10% prior to announcement of the resolution of the general meeting.

The convening Shareholders shall submit the corresponding supporting materials to the stock exchange when issuing the notice of convening a general meeting and declaring the resolution of general meeting.

For general meetings convened by the Supervisory Committee or the Shareholders, the Board and the secretary to the Board shall coordinate accordingly. The Board shall provide the register of members as at the registered date for entitlements of shares.

All necessary expenses incurred by the Supervisory Committee or the Shareholders to convene a general meeting shall be assumed by the Company."

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

11. Shareholders' rights and shareholders communication policy *(continued)*

Procedure for delivering Shareholders' inquiries to the Board

Shareholders may, at any time through the Secretary to the Board (Company Secretary), forward their inquiries and matters of concern to the Board of the Company in writing. For contact details of the Secretary to the Board (Company Secretary), please refer to relevant content as set out in "CONTACT PERSONS AND CONTACT DETAILS" of Section II of this Report. The Secretary to the Board (Company Secretary) shall forward Shareholders' inquiries and matters of concern to the Board of the Company and/or relevant committees under the Board (if appropriate), in order to respond to Shareholders' queries.

Procedure for submission of Shareholders' proposals to general meetings

Pursuant to Article 78 of the Articles of Association: "The Board, the Supervisory Committee, and Shareholder(s) individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposed resolutions to the Company for a general meeting of the Company.

The Shareholder(s) individually or jointly holding more than 3% of the Company's Shares may submit extra proposed resolutions in writing to the convener of a general meeting in writing 10 days prior to the meeting. The convener shall issue a supplementary notice of the general meeting and announce the contents of such extra proposed resolutions within 2 days after receipt thereof.

Except as provided by the preceding clause, the convener of a general meeting shall not amend the proposed resolutions set out in the notice of the meeting or add any new proposed resolutions subsequent to the issue of the notice of the general meeting.

Proposals which are not specified in the notice of the general meeting or which do not comply with Article 77 of these Articles of Association shall not be voted and resolved at the general meeting."

Investor relations

The Company serves and visits investors to introduce the business of the Group in a timely manner. In addition, the Company shall promptly answer questions raised by the public and individual Shareholders through calls, Easy Interactive Platform of the Shenzhen Stock Exchange, etc. Meanwhile, the Company makes timely disclosure of these information on designated websites of the Shenzhen Stock Exchange and Hong Kong Stock Exchange and the website of the Company in strict accordance with the Shenzhen Listing Rules, the Hong Kong Listing Rules and relevant laws and regulations. Under any circumstances, the Company shall adopt prudent attitude to ensure it shall not make selective disclosure of any information that affects share prices.

Management system for the investor relations

The Board has formulated the Management System for the Investor Relations, which standardizes the Company's investor relations management, facilitates effective communication between the Company and shareholders and potential investors. Investors can further understand the Company's production, operation and performance through multiple channels, platforms and methods such as stock exchanges and other regulatory and open interactive communication platforms, which fully protects the right to know and vital interests of all investors.

The Company's shareholders communication policy above can provide a variety of communication channels for shareholders of the Company to express their opinions. During the Year, the Company reviewed the implementation of the shareholders communication policy and confirmed that it was effective. During the Year, the Company held 9 general meetings, 66 investor exchanges and 6 periodic report performance briefings.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

12. Articles of Association

During the Year, pursuant to the latest provisions of the Administration Measures for Independent Directors of Listed Companies, Shenzhen Listing Rules, Hong Kong Listing Rules and other laws and regulations, and taking into consideration of the actual conditions of the Company, the Company made an amendment to the Articles of Association. For the details of the amendment, please refer to the announcements dated 5 March 2024 and 6 March 2024 published on the Company's website, HKEXnews and Cninfo.

13. The Company's profit distribution policy

The profit distribution policy as required in the Articles of Association is set out as follows:

- (1) The profit distribution of the Company shall focus on providing Shareholders with reasonable investment return as well as the Company's sustainable development, and the Company shall maintain the continuity and stability of the profit distribution policy as much as possible.
- (2) The Company may distribute its profit in the form of cash, shares or a combination of cash and shares or in other ways as permitted by the laws and regulations.
- (3) The Company distributes its profit annually in principle. Nevertheless, interim profit distribution in cash may be made by the Company subject to conditions.
- (4) Subject to the condition that the Company's cash flow could satisfy normal operation and long-term development need, the Company shall implement proactively the cash dividends distribution and shall guarantee that the accumulated profit to be distributed in cash for the latest three years shall not be less than 30% of the average annual distributable profit realized in the latest three years. Particulars of the proportion of profit distributed in cash annually are proposed by the Board in accordance with relevant requirements and the Company's operation of the year, which shall be submitted to the general meeting for approval.

The Company shall, after considering various factors such as the characteristics of the industry where it operates, stage of development, business model, profitability and investment expenses, propose different cash dividend policy based on the following situation according to statutory procedures: (i) If the Company is at a mature stage of development with no significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 80%; (ii) If the Company is at a mature stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 40%; and (iii) If the Company is in a growing stage of development with significant capital expenditure arrangement at the time of profit distribution, cash dividend payout ratio of such profit distribution shall be at least 20%.

- (5) The Company may distribute cash dividend, provided that the following conditions are fulfilled: (i) Positive figures are recorded for the distributable profits of the Company (i.e. post-tax profit left after the loss recovery and accrual of the reserves) during the year; and (ii) A standard unqualified audit report is issued by an auditor for the financial report of the Company during the year;

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

13. The Company's profit distribution policy *(continued)*

- (6) Conditions for the Company to declare script dividend: subject to the fulfillment of the conditions for declaring cash dividend, if the operating income and net profit of the Company show rapid growth, in addition to propose a cash dividend proposal, the Board of the Company can propose a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

14. Diversity

The Company is of the view that the diversity of the Board is one of the essential factors in sustaining the competitive edge of the Company and facilitating the sustainable development of the Company. The Company formulated the Board Diversity Policy (the "Policy"). Under the Policy, when considering the composition of the Board, the Company shall consider various aspects for the Board diversity, including but not limited to gender, age, cultural and educational background, professional qualifications, skills and knowledge etc. On top of the above basis, the Company shall make decisions in accordance with objective conditions such as comprehensive values that the candidates can bring to the business and development of the Company, contributions that the candidates can make to the Board whilst ensuring the diversity of the Board. The Company is committed to ensuring that it has at least one female director on our board in achieving the diversity of the Board in the aspect of gender. In order to ensure the effectiveness of the Policy, the Nomination Committee of the Company will periodically monitor and review the Policy. The Company is of the view that the current composition of the Board is a balanced and diversified mix with ages ranged between 42 and 69. The Board comprises one female director and directors with professional backgrounds including accountants, domestic or overseas lawyers, and individuals with extensive experience in the field of corporate management. The structure of their knowledge and their professional field bring expertise to and complements the Board, and are suitable for the Company's business development.

During the Year, the Company set a diversity target of "having no less than 49% female employees by 2032", continuously optimized the organizational structure of our workforce, guaranteed equal opportunities for women in employment, and promoted diversity and inclusiveness in our business.

As at 31 December 2024, the Board of the Company had a total of 11 members, of which female director accounted for 9%; the executive management of the Company had a total of 9 members, of which 3 were women, representing 33.33%; female employees and male employees of the Group accounted for 47.46% and 52.54%, respectively. The Company continues to consider diversity and meritocracy in the Board and employees selection process, monitors the diversity degree of members of the Board and employees and makes proper adjustments timely.

15. Board independence evaluation mechanism

The Company has established a Board independence evaluation mechanism, which provides for the Board to have strong independent elements so as to enable the Board to exercise independent judgement effectively to better protect the interests of Shareholders.

The objectives of the evaluation are to improve the effectiveness of the Board, maximize its strengths and identify areas for improvement or further development. The evaluation process also clearly states that the Company needs to take actions to maintain and improve the performance of the Board, such as the individual training and development needs of each Director.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

15. Board independence evaluation mechanism *(continued)*

According to the Board independence evaluation mechanism, the Board will conduct an annual review of its independence. A Board independence evaluation report will be submitted to the Board, and the Board will discuss the results and plan for improvement together as appropriate.

During the year ended 31 December 2024, each of the Directors has completed the independence evaluation through a separate questionnaire survey. The Company has submitted a Board independence evaluation report to the Board and the results of the evaluation are satisfactory.

During the year ended 31 December 2024, the Board has reviewed the implementation and effectiveness of the Board independence evaluation mechanism, the results of which are satisfactory.

16. Whistleblowing policy

The Company has established a whistleblowing policy and system to allow employees and those who have dealings with the issuer to raise any concern regarding any possible improprieties in matters relating to the Company to the Audit Committee in a confidential and anonymous manner. The whistleblowing policy is available on the Company's website.

17. Anti-corruption policy

The Company has established an anti-corruption policy to prevent improper or fraudulent practices within the Company. The Company has internal reporting channels for employees of the Company to report any improper or fraudulent practices. Employees can also report anonymously to the internal anti-corruption supervision and management department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company will implement anti-bribery and anti-corruption activities continuously to cultivate a culture of integrity and actively provide anti-corruption training and review to ensure the effectiveness of its policies. The anti-corruption policy is available on the Company's website.

VI. AUDITORS' REMUNERATION

As at the End of the Year, Grant Thornton (Special General Partnership) provided to the Group (i) non-annual audit services for the year 2024 at the remuneration of RMB0.6151 million (tax inclusive), which included review of half-yearly financial statements, capital verification report, etc., and (ii) annual audit services for the year 2024 at the remuneration of RMB2.15 million (tax inclusive), which included remuneration for auditing the financial statements and remuneration for internal control audit for the year 2024.

VII. COMPANY SECRETARY

On 31 December 2024, the Company's company secretary was changed from Mr. Yang Liang to Ms. Liu Ning. Mr. Yang Liang and Ms. Liu Ning took no less than 15 hours of relevant professional training during the Year.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

1. Board meetings during the Reporting Period

Meeting sessions	Date of meeting	Disclosure date	Meeting resolutions
Eleventh meeting of the eleventh session	30 January 2024	31 January 2024	Consideration and approval of, among others, the Resolution on the Appointment of the Company's Vice President
Twelfth meeting of the eleventh session	8 March 2024	9 March 2024	Consideration and approval of, among others, the Resolution on Consideration of the Remuneration of the Company's Senior Management for the Year 2023
Thirteenth meeting of the eleventh session	28 March 2024	29 March 2024	Consideration and approval of, among others, the Resolution on the 2023 Annual Report of Livzon Pharmaceutical Group Inc. (Full text and summary)
Fourteenth meeting of the eleventh session	23 April 2024	Not applicable	Consideration and approval of the 2024 First Quarterly Report of Livzon Pharmaceutical Group Inc.
Fifteenth meeting of the eleventh session	29 April 2024	30 April 2024	Consideration and approval of the 2023 Environment, Social and Governance Report of the Company
Sixteenth meeting of the eleventh session	13 May 2024	14 May 2024	Consideration and approval of, among others, the Resolution on Cancellation of a Part of Share Options under the 2022 Share Option Incentive Scheme
Seventeenth meeting of the eleventh session	19 June 2024	20 June 2024	Consideration and approval of the Resolution on Changing the Company's Authorized Agent
Eighteenth meeting of the eleventh session	22 August 2024	23 August 2024	Consideration and approval of, among others, the 2024 Interim Report of Livzon Pharmaceutical Group Inc. (full text and summary)
Nineteenth meeting of the eleventh session	27 September 2024	28 September 2024	Consideration and approval of, among others, the Resolution on a three-year continuing guarantee support framework agreement for 2025-2027 entered into between the Company and its controlling subsidiary Livzon MAB, the continuing connected transactions of provision of financing guarantees by the Company to Livzon MAB contemplated thereunder and the annual caps of the guarantees
Twentieth meeting of the eleventh session	23 October 2024	24 October 2024	Consideration and approval of, among others, the Resolution on the 2024 Third Quarterly Report of Livzon Pharmaceutical Group Inc.
Twenty-first meeting of the eleventh session	28 November 2024	29 November 2024	Consideration and approval of, among others, the Resolution on the Repurchase of Part of the Company's A Shares Scheme
Twenty-second meeting of the eleventh session	31 December 2024	2 January 2025	Consideration and approval of, among others, the Resolution on the Projected Daily Related Transactions for 2025 of the Company

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

2. Directors' attendance at board meetings and general meetings

Directors' Attendance at Board Meetings and General Meetings

Name of Director	Number of Board Meetings required to be attended during the Year	Attendance at Board Meeting(s) in person	Attendance at Board Meetings by telecommunication	Attendance at Board Meeting(s) by proxy	Absence from Board Meeting(s)	Unable to attend in Person for two consecutive Board Meetings	Attendance at general meeting(s)
Zhu Baoguo	12	0	12	0	0	No	4
Tao Desheng	12	3	9	0	0	No	5
Xu Guoxiang	12	0	12	0	0	No	8
Tang Yanggang	12	2	10	0	0	No	9
Lin Nanqi	3	0	3	0	0	No	3
Yu Xiong (Resigned)	9	0	9	0	0	No	4
Qiu Qingfeng	12	0	12	0	0	No	9
Bai Hua	12	0	12	0	0	No	9
Tian Qiusheng	12	0	12	0	0	No	9
Wong Kam Wa	12	0	12	0	0	No	9
Luo Huiyuan	12	0	12	0	0	No	8
Cui Lijie	12	0	12	0	0	No	9

Explanation on the absence from the Board meeting twice in succession

☐ Applicable ☒ Not applicable

3. Directors' objection to any matters related to the Company

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

☐ Yes ☒ No

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

4. Other explanations about performance of duties by Directors

Whether the opinions from the Directors of the Company are adopted

☐ Yes ☐ No ☒ Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

IX. SPECIAL COMMITTEES OF THE BOARD DURING THE REPORTING PERIOD

Name of committee	Members	Number of meetings convened	Date of meeting	Meeting details	Important opinions and recommendations proposed	Other performance of duties	Detailed objections (if any)
Audit Committee	Bai Hua, Luo Huiyuan and Tian Qiusheng	5	9 January 2024, 27 March 2024, 23 April 2024, 22 August 2024, and 23 October 2024	For details, please refer to the relevant content in "9. Special Committees of the Board" under "V.CORPORATE GOVERNANCE DISCLOSURE MADE PURSUANT TO HONG KONG LISTING RULES" in Section IV of this Report.	No	N/A	N/A
Remuneration and Assessment Committee	Bai Hua, Tian Qiusheng and Cui Lijie	1	8 March 2024		No	N/A	N/A
Nomination Committee	Tao Desheng, Luo Huiyuan and Tian Qiusheng	4	30 January 2024, 30 August 2024, 23 October 2024 and 31 December 2024		No	N/A	N/A
Strategy Committee	Zhu Baoguo, Tang Yanggang and Tao Desheng	0	N/A		No	N/A	N/A
ESG Committee	Zhu Baoguo, Tang Yanggang, Bai Hua, Tian Qiusheng and Wong Kam Wa	5	15 January 2024, 29 March 2024, 29 April 2024, 3 July 2024 and 29 August 2024		No	N/A	N/A

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

X. WORK OF THE SUPERVISORY COMMITTEE

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

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

☐ Yes ☒ No

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

XI. RISK MANAGEMENT AND INTERNAL CONTROL

In 2024, the risk management and internal control of the Company mainly focus on internal environment, risk assessment, control, information and communication and internal supervision. Its scope includes financial control, operational control, compliance control, ESG and other risks control, as well as principal business and major events of the Company and its subsidiaries with a focus on risk management and internal control for high risk areas including fund management, R&D, quality control, asset management, sales, related transactions. It focuses on Group's daily regulated operations, integrity building, prevention and handling of internal and external risk in the operations.

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

The Company has established the department of audit and integrity, which is responsible for the internal audit and integrity building of each department of the Group. The department of audit and integrity carries out audit work in accordance with the audit plan established by the Company, performs audit annually on the risk management, internal control system and financial position of each subsidiary, confirms and assesses the completeness and effectiveness of risk management and internal control system of each subsidiary and continues to supervise and review. In accordance with the audit needs, the Company established an audit team comprising the department of audit and integrity (as the leader) and staff from departments of laws, human resources, finance, engineering center and production technology, in order to carry out a comprehensive internal control and special audit on subsidiaries of the Company, the off office audit and economic responsibility audit for the management staff and recommend remedies for existing problems, organize and complete internal audit correction and self-inspection of the subsidiaries. In 2024, the department of audit and integrity continued to strengthen the special audit of key businesses while fulfilling the Company's comprehensive audit plan, to achieve a full coverage of audit projects and audit matters. The department of audit and integrity shall prepare the comprehensive and special audit reports in accordance with specific audit contents, supervise the remedies of audited departments simultaneously, report to the management of the Company, and the management of the Company shall regularly report to the Audit Committee and the Board on effectiveness of the risk management and internal control system.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

According to the requirement of optimizing corporate governance structure and internal control system of the Company, the Company was devoted to strengthening and optimizing risk management and internal control system, and internal audit work was gradually professionalized, formulated and standardized. The Company continued to strengthen the system establishment, build internal audit system which is aligned with the development of the Company, establish risk management procedure and guidance of various terms of reference, amend and optimize relevant audit system, code of conduct for audit personnel, audit standards, audit guidelines, complaints reporting management system and audit files management system. As at 31 December 2024, the department of audit and integrity has completed 48 comprehensive internal control audits, 26 special audits and 6 economic responsibility audits of each subsidiary of the Group. The audit period spanned from 2013 to 2024.

During the Year, the Company has completed the special audit and comprehensive audit of the whole year according to the audit plan, put forward 231 audit recommendations and followed up the formulation and implementation of the audit rectification plan of each secondary company according to the audit recommendations. Through audits and supervision, problems in the internal environment can be understood timely, corporate risks are prevented, corruption in key operations is prevented and organizational goals are promoted.

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

The Board has acknowledged that it is responsible for the risk management and internal control systems and reviewing their effectiveness and adequacy, and that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. After review, the Board considered that the risk management and internal control of the Company were effective and sufficient, and has obtained confirmation from the management in respect of the effectiveness and adequacy of risk management and internal control system of the Company.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

The inside information of the Group should normally be limited to circulation in relevant departments only. For necessary inside information circulation among the departments of the Company and its subsidiaries, necessary approval procedures are required to be performed by departments of the Company and its subsidiaries and approval from department supervisors are required before the inside information circulates to other departments. The Company should make a truthful and complete record of all relevant insiders involved with reporting, circulation, compiling, review and disclosure of inside information before public disclosure and time for such inside information available to insiders, for enquiry from the Company and regulatory bodies.

The insiders of inside information of the Company shall be obligated to keep inside information confidential. The Directors, Supervisors, the senior management of the Company and relevant insiders shall minimize the number of insiders of inside information before public disclosure through obligatory measures. The Company shall inspect and make penalty decisions to any insider dealer or any suggestion from insiders to utilize inside information in a timely manner, and also file such inspection and penalty results to Guangdong Securities Regulatory Bureau of CSRC and Shenzhen Stock Exchange.

For environmental, social and governance risk management and monitoring, the ESG working group of the Company (comprised of senior management and the general managers of various departments, business units and secondary enterprises) has formulated ESG-related objectives and corresponding implementation initiatives, which are reviewed by the ESG Committee and submitted to the Board for approval, covering key ESG performance indicators such as pollutant emissions, greenhouse gas emissions, resource consumption, safe production, and quality management. The ESG Committee regularly reviews the progress towards achieving ESG objectives and recommends actions to be taken on items that require improvement. In order to achieve the objectives, the Company has also effectively incorporated ESG indicators into the performance evaluation of management. At the same time, the management actively participates in stakeholder communication to assess, analyze and prioritize the importance of ESG issues, identify ESG-related issues that have a significant impact on the Group's operations and/or the interests of other key stakeholders, and clarify the focus of ESG management efforts. For details, please refer to the Company's 2024 Environmental, Social and Governance Report.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. General

Name	Gender	Age	Position	Status of office	Commencement of term of office	Expiration of term 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)	Reason for changes in shareholdings
Zhu Baoguo	Male	62	Chairman	Current	June 2002	30 June 2026	-	-	-	-	-	N/A
Tao Desheng	Male	60	Vice Chairman and Non-executive Director	Current	August 2014	30 June 2026	733,800	-	-	-	733,800	N/A
Xu Guoxiang	Male	62	Vice Chairman, Executive Director and Vice President	Current	June 2017 and December 2007	30 June 2026	783,800	-	-	-	783,800	N/A
Tang Yanggang	Male	55	Executive Director and President	Current	February 2019 and December 2018	30 June 2026	344,963	-	-	-	344,963	N/A
Qiu Qingfeng	Male	53	Non-executive Director	Current	April 2007	30 June 2026	-	-	-	-	-	N/A
Yu Xiong	Male	64	Non-executive Director	Former	June 2020	14 October 2024	-	-	-	-	-	N/A
Lin Nanqi	Male	42	Non-executive Director	Current	November 2024	30 June 2026	-	-	-	-	-	N/A
Bai Hua	Male	55	Independent Non-executive Director	Current	June 2020	30 June 2026	-	-	-	-	-	N/A
Tian Qusheng	Male	69	Independent Non-executive Director	Current	October 2019	30 June 2026	-	-	-	-	-	N/A
Wong Kam Wa	Male	53	Independent Non-executive Director	Current	October 2019	30 June 2026	-	-	-	-	-	N/A
Luo Huiyuan	Male	58	Independent Non-executive Director	Current	July 2021	30 June 2026	-	-	-	-	-	N/A
Cui Lijie	Female	49	Independent Non-executive Director	Current	July 2021	30 June 2026	-	-	-	-	-	N/A
Wang Maolin	Male	59	Chief Supervisor	Current	June 2014	30 June 2026	-	-	-	-	-	N/A
Huang Huamin	Male	53	Supervisor	Current	June 2013	30 June 2026	-	-	-	-	-	N/A
Tang Yin	Male	50	Supervisor	Current	February 2016	30 June 2026	-	-	-	-	-	N/A
Yang Dahong	Male	58	Vice President	Current	May 2006	30 June 2026	468,979	-	-	48,000	516,979	Exercise of options
Si Yanxia	Female	56	Vice President	Current	June 2014	30 June 2026	404,423	-	-	30,000	434,423	Exercise of options
Du Jun	Male	47	Vice President	Current	September 2023	30 June 2026	50,090	-	-	-	50,090	N/A
Huang Yuxuan	Female	58	Vice President	Current	October 2018	30 June 2026	135,318	-	-	48,000	183,318	Exercise of options
Yang Liang	Male	41	Vice President	Current	June 2014 and June 2020	31 December 2024 and 30 June 2026	202,897	-	-	27,103	230,000	Exercise of options
Liu Daping	Male	37	Vice President	Current	January 2024	30 June 2026	-	-	-	-	-	N/A
Liu Ning	Female	41	Secretary to the Board	Current	December 2024	30 June 2026	-	-	-	-	-	N/A
Total	-	-	-	-	-	-	3,124,270	-	-	153,103	3,277,373	-

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(continued)*

2. Whether there is resignation of Directors and Supervisors and dismissal of senior management during their terms of office during the Reporting Period

☐ Yes ☒ No

3. Changes in Directors, Supervisors and senior management of the Company

☒ Applicable ☐ Not applicable

Name	Position	Type	Date	Reason
Liu Daping	Vice President	Appointed	30 January 2024	Not applicable
Yu Xiong	Non-executive Director	Resigned	14 October 2024	Work adjustment
Lin Nanqi	Non-executive Director	Appointed	26 November 2024	Not applicable
Yang Liang	Secretary to the Board	Resigned	31 December 2024	Work adjustment
Liu Ning	Secretary to the Board	Appointed	31 December 2024	Not applicable

Note: Mr. Lin Nanqi obtained the legal opinion as described in Rule 3.09D of the Hong Kong Listing Rules on 22 November 2024 and confirmed he understood his obligations as a director of a listed issuer.

XIII. POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

1. Brief biographies of executive Directors

Mr. Tang Yanggang (唐陽剛), aged 55, is currently our executive Director, the president, a member of the Strategy Committee and the Environmental, Social and Governance Committee and the authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules and also serves as a director in other subsidiaries of the Group. Mr. Tang graduated from Sichuan University (四川大學) with a bachelor degree in microbiology in 1992 and is a senior pharmaceutical engineer. In 2008, he joined Xinbeijiang Pharma, where he served as technical director, general manager, chairman of the board and secretary to the party committee. Since July 2015, he has been the chairman of the board of director of Xinbeijiang Pharma. From July 2015 to October 2020, he served as the general manager of the API business department of the Company. He is also a vice chairman of China Association of Traditional Chinese Medicine, vice chairman of Guangdong Pharmaceutical Association, a member of the Zhuhai Municipal Political Consultative Conference, and vice chairman of Qingyuan Entrepreneur Association. Since March 2023, he has been a member of the Standing Committee of the Executive Committee of Zhuhai Federation of Industry and Commerce (珠海市工商聯執行委員會) and an executive member of the Council of Zhuhai General Chamber of Commerce (珠海市總商會理事會). Mr. Tang was the executive vice president of the Company from July to December 2018, and has been the president of the Company since December 2018. Mr. Tang has been the executive Director of the Company since February 2019.

Mr. Xu Guoxiang (徐國祥), aged 62, is currently our executive Director, vice chairman and vice president, and also serves as a director in other subsidiaries of the Group. From November 2010 to November 2011, Mr. Xu attended an advanced EMBA course in the PRC's pharmaceutical industry organized by the Medical School of Peking University (北京大學醫學院) and obtained a completion certificate. From 2000 to 2005, Mr. Xu was a director of Yangtze River Pharmaceutical Co., Ltd. (揚子江製藥股份有限公司). In March 2007, he was the chief sale supervisor of the Company and the general manager of our branch company in Henan Province. Mr. Xu has been the vice president of the Company since December 2007. He has been a director of Zhuhai Sanmed Gene Diagnostics Ltd. since April 2020. He has been a director of Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) since May 2021. He is currently the vice chairman of China Association of Pharmaceutical Commerce, the standing council member of the Chinese Hospital Association, the council member of the Bethune Charitable Foundation and the vice chairman of Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會). Since June 2017, he has been the executive Director of the Company.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

2. Brief biographies of non-executive Directors

Mr. Zhu Baoguo (朱保國), aged 62, is currently the chairman, non-executive Director, the chairman of the Strategy Committee and the Environmental, Social and Governance Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Zhu obtained his bachelor's degree from the school of chemistry of Henan Normal University (河南師範大學) in 1985. Since 2002, Mr. Zhu has been the chairman of the Board and from April 2006 to September 2013, he also served as the president of the Company. Mr. Zhu Baoguo is the founder of Joincare, and is currently the chairman of Joincare. Since November 2014, he has been honorary vice president of Shenzhen General Chamber of Commerce (深圳市工商聯 (總商會)). Since December 2012, Mr. Zhu has been a council member and the executive secretary-general of the Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會). Since April 2015, he has been the chairman of the Federation of Shenzhen Commerce under Shenzhen General Chamber of Commerce (深圳市商業聯合會深商總會). Since April 2015, Mr. Zhu has been the chairman of the Paradise International Foundation (桃花源生態保護基金會). From May 2021 to October 2024, he was the independent non-executive director of Central China Management Company Limited (09982.HK). Mr. Zhu Baoguo is the spouse of Ms. Liu Guangxia (劉廣霞女士), one of our controlling shareholders.

Mr. Tao Desheng (陶德勝), aged 60, joined the Company in 1985 and is currently the non-executive Director, vice chairman and a member of the Strategy Committee and the Nomination Committee of the Company, and also serves as a director in other subsidiaries of the Group. Mr. Tao graduated from the school of pharmaceutical chemistry of China Pharmaceutical University (南京藥學院) with a bachelor's degree in science. From 2000 to 2002, Mr. Tao attended a graduate course in enterprise management organized by the School of Business of Sun Yat-sen University (中山大學管理學院). Mr. Tao obtained his license in pharmacist qualification in October 2002 and the title of senior engineer in pharmaceutical manufacturing (professor) in 2013. Mr. Tao was the vice president of the Company from June 2005 to March 2014. He was the executive Director of the Company from July 2009 to December 2018. He was the president of the Company from March 2014 to December 2018. Mr. Tao has been the vice chairman of the Company since August 2014. Mr. Tao has also been the legal representative of the Guangdong Pharmaceutical Profession Association (廣東省醫藥行業協會) since November 2023. Mr. Tao has also been the president of Great Health Biomedical Industry Association (大健康生物醫藥產業協會) of Guangdong-Macao In-Depth Cooperation Zone in Hengqin since January 2024.

Mr. Qiu Qingfeng (邱慶豐), aged 53, is currently the non-executive Director of the Company. Mr. Qiu obtained his EMBA from China Europe International Business School (中歐國際工商學院) in September 2007. He is a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Qiu joined Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司) in 1996. Mr. Qiu has been a director of Joincare since August 2009 and has been a vice president and the chief financial officer of Joincare since November 2020. Mr. Qiu was the Supervisor and the chief Supervisor of the Company from June 2005 to April 2007. Mr. Qiu has been the non-executive Director of the Company since April 2007.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

2. Brief biographies of non-executive Directors *(continued)*

Mr. Lin Nanqi (林楠祺), aged 42, is currently the non-executive Director of the Company. Mr. Lin graduated from Tianjin University of Commerce (天津商業大學) (formerly Tianjin University of Commerce (天津商學院)) with a bachelor's degree in engineering. Mr. Lin served as the workshop manager, production director, and deputy general manager of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.* (麗珠集團新北江製藥股份有限公司) from October 2008 to December 2012, general manager and chairman of Jiaozuo Joicare Pharmaceutical Industry Co., Ltd.* (焦作健康元生物製品有限公司) from December 2012 to June 2024, general manager of Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司) from May 2018 to April 2024, a director of Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海濱製藥有限公司) since May 2018, the executive director of Shenzhen Taitai Pharmaceutical Co., Ltd.* (深圳太太藥業有限公司) from November 2018 to June 2024, the director of Jiaozuo Jinguan Jiahua Electric Power Co., Ltd.* (焦作金冠嘉華電力有限公司) since January 2022 and the executive vice president of Joicare Pharmaceutical Group Industry Co., Ltd.* (健康元藥業集團股份有限公司) from April 2024 to August 2024. Since December 2019, he has been a director of Joicare Pharmaceutical Group Industry Co., Ltd., and he has also been the president of Joicare Pharmaceutical Group Industry Co., Ltd. since August 2024. Since November 2024, he has served as a non-executive director of the Company.

3. Brief biographies of independent non-executive Directors

Mr. Bai Hua (白華), aged 55, is currently the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and the Environmental, Social and Governance Committee of the Company. Mr. Bai Hua is a Chinese Certified Public Accountant (non-practicing). He graduated from the Business School of Wuhan University in 2003 with a doctorate degree in management. He has extensive experience in research and practices of corporate governance, risk management and internal control. He is currently a professor and doctoral tutor of the Accounting Department of the School of Management of Jinan University (暨南大學). He is also a director of the Guangdong Auditing Society, a member of the Publicity Committee of the Guangdong Certified Public Accountants Association and a member of the Internal Control Professional Committee of Accounting Society of China. He was an independent director of Shenzhen Expressway Corporation Limited (深圳高速公路集團股份有限公司) (600548.SH, 00548.HK) from February 2018 to December 2023. From November 2018 to December 2023, he was an independent director of Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司) (001209. SZ). Since June 2020, he has been an independent director of Improve Medical Instruments Co., Ltd. (陽普醫療科技股份有限公司) (300030. SZ). Since April 2021, he has been an independent director of Skyworth Digital Co., Ltd. (創維數字股份有限公司) (000810.SZ). Mr. Bai has been the independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration and Assessment Committee and a member of the Environmental, Social and Governance Committee of the Company since June 2020.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

3. Brief biographies of independent non-executive Directors *(continued)*

Mr. Luo Huiyuan (羅會遠), aged 58, is currently the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company. Mr. Luo graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law in 1989. He graduated from the Renmin Law School (中國人民大學法學院) and obtained a master's degree in law in 2000. He is the senior partner of Beijing Hai Run Law Firm (北京海潤天睿律師事務所). He concurrently serves a vice president of Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會). He was a member of the sixth session of Listed Company Merger and Reorganization Examination Committee of China Securities Regulatory Commission (中國證券監督管理委員會第六屆上市公司併購重組審核委員會) from July 2016 to June 2019. He was an independent director of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ) from January 2018 to January 2021. He was a principal of Beijing Hai Run Law Firm (北京海潤天睿律師事務所) from May 2018 to December 2021. He was an independent director of Tibet Tianlu Co., Ltd. (西藏天路股份有限公司) (600326.SH) from January 2016 to January 2022, an independent director of Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ) from January 2017 to June 2023, an independent director of CNPC Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ) from April 2017 to June 2023, an independent director of Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH) from September 2017 to September 2023, and has been an independent director of Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司) since September 2020. He was an independent director of China TX IIOT Corporation Limited (華夏天信智能物聯股份有限公司) from December 2021 to June 2024. He has been an independent director of Nanjing IASO Biotechnology Co., Ltd (南京馴鹿生物技術股份有限公司) since March 2023. Mr. Luo has been the independent non-executive Director, a member of the Audit Committee and the chairman of the Nomination Committee of the Company since July 2021.

Ms. Cui Lijie (崔麗婕), aged 49, is currently the independent non-executive Director and a member of the Remuneration and Assessment Committee of the Company. Ms. Cui holds a postgraduate degree. She was a director and the secretary to the board of Zhuhai Ebang Pharmaceutical Co., Ltd. (珠海億邦製藥股份有限公司). She is a member of the Zhuhai Committee of Jiusan Society, a member of Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會) and an executive member of Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會). Ms. Cui has experience of over fifteen years in areas of operation and management of pharmaceutical companies and operation in capital markets, as well as experience of over six years in the field of risk management. She has been an executive director and the general manager of Zhuhai Longmen Healthcare Investment and Management Co., Ltd. (珠海隆門醫療投資管理有限公司) since April 2016, an executive director and the general manager of Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd. (珠海橫琴新區隆門資產管理有限公司) since August 2016, the chairman of Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司) since December 2016, a supervisor of Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司) (688329.SH) from May 2017 to May 2021, a director of Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司) since April 2018, a director of Deyi Sunshine (Beijing) Co., Ltd. (德益陽光(北京)有限公司) since June 2020, an non-independent director of Suzhou Iron Technology Co., Ltd. (688329.SH) from May 2021 to May 2024, and a director of Shenzhen Qianhai Longqishi Information Technology Co., Ltd. (深圳前海龍奇士信息科技有限公司) since February 2023. She has been an independent director of Zhuhai Taichuan Cloud Technology Co., Ltd. (珠海太川雲社區技術股份有限公司) (832214.NEEQ) from November 2023 to November 2024. Ms. Cui has been the independent non-executive Director of the Company since July 2021 and a member of the Remuneration and Assessment Committee of the Company since December 2021.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

3. Brief biographies of independent non-executive Directors *(continued)*

Mr. Tian Qiusheng (田秋生), aged 69, is currently the independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company. Mr. Tian is a doctor of economics, professor and doctoral tutor. He had studied at Lanzhou University (蘭州大學), Nankai University (南開大學) and Northwest University (西北大學). From July 1982 to July 2005, he taught at Lanzhou University and served as deputy director of the Department of Economics and deputy head of the School of Economics and Management of Lanzhou University. Since July 2005, he has taught at South China University of Technology (華南理工大學). From October 2005 to June 2017, he served as deputy head of the School of Economics and Trade of South China University of Technology. He is currently a guest economist of China Economic Monitoring Center of National Bureau of Statistics of China, a member of the Academic Committee under the Guangdong Financial Institute, the vice president of the Guangdong Financial Think-tank Federation and a counselor of the Advisory Office of the Guangdong People's Government. He was an independent director of Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ) from December 2014 to December 2020. He has been an independent director of Audiowell Electronics (Guangdong) Co., Ltd. (廣東奧迪威傳感科技股份有限公司) (Beijing Stock Exchange: 832491) from December 2019 to May 2023. He has been an independent director of Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ) from August 2017 to November 2023, and an independent non-executive director of Fineland Living Services Group Limited (9978.HK) since October 2017. He has been an independent director of Zhuhai Rural Commercial Bank since February 2019. He was an independent director of Hucai Printing Co., Ltd.* (虎彩印藝股份有限公司) (834295.NEEQ) from April 2021 to October 2024. Mr. Tian has been the independent non-executive Director of the Company since October 2019. He has been a member of the Audit Committee, the chairman of the Remuneration and Assessment Committee, a member of the Nomination Committee and the Environmental, Social and Governance Committee of the Company since July 2021.

Mr. Wong Kam Wa (黃錦華), aged 53, is currently our independent non-executive Director and a member of the Environmental, Social and Governance Committee. Mr. Wong is a lawyer who graduated from the University of Hong Kong with a bachelor degree in engineering and a certificate in law. From May 2011 to March 2016, he worked for Loeb & Loeb LLP. From April 2016 to July 2019, he worked for Anthony Siu & Co.. Since July 2019, he has been a partner of Huang Liang LLP* (黃梁律師事務所). Mr. Wong has been the independent non-executive Director of the Company since October 2019. He has been a member of the Environmental, Social and Governance Committee of the Company since June 2020.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Brief biographies of Supervisors of the Company

Mr. Wang Maolin (汪卯林), aged 59, graduated from the Law School of Anhui University (安徽大學) and obtained a bachelor's degree in law. Since January 2001, Mr. Wang has been the general manager of the legal and compliance head department of the Company. Mr. Wang has been the chairman of the labor union of the Company and the employee representative supervisor since January 2010. From January 2012 to January 2025, Mr. Wang was re-elected as a representative of the 8th, the 9th and the 10th Zhuhai Municipal People's Congress. He has been the chief Supervisor of the Supervisory Committee of the Company since June 2014.

Mr. Huang Huamin (黃華敏), aged 53, an accountant, is currently a Supervisor of the Company and graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in economics in 1993. Mr. Huang served as the financial manager of the Company; the chief financial officer, the secretary to the board of directors and vice president of Gree Real Estate Co., Ltd. (格力地產股份有限公司) (600185.SH); deputy general manager of Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司) and the chief financial officer of Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司). Mr. Huang was an assistant to the chairman of the board of directors of China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司) from March 2019 to August 2020. From October 2020 to November 2021, he has been a director and the general manager of Sichuan Danzhuer Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司). From November 2020 to October 2022, he was an investment advisor to Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司). From December 2020 to December 2022, he has been an independent director of Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司) (300201.SZ). Since April 2020, he has been a managing partner of Zhuhai Guanjing Enterprise Management Center (LLP) (珠海觀鯨企業管理中心(有限合夥)). Since August 2020, he has been the executive director of Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司). Since December 2020, he has been the director of Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨準智慧醫療科技有限公司). Since July 2021, he has been the director of Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207.NEEQ). Since October 2021, he has been the director (external affairs) of Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信(珠海)私募基金管理有限公司). Since November 2021, he has been the Secretary-General of Zhuhai Association for Listed Companies (珠海市上市公司協會). Since February 2022, he has been an arbitrator of Zhuhai Court of International Arbitration (珠海國際仲裁院). Since June 2022, he has been a director of MedPHA Bioscience Co., Ltd. (珠海麥得發生物科技股份有限公司). Since October 2022, he has been an executive director of Zhuhai Listed Development Fund Co., Ltd. (珠海上市發展基金有限公司). Since November 2023, he has been a supervisor of Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司). Since December 2023, he has been the independent director of Youngy Health Technology Co., Ltd. (融捷健康科技股份有限公司) (300247.SZ). Since December 2024, he has been an independent director of G.Tech Technology Ltd. (301503.SZ) (珠海市智迪科技股份有限公司). Mr. Huang has been a Supervisor of the Company since June 2013.

Mr. Tang Yin (湯胤), aged 50, is currently a Supervisor of the Company. He graduated from the South China University of Technology (華南理工大學) with a double degree in mechanics and mathematics in 1996, a master degree of science in applied mathematics in 1999, and a doctor degree from the Intelligent Calculation Team of the School of Computer Science in 2004. Since 2004, he has successively served as a deputy professor and a professor, and a master tutor of School of Management of Jinan University (暨南大學管理學院). From January 2012 to October 2020, he has been an assistant to the dean of School of Entrepreneurship of Jinan University (暨南大學創業學院) and since 2012, he has been the director of Internet Innovation Institute. Since March 2020, he has been the deputy director of Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理(國家級)實驗教學示範中心). He is also the deputy secretary-general of Guangzhou Internet Association, the vice president of the Hong Kong & Guang Zhou Innovation and Technology Association (香港廣州創新及科技協會), a member of the Expert Committee of Guangdong Electronic Commerce Association, vice chairman of Guangzhou Electronic Commerce and Internet Economy Association and a council member of Guangdong Mobile Economy Association. Since April 2023 to present, he has been an independent director of GRG Metrology & Test Group Co., Ltd. (廣電計量檢測集團股份有限公司) (002967.SZ). He has been a Supervisor of the Company since February 2016.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

5. Brief biographies of other senior management of the Company

Mr. Yang Daihong (楊代宏), aged 58, joined the Company in 1997 and is currently the vice president of the Company, has a title of senior engineer and is a licensed pharmacist. He studied at China Pharmaceutical University (中國藥科大學) from 1984 to 1988 and obtained a bachelor's degree of science. From 2000 to 2002, Mr. Yang attended a course in enterprise management organized by the School of Business of Sun Yat-Sen University (中山大學管理學院). From 1999 to 2009, Mr. Yang was the deputy factory manager and factory manager of Livzon Group Livzon Pharmaceutical Factory. Mr. Yang was an executive Director of the Company from October 2014 to June 2017, and he has been the vice president of the Company since May 2006.

Ms. Si Yanxia (司燕霞), aged 56, is currently the vice president and chief financial officer of the Company. She graduated from the Department of Accounting at Shanxi University of Finance and Economics (山西財經學院) with a bachelor degree in July 1990. She is an accountant. Ms. Si finished part-time CFO study at China Europe International Business School (中歐國際工商學院) from July 2005 to November 2005. She joined the Company in April 1993 and was the manager of the capital settlement center and the manager of the accounting center of the accounting head department of the Group. She was the director of the accounting head department of the Company from April 2004 to June 2014 and has been the vice president and chief financial officer of the Company since June 2014.

Mr. Du Jun (杜軍), aged 48, is currently the vice president of the Company. He graduated from Shanxi Medical University (山西醫科大學) in 1997, majoring in Integrated Traditional and Western Medicine Physician. From 2000 to June 2007, he successively served as senior representative, manager of new product sector and regional sales manager of Tasly Pharmaceutical Group Co., Ltd.* (天士力醫藥集團股份有限公司). From August 2008 to July 2011, he was the regional manager of Guangdong Branch of Buchang Pharmaceuticals Co., Ltd.* (步長製藥股份有限公司). He joined the Company in August 2011 as the sales director of the prescription drug business division. He was the general manager of the southern region of the prescription drug business division from January 2013 to May 2019, and the assistant to the president from June 2019 to September 2023. He has been the general manager of the prescription drug business division since June 2019. Since March 2023, he has been the council member of Journal of China Pharmaceutical University (《中國藥科大學學報》). He has been the vice president of the Company since September 2023.

Ms. Huang Yuxuan (黃瑜璇), aged 58, is currently the vice president of the Company. Ms. Huang graduated from Fujian Agricultural and Forestry University (福建農林大學) with a bachelor degree in 1989. From 2000 to 2002, she studied a program of post-graduate course in business administration at the University of International Business and Economics (對外經濟貿易大學). In 2004, she was qualified as a senior economist. In 2005, she joined the Group and was the deputy general manager of Fuzhou Fuxing. Since July 2015 and June 2016, she has been the deputy general manager of APIs business department of the Group and the general manager of Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司), respectively. She was an assistant to the president of the Group from December 2016 to October 2018. Ms. Huang has been the vice president of the Company since October 2018.

Mr. Liu Daping (劉大平), aged 37, is currently the vice president of the Company. He graduated from China Pharmaceutical University (中國藥科大學) with a bachelor's degree in pharmaceutical preparations. From September 2010 to July 2019, he served as the technician, head of workshop and production director of Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司). From July 2019 to June 2021, he served as the executive deputy general manager of Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司). From July 2021 to January 2024, he served as the deputy director of production management centre of Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) and was in charge of Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司) (general manager from October 2021 to January 2024) and Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司). He has been the vice president of the Company since January 2024.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

5. Brief biographies of other senior management of the Company *(continued)*

Mr. Yang Liang (楊亮), aged 41, is currently the vice president of the Company. In 2006, he graduated from Jinan University (暨南大學) with a bachelor degree in management. In 2008, he graduated from the School of Business Administration, South China University of Technology (華南理工大學) with a master degree in management. He obtained the Fund Qualification Certificate, and is eligible to be an independent director. From May 2008 to June 2010, Mr. Yang worked successively as strategic development director and investment and acquisition manager in Zhuhai Wiseman Co., Ltd. (珠海威絲曼服飾股份有限公司). From July 2010 to July 2011, he served as the strategic performance director in the department of enterprises management of China International Marine Containers (Group) Ltd. (中國國際海運集裝箱(集團)股份有限公司) (CIMC, 000039.SZ, 02039.HK). He joined the Secretariat of the Board of the Company as senior investment project manager in August 2011. He has been a fellow of the Chartered Governance Institute and a fellow of The Hong Kong Chartered Governance Institute since March 2022. He has been the secretary to the Board, the company secretary and authorized representative of the Company from June 2014 to December 2024 and the vice president of the Company since June 2020.

Ms. Liu Ning (劉寧), aged 41, is currently the Secretary to the Board, the Company Secretary and the Authorised Representative of the Company. She obtained bachelor's degree in law. She worked in the investment banking department of the securities companies and private equity investment fund, engaging in activities such as domestic and international financing for listed companies, mergers and acquisitions, restructuring, and compliance operation consultations. Since August 2020, she has been the deputy general manager of Zhuhai Livzon Diagnostics Inc.* (珠海麗珠試劑股份有限公司). From January 2021 to present, she has been an independent director of Telink Semiconductor (Shanghai) Co., Ltd.* (泰凌微電子(上海)股份有限公司) (688591.SH). Ms. Liu Ning holds the qualification of Certified Public Accountant in the PRC, the legal professional qualification in the PRC and the qualification of Chartered Certified Accountant in the United Kingdom.

6. Positions held in shareholders' company

✓ Applicable ☐ Not applicable

Name	Name of shareholders' company	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from shareholders' company
Zhu Baoguo	Joincare	Chairman of the board of directors	August 2024	August 2027	Yes
Qiu Qingfeng	Joincare	Director, Vice president, Chief financial officer	August 2024	August 2027	Yes
Lin Nanqi	Joincare	Director and President	August 2024	August 2027	Yes
Note to the position held in shareholder's company	The above terms of office are tenures of the directors or senior management who are appointed at the ninth session of the board of directors of Joincare.				

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities

✓ Applicable ☐ Not applicable

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Zhu Baoguo	Shenzhen Federation of Industry & Commerce (深圳市工商業聯合會(深圳市總商會))	Honorary vice president	November 2014		No
	The Nature Conservancy (TNC) Great China Council (大自然保護協會(TNC)大中華理事會)	Council member, Executive secretary-general	December 2012		No
	Paradise International Foundation (桃花源生態保護基金會)	Chairman	April 2015		No
	Central China Management Company Limited (09982.HK)	Independent non-executive director	May 2021	October 2024	Yes
Tao Desheng	Guangdong Pharmaceutical Profession Association (廣東省醫藥行業協會)	Legal representative	November 2023		No
	Great Health Biomedical Industry Association (大健康生物醫藥產業協會) of Guangdong-Macao In-Depth Cooperation Zone in Hengqin	President	January 2024		No
Tang Yanggang	Qingyuan Entrepreneur Association (清遠企業家協會)	Vice chairman	August 2012		No
	Qingyuan Federation of Industry and Commerce (清遠市工商業聯合會)	Vice president	November 2016		No
	Qingyuan Municipal Political Consultative Conference (清遠市政協)	Member	January 2017	June 2022	No
	Zhuhai Municipal Political Consultative Conference (珠海市政協)	Member	June 2022		No
	Guangdong Pharmaceutical Association (廣東省藥學會)	Vice chairman	August 2019		No
	China Association of Traditional Chinese Medicine (中國中藥協會)	Vice chairman	November 2019		No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Xu Guoxiang	Chinese Hospital Association (中國醫院協會)	Standing council member	January 2012		No
	China Association of Pharmaceutical Commerce (中國醫藥商業協會)	Vice chairman	November 2012		No
	Bethune Charitable Foundation (白求恩公益基金會)	Council member	October 2016		No
	Guangdong Pharmaceutical Price Association (廣東省醫藥價格協會)	Vice chairman	November 2018		No
	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Director	May 2021		No
	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Director	April 2020		No
Lin Nanqi	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉華電力有限公司)	Director	January 2022		Yes
Bai Hua	Accounting Department of the School of Management of Jinan University (暨南大學管理學院會計學系)	Professor Doctoral tutor	October 2014 September 2015		Yes Yes
	Guangdong Auditing Society (廣東省審計學會)	Director	September 2009		No
	Guangdong Certified Public Accountants Association (廣東省註冊會計師協會)	Member of the Publicity Committee	October 2010		No
	Accounting Society of China (中國會計學會)	Member of the Internal Control Professional Committee	August 2024		No
	Shenzhen Expressway Corporation Limited (深圳高速公路集團股份有限公司) (600548.SH · 00548.HK)	Independent director	February 2018	December 2023	Yes
	Improve Medical Instruments Co., Ltd. (陽普醫療科技股份有限公司)(300030.SZ)	Independent director	June 2020		Yes
	Guangdong Hongxing Industrial Co., Ltd. (廣東洪興實業股份有限公司)(001209.SZ)	Independent director	November 2018	December 2023	Yes
	Skyworth Digital Co., Ltd (創維數字股份有限公司)(000810.SZ)	Independent director	April 2021		Yes

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Luo Huiyuan	Beijing Hai Run Law Firm (北京海潤天睿律師事務所)	Chief officer	May 2018	December 2021	Yes
		Senior Partner	December 2017		Yes
	Beijing Chaoyang District Lawyers Association (北京市朝陽區律師協會)	Council member and vice chairman of Finance & Taxation Committee	September 2018	January 2023	No
		Vice president	January 2023		No
	Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (002652.SZ)	Independent director	January 2018	January 2021	Yes
	Tibet Tianlu Co., Ltd. (西藏天路股份有限公司)(600326.SH)	Independent director	January 2016	January 2022	Yes
	Shanghai Challenge Textile Co., Ltd. (上海嘉麟傑紡織品股份有限公司) (002486.SZ)	Independent director	January 2017	June 2023	Yes
	CNPC Capital Company Limited (中國石油集團資本股份有限公司) (000617.SZ)	Independent director	April 2017	June 2023	Yes
	Xianheng International Science & Technology Co., Ltd. (咸亨國際科技股份有限公司) (605056.SH)	Independent director	September 2017	September 2023	Yes
	Rosefinch Fund Management Co., Ltd. (朱雀基金管理有限公司)	Independent director	September 2020		Yes
	China TX IIOT Corporation Limited (華夏天信智能物聯股份有限公司)	Independent director	December 2021	June 2024	Yes
	Nanjing IASO Biotechnology Co., Ltd (南京馴鹿生物技術股份有限公司)	Director	March 2023		Yes

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Cui Lijie	Zhuhai Committee of Jiusan Society (九三學社珠海市委員會)	Committee member	July 2016		No
	Zhuhai Committee (Jinwan District) of the Chinese Peoples' Political Consultative Conference (珠海市金灣區政協委員會)	Standing committee member	January 2016		No
	Zhuhai Women Federation (Jinwan District) (珠海市金灣區婦女聯合會)	Executive committee member	March 2013		No
	Zhuhai Longmen Healthcare Investment and Management Co., Ltd (珠海隆門醫療投資管理有限公司)	Executive director and general manager	April 2016		No
	Zhuhai Hengqin New Area Longmen Asset Management Co., Ltd (珠海橫琴新區隆門資產管理有限公司)	Executive director and general manager	August 2016		No
	Zhuhai Longmen Capital Management Co., Ltd. (珠海隆門資本管理有限公司)	Chairman	December 2016		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司)(688329.SH)	Supervisor	May 2017	May 2021	No
	Suzhou Yusen New Medicine Co., Ltd. (蘇州玉森新藥有限公司)	Director	April 2018		No
	Deyi Sunshine (Beijing) Co., Ltd. (德益陽光(北京)有限公司)	Director	June 2020		No
	Suzhou Iron Technology Co., Ltd. (蘇州艾隆科技股份有限公司)(688329.SH)	Non-independent director	May 2021	May 2024	No
	Shenzhen Qianhai Longqishi Information Technology Co., Ltd. (深圳前海龍奇士信息科技有限公司)	Director	February 2023		No
	Zhuhai Taichuan Cloud Technology Co., Ltd. (832214.NEEQ) (珠海太川雲社區技術股份有限公司)	Independent director	November 2023	November 2024	No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Tian Qiusheng	China Economic Monitoring Center of National Bureau of Statistics of China (國家統計局中國經濟景氣監測中心)	Guest economist	October 2002		No
	Advisory Office of the Guangdong People's Government (廣東省人民政府參事室)	Counselor	February 2014		No
	Academic Committee under the Guangdong Financial Institute (廣東省金融學會學術委員會)	Member	September 2016		No
	Guangdong Financial Think-tank Federation (廣東省金融智庫聯合會)	Vice president	February 2018		No
	Zhuhai Port Co., Ltd. (珠海港股份有限公司) (000507.SZ)	Independent director	December 2014	December 2020	Yes
	Guangzhou Lingnan Group Holdings Company Limited (廣州嶺南集團控股股份有限公司) (000524.SZ)	Independent director	August 2017	November 2023	Yes
	Fineland Living Services Group Limited (9978.HK)	Independent non-executive director	October 2017		Yes
	Zhuhai Rural Commercial Bank	Independent director	February 2019		Yes
	Audiowell Electronics (Guangdong) Co., Ltd. (廣東奧迪威傳感科技股份有限公司) (832491.BJ)	Independent director	December 2019	May 2023	Yes
Wong Kam Wa	Hucai Printing Co., Ltd. (虎彩印藝股份有限公司) (834295.NEEQ)	Independent director	April 2021	October 2024	Yes
	Wong Kam Wa	Partner	July 2019		Yes
	Wang Maolin	Deputy chairman	July 2016	July 2021	No
	8th Zhuhai Municipal People's Congress (珠海市第八屆人民代表大會)	Representative	January 2012	January 2017	No
	9th Zhuhai Municipal People's Congress (珠海市第九屆人民代表大會)	Representative	January 2017	January 2022	No
Wang Maolin	10th Zhuhai Municipal People's Congress (珠海市第十屆人民代表大會)	Representative	January 2022	January 2025	No

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Huang Huamin	Guangzhou Golden Eagle Asset Management Co., Ltd. (廣州金鷹資產管理有限公司)	Deputy general manager	August 2017	March 2019	Yes
	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)	Chief financial officer	August 2017	March 2019	Yes
	China Agriculture Industrial Development Group Co., Ltd. (中農華鑫實業發展集團有限公司)	Assistant to the chairman of the board of directors	March 2019	August 2020	Yes
	Zhuhai Guanjing Enterprise Management Center (Limited Partnership) (珠海觀鯨企業管理中心(有限合夥))	Managing partner	April 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	Executive director	August 2020		No
	Kuangshi Investment (Zhuhai) Co., Ltd. (匡時投資(珠海)有限公司)	General Manager	August 2020	October 2021	Yes
	Sichuan Danzhuo Equity Investment Fund Management Co., Ltd. (四川丹朱爾股權投資基金管理有限公司)	Director, general manager	October 2020	November 2021	No
	Zhuhai Security Group Co., Ltd. (珠海安保集團有限公司)	Investment advisor	November 2020	October 2022	Yes
	Hengqin Jingzhun Wisdom Medical Technology Co., Ltd. (橫琴鯨准智慧醫療科技有限公司)	Chairman Director	December 2020 December 2020	September 2021	No No
	Xuzhou Handler Special Vehicle Company Ltd. (徐州海倫哲專用車輛股份有限公司) (300201.SZ)	Independent director	December 2020	December 2022	Yes
	Shenzhen Huachuang Life Co., Ltd. (深圳市華創生活股份有限公司) (873207.NEEQ)	Director	July 2021		Yes
	Yuanxin (Zhuhai) Private Equity Fund Management Co., Ltd. (遠信(珠海)私募基金管理有限公司)	Director (external affairs)	October 2021		Yes
	Zhuhai Association for Listed Companies (珠海市上市公司協會)	Secretary-General	November 2021		Yes
	Zhuhai Listed Development Fund Co., Ltd. (珠海上市發展基金有限公司)	Executive director	October 2022		No
	Zhuhai Court of International Arbitration (珠海國際仲裁院)	Arbitrator	February 2022		No
	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Supervisor	November 2023		No
	MedPHA Bioscience Co., Ltd. (珠海麥得發生物科技股份有限公司)	Director	June 2022		No
	G.Tech Technology Ltd. (珠海市智迪科技股份有限公司) (301503.SZ)	Independent director	December 2024		Yes
	Young Health Technology Co., Ltd. (融捷健康科技股份有限公司) (300247.SZ)	Independent director	December 2023		Yes

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

7. Positions held in other entities *(continued)*

Name	Name of entity	Position	Commencement of term of office	Expiration of term of office	Receive compensation and allowance from entity
Tang Yin	School of Management, Jinan University (暨南大學管理學院)	Deputy professor, master tutor	September 2004	October 2020	Yes
		Professor, master	October 2020		Yes
	School of Entrepreneurship, Jinan University (暨南大學創業學院)	Assistant to the dean	January 2012	October 2020	Yes
	Internet Innovation Institute (互聯網創新研究中心)	Director	January 2012		No
	Guangdong Electronic Commerce Association (廣東省電子商務協會)	Member of the Expert Committee	December 2012		No
	Guangdong Mobile Economy Association (廣東省移動經濟協會)	Council member	December 2012		No
	Guangzhou Internet Association (廣州互聯網協會)	Deputy secretary-general	September 2013		No
	Guangzhou Electronic Commerce and Internet Economy Association (廣州市電子商務與網絡經濟學會)	Vice chairman	September 2013		No
	Hong Kong & Guang Zhou Innovation and Technology Association	Vice chairman	January 2017		No
	Experimental Education Center of Economics and Management (National) of Jinan University (暨南大學經濟管理(國家級)實驗教學示範中心)	Deputy Director	March 2020		No
	GRG Metrology & Test Group Co., Ltd. (廣電計量檢測集團股份有限公司) (002967.SZ)	Independent director	April 2023		Yes
Liu Ning	Telink Semiconductor (Shanghai) Co., Ltd. (泰凌微電子(上海)股份有限公司) (688591.SH)	Independent director	January 2021		Yes
Note to the positions held in other entities	Not applicable				

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

8. Punishment of current and resigned Directors, Supervisors and senior management of the Company during the Year from Securities Regulatory Institution in recent three years

☐ Applicable ☒ Not applicable

XIV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Procedures for determining the remuneration of Directors, Supervisors and senior management

The remuneration of Directors and Supervisors of the Company must be considered and approved by the general meetings of the Company. As for the remunerations of senior management, the Remuneration and Assessment Committee of the Board of the Company formulates corresponding remuneration standards in accordance with the remuneration management system of the Company, coupled with the operating results, and submit to the Board of Directors of the Company for approval.

2. Basis for determining the remuneration of Directors, Supervisors and senior management

The Company determines the annual remuneration of Directors, Supervisors and senior management with reference to industry and regional income levels while taking into consideration factors such as the operating results of the Company and their contributions. Meanwhile, the Company implements corporate performance appraisal and individual performance appraisal system for senior management, and determines performance bonus and year end double pay based on the appraisal results. Furthermore, with the authorization of the Board and the approval of the chairman, the Company may pay additional special rewards based on the growth of the annual operating results of the Company.

Information on the remuneration of each Director, Supervisor and senior management and the top five highest paid individuals is set out in "Note X. 5. Related Transactions" of the financial report in this Report.

3. Appraisal and incentive for senior management

During the Year, the Company continued to conduct an appraisal system that combines the corporate performance appraisal and individual performance appraisal for its senior management, in which the personal annual remuneration is linked to the Company's performance. Meanwhile, the 2022 Share Options Incentive Scheme has been adopted by the Company to align the interests of the senior management with those of the Company and its Shareholders so as to achieve medium to long-term incentive effect. The Third Phase Ownership Scheme of the Company's Medium to Long-term Business Partner Share Ownership Scheme was considered and approved at the 2023 second extraordinary general meeting held on 7 November 2023, to establish an innovative long-term incentive stock ownership mechanism for senior management and core technical teams for the purpose of further motivating the senior management, facilitating the long-run and sustainable development of the Company and realizing the alignment of interests among all shareholders.

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

4. Remuneration of Directors, Supervisors and senior management of the Company during the Year

Unit: RMB0'000

Name	Position	Gender	Age	Status	Total Remuneration before tax from the Company	Receive remuneration from any related party of the Company
Zhu Baoguo	Chairman, Non-executive Director	Male	62	Current	325.00	Yes
Tao Desheng	Vice Chairman, Non-executive Director	Male	60	Current	300.00	No
Xu Guoxiang	Vice Chairman, Executive Director, Vice President	Male	62	Current	543.95	No
Tang Yanggang	Executive Director, President	Male	55	Current	645.93	No
Qiu Qingfeng	Non-executive Director	Male	53	Current	9.60	Yes
Yu Xiong	Non-executive Director	Male	64	Previous	8.80	Yes
Lin Nanqi	Non-executive Director	Male	42	Current	0.95	Yes
Bai Hua	Independent Non-executive Director	Male	55	Current	12.00	No
Tian Qiusheng	Independent Non-executive Director	Male	69	Current	12.00	No
Wong Kam Wa	Independent Non-executive Director	Male	53	Current	12.00	No
Luo Huiyuan	Independent Non-executive Director	Male	58	Current	12.00	No
Cui Lijie	Independent Non-executive Director	Female	49	Current	12.00	No
Wang Maolin	Chief Supervisor	Male	59	Current	165.32	No
Huang Huamin	Supervisor	Male	53	Current	6.00	No
Tang Yin	Supervisor	Male	50	Current	6.00	No
Du Jun	Vice President	Male	48	Current	577.36	No
Liu Daping	Vice President	Male	37	Current	397.91	No
Yang Daihong	Vice President	Male	58	Current	381.10	No
Si Yanxia	Vice President	Female	56	Current	390.40	No
Huang Yuxuan	Vice President	Female	58	Current	260.23	No
Yang Liang	Vice President	Male	41	Current	215.31	No
Total	—	—	—	—	4,293.86	—

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY

As at the End of the Year, the Company and its wholly-owned subsidiaries and controlling subsidiaries had a total of 9,067 existing employees (31 December 2023: 8,933).

1. Number, speciality composition and education level of employees

Number of existing employees of the parent company (persons) at the End of the Reporting Period	2,095
Number of existing employees of principal subsidiaries (persons) at the End of the Reporting Period	6,972
Total number of existing employees (persons) at the End of the Reporting Period	9,067
Total number of employees receiving remuneration during the Year (persons)	9,067
Total number of retired employees to whom the parent company and its principal subsidiaries should pay pension (persons)	664

Speciality composition

Type of speciality composition	Staff number of speciality composition (persons)
Production staff	5,376
Sales staff	1,834
Technical staff	1,130
Financial staff	174
Administrative staff	553
Total	9,067

Education level

Type of education level	Number (persons)
Below post-secondary	5,614
Undergraduate	2,927
Postgraduate	478
Doctor	48
Total	9,067

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY *(continued)*

2. Employees' remuneration policies

The Group mainly determined the remuneration of its employees according to the laws and regulations of the People's Republic of China and the Company's economic performance with reference to the general remuneration level in the society. During the Year, the Company's remuneration policies were in line with the provisions of relevant national laws and regulations, and the Company determined the remuneration of its employees after referring to the remuneration level in the industry and the region, fully considering the Company's internal fairness and depending on the duty value, work performance and individual ability of its employees. The formulation and revision of the remuneration system of the Company's employees should seek the views of the majority of its employees. In order to reflect the incentives of remuneration, the remuneration of the employees was composed of two portions: fixed income and variable income. The variable income was subject to the Company's performance and the individual performance, so as to fully stimulate the enthusiasm and initiative of the employees and achieve the goal of promoting the sustainable development of the Company.

During the Year, the total wages, bonuses, allowances, compensation, welfare, housing funds and social insurance paid to the employees by the Group amounted to RMB1,656.49 million (31 December 2023: RMB1,582.87 million).

3. Pension scheme

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

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XV. EMPLOYEES OF THE COMPANY *(continued)*

4. Employees' training plan

During the Reporting Period, the Group continuously strengthened its efforts in training and attached great importance to the cultivation and development of the employees. We have been committed to enhancing the overall quality of the team and providing talent support for the sustainable development of the enterprise. In recent years, the Group has adhered to the philosophy of focusing on cultivating young backbones, allowing young employees to play an important role in the development of the Company. After the review of talent team and job competency in the previous year, many outstanding employees were selected to take up key positions in the current year. At the same time, the senior management conducted one-on-one special coaching for the above-mentioned personnel and formulated long-term development plans for them. Regarding the cultivation of young employees, the Group selected 84 employees of the categories such as research and development, production and quality to conduct project-based training activities for youth classes, and the promotion rate of employees after the training was as high as 64%. The Group's annual training plan covered various job sequences and skill requirements. At the same time, with the overall goal of "continuously cultivating high-potential talents required for the development of the Company", the Group optimized and refined the annual growth program of "1-2-6 Growth Ladder" for recent graduates based on past practical experience and realized a diversified cultivation form of "offline + online + expansion + guidance by business experts", making the Group's talent development work more scientific and systematic.

During the Year, a total of 19 training courses were organized by the Company, which were conducted in various forms such as online training, offline training and development training. The training topics covered various areas including business ethics, responsible marketing, data security and privacy protection. The training targets covered all employees of the Group, and some training platform resources were shared with the Group's partners and suppliers. At the same time, in addition to relying on the existing online learning platform, the Group vigorously integrated internal and external training resources to meet the needs of the Group's employees in terms of academic qualifications, professional skills and professional certification enhancement. The main purpose of the training was to enhance the interaction of employee, focus on the evaluation of training effects and promote the corporate culture spirit of "happy life, happy work".

In order to actively respond to the call of Zhuhai Municipal Government, implement the decision-making and deployment of the Zhuhai Municipal Committee of the CPC and Municipal Government on the policy of "Industry First", promote the "Employment, Housing, and Home" plan, and further strengthen the construction of urban industrial talent team in Zhuhai, the Company provided three courses in the pharmaceutical industry for the "Walk for Millions" activities organized and carried out by the Zhuhai Municipal Government and assisted the prosperous development of pharmaceutical and health industry in Zhuhai. In addition, the Company has trained a total of 340 technical and skilled personnel of various categories since its application to become a Demonstration Enterprise Training Centre in Zhuhai.

The Group will continuously combine the Group's business objectives with the development needs of employees, provide a more comprehensive, targeted and diverse learning platform, assist in enhancing employees' professional qualities and business capabilities, and continuously strengthen the planning and management of training. According to the changes in market and business needs, we will continuously optimize the content and form of training, strengthen the tracking and evaluation of training effects, further enhance the comprehensive abilities and competitiveness of employees, and provide strong talent support for the continuous development of the Group.

5. Labor outsourcing

☐ Applicable ☒ Not applicable

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

✓ Applicable ☐ Not applicable

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

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

✓ Applicable ☐ Not applicable

Unit: 0'000 shares

Name	Position	Number of share options held at the Beginning of the Year	Number of new share options granted during the Reporting Period	Number of shares of shares that can be exercised during the Reporting Period	Number of shares exercised during the Reporting Period	Exercise price during the Reporting Period (RMB/share)	Number of share options lapsed during the Reporting Period	Number of share options cancelled during the Reporting Period	Number of share options held at the End of the Reporting Period	Market price as at the End of the Reporting Period (RMB/share)	Number of restricted shares held at the Beginning of the Reporting Period	Number of new restricted shares granted during the Reporting Period	Number of restricted shares Grant price of restricted shares held at the End of the Reporting Period (RMB/share)	Number of restricted shares held at the End of the Reporting Period
Tang Yanggang	Executive Director, President	16.00	-	6.40	-	-	6.40	4.80	4.80	-	-	-	-	-
Xu Guoxiang	Vice Chairman, Executive Director and Vice President	16.00	-	6.40	-	-	6.40	4.80	4.80	-	-	-	-	-
Yang Dailong	Vice President	12.00	-	4.80	4.80	31.31	-	3.60	3.60	-	-	-	-	-
Si Yan xia	Vice President	12.00	-	4.80	3.00	31.31	1.80	3.60	3.60	-	-	-	-	-
Du jun	Vice President	15.00	-	4.80	-	-	4.80	6.30	5.10	-	-	-	-	-
Huang Yuxuan	Vice President	12.00	-	4.80	4.80	31.31	-	3.60	3.60	-	-	-	-	-
Yang Liang	Vice President	12.00	-	4.80	2.7103	31.31	2.0897	3.60	3.60	-	-	-	-	-
Total	-	95.00	-	36.80	15.3103	-	21.4897	30.30	29.10	-	-	-	-	-
Remark (if any)	N/A													

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

XVII. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Profit distribution and conversion of capital reserves into share capital during the Year

☒ Applicable ☐ Not applicable

Bonus shares for every 10 shares (shares)	0
Dividends for every 10 shares (RMB) (tax inclusive)	11.00
Conversion shares for every 10 shares (shares)	0
Share capital basis for proposed distribution (shares)	894,674,475 ^{note}
Total amount of cash dividends (RMB) (tax inclusive)	984,141,922.50
Amount of cash dividends distributed by other means (such as repurchase of shares) (RMB)	831,067,804.65
Total amount of cash dividends (including the amount distributed by other means) (RMB)	1,815,209,727.15
Distributable profit (RMB)	2,061,095,803.97
Percentage of total amount of cash dividends (including the amount distributed by other means) to total amount of profit distribution	100%

Cash dividends for current year

The annual profit distribution plan of the Company for the Year: it is expected to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized. The profit distribution has complied with the requirement of "If the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution" under the Articles of Association.

Particulars of Proposal on Profit Distribution or Conversion of Capital Reserves

Nil

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

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

1. Establishment and implementation of internal control

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

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

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

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

1. Self-evaluation report on internal control

During the Year, the Board had conducted a review of effectiveness and adequacy of the risk management and internal control of the Group for the year ended 31 December 2024, including the supervision on finance, operation and compliance, as well as an assessment on internal environment and risks. Through the review, the Board had found no material and important weaknesses that indicates inefficient internal control of the Group. The Board considers the risk management and internal control systems of the Group are effective and adequate.

The disclosure date of the text of Evaluation Report on Internal Control	27 March 2025
The index of the text of Evaluation Report on Internal Control	Please refer to the 2024 Self-Evaluation Report on Risk Management and Internal Control of Livzon Pharmaceutical Group Inc. disclosed by the Company on Cninfo
The proportion of the total assets of the units within the scope of evaluation in the total assets of the Company's combined financial statements	99.93%
The proportion of the operation income of the units within the scope of evaluation in the operation income of the Company's combined financial statements	100%

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

1. Self-evaluation report on internal control *(continued)*

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

SECTION IV. CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

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

2. Audit report on internal control

☒ Applicable ☐ Not applicable

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

Grant Thornton (Special General Partnership) issued the Audit Report on Internal Control (GTCSZ (2025) No. 442A004442 for the Company's internal control during the year of 2024, with the following audit opinion: on 31 December 2024, Livzon Pharmaceutical Group Inc. maintained effective financial statement internal control in all material aspects pursuant to "Basic Ordinance of Corporation Internal Control" and relevant provisions.

Disclosure of the Audit Report on Internal Control	Disclosed
The disclosure date of the text of the Audit Report on Internal Control	27 March 2025
The index of the text of the Audit Report on Internal Control	Please refer to the Audit Report on Internal Control disclosed by the Company on Cninfo
Type of opinions in the Audit Report on Internal Control	Standard unqualified opinion
Whether material weaknesses existed in the non-financial statements	No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

XXI. SELF-INSPECTION AND RECTIFICATION OF PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

☐ Applicable ☒ Not applicable

SECTION V. MAJOR EVENTS

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

✓ Applicable ☐ Not Applicable

During the Reporting Period, the scope of consolidated financial statements of the Company was changed with 3 newly established controlling subsidiaries and 3 controlling subsidiaries deregistered, with details as follows:

On 9 May 2024, Lian Hong Kong Limited (麗安香港有限公司) established LIAN International Holding LTD with a registered capital of USD50,000 and contributed 100% of its registered capital.

On 27 May 2024, LIAN International Holding LTD established LIAN SGP HOLDING PTE. LTD with a registered capital of USD32 million and contributed 100% of its registered capital.

On 29 August 2024, LIAN SGP HOLDING PTE. LTD and PT GLOBAL CHEMINDO MEGATRADING jointly established PT. LIVZON PHARMA INDONESIA with a registered capital of IDR1,306.08 billion and contributed 80% of its registered capital.

On 16 April 2024, Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司) completed the business deregistration.

On 19 November 2024, Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司) completed business deregistration.

On 5 December 2024, Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司) completed tax deregistration; on 7 January 2025, it completed business deregistration.

SECTION V. MAJOR EVENTS

II. CONNECTED TRANSACTIONS DEFINED PURSUANT TO HONG KONG LISTING RULES

The Company's connected transactions and continuing connected transactions are transactions between the Company and/or its subsidiaries with Joincare and/or its associates. Joincare directly and indirectly holds more than 30% of the Company's equity and is the Company's controlling shareholder. Therefore, Joincare and/or its associates are connected persons of the Company, and the transactions conducted by the Company with Joincare and/or its associates constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The purpose of the Company's connected transactions and continuing connected transactions with such connected persons is to meet the operational, business, financing and structural reorganization needs of the Company and/or its subsidiaries. A brief description of the connected transactions and continuing connected transactions is as follows:

1. One-off connected transactions

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

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, the Company, Livzon International, Joincare, Joincare BVI, YF Pharmab Limited and Livzon Cayman, LivzonBio, Livzon HK, Livzon MAB, Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司) ("Kadi") have jointly entered into the reorganization framework agreement, pursuant to which, each party has conditionally agreed to enter into a series of transactions to streamline and optimize the capital and shareholding structure (the "Reorganization") of the Reorganization Group. The Reorganization comprises a number of transactions and arrangements, please refer to the announcements dated 4 December 2020 and 5 December 2020 and the circular dated 16 December 2020 of the Company published on the Company's website, HKEXnews and Cninfo.

As at the End of the Reporting Period, the equity transfer of Kadi under the Reorganization has not been completed. Please refer to the 2023 Annual Report of the Company for other related details.

Provision of financing guarantees to controlling subsidiary Lijian Animal Healthcare

On 13 May 2024, in view of the needs of business development of Lijian Animal Healthcare (Joincare directly holds 49% equity interests), the Board has considered and approved the provision of joint liability guarantees to several banks for Lijian Animal Healthcare's applications of facility financing of no more than RMB234.50 million or its equivalent in foreign currencies (the "Lijian Animal Healthcare Guarantees").

SECTION V. MAJOR EVENTS

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

1. One-off connected transactions *(continued)*

Provision of financing guarantees to controlling subsidiary Lijian Animal Healthcare *(continued)*

In order to ensure the fairness and equity of the Lijian Animal Healthcare Guarantees, Joincare, which directly holds 49% equity interests of Lijian Animal Healthcare, has provided to the Company a "Letter of Undertaking for Counter Guarantee", pursuant to which it will undertake to provide joint and several guarantees for 49% of the obligation of the Company under the Lijian Animal Healthcare Guarantees, and the guarantee period will be expired on the expiry date of the Company's guarantee obligation.

For details, please refer to the announcement dated 13 May 2024 of the Company published on the Company's website and HKEXnews.

2. Continuing connected transaction

Provision of continuing guarantees to the connected subsidiary Livzon MAB

On 25 October 2021, for the R&D, operation and business capital requirements of Livzon MAB, the Company and Livzon MAB (Joincare indirectly holds 33.07% equity interests) entered into the 2022 Continuing Guarantee Support Framework Agreement, pursuant to which the Company agreed to provide the Guarantees of not exceeding RMB2.35 billion (or its equivalent in foreign currencies) in aggregate in respect of the Credit Facilities of Livzon MAB during the three-year period from 1 January 2022 to 31 December 2024, both dates inclusive ("Livzon MAB Guarantees").

To ensure the fairness and equivalence of the Livzon MAB Guarantees, Joincare (which indirectly holds 33.07% equity interests of Livzon MAB) has provided the Company with the Letter of Undertaking for Counter Guarantee. Accordingly, it will undertake to provide the Counter Guarantees in favour of the Company for any amount payable by the Company in connection with the Livzon MAB Guarantees in proportion to its shareholdings in Livzon MAB. The term of the Counter Guarantees will expire on the same expiry date of the Company's obligation under the Livzon MAB Guarantees.

For details, please refer to the announcement dated 25 October 2021 and the circular dated 18 November 2021 of the Company published on the Company's website and HKEXnews.

During the period from 1 January 2024 to 31 December 2024, the daily balance of Credit Facilities for Livzon MAB guaranteed by the Company shall not exceed RMB2,080.19 million.

Entering into the 2025 Continuing Guarantee Support Framework Agreement with Livzon MAB

On 27 September 2024, for the R&D, operation and business capital requirements of Livzon MAB, the Company and Livzon MAB (Joincare indirectly holds 26.84% equity interests) entered into the 2025 Continuing Guarantee Support Framework Agreement, pursuant to which the Company agreed to provide the Guarantees of not exceeding RMB2.1 billion (or its equivalent in foreign currencies) in aggregate in respect of the Credit Facilities of Livzon MAB during the three-year period from 1 January 2025 to 31 December 2027, both dates inclusive.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Entering into the 2025 Continuing Guarantee Support Framework Agreement with Livzon MAB *(continued)*

To ensure the fairness and equivalence of the Livzon MAB Guarantees, Joincare (which indirectly holds 26.84% equity interests of Livzon MAB) has provided the Company with the Letter of Undertaking for Counter Guarantee. Accordingly, it will undertake to provide the Counter Guarantees in favour of the Company for any amount payable by the Company in connection with the Guarantees in proportion to its shareholdings in Livzon MAB. The term of the Counter Guarantees will expire on the same expiry date of the Company's obligation under the Guarantees.

For details, please refer to the announcement dated 27 September 2024 and the circular dated 24 October 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Water Electricity Framework Agreement with Joincare

On 29 December 2023, the Company and Joincare entered into the 2024 Water Electricity Framework Agreement in relation to the continuing connected transactions for receipt of water, electricity, steam, natural gas and sewage treatment from the Joincare Group by the Group for the period from 1 January 2024 to 31 December 2024 with a cap of RMB42.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Entering into the 2024 Receipt of Labour Services Framework Agreement with Joicare

On 29 December 2023, the Company and Joicare entered into the 2024 Receipt of Labour Services Framework Agreement in relation to the continuing connected transactions for receipt of labour services from the Joicare Group by the Group for the period from 1 January 2024 to 31 December 2024 with a cap of RMB108.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Provision of Labour Services Framework Agreement with Joicare

On 29 December 2023, the Company and Joicare entered into the 2024 Provision of Labour Services Framework Agreement in relation to the continuing connected transactions for provision of labour services by the Group to the Joicare Group for the period from 1 January 2024 to 31 December 2024 with a cap of RMB38.80 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Sales Framework Agreement with Joicare

On 29 December 2023, the Company and Joicare entered into the 2024 Sales Framework Agreement in relation to the continuing connected transactions for sales of products to the Joicare Group by the Group for the period from 1 January 2024 to 31 December 2024 with an annual cap of RMB99.60 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Purchase Framework Agreement with Joicare

On 29 December 2023, the Company and Joicare entered into the 2024 Purchase Framework Agreement in relation to the continuing connected transactions for purchase of products by the Group from the Joicare Group for the period from 1 January 2024 to 31 December 2024, with an annual cap of RMB331.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Entering into the 2024 Water Electricity Framework Agreement with Livzon MAB

On 29 December 2023, the Company and Livzon MAB entered into the 2024 Water Electricity Framework Agreement. For the period from 1 January 2024 to 31 December 2024, the Group provided water, electricity, steam and sewage treatment to Livzon MAB, with a cap of RMB33.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Labour Services Framework Agreement with Livzon MAB

On 29 December 2023, the Company and Livzon MAB entered into the 2024 Labour Services Framework Agreement. For the period from 1 January 2024 to 31 December 2024, the Group provided labour services to Livzon MAB, with a cap of RMB42.50 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2024 Leasing Assets Framework Agreement with Livzon MAB

On 29 December 2023, the Company and Livzon MAB entered into the 2024 Leasing Assets Framework Agreement. For the period from 1 January 2024 to 31 December 2024, the Group leased assets to Livzon MAB, with a cap of RMB39.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Entering into the 2024 Purchase Framework Agreement with Livzon MAB

On 29 December 2023, the Company and Livzon MAB entered into the 2024 Purchase Framework Agreement in relation to the continuing connected transactions for purchasing drugs from Livzon MAB by the Group for the period from 1 January 2024 to 31 December 2024, with an annual cap of RMB76.00 million.

For details, please refer to the announcements dated 29 December 2023 and 15 January 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Water Electricity Framework Agreement with Joicare

On 31 December 2024, the Company and Joicare entered into the 2025 Water Electricity Framework Agreement in relation to the continuing connected transactions for receipt of water, electricity, steam, natural gas and sewage treatment from the Joicare Group by the Group for the period from 1 January 2025 to 31 December 2025, with a cap of RMB42.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Receipt of Labour Services Framework Agreement with Joicare

On 31 December 2024, the Company and Joicare entered into the 2025 Receipt of Labour Services Framework Agreement in relation to the continuing connected transactions for receipt of labour services from the Joicare Group by the Group for the period from 1 January 2025 to 31 December 2025, with a cap of RMB49.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Provision of Labour Services Framework Agreement with Joicare

On 31 December 2024, the Company and Joicare entered into the 2025 Provision of Labour Services Framework Agreement in relation to the continuing connected transactions for provision of labour services by the Group to the Joicare Group for the period from 1 January 2025 to 31 December 2025, with a cap of RMB60.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Entering into the 2025 Sales Framework Agreement with Joincare

On 31 December 2024, the Company and Joincare entered into the 2025 Sales Framework Agreement in relation to the continuing connected transactions for sales of products to the Joincare Group by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB45.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Purchase Framework Agreement with Joincare

On 31 December 2024, the Company and Joincare entered into the 2025 Purchase Framework Agreement in relation to the continuing connected transactions for purchase of products by the Group from the Joincare Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB343.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Leasing Assets Framework Agreement with Livzon MAB

On 31 December 2024, the Company and Livzon MAB entered into the 2025 Leasing Assets Framework Agreement. For the period from 1 January 2025 to 31 December 2025, the Group leased assets to Livzon MAB, with a cap of RMB39.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

Entering into the 2025 Purchase Framework Agreement with Livzon MAB

On 31 December 2024, the Company and Livzon MAB entered into the 2025 Purchase Framework Agreement in relation to the continuing connected transactions for purchasing drugs from Livzon MAB by the Group for the period from 1 January 2025 to 31 December 2025, with an annual cap of RMB54.00 million.

For details, please refer to the announcement dated 31 December 2024 of the Company published on the Company's website and HKEXnews.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Table of continuing connected transactions for the year 2024

The following table sets forth the continuing connected transactions under the 2024 Water Electricity Framework Agreement, the 2024 Receipt of Labour Services Framework Agreement, the 2024 Provision of Labour Services Framework Agreement, the 2024 Sales Framework Agreement and the 2024 Purchases Framework Agreement entered into with Joicare, and the 2024 Water Electricity Framework Agreement, the 2024 Labour Services Framework Agreement, the 2024 Leasing Assets Framework Agreement and the 2024 Purchase Framework Agreement entered into with Livzon MAB for the period from 1 January 2024 to 31 December 2024.

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2024 (RMB'000)
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Purchase of goods	Determined by negotiation based on market price	43.98
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	22,376.58
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	1,274.75
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Subsidiary of the controlling shareholder	Purchase of goods	Determined by negotiation based on market price	4.83
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. * (廣州呼吸藥物工程技術有限公司) (formerly known as Guangzhou Joicare Respiratory Drugs Engineering Technology Co., Ltd. (廣州健康元呼吸藥物工程技術有限公司))	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	1,252.36
Joicare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Receipt of services	Determined by negotiation based on market price	239.77
Jiaozuo Joicare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	3,136.94
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	2,019.66
Joicare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	775.93
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Receipt of services	Determined by negotiation based on market price	100

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Table of continuing connected transactions for the year 2024 *(continued)*

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2024 (RMB'000)
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	190.89
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	0.12
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Sale of goods	Determined by negotiation based on market price	1.11
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Sale of goods	Determined by negotiation based on market price	483.1
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. * (廣州呼吸藥物工程技術有限公司) (formerly known as 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))	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	377.6
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	13.26
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Provision of services	Determined by negotiation based on market price	907.23
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	15.01
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Subsidiary of the controlling shareholder	Provision of services	Determined by negotiation based on market price	1.2
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	3.85
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	25.3
Topsino Industries Limited (天誠實業有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessor	Determined by negotiation based on market price	2.75
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	77.96
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	50.14

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Table of continuing connected transactions for the year 2024 *(continued)*

Connected Parties	Relationships	Type of connected transactions	Pricing principle of connected transactions	Amounts of connected transactions in 2024 (RMB'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	Leasing of assets as a lessee	Determined by negotiation based on market price	1.5
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Subsidiary of the controlling shareholder	Leasing of assets as a lessee	Determined by negotiation based on market price	8.36
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Receipt of services	Determined by negotiation based on market price	631.15
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Purchase of goods	Determined by negotiation based on market price	2,574.79
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Sale of goods	Determined by negotiation based on market price	9.59
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Provision of services	Determined by negotiation based on market price	2,622.41
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary	Leasing of assets as a lessor	Determined by negotiation based on market price	3,320.10
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd.* (珠海市麗珠睿研智新醫藥科技有限責任公司) (Former name: Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (上海麗予生物醫藥技術有限責任公司))	Subsidiary	Receipt of services	Determined by negotiation based on market price	50.00
Mao Haizi Animal Healthcare (Guangdong) Co., Ltd.* (毛孩子動物保健(廣東)有限公司) (Former name: Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司))	Subsidiary	Provision of services	Determined by negotiation based on market price	63.56
Mao Haizi Animal Healthcare (Guangdong) Co., Ltd.* (毛孩子動物保健(廣東)有限公司) (Former name: Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司))	Subsidiary	Sale of goods	Determined by negotiation based on market price	78.80
Mao Haizi Animal Healthcare (Guangdong) Co., Ltd.* (毛孩子動物保健(廣東)有限公司) (Former name: Lijian (Guangdong) Animal Healthcare Co., Ltd. (麗健(廣東)動物保健有限公司))	Subsidiary	Leasing of assets as a lessor	Determined by negotiation based on market price	49.54
Total				42,784.12

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Confirmation from independent non-executive Directors in respect of 2024 continuing connected transactions

In respect of 2024 continuing connected transactions, the independent non-executive Directors of the Company have reviewed and confirmed under Rule 14A.55 of the Hong Kong Listing Rules that:

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

Confirmation from the auditor in respect of 2024 connected transactions

The auditor of the Company has examined 2024 continuing connected transactions, and provided a letter to the Board under Rule 14A.56 of the Hong Kong Listing Rules stating that:

- Nothing has come to the auditor's attention that causes them to believe that such transactions had not been approved by the Board of the Company;
- In respect of transactions for provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that such transactions had not been conducted in accordance with the pricing policies of the Group;
- Nothing has come to the auditor's attention that causes them to believe that such transactions had not been conducted in accordance with the relevant agreements governing such transactions; and
- Nothing has come to the auditor's attention that causes them to believe that the amounts of such transactions had exceeded the Group's annual cap amounts of transactions for the year ended 31 December 2024.

SECTION V. MAJOR EVENTS

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

2. Continuing connected transaction *(continued)*

Internal control procedures for the abovementioned connected transactions

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

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

3. Connected transactions and related party transactions

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

SECTION V. MAJOR EVENTS

III. SIGNIFICANT EVENTS OF SUBSIDIARIES OF THE COMPANY

☐ Applicable ☒ Not Applicable

IV. PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

☐ Applicable ☒ Not Applicable

V. OTHER SIGNIFICANT EVENTS

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

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES

1. Changes in shares

As at 31 December 2024, 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	19,910,734	2.15%	+114,827	-65,301	+49,526	19,960,260	2.19%
1. Shares held by State Government							
2. Shares held by State-owned entities	17,306,329	1.87%	–	–	–	17,306,329	1.90%
3. Shares held by other domestic holders	2,604,405	0.28%	+114,827	-65,301	+49,526	2,653,931	0.29%
Including: Shares held by domestic entities							
Shares held by domestic natural persons	2,604,405	0.28%	+114,827	-65,301	+49,526	2,653,931	0.29%
4. Shares held by foreign holders							
Including: Shares held by foreign entities							
Shares held by foreign natural persons							
II. Shares not subject to selling restrictions	904,027,405	97.85%	+6,546,128	-19,188,063	-12,641,935	891,385,470	97.81%
1. Ordinary shares denominated in RMB	594,196,188	64.31%	+6,546,128	-16,409,263	-9,863,135	584,333,053	64.12%
2. Domestically listed foreign shares							
3. Overseas listed foreign shares	309,831,217	33.53%	–	-2,778,800	-2,778,800	307,052,417	33.69%
4. Others							
III. Total number of shares	923,938,139	100.00%	+6,660,955	-19,253,364	-12,592,409	911,345,730	100.00%

Reasons for changes in shares

✓ Applicable ☐ Not Applicable

Since 25 September 2023, Mr. Zhou Peng would no longer serve as the vice president of the Company, and all of A Shares of the Company held by him were restricted for sale within half a year from the date of his resignation. He shall continue to comply with the relevant selling restriction (i.e. disposing of no more than 25% of all the shares held by him each year) within six months from the date of resignation to the expiration of six months after the expiry of term of office of the eleventh session of the senior management of the Company. As at the End of the Reporting Period, 25% of the shares held by him have been unlocked, resulting in a decrease of 65,301 shares subject to selling restrictions of the Company and the shares not subject to selling restrictions increased accordingly.

Since the first grant of the 2022 Share Options Incentive Scheme of the Company was in the first exercise period, a total of 6,660,955 share options were exercised by the incentive participants during the Reporting Period. As a result, the total number of shares of the Company increased by 6,660,955 shares. Among them, 75% of the shares held by senior management will be locked up after the exercise of the share options, therefore, the number of shares subject to selling restrictions increased by 114,827 shares.

During the Reporting Period, the Company has repurchased and cancelled 16,474,564 A Shares and 2,778,800 H Shares, resulting in a decrease of the shares not subject to selling restrictions of the Company.

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

I. CHANGES IN SHARES *(continued)*

1. Changes in shares *(continued)*

Approval of changes in shares

☒ Applicable ☐ Not Applicable

On 18 December 2023, the Company convened the ninth meeting of the eleventh session of the Board, during which the Resolution on Fulfillment of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme was considered and approved. The exercise conditions for the first exercise period of the First Grant under the 2022 Share Options Incentive Scheme had been fulfilled, and agreed that 1,001 incentive participants who had fulfilled the exercise conditions are entitled to exercise 7,045,000 share options during the first exercise period at the exercise price of RMB31.31 per A share. The relevant options shall be exercisable from 2 January 2024 after examination by the Shenzhen Stock Exchange and CSDCC.

On 19 December 2023, the Resolution on the Repurchase of a Part of the Company's A Shares Scheme and the Resolution on the grant of general mandate to the Board to repurchase H shares of the Company had been considered and approved at the 2023 third extraordinary general meeting, the 2023 second class meeting of A Shareholders and the 2023 second class meeting of H Shareholders of the Company. On 28 June 2024, the 2,778,800 H shares repurchased by the Company have been cancelled. On 25 December 2024, the 16,474,564 A shares repurchased by the Company have been cancelled.

Transfer of changes in Shares

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

1. CHANGES IN SHARES *(continued)*

2. Changes in shares subject to selling restrictions

✓ Applicable ☐ Not Applicable

Unit: Share(s)

Name of Shareholder	Number of shares subject to selling restrictions at the Beginning of the Period	Increase in the number of shares subject to selling restrictions during the Period	Number of shares released from selling restrictions during the Period	Number of shares subject to selling restrictions at the End of the Period	Reasons for selling restrictions	Date of release from selling restrictions
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	17,306,329	–	–	17,306,329	Shares subject to selling restriction before initial offering	N/A
Tang Yanggang	258,722	–	–	258,722	Locked shares held by the senior management	N/A
Tao Desheng	550,350	–	–	550,350	Locked shares held by the senior management	N/A
Xu Guoxiang	587,850	–	–	587,850	Locked shares held by the senior management	N/A
Yang Daihong	351,734	36,000	–	387,734	Locked shares held by the senior management	N/A
Si Yanxia	303,317	22,500	–	325,817	Locked shares held by the senior management	N/A
Huang Yuxuan	101,488	36,000	–	137,488	Locked shares held by the senior management	N/A
Yang Liang	152,173	20,327	–	172,500	Locked shares held by the senior management	N/A
Du Jun	37,567	–	–	37,567	Locked shares held by the senior management	N/A
Zhou Peng (resigned)	261,204	–	65,301	195,903	Locked shares held by the senior management	25 March 2024 and 29 June 2026
Total	19,910,734	114,827	65,301	19,960,260	–	–

3. Sufficient public float

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

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

II. ISSUE AND LISTING OF SECURITIES

1. Issue of securities (excluding preferred shares) during the Year

☐ Applicable ☒ Not Applicable

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

☒ Applicable ☐ Not Applicable

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

3. Existing staff shares

☐ Applicable ☒ Not Applicable

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

III. SHAREHOLDERS AND ULTIMATE BENEFICIAL OWNER

1. Number and shareholdings of shareholders of the Company

Total number of ordinary Shareholders at the End of the Reporting Period	50,989, including 50,980 A Shareholders and 19 H Shareholders	Total number of ordinary Shareholders as at the end of the month prior to the disclosure date of the annual report	52,844, including 52,825 A Shareholders and 19 H Shareholders	Total number of preferential shareholders with voting rights resumed at the End of the Reporting Period (if any)	0	Total number of preferential Shareholders with voting rights resumed as at the end of the month prior to the disclosure date of the annual report (if any)	0
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Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders (excluding shares lent through refinancing)

Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period (shares)	Change during the Reporting Period (shares)	Number of Shares subject to selling restriction (shares)	Number of Shares not subject to selling restrictions (shares)	Pledge or lock-up Share status	Number
HKSCC Nominees Limited ^(Note 2)	Foreign entity	H share	33.66%	306,769,189	-2,778,400	–	306,769,189	–	–
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Domestic non-state owned entity	A share	24.29%	221,376,789	–	–	221,376,789	–	–
Hong Kong Securities Clearing Company Limited	Foreign entity	A share	3.75%	34,178,636	-12,058,194	–	34,178,636	–	–
Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司)	State owned entity	A share	1.90%	17,306,329	–	17,306,329	–	Pledged and locked up	17,306,329
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Domestic non-state owned entity	A share	1.85%	16,830,835	–	–	16,830,835	–	–
Rui Life Insurance Company Limited-Internal Funds (瑞眾人壽保險有限責任公司—自有資金)	Others	A share	0.86%	7,794,489	+7,794,489	–	–	7,794,489	–
National Social Security Fund (Combination 406) (全國社保基金四零六組合)	Others	A share	0.61%	5,574,316	+1,178,211	–	–	5,574,316	–
UBS AG	Foreign entity	A share	0.57%	5,484,772	+47,669	–	–	5,484,772	–
Abu Dhabi Investment Authority (阿布達比投資局)	Foreign entity	A share	0.57%	5,228,270	-1,327,121	–	–	5,228,270	–
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司—中證500交易型開放式指數證券投資基金)	Others	A share	0.57%	5,193,201	-1,017,400	–	–	5,193,201	–

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

1. Number and shareholdings of shareholders of the Company *(continued)*

Shareholders holding more than 5% shares or shareholdings of the top 10 shareholders (excluding shares lent through refinancing)									
Name of Shareholder (full name)	Nature of Shareholder	Class of Shares	Shareholding percentage	Number of Shares held at the End of the Period <i>(shares)</i>	Change during the Reporting Period <i>(shares)</i>	Number of Shares subject to selling restriction <i>(shares)</i>	Number of Shares not subject to selling restrictions <i>(shares)</i>	Pledge or lock-up Share status	Number
Description of strategic investors or general legal persons who became Top 10 Shareholders through placement of new shares (if any)	Not applicable								
Description of related relationship or acting-in-concert relationship of the above Shareholders	(1) On 2 January 2004, Joicare 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 Joicare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joicare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).								
Explanation on above shareholders' delegation of/being entrusted with and waiver of voting rights	None								
Special explanation on the existence of repurchase special accounts among the top 10 Shareholders (if any)	None								

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

1. Number and shareholdings of shareholders of the Company *(continued)*

Shareholdings of top 10 ordinary shareholders not subject to selling restrictions (excluding shares lent through refinancing and locked shares held by the senior management)

Name of Shareholder	Number of shares not subject to selling restrictions at the End of the Year		Class of Shares	Number (shares)
	(shares)	Class of Shares		
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	306,769,189	Overseas listed foreign shares		306,769,189
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	221,376,789	Ordinary shares denominated in RMB		221,376,789
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	34,178,636	Ordinary shares denominated in RMB		34,178,636
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	16,830,835	Ordinary shares denominated in RMB		16,830,835
Rui Life Insurance Company Limited-Internal Funds (瑞眾人壽保險有限責任公司—自有資金)	7,794,489	Ordinary shares denominated in RMB		7,794,489
National Social Security Fund (Combination 406) (全國社保基金四零六組合)	5,574,316	Ordinary shares denominated in RMB		5,574,316
UBS AG	5,484,772	Ordinary shares denominated in RMB		5,484,772
Abu Dhabi Investment Authority (阿布達比投資局)	5,228,270	Ordinary shares denominated in RMB		5,228,270
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund (中國農業銀行股份有限公司—中證500交易型開放式指數證券投資基金)	5,193,201	Ordinary shares denominated in RMB		5,193,201
Shanghai Lingren Private Equity Fund Management Partnership (Limited Partnership) – Lingren Excellence Evergreen Phase II Private Equity Securities Investment Fund (上海瓊仁私募基金管理合夥企業(有限合夥)—瓊仁卓越長青二期私募證券投資基金)	5,094,949	Ordinary shares denominated in RMB		5,094,949
Description of related relationship or acting-in-concert relationship among the top 10 Shareholders not subject to selling restrictions themselves and between the top 10 Shareholders not subject to selling restrictions and the top 10 Shareholders	(1) On 2 January 2004, Joincare and Begol entered into a Share Transfer and Custody Agreement and a Share Pledge Agreement, pursuant to which the 6,059,428 shares of the Company held by Begol as domestic entity (the number of shares was increased to 7,877,256 shares after the Company's implementation of 2014 Equity Distribution, the number of shares was increased to 10,240,432 shares after the Company's implementation of 2016 Equity Distribution, the number of shares was increased to 13,312,561 shares after the Company's implementation of 2017 Equity Distribution and the number of shares was increased to 17,306,329 shares after the Company's implementation of 2018 Equity Distribution) were directly transferred, entrusted and pledged to Joincare; (2) Haibin Pharma was a subsidiary directly and indirectly owned by Joincare as to 100% equity interest; (3) the Company was not aware whether the other Shareholders mentioned above are related parties or persons acting-in-concert as defined in the Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》).			
Description of the top 10 ordinary Shareholders involved in the margin financing and securities lending business (if any)	Not Applicable			

Notes:

- The shareholdings of the above top 10 Shareholders were based on the register of Shareholders as at 31 December 2024, provided by CSDCC and Tricor Investors Services Limited in Hong Kong.
- HKSCC Nominees Limited is a nominee holder of H Shares of the Company, and the Company cannot ascertain whether such H Shares are subject to any pledge or lock-up, and such shareholdings held by HKSCC Nominees Limited as nominee included 163,364,672 H Shares held by Topsino, which was a wholly-owned subsidiary of Joincare, the controlling Shareholder of the Company.

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

1. Number and shareholdings of shareholders of the Company *(continued)*

Shareholders holding more than 5%, top 10 Shareholders, and top 10 Shareholders of circulation Shares without selling restrictions participating in refinancing business shares lend

☒ Applicable ☐ Not Applicable

Unit: Share(s)

Shareholders holding more than 5%, top 10 Shareholders, and top 10 Shareholders of circulation Shares without selling restrictions participating in refinancing business shares lend								
Name of Shareholder (full name)	Number of shares held by ordinary accounts and credit accounts at the Beginning of the Period		Number of outstanding shares lent through refinancing at the Beginning of the Period		Number of shares held by ordinary accounts and credit accounts at the End of the Period		Number of outstanding shares lent through refinancing at the End of the Period	
	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital	Aggregate number	Percentage of total share capital
Agricultural Bank of China Limited-CSIF500 Index Open-ended Fund (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	1,964,635	0.22%	596,800	0.07%	5,193,201	0.57%	–	–

The top 10 Shareholders and the top 10 Shareholders of circulation Shares without selling restrictions have changed compared with the Previous Period due to the lending or returning through the refinancing business shares

☐ Applicable ☒ Not Applicable

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

1. Number and shareholdings of shareholders of the Company *(continued)*

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

☐ Yes ☒ No

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

2. Controlling shareholder of the Company

Name of controlling shareholder	Legal representative/responsible person	Date of establishment	Unified social credit code	Registered capital	Principal activities
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Zhu Baoguo (朱保國)	18 December 1992	91440300618874367T	RMB1,927,655,269	General operating items: entrusted manufacturing of drugs; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion. (Except for projects subject to approval according to laws, business activities can be conducted independently with the business license in accordance with the laws). Permitted operating items: R&D (exclusive of R&D of state protected resources for Chinese medicinal materials, secret recipe of proprietary Chinese medicines), wholesale, import and export and related supplementary businesses of proprietary Chinese medicines, chemical APIs, chemical drug preparation products, antibiotics APIs and their preparations (except the commodities not involved in the management of state-owned trade, and goods that are subject to quota, license management and other special regulations, applications should be processed in accordance with relevant national regulations); R&D of food, health food and cosmetics; sales of pre-packaged food (excluding frozen food), sales of special food (sales of health food, sales of special medical formula food); research & development and sales of class I and II medical devices. Production of class I medical devices; production of class II medical devices; production of class III medical devices; operation of class III medical devices. (For projects subject to approval according to laws, business activities can only be carried out after approval by relevant departments. Operations of specific businesses are subject to the approval documents or permits of the relevant authorities)
Controlling shareholders' equity interests in other controlled and invested companies whose shares are listed domestic or overseas during the Reporting Period					
Joincare (Stock Abbreviation: Joincare and Stock Code: 600380.SH) is listed on the Shanghai Stock Exchange and please see the announcements as disclosed in the website of the Shanghai Stock Exchange (www.sse.com.cn) for more details about its operating results, financial position, cash flow and future development strategy.					

Change in controlling shareholder during the Year

☐ Applicable ☒ Not Applicable

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

3. Ultimate beneficial owner of the Company

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

Change in the ultimate beneficial owner during the Year

☐ Applicable ☒ Not Applicable

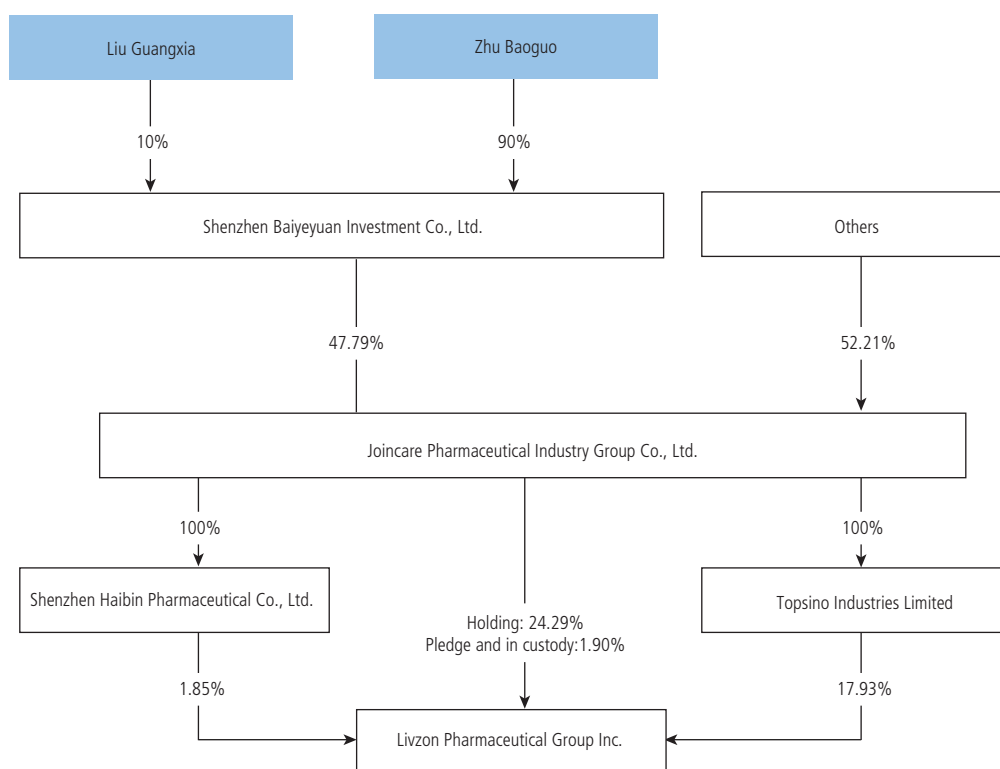
There was no change in the ultimate beneficial owner of the Company during the Year.

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

3. Ultimate beneficial owner of the Company *(continued)*

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



Notes:

1. Zhu Baoguo (朱保國) is the spouse of Liu Guangxia (劉廣霞).
2. As at the End of the Reporting Period, Baiyeyuan holds 895,653,653 shares of Joicare, accounting for 47.79% of the shares of Joicare.

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

☐ Applicable ☒ Not Applicable

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

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

4. Other legal shareholders with a shareholding of more than 10%

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

6. The cumulative number of shares pledged by the Company's controlling shareholder or the largest shareholder and its parties acting in concert accounting for 80% of their shareholdings in the Company

☐ Applicable ☒ Not Applicable

IV. PARTICULARS OF THE IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Progress of the implementation of share repurchase

☒ Applicable ☐ Not Applicable

Date of disclosure of the plan	Nature of shares to be repurchased	Number of shares to be repurchased	Percentage to the total share capital	Proposed repurchase amount (RMB)	Proposed repurchase period	Purpose of the repurchase	Number of shares repurchased (shares)	Percentage of the number of shares repurchased to the underlying shares involved in the equity incentive scheme (if any)
31 October 2023	A Share	10,526,316 shares to 15,789,474 shares	1.14% to 1.71%	400 million to 600 million	20 December 2023 to 19 December 2024	Cancellation	16,474,564	N/A
29 November 2024	A Share	13,333,333 shares to 22,222,222 shares	1.46% to 2.44%	600 million to 1,000 million	25 December 2024 to 24 December 2025	Cancellation	723,800	N/A
19 December 2023	H Share	N/A	N/A	N/A	19 December 2023 to 14 June 2024	Cancellation	2,778,800	N/A
14 June 2024	H Share	N/A	N/A	N/A	14 June 2024 to the date of the 2024 Annual General Meeting	Cancellation	6,973,700	N/A

Progress of the implementation of sale of repurchased share through centralized price bidding

☐ Applicable ☒ Not Applicable

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2024, 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
Zhu Baoguo (朱保國)	Interest of controlled corporation	255,513,953 A Shares ^{(1) (2)}	42.28%	28.04%
		163,364,672 H Shares ^{(1) (3)}	53.20%	17.93%
Tao Desheng (陶德勝)	Beneficial owner	733,800 A Shares ^{(4) (20)}	0.12%	0.08%
	Interest of spouse	191,606 A Shares ^{(5) (6) (20)}	0.03%	0.02%
		925,406 A Shares	0.15%	0.10%
Xu Guoxiang (徐國祥)	Beneficial owner	895,800 A Shares ^{(7) (20)}	0.15%	0.10%
Tang Yanggang (唐陽剛)	Beneficial owner	456,963 A Shares ^{(8) (20)}	0.08%	0.05%

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2024, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS:

(continued)

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

Name of director	Name of associated corporation	Capacity	Equity interest/ number of shares (Long position)	As a percentage of the equity interest of associated corporation
Zhu Baoguo (朱保國)	Baiyeyuan	Beneficial owner	72,000,000 (RMB) ⁽¹⁾	90.00% ⁽¹⁾
	Joincare	Interest of controlled corporations	895,653,653 shares ⁽¹⁾⁽⁹⁾	47.79% ⁽¹⁰⁾
	LivzonBio	Interest of controlled corporations	294,000,000 (RMB) ⁽¹⁾⁽¹²⁾	26.84% ⁽¹¹⁾
	Livzon HK	Interest of controlled corporations	4,000 shares ⁽¹⁾⁽¹³⁾	100.00% ⁽¹¹⁾
	Livzon MAB	Interest of controlled corporations	1,500,000,000 (RMB) ⁽¹⁾⁽¹⁴⁾	100.00% ⁽¹¹⁾
Tang Yanggang (唐陽剛)	Xinbeijiang Pharma	Interest of controlled corporations	20,238,780 shares ⁽¹⁵⁾	8.44%
	Livzon Diagnostics	Interest of controlled corporations	36,099,971 shares ⁽¹⁶⁾	9.03%
Xu Guoxiang (徐國祥)	Livzon Diagnostics	Others	2,153,399 shares ⁽¹⁷⁾	0.54%
Qiu Qingfeng (邱慶豐)	Joincare	Beneficial owner	897,409 shares ⁽¹⁸⁾	0.05%
Lin Nanqi (林楠棋)	Joincare	Beneficial owner	1,531,040 shares ⁽¹⁹⁾	0.08%

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2024, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS:

(continued)

Notes:

- (1) Joincare was 47.79% held by Baiyeyuan which was in turn 90% held by Mr. Zhu Baoguo. Mr. Zhu Baoguo was deemed to be interested in the shares of the Company and the equity interest of its associated corporations in which Joincare was or was deemed to be interested by virtue of the SFO.
- (2) Among these shares, 238,683,118 shares (in which 17,306,329 shares were directly transferred, entrusted and pledged by Begol in favor of Joincare in accordance with the Share Transfer, Custody and Pledge Agreement entered into among three parties, namely Begol, Joincare and Zhuhai Lishi Investment Co., Ltd. (珠海市麗士投資有限公司), on 2 January 2004, and the Share Transfer and Custody Agreement and the Share Pledge Agreement entered into between Begol and Joincare) and 16,830,835 shares were held directly by Joincare and its wholly-owned subsidiary, Haibin Pharma, respectively.
- (3) These shares were held directly by Topsino, a wholly-owned subsidiary of Joincare.
- (4) These shares are all A shares of the Company.
- (5) These shares included 44,800 share options, which were able to subscribe for 44,800 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (6) As these shares and underlying shares were held directly by Ms. Hou Xuemei, the spouse of Mr. Tao Desheng, Mr. Tao Desheng was deemed to be interested in these shares and underlying shares.
- (7) These shares included 112,000 share options, which were able to subscribe for 112,000 A Shares of the Company pursuant to the 2022 Share Options Incentive Scheme of the Company.
- (8) These shares included 112,000 share options, which were able to subscribe for 112,000 A Shares of the Company pursuant to the 2022 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 1,874,200,420 shares. Therefore, Baiyeyuan held 47.79% equity interest in Joincare.
- (11) LivzonBio was directly held as to 26.84% by Joincare. Livzon HK and Livzon MAB were directly held as to 100% by LivzonBio.
- (12) These equity interests were held by Joincare.
- (13) These shares were held by LivzonBio.
- (14) These equity interests were held by LivzonBio.

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

V. AS AT 31 DECEMBER 2024, THE INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (WITHIN THE MEANING OF PART XV OF SFO) AS RECORDED IN THE REGISTER REQUIRED TO BE KEPT UNDER SECTION 352 OF THE SFO, OR AS OTHERWISE NOTIFIED TO THE COMPANY AND THE HONG KONG STOCK EXCHANGE PURSUANT TO THE MODEL CODE, WERE AS FOLLOWS: *(continued)*

Notes: (continued)

- (15) Xinbeijiang Pharma was directly held as to 87.14% by the Company, and directly held as to 8.44% (i.e. 20,238,780 shares) by Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), which was in turn directly held as to 24.00% by Mr. Tang Yanggang, who is also managing partner of Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership).
- (16) Livzon Diagnostics was directly held as to 47.425% by the Company, and as to 9.025% (i.e. 36,099,971 shares) by Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)) ("Liying"), and Mr. Tang Yanggang was the general partner of Liying who directly held 19.9234% equity interest in Liying and had sole discretion to decide all matters of Liying.
- (17) Mr. Xu Guoxiang directly held 5.9651% equity interest in Liying, and therefore Livzon Diagnostics was indirectly held as to 0.54% by Mr. Xu Guoxiang.
- (18) These shares included 180,000 share options, which were able to subscribe for 180,000 A shares of Joicare pursuant to the 2022 share options incentive scheme of Joicare.
- (19) These shares included 240,000 share options, which were able to subscribe for 240,000 A shares of Joicare pursuant to the 2022 share options incentive scheme of Joicare.
- (20) For details of the aforesaid 2022 Share Options Incentive Scheme, please refer to the relevant information of "XIX. SHARE OPTIONS INCENTIVE SCHEMES" in Section III of the Report.

Save as disclosed above, none of the Directors, Supervisors and chief executives of the Company has interests or short positions 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.

SECTION VI. CHANGES IN EQUITY AND SHAREHOLDERS

VI. AS AT 31 DECEMBER 2024, THE FOLLOWING MAJOR SHAREHOLDERS AND OTHER PERSONS, OTHER THAN THE DIRECTORS, SUPERVISORS OR CHIEF EXECUTIVES (AS DEFINED IN THE SFO), HAD INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY WHICH WERE REQUIRED TO BE RECORDED IN THE REGISTER REQUIRED TO BE KEPT BY THE COMPANY UNDER SECTION 336 OF THE SFO:

Name of Shareholder	Capacity	Number of shares interested	Position	As a percentage of the specific class of issued shares of the Company	As a percentage of the total issued shares of the Company
Substantial Shareholders					
Baiyeyuan	Interest of controlled corporations	255,513,953 A Shares ⁽¹⁾	Long position	42.28%	28.04%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	53.20%	17.93%
		418,878,625 Shares			45.96%
Liu Guangxia (劉廣霞)	Interest of spouse	255,513,953 A Shares ⁽³⁾	Long position	42.28%	28.04%
		163,364,672 H Shares ⁽³⁾	Long position	53.20%	17.93%
		418,878,625 Shares			45.96%
Joincare	Beneficial owner	221,376,789 A Shares	Long position	36.63%	24.29%
	Interest of controlled corporations	16,830,835 A Shares ⁽⁴⁾	Long position	2.79%	1.85%
	Holder of security interest in shares	17,306,329 A Shares ⁽⁵⁾	Long position	2.86%	1.90%
		255,513,953 A Shares		42.28%	28.04%
	Interest of controlled corporations	163,364,672 H Shares ⁽²⁾	Long position	53.20%	17.93%
Topsino	Beneficial owner	163,364,672 H Shares	Long position	53.20%	17.93%

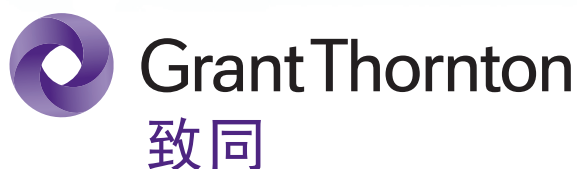
Notes:

- (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.

Mr. Zhu Baoguo, a non-executive Director and the chairman of the Company, is a director and general manager of Baiyeyuan, as well as the chairman of Joincare and a director of Topsino. Mr. Qiu Qingfeng, a non-executive Director, is also a non-executive director of Joincare. Save as disclosed above, none of the Directors or proposed Directors of the Company serve as a director or employee in a company which has interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, no other persons, other than the Directors, Supervisors or chief executives of the Company, had interests or 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.

SECTION VII. FINANCIAL REPORT



Grant Thornton (Special General Partnership)

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AUDIT REPORT

GTC SZ (2025) No. 442A004441

To the Shareholders of Livzon Pharmaceutical Group Inc.:

I. AUDIT OPINIONS

We have audited the financial statements of Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as "Livzon Group Company"), which comprise the consolidated and company balance sheets as at 31 December 2024, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year 2024 together with the relevant notes to financial statements.

In our opinion, the accompanying financial statements are, in all material aspects, prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and give a fair view on the consolidated and company financial positions as at 31 December 2024 and the consolidated and company operation results and cash flows for the year 2024.

II. BASIS FOR AUDIT OPINIONS

We conducted our audit in accordance with the requirements of the China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the section "CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS" of the audit report. We are independent of the Livzon Group Company in accordance with the Code of Ethics for Chinese Certified Public Accountant, and we have fulfilled our other ethical responsibilities. We believe that the audit evidences obtained by us are sufficient, appropriate and provide the basis for our audit opinions.

SECTION VII. FINANCIAL REPORT

III. KEY AUDIT MATTERS

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters.

(I) Recognition of revenue

For details of the relevant information disclosure, please refer to Note III.29 and Note V.41 to the financial statements.

1. Item description

In 2024, Livzon Group Company recorded revenue of RMB11,700.6071 million from its principal business. Due to the importance of revenue to the financial statements as a whole and there was a risk of material misstatement in the truthfulness and accurate recognition of revenue in the appropriate period. Therefore, recognition of revenue is confirmed by us as a critical auditing item.

2. Auditing technique

- (1) Evaluate and test the design and operating effectiveness of critical internal control of the Management relating to recognition of revenue.
- (2) Obtain the agreements signed between the company and the customer, verify the key contractual terms, including delivery of goods and inspection for acceptance, payment and settlement, policies for replacement and return of goods, etc..
- (3) By enquiring the industrial and commercial registration information of the client and interviewing the relevant staff of the company to confirm whether a related relationship exists between the customer and the company, as well as understand the reasons for changes made by the customer and the status of implementation of the contractual agreement, etc., connect to the business system that directly connects the company with the customers, and select sample customer statistics for analyzing the ultimate sales amount.
- (4) Obtain the records of goods returned or replaced in the supply chain system of the company for examination to confirm whether material unusual return or replacement of goods that affected the recognition of revenue has occurred.
- (5) Select sample transactions of revenue recorded in 2024 and check the supporting documents such as contracts, purchase orders, goods delivery vouchers, transportation vouchers, credit sales evidence, regular reconciliation letters, review cash flow records of receipts, and carry out documentary proof procedures on customer sales and account receivables by selecting samples.
- (6) Gather factors such as market and industry trends and business expansion by product category to carry out analysis procedure on revenue to analyze the reasonableness of changes in revenue with reference to market data collected by third party consulting companies.
- (7) Select sample transactions with sales revenue before and after the balance sheet date, examine the sales contracts, invoices, goods delivery vouchers, transportation vouchers, and credit sales evidence, to assess whether revenue was recorded in the appropriate accounting period.

SECTION VII. FINANCIAL REPORT

III. KEY AUDIT MATTERS *(continued)*

(II) Provision for bad debt of accounts receivables

For details of the relevant information disclosure, please refer to Note III.11 and Note V.4 to the financial statements.

1. Item description

As of 31 December 2024, the balance of accounts receivable in the consolidated Balance Sheet of Livzon Group was RMB1,995.4939 million, and the provision for bad debts was RMB59.9918 million, which were important to the financial statements as a whole. As the management need to apply significant accounting estimation and judgment in assessing the expected recoverable amount of accounts receivables, the financial statements would be significantly influenced if accounts receivables cannot be recovered on time or at all and causes bad debt loss. Therefore, provision for bad debt of accounts receivables is confirmed by us as a critical auditing item.

2. Auditing technique

- (1) Evaluate and test the design and operating effectiveness of the management's key internal control related to accounts receivable management.
- (2) Understand the basis and process of recognition of the expected credit loss rate and the key parameters and assumptions used in the expected credit loss model, including the basis for grouping accounts receivable based on customer credit risk characteristics and the historical migration rate data included in the expected loss rate; and evaluate the rationality of the estimation of bad debt provision by checking the information used to make judgments, including testing the accuracy of historical migration rate, evaluating whether the expected credit loss rate is considered and appropriately adjusted based on current economic conditions and forward-looking information.
- (3) Obtain the statement of provision for bad debt of accounts receivables; check whether the provision method is implemented in accordance with the policy relating to provision for bad debt; and remeasure whether the amount of provision for bad debt is accurate.
- (4) Analyze the proportion of the balance of provision for bad debt to accounts receivables at the end of the period; compare the amount of provision for bad debt in the previous period with the actually incurred amount; and analyze whether the provision for bad debt of accounts receivable are adequate.
- (5) Analyze the aging of accounts receivable and the creditworthiness of customers, and evaluate the rationality of the provision for bad debts of accounts receivable through audit procedures such as letter confirmation and inspection of the collection after the period.

SECTION VII. FINANCIAL REPORT

IV. OTHER INFORMATION

The Management of the Livzon Group Company is responsible for other information. Other information includes the information covered in the 2024 Annual Report of the Livzon Group Company, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and in the process, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement in other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THE GOVERNANCE TEAM FOR THE FINANCIAL STATEMENTS

The Management of the Livzon Group Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as necessary to ensure the financial statements are free from material misstatement due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Livzon Group Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless the Management either intend to liquidate the Livzon Group Company or to cease operations, or have no realistic alternative but to do so.

The governance team is responsible for overseeing the Livzon Group Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In conducting an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

SECTION VII. FINANCIAL REPORT

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(continued)*

- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Livzon Group Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, according the auditing standards, we are required to draw the attention of the users of financial statements in our audit report to the related disclosures in these financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the information obtained up to the date of our audit report. However, future events or conditions may cause the Livzon Group Company to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, and determine whether the financial statements represent the underlying transactions and matters in a manner that achieves fair presentation.
- (6) obtain sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Livzon Group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and are solely responsible for our audit opinion.

We have discussed with the governance team regarding, among other matters, the planned scope, timing and significant findings of the audit, including any significant deficiencies in internal control we have identified during the audit.

We have also provided the governance team with a statement that we have complied with relevant ethical requirements regarding independence, and discussed with them on all relationships and other matters that may reasonably be believed to have impact on our independence and, where applicable, related preventive measures.

From the matters we discussed with the governance team, we have determined which matters are of the most importance for the audit of the financial statements of the current period and are key audit matters. We have described such matters in our audit report unless such matters are prohibited by laws or regulations to be publicly disclosed, or in extremely rare circumstances, we have determined that a matter should not be discussed in our report on the ground that the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such discussion.

Grant Thornton (Special General Partnership)

PRC Certified Public Accountant:
(Project Partner)

Wang Shuyan (王淑燕)

PRC Certified Public Accountant:

Wei Heng (魏姮)

Beijing, China
26 March 2025

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Monetary funds	V.1	10,827,146,984.92	6,635,542,800.19	11,325,723,855.76	9,029,704,026.67
Financial assets held for trading	V.2	89,363,055.07	11,404,575.20	81,792,081.22	13,665,713.52
Bills receivable	V.3	1,313,604,720.17	673,226,891.51	1,459,333,093.74	702,305,008.17
Accounts receivables	V.4	1,935,502,036.72	972,481,999.45	2,115,658,645.12	1,012,992,893.85
Receivables financing Prepayments					
Prepayments	V.5	149,477,979.10	33,948,499.09	139,458,224.63	20,469,747.92
Other receivables	V.6	34,558,694.17	343,051,410.41	32,008,338.25	1,132,686,445.08
Of which: Interest receivable					
Dividends receivable					548,291,888.07
Inventories	V.7	1,997,642,296.29	430,530,510.77	2,060,651,179.94	378,813,560.37
Contract assets					
Held-for-sale assets					
Non-current assets due within one year					
Other current assets	V.8	72,684,877.86	443,555.11	51,549,299.62	649,951.49
Total current assets		16,419,980,644.30	9,100,630,241.73	17,266,174,718.28	12,291,287,347.07
Non-current assets:					
Debt investments					
Other debt investments					
Long-term receivables					
Long-term equity investments	V.9	1,056,220,316.06	4,639,108,916.39	1,031,259,800.84	3,910,547,534.93
Other equity instrument investments	V.10	561,645,609.43	301,855,344.29	638,843,775.68	283,961,872.85
Other non-current financial assets					
Investment properties	V.11	9,925,854.14		10,766,737.57	
Fixed assets	V.12	4,254,805,388.16	73,100,631.48	4,294,232,468.83	82,482,932.99
Construction in progress	V.13	257,366,336.12	270,028.31	289,306,707.05	586,706.33
Productive biological assets					
Oil and gas assets					
Right-of-use assets	V.14	25,083,211.98	1,984,702.44	20,908,112.56	2,128,704.16
Intangible assets	V.15	403,681,866.63	28,202,791.90	426,283,093.35	35,475,587.09
Development expenditure	V.16	220,497,980.76	128,218,680.33	287,888,786.16	110,189,959.33
Goodwill	V.17	124,911,302.94		124,911,302.94	
Long-term deferred expenses	V.18	175,748,366.88	7,915,196.40	180,732,214.07	8,529,895.17
Deferred income tax assets	V.19	356,345,428.36	165,234,242.75	301,924,276.55	107,610,387.27
Other non-current assets	V.20	589,613,391.42	332,709,154.32	171,595,133.87	70,345,035.70
Total non-current assets		8,035,845,052.88	5,678,599,688.61	7,778,652,409.47	4,611,858,615.82
Total assets		24,455,825,697.18	14,779,229,930.34	25,044,827,127.75	16,903,145,962.89

CONSOLIDATED AND COMPANY BALANCE SHEET

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount at the End of the Year		Amount at the Beginning of the Year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V.22	2,455,000,000.00		1,860,009,625.00	
Financial liabilities held for trading		8,096,946.08		86,817.12	
Bills payables	V.23	965,581,088.61	2,312,599,858.49	894,588,217.10	1,885,788,175.04
Accounts payables	V.24	618,397,523.74	315,012,554.57	763,825,157.69	882,873,193.66
Receipts in advance					
Contract liabilities	V.25	124,631,997.54	13,010,535.05	137,998,394.09	22,861,682.45
Employee benefits payables	V.26	330,257,959.08	97,844,042.36	264,432,630.74	45,536,864.56
Taxes and surcharge payables	V.27	202,697,245.73	9,610,259.20	299,087,995.28	18,499,509.69
Other payables	V.28	2,861,381,342.08	6,637,330,323.52	3,157,651,033.59	6,726,876,290.24
Of which: Interest payable					
Dividends payable		9,890,041.38	20,174.46	12,478,280.13	20,174.46
Held-for-sale liabilities					
Non-current liabilities due within one year	V.29	48,742,085.99	1,444,410.23	659,679,477.31	1,056,733.83
Other current liabilities	V.30	10,642,182.94	1,677,573.27	49,778,126.82	2,958,310.40
Total current liabilities		7,625,428,371.79	9,388,529,556.69	8,087,137,474.74	9,586,450,759.87
Non-current liabilities:					
Long-term loans	V.31	1,465,735,112.37		1,612,773,278.99	170,140,250.00
Bonds payables					
Leasing liabilities	V.32	13,102,527.71	589,146.14	9,030,622.57	1,091,935.23
Long-term payables					
Long-term employee benefits payables					
Provisions					
Deferred gains	V.33	238,422,836.35	48,790,000.00	269,370,462.59	52,995,000.00
Deferred income tax liabilities	V.19	207,390,254.92	43,930,378.41	209,812,292.82	42,863,027.02
Other non-current liabilities	V.34			90,000,000.00	
Total non-current liabilities		1,924,650,731.35	93,309,524.55	2,190,986,656.97	267,090,212.25
Total liabilities		9,550,079,103.14	9,481,839,081.24	10,278,124,131.71	9,853,540,972.12
Shareholders' equity:					
Share capital	V.35	911,345,730.00	911,345,730.00	923,938,139.00	923,938,139.00
Other equity instruments					
Of which: Preferred shares					
Perpetual bonds					
Capital reserve	V.36	529,244,187.41	1,006,190,587.35	1,322,498,474.23	1,436,829,269.06
Less: treasury shares	V.37	196,616,427.46	196,616,427.46		
Other comprehensive income	V.38	112,180,366.63	195,929,818.05	143,071,567.85	192,539,249.36
Special reserve					
Surplus reserve	V.39	744,801,154.15	539,838,100.57	744,801,154.15	539,838,100.57
Undistributed profits	V.40	11,761,379,178.60	2,840,703,040.59	10,908,185,967.49	3,956,460,232.78
Total equity attributable to shareholders of the parent company		13,862,334,189.33	5,297,390,849.10	14,042,495,302.72	7,049,604,990.77
Minority interests		1,043,412,404.71		724,207,693.32	
Total shareholders' (or owners') equity		14,905,746,594.04	5,297,390,849.10	14,766,702,996.04	7,049,604,990.77
Total liabilities and shareholders' (or owners') equity		24,455,825,697.18	14,779,229,930.34	25,044,827,127.75	16,903,145,962.89

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 Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Operating income	V.41	11,812,338,854.68	5,474,501,557.35	12,430,038,325.82	5,945,789,794.94
Less: Operating costs	V.41	4,081,106,956.93	3,962,875,243.11	4,465,473,361.10	4,112,508,241.41
Tax and surcharge	V.42	142,593,270.21	23,553,795.48	151,515,013.09	31,136,545.08
Selling expenses	V.43	3,254,638,504.70	1,241,638,354.02	3,598,152,721.87	1,405,170,774.91
Administrative expenses	V.44	613,057,559.83	207,799,734.11	654,274,126.92	203,395,279.90
R&D expenses	V.45	1,033,355,508.15	243,786,231.49	1,334,695,479.62	290,645,178.68
Finance expenses	V.46	-155,890,077.89	-109,370,288.98	-271,501,922.89	-262,025,603.06
Of which: Interest expenses		88,606,560.78	58,700,592.11	102,085,923.09	72,262,840.62
Interest income		247,956,636.96	175,816,834.50	368,159,120.40	333,311,199.24
Add: Other income	V.47	142,537,121.92	25,745,853.10	204,784,436.08	63,933,717.37
Investment income ("-" represents losses)	V.48	17,386,915.58	271,929,916.03	61,818,964.40	1,212,502,135.36
Of which: Income from investments in associates and joint ventures		9,869,948.94	27,370,002.29	58,460,786.39	68,451,468.44
Gains on derecognition of financial assets at amortized cost ("-" represents losses)					
Gains from hedging net exposure ("-" represents losses)					
Gains from changes in fair value ("-" represents losses)	V.49	-15,439,155.11	-2,261,138.32	-25,650,756.67	-1,761,420.77
Credit impairment loss ("-" represents losses)	V.50	-7,216,269.16	-1,317,385.80	-13,065,176.79	2,893,911.66
Asset impairment loss ("-" represents losses)	V.51	-181,548,029.77	-39,534,878.75	-310,038,083.02	-21,757,837.03
Gains from disposal of assets ("-" represents losses)	V.52	45,202,545.04	14,987.80	-170,440.24	-7,816.92
II. Operating profit ("-" represents losses)		2,844,400,261.25	158,795,842.18	2,415,108,489.87	1,420,762,067.69
Add: Non-operating income	V.53	5,479,200.66	5,752.21	4,650,082.22	
Less: Non-operating expenditure	V.54	43,733,194.34	29,466,581.29	37,092,025.82	18,216,525.14
III. Total profit ("-" represents net losses)		2,806,146,267.57	129,335,013.10	2,382,666,546.27	1,402,545,542.55
Less: Income tax expenses	V.55	501,661,315.08	-2,539,943.73	485,065,534.03	-6,945,856.10
IV. Net profit ("-" represents net losses)		2,304,484,952.49	131,874,956.83	1,897,601,012.24	1,409,491,398.65
(I) Classified by continuing operations:					
Of which: Net profit from continuing operations ("-" represents net losses)		2,304,484,952.49	131,874,956.83	1,897,601,012.24	1,409,491,398.65
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)		2,061,095,803.97	131,874,956.83	1,953,650,833.28	1,409,491,398.65
Profit and loss attributable to minority interests ("-" represents net losses)		243,389,148.52		-56,049,821.04	

CONSOLIDATED AND COMPANY INCOME STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
V. Other comprehensive net income after taxation		5,961,662.88	3,390,568.69	-37,114,888.27	57,354,444.80
Other comprehensive net income after taxation attributable to shareholders of the parent company		8,838,354.94	3,390,568.69	-39,009,015.56	57,354,444.80
(I) Other comprehensive income not to be reclassified into profit or loss		-6,641,016.43	3,041,411.39	-51,346,075.18	57,546,418.54
1. Changes in remeasurement of defined benefit plans					
2. Other comprehensive income not to be reclassified into profit or loss under equity method		-12,168,039.33	-12,168,039.33	2,948,132.06	2,948,132.06
3. Changes in fair value of other equity instrument investments		5,527,022.90	15,209,450.72	-54,294,207.24	54,598,286.48
4. Changes in fair value of enterprise's own credit risk					
5. Others					
(II) Other comprehensive income to be reclassified into profit or loss		15,479,371.37	349,157.30	12,337,059.62	-191,973.74
1. Other comprehensive income to be reclassified into profit or loss under equity method		319,802.85	349,157.30	-176,677.35	-191,973.74
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		15,159,568.52		12,513,736.97	
7. Others					
Other comprehensive net income after taxation attributable to minority interests		-2,876,692.06		1,894,127.29	
VI. Total comprehensive income		2,310,446,615.37	135,265,525.52	1,860,486,123.97	1,466,845,843.45
Total comprehensive income attributable to shareholders of the parent company		2,069,934,158.91	135,265,525.52	1,914,641,817.72	1,466,845,843.45
Total comprehensive income attributable to minority interests		240,512,456.46		-54,155,693.75	
VII. Earnings per share					
(I) Basic earnings per share	V.56	2.24		2.10	
(II) Diluted earnings per share	V.56	2.24		2.10	

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 Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
I. Cash flow from operating activities:					
Cash received from sale of goods and supply of services rendered		13,064,645,207.09	6,202,302,676.38	13,706,761,073.11	6,996,510,897.94
Refund of taxes and levies		76,711,005.02		118,602,825.74	3,899,460.88
Cash received relating to other operating activities	V.57	425,024,910.47	247,087,918.49	672,514,843.18	421,120,349.24
Subtotal of cash inflow from operating activities		13,566,381,122.58	6,449,390,594.87	14,497,878,742.03	7,421,530,708.06
Cash paid for purchase of goods and services rendered		3,414,733,096.27	4,687,005,811.69	4,118,092,076.04	4,608,326,480.70
Cash paid to and on behalf of employees		1,663,867,071.81	494,162,423.31	1,594,674,708.39	462,638,488.27
Payments for various taxes and levies		1,530,699,198.68	256,295,849.68	1,439,863,778.89	243,615,072.10
Cash paid relating to other operating activities	V.57	3,978,234,229.06	1,548,233,259.93	4,096,313,986.91	1,180,675,350.10
Subtotal of cash outflow from operating activities		10,587,533,595.82	6,985,697,344.61	11,248,944,550.23	6,495,255,391.17
Net cash flow from operating activities		2,978,847,526.76	-536,306,749.74	3,248,934,191.80	926,275,316.89
II. Cash flow from investing activities:					
Cash received from disposal of investments		691,122,838.98	7,500,000.00	471,563,910.54	31,257.75
Cash received on investment income		16,247,044.42	793,684,880.73	145,267,949.30	1,095,239,387.58
Net cash received from disposal of fixed assets, intangible assets and other long- term assets		1,582,924.43	49,640.00	14,463,408.01	206,500.00
Net cash received from disposal of subsidiaries and other operating units					
Cash received relating to other investing activities	V.57			6,000,000.00	
Subtotal of cash inflow from investing activities		708,952,807.83	801,234,520.73	637,295,267.85	1,095,477,145.33
Cash payments for acquisition of fixed assets, intangible assets and other long-term assets		570,155,693.35	27,022,995.57	820,451,640.40	134,834,706.94
Cash payments for investments		794,177,833.87	961,261,200.54	473,156,113.68	166,740,000.00
Net cash paid for acquisition of subsidiaries and other operating units				22,461,951.59	
Cash paid relating to other investing activities	V.57	4,946,998.66		29,599,143.05	
Subtotal of cash outflow from investing activities		1,369,280,525.88	988,284,196.11	1,345,668,848.72	301,574,706.94
Net cash flow from investing activities		-660,327,718.05	-187,049,675.38	-708,373,580.87	793,902,438.39

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Notes	Amount for the Year		Amount for the Previous Year	
		Consolidated	Company	Consolidated	Company
III. Cash flow from financing activities:					
Cash received from investments		238,398,429.05	208,554,501.05	76,530,000.00	
Of which: Cash received by subsidiaries from investments of minority interests		29,843,928.00		76,530,000.00	
Cash received from borrowings		5,865,552,394.66		3,657,570,084.01	950,000,000.00
Cash received relating to other financing activities	V.57	1,682,133.31	447,983,639.86		702,083,883.20
Subtotal of cash inflow from financing activities		6,105,632,957.02	656,538,140.91	3,734,100,084.01	1,652,083,883.20
Cash paid on repayment of debts		6,027,703,823.63	170,000,000.00	3,125,732,777.68	1,059,000,000.00
Cash paid for distribution of dividends, profit or interests		1,670,069,834.05	1,250,955,511.70	1,895,529,762.42	1,504,840,838.39
Of which: Dividends and profits paid to minority interests by subsidiaries		329,763,238.75		306,013,794.71	
Cash paid relating to other financing activities	V.57	893,742,356.43	861,129,980.93	369,718,300.73	348,532,776.51
Subtotal of cash outflow from financing activities		8,591,516,014.11	2,282,085,492.63	5,390,980,840.83	2,912,373,614.90
Net cash flow from financing activities		-2,485,883,057.09	-1,625,547,351.72	-1,656,880,756.82	-1,260,289,731.70
IV. Effect of changes in foreign exchange rates on cash and cash equivalents		8,813,507.24	-5,783,497.65	20,043,866.61	1,494,558.02
V. Net increase in cash and cash equivalents		-158,549,741.14	-2,354,687,274.49	903,723,720.72	461,382,581.60
Add: Balance of cash and cash equivalents at the Beginning of the Period		10,976,366,402.44	8,990,226,490.75	10,072,642,681.72	8,528,843,909.15
VI. Balance of cash and cash equivalents at the End of the Period		10,817,816,661.30	6,635,539,216.26	10,976,366,402.44	8,990,226,490.75

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

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Year												
	Shareholders' equity attributable to shareholders of the parent company												
	Other equity instruments				Other				Total				
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	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	923,938,139.00				1,322,498,474.23		143,071,567.85		744,801,154.15		10,908,185,967.49	724,207,693.32	14,766,702,996.04
Add: Adjustment for changes in accounting policies													
Correction of accounting errors in prior period													
Consolidation of enterprises under common control													
Others													
II. Balance at the Beginning of the Year	923,938,139.00				1,322,498,474.23		143,071,567.85		744,801,154.15		10,908,185,967.49	724,207,693.32	14,766,702,996.04
III. Increase/decrease during the period ("+" represents increases)	-12,592,409.00				-793,254,286.82	196,616,427.46	-30,891,201.22				833,193,211.11	319,204,711.39	139,043,598.00
(I) Total comprehensive income							8,838,354.94				2,061,095,803.97	240,512,456.46	2,310,446,615.37
(II) Capital contributed and reduced by shareholders	-12,592,409.00				-821,565,916.38	196,616,427.46						407,275,499.92	-623,499,252.92
1. Ordinary shares contributed by shareholders	6,660,955.00				201,893,546.05	858,562,382.65						29,843,928.00	-620,163,953.60
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments					-5,326,394.41							1,991,095.09	-3,335,299.32
4. Others	-19,253,364.00				-1,018,133,068.02	-661,945,955.19						375,440,476.83	-
(III) Profit distribution													
1. Transfer of surplus reserve													
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the period													
2. Amount used during the period													
(VI) Others													
IV. Balance as at the End of the Year	911,345,730.00				529,244,187.41	196,616,427.46	112,180,366.63		744,801,154.15		11,761,379,178.60	1,043,412,404.71	14,905,746,594.04

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year												
	Shareholders' equity attributable to shareholders of the parent company												
	Other equity instruments				Other								
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits	Minority interest	Total shareholders' equity
I. Balance as at the end of the previous year	935,552,687.00				1,627,478,362.60	55,936,280.81	186,488,658.73		744,801,154.15		10,437,684,823.51	1,060,214,894.21	14,936,284,299.39
Add: Adjustment for changes in accounting policies													
Correction of accounting errors in prior period													
Consolidation of enterprises under common control													
Others													
I. Balance at the Beginning of the Year	935,552,687.00				1,627,478,362.60	55,936,280.81	186,488,658.73		744,801,154.15		10,437,684,823.51	1,060,214,894.21	14,936,284,299.39
II. Increase/decrease during the period	-11,614,548.00				-304,979,888.37	-55,936,280.81	-43,417,090.88				470,501,143.98	-336,007,200.89	-169,581,303.35
(“-” represents decreases)													
(I) Total comprehensive income							-39,009,015.56				1,953,650,833.28	-54,155,693.75	1,860,486,123.97
(II) Capital contributed and reduced by shareholders	-11,614,548.00				-326,038,039.80	-55,936,280.81							-258,418,594.71
1. Ordinary shares contributed by shareholders	-11,614,548.00				-390,476,161.70	346,154,428.89						76,530,000.00	-671,715,138.59
2. Capital contributed by holders of other equity instruments													
3. Share-based equity-settled payments					65,820,074.82							10,905,759.36	76,725,834.18
4. Others					-1,381,952.92	-402,090,709.70					-1,487,557,764.62	-64,138,047.08	-336,570,709.70
(III) Profit distribution													
1. Transfer of surplus reserve													
2. Provision to general risk reserve													
3. Distribution to shareholders													
4. Others													
(IV) Internal transfer within shareholders' equity													
1. Transfer of capital reserve to share capital													
2. Transfer of surplus reserve to share capital													
3. Compensate losses													
4. Changes in defined benefit plans transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(V) Special reserve													
1. Extraction during the period													
2. Amount used during the period													
(VI) Others													
IV. Balance as at the End of the Year	923,938,139.00				21,058,151.43		143,071,567.85		744,801,154.15		10,908,185,967.49	1,090,780.58	221,148,932.01
					1,322,498,474.23							724,207,693.32	14,766,702,996.04

Chairman of the Board and Legal Representative:
Zhu Baoguo

Executive Director and President:
Tang Yanggang

Chief Financial Officer:
Si Yankia

Head of Accounting Department:
Zhuang Jinyang

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Unit: RMB

Prepared by: Livzon Pharmaceutical Group Inc.

Item	Amount for the Year						
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income
I. Balance as at the end of the previous year	923,938,139.00				1,436,829,269.06		192,539,249.36
Add: Adjustment for changes in accounting policies							
Correction of accounting errors in prior period							
Others							
II. Balance at the Beginning of the Year	923,938,139.00				1,436,829,269.06		192,539,249.36
III. Increase/decrease during the year ("-" represents decreases)	-12,592,409.00				-430,638,681.71	196,616,427.46	3,390,568.69
(I) Total comprehensive income							
(II) Capital contributed and reduced by shareholders							
1. Ordinary shares contributed by shareholders	6,660,955.00				201,893,546.05	858,562,382.65	
2. Capital contributed by holders of other equity instruments							
3. Share-based equity-settled payments					-7,621,932.60		
4. Others	-19,253,364.00				-642,692,591.19	-661,945,955.19	
(III) Profit distribution							
1. Transfer of surplus reserve							
2. Provision to general risk reserve							
3. Distribution to shareholders							
4. Others							
(IV) Internal transfer within shareholders' equity							
1. Transfer of capital reserve to share capital							
2. Transfer of surplus reserve to share capital							
3. Compensate losses							
4. Changes in defined benefit plans transferred to retained earnings							
5. Other comprehensive income transferred to retained earnings							
6. Others							
(V) Special reserve							
1. Extraction during the period							
2. Amount used during the period							
(VI) Others							
IV. Balance as at the End of the Year	911,345,730.00				17,782,296.03	196,616,427.46	208,097,857.38
					539,838,100.57	2,840,703,040.59	17,782,296.03
							5,309,749,222.34

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Livzon Pharmaceutical Group Inc.

Unit: RMB

Item	Amount for the Previous Year										
	Other equity instruments					Other				Total shareholders' equity	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Special reserve	Surplus reserve		Undistributed profits
I. Balance as at the end of the previous year	935,552,687.00				1,770,043,318.85	55,936,280.81	135,184,804.56		539,838,100.57	4,034,526,598.75	7,359,209,228.92
Add: Adjustment for changes in accounting policies											
Correction of accounting errors in prior period											
Others											
II. Balance at the Beginning of the Year	935,552,687.00				1,770,043,318.85	55,936,280.81	135,184,804.56		539,838,100.57	4,034,526,598.75	7,359,209,228.92
III. Increase/decrease during the year	-11,614,548.00				-333,214,049.79	-55,936,280.81	57,354,444.80			-78,066,365.97	-309,604,238.15
("+" represents increases)											
(I) Total comprehensive income							57,354,444.80			1,409,491,398.65	1,466,845,843.45
(II) Capital contributed and reduced by shareholders	-11,614,548.00				-334,220,232.25	-55,936,280.81					-289,898,499.44
1. Ordinary shares contributed by shareholders	-11,614,548.00				-390,476,161.70	346,154,428.89					-748,245,138.59
2. Capital contributed by holders of other equity instruments											
3. Share-based equity-settled payments					56,255,929.45						56,255,929.45
4. Others						-402,090,709.70					402,090,709.70
(III) Profit distribution										-1,487,557,764.62	-1,487,557,764.62
1. Transfer of surplus reserve											
2. Provision to general risk reserve											
3. Distribution to shareholders											
4. Others											
(IV) Internal transfer within shareholders' equity											
1. Transfer of capital reserve to share capital											
2. Transfer of surplus reserve to share capital											
3. Compensate losses											
4. Changes in defined benefit plans transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Extraction during the period											
2. Amount used during the period											
(VI) Others											
IV. Balance as at the End of the Year	923,938,139.00				1,066,182.46		195,929,818.05		539,838,100.57	3,956,460,232.78	5,297,390,849.10
					1,436,829,269.06						1,006,182.46

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

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

I. BASIC INFORMATION OF THE COMPANY

In March 1992, Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (hereinafter referred to as the "Company") was transformed into a company limited by shares by directed placement, with seven companies namely, Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Medicine Corporation (珠海市醫藥總公司), Guangzhou Medicines & Health Products Imp. & Exp. Corp. (廣州醫藥保健品進出口公司), Zhuhai branch of Bank of China (中國銀行珠海市分行) and Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) as its promoters to make share contribution by converting their net assets in their original sino-foreign joint ventures with limited liability into consideration, and by directed placement from other domestic legal persons and internal staff pursuant to the approval document [1992] No. 29 issued by Zhuhai Economic System Reform Commission (珠海市經濟體制改革委員會) and the approval document [1992] No. 45 jointly issued by Joint Examination Group for Pilot Joint Stock Enterprise in Guangdong Province (廣東省企業股份制試點聯審小組) and Guangdong Economic System Reform Committee (廣東省經濟體制改革委員會).

In 1993, pursuant to Yue Zheng Jian Fa Zi [1993] No. 001 document (粵證監發字[1993] 001號文) issued by Guangdong Securities Regulatory Commission (廣東省證券監督管理委員會), Shen Ren Yin Fu Zi [1993] No. 239 document (深人銀覆字[1993]第239號文) issued by Special Economic Zone branch of the People's Bank of China (中國人民銀行深圳經濟特區分行) and Zheng Jian Fa Shen Zi [1993] No. 19 document (證監發審字[1993] 19號文) issued by China Securities Regulatory Commission, the Company was listed on the Shenzhen Stock Exchange.

In 1998, the promoters of the Company, namely Zhuhai Credit Cooperative Union (珠海市信用合作聯社), Guangdong Medicine Group Co., Ltd. (廣東省製藥工業公司), Zhuhai Guihua Employees Mutual Aid Association (珠海桂花職工互助會) and Zhuhai branch of Bank of China (中國銀行珠海市分行) entered into an equity transfer agreement with China Everbright (Group) Corporation (中國光大(集團)總公司), respectively, and transferred all their shares to China Everbright (Group) Corporation (中國光大(集團)總公司). Upon completion of the transfer, China Everbright (Group) Corporation (中國光大(集團)總公司) held 38,917,518 domestic legal person shares of the Company. Macau Nam Yue (Group) Co., Ltd. (澳門南粵(集團)有限公司), the foreign promoter of the Company, entered into an equity transfer agreement with China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司), and transferred all of the 18,893,448 foreign-invested legal person shares held by it to China Everbright Pharmaceutical Co., Ltd. (中國光大醫藥有限公司).

On 12 April 2002, China Everbright (Group) Corporation (中國光大(集團)總公司) entered into an equity custody agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), and assigned the 38,917,518 domestic legal person shares of the Company held by it in the custody of Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司). On 21 December 2004, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) accepted the transfer of 38,917,518 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 legal person shares of the Company, representing 12.72% of the total share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

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

On 4 February 2005, Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司) (herein after referred to as "Joincare Group") entered into an equity transfer agreement and an equity pledge agreement with Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司), pursuant to which, Xi'an Dongsheng Group Co., Ltd. (西安東盛集團有限公司) directly transferred and pledged the 38,917,518 domestic legal person shares of the Company (representing 12.72% of the total share capital of the Company) to Joincare Group. On 3 August 2006, the procedures for the transfer of the 38,917,518 domestic legal person shares to Joincare Group were completed.

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

As at 31 December 2024, the share capital of the Company was RMB911,345,730.

The place of incorporation and the head office of the Company are located in 38 Chuangye North Road, Jinwan District, Zhuhai City.

The Company is engaged in the pharmaceutical manufacturing industry.

The nature of business and principal activities of the Company and its subsidiaries: primarily engaged in the R&D, production and sale of pharmaceutical products, which covered drug preparation products, active pharmaceutical ingredients ("APIs") and intermediates as well as diagnostic reagents and equipment and also included a wide range of therapeutic fields such as gastroenterology, assisted reproduction, psychiatry and tumor immunity.

During the Reporting Period, there was no change in the principal activities of the Company.

The financial statements and notes to the financial statements of the Company were approved at the 23rd meeting of the 11th session of the Board on 26 March 2025.

NOTES TO THE FINANCIAL STATEMENTS

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

II. BASIS OF PREPARATION FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF and its application guidance, interpretations and the other related provisions (collectively, the "Accounting Standards for Business Enterprises"). In addition, the Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision) issued by the CSRC.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines capitalization condition of R&D expenses and revenue recognition policies on the basis of its production and operation characteristics. Details of accounting policies are set out in Note III. 22 and Note III. 29.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial position as at 31 December 2024, and the consolidated and the Company's operating results and the consolidated and the Company's cash flow and other relevant information for 2024.

2. Accounting period

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

3. Business cycle

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

4. Functional currency

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

5. Methods for determining materiality criteria and basis for selection

Item	Materiality criteria
Important receivables for which provision for bad debt has been made on individual basis	The amount of individual provision accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Write-off of important receivables in the Period	The amount of individual write-off accounts for more than 5% of the total amount of each category of receivables and the amount exceeds RMB50 million
Important construction in progress	The budgeted investment amount of individual project accounts for more than 5 % of the total consolidated assets and the amount exceeds RMB100 million
Important contract liabilities aged over one year	Contract liabilities aged over one year account for more than 10% of the total contract liabilities and the amount exceeds RMB50 million
Important accounts payable and other payables aged over one year	Accounts payable/other payables with an individual age of over one year account for more than 10% of the total accounts payable/other payables and the amount exceeds RMB50 million
Important non-wholly owned subsidiaries	One or both of the total assets, operating income and net profit (or absolute loss) of a subsidiary account for more than 10% of the corresponding items in the consolidated financial statements
Important capitalized R&D items	The closing balance of individual project accounts for more than 10% of the closing balance of development expenditure and the amount exceeds RMB100 million
Important investing activities items	Individual investment activity accounts for more than 10% of the total cash inflow or outflow related to investment activities received or paid and the amount exceeds RMB100 million
Important joint ventures or associates	The book value of long-term equity investment in individual investee accounts for more than 3% of the total consolidated net assets and the amount exceeds RMB500 million, or the investment profit or loss under the equity method of long-term equity investment accounts for more than 10% of the consolidated net profit

6. Accounting treatment for 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 in a business combination by the combining party from the combined party are measured based on the combined party's carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the carrying amount of the consideration paid for the combination and the net assets acquired is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control *(continued)*

(1) Business combinations involving enterprises under common control *(continued)*

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 calculated based on the percentage of shareholding on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held before the combination and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed in a business combination by the combining party from the combined party are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between sum of the carrying amount of the investment held before the combination and the carrying amount of the consideration paid for the combination at the combination date and the carrying amount of the net assets acquired is adjusted against share premium under the capital reserve, with any excess adjusted against retained earnings. For long-term equity investment held before the control over the combined party is obtained, profit or loss, other comprehensive income and other changes to equity interest attributable to the owners recognised from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the date of combination shall be offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the current period respectively.

(2) Business combinations involving enterprises not under common control

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control (continued)

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

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

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Owners' equity recognised due to the changes of other owners' equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for the current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings for the current period when accounted for using cost method.

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

(3) Transaction fees attribution during the business combination

The intermediary and other relevant administrative expenses such as audit, legal service and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts of equity or debt securities.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Judgment criteria for control and preparation of consolidated financial statements

(1) Judgment criteria for control

The scope of consolidated financial statements is determined based on control. Control means the Company has exposures or rights to variable returns from its involvement with an investee and the ability to affect those returns through power over such investee. The Company will reassess when changes in relevant elements involved in the definition of control are caused by changes in relevant facts and circumstances.

In determining whether to incorporate structured entities into the scope of consolidation, the Company assesses whether it controls the structured entities based on all facts and circumstances, including the assessment of the purpose and design of the establishment of the structured entities, the identification of the types of variable returns, and whether they have assumed some or all of the variable returns through their involvement in the relevant activities.

(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, significant intra-group transactions and balances shall be offset.

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

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

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the current period attributable to minority interests is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interests.

(3) Purchase of minority interests in the subsidiaries

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of some equity investment without losing control over its subsidiaries and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted against share premium under the capital reserve in the consolidated balance sheet, with any excess adjusted against retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Judgment criteria for control and preparation of consolidated financial statements *(continued)*

(4) Treatment of loss of control of subsidiaries

Where the Company loses its control over the original subsidiary due to the disposal of some equity investment or other reasons, the remaining equity is re-measured at its fair value on the date when the Company loses its control. The difference between the sum of the consideration acquired due to the disposal of the equity and the fair value of the remaining equity, and the Company's share in the sum of carrying value of net assets of the original subsidiary and goodwill calculated on an on-going basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

Other comprehensive income in relation to the original subsidiary's equity investment shall be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the original subsidiary when the control is lost and other changes in equity interest attributable to the owners related to the original subsidiary involving accounting for using the equity method shall be transferred to profit or loss for the current period when the control is lost.

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

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

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

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as "a basket of transactions", the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the proceeds from the disposal and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute "a basket of transactions", the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

7. Judgment criteria for control and preparation of consolidated financial statements *(continued)*

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

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the "Treatment of loss of control of subsidiaries" as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company's share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are "a basket of transactions", such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not "a basket of transactions", such difference is accounted into share premium under the capital reserve as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

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

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

(1) Joint operation

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

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

- A. The solely-held assets, and its 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.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(continued)

(2) Joint ventures

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

The Company's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

9. Standards for determination of cash and cash equivalents

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

10. Foreign currency business and translation of financial statements in foreign currency

(1) Foreign currency business

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

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

(2) Translation of financial statements in foreign currency

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

The revenue and expenses in the income statement are translated at the spot exchange rate on the transaction date.

All items in the cash flow statement 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.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

10. Foreign currency business and translation of financial statements in foreign currency *(continued)*

(2) Translation of financial statements in foreign currency *(continued)*

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.

11. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or that part of the financial liability) will be derecognised. When the Company (as the debtor) and the lender have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the existing financial liability, the existing financial liability shall be derecognised, and the new financial liability shall be recognised at the same time.

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

(2) Classification and measurement of financial assets

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

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 initial recognition amount. Accounts receivables arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

① Financial assets at amortised cost

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortised cost:

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

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

② Financial assets at fair value through other comprehensive income

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

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

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

③ Financial assets at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

③ Financial assets at fair value through profit or loss *(continued)*

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

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

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

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

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

(3) Classification and measurement of financial liabilities

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

① Financial liabilities at fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

② Financial liabilities at amortised cost

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

③ Distinction between financial liabilities and equity instruments

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

- A. Contractual obligation to deliver cash or other financial assets to other parties.
- B. Under any potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- C. A non-derivative contract that will or may be settled in the entity's own equity instruments for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- D. A derivative contract that will or may be settled in the entity's own equity instruments, except for derivative instrument contracts that exchange a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument used for settling such instrument is a substitute of cash or other financial assets or the residual interest in the issuer's assets that the instrument holder enjoys after deducting all of its liabilities. If the former, the instrument is the financial liability of the Company; if the latter, the instrument is the equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

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

(5) Fair value of the financial instrument

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note III. 12.

(6) Impairment of financial assets

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

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

Measurement of expected credit loss (ECL)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

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

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

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

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

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

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

For bills receivable, accounts receivables, receivables financing, other receivables, contract assets and others, if the credit risk characteristics of a customer are significantly different from other customers in the portfolio, or if there is a significant change in the credit risk characteristics of the customer, the Company makes bad debt provision for the accounts receivables on individual basis. Except for accounts receivables for which bad debt provision is made on individual basis, the Company classifies accounts receivables into portfolios based on credit risk characteristics, and measures bad debt provision on portfolios basis.

Bills receivable, accounts receivables and contract assets

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

If the expected credit losses of one individual financial asset or contract assets cannot be estimated at a reasonable cost, the Company classifies bills receivable, accounts receivables and contract assets into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

Bills receivable, accounts receivables and contract assets *(continued)*

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 overseas customers
- Accounts receivables portfolio 3: Receivables of consolidated companies

Contract assets

- Contract assets portfolio: Sale of products

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

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

Other receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

Debt investments and other debt investments

For debt investments and other debt investments, the Company measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

Assessment of significant increase in credit risk

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Company determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Company considers information that is reasonable and supportable, including forward-looking information, that is available without undue cost or effort. The information considered by the Company includes:

- Failure to make payments of principal or interest on debtors' contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

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

- An actual or expected significant deterioration in the operating results of debtors;
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' abilities to repay to the Company.

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

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

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

11. Financial instruments *(continued)*

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

Write-off

The book balance of the carrying amount of a financial asset will be written off to the extent that there is no realistic prospect of recovery of contractual cash flows of the financial asset by the Company (either partially or in full). A write-off constitutes a derecognition of the relevant financial asset. This is generally the case the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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

(7) Transfer of financial assets

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

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

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

(8) Offsetting financial assets and financial liabilities

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

12. Fair value measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

12. Fair value measurement *(continued)*

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

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

The Company uses the valuation techniques that are appropriate in the circumstances and for which sufficient data and other information available, and maximizes the use of relevant observable inputs, while unobservable inputs will be used only when the observable inputs cannot or impracticable to be obtained.

For the assets and liabilities measured or disclosed at fair value in the financial statements, fair value hierarchies are categorized into three levels based on the lowest level inputs that are significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date, the Company re-assesses the assets and liabilities measured at fair value on continuing basis recognised in the financial statements to determine whether any transfer occurs between fair value hierarchies.

13. Inventories

(1) Classification of inventories

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

(2) Method of costing for inventory acquisition and distribution

Inventories are measured at actual cost on acquisition. Cost of inventories comprises actual costs of purchase and which incurred in bringing the inventories to their present location and condition. Cost of distribution of inventories is calculated using the weighted average cost method. Low-value consumables and packaging materials are amortised in full upon the use.

(3) The underlying factors in the determination and the basis of provision for diminution in value of inventories

On the balance sheet date, the inventories are calculated at the lower of cost and the net realisable value. When the net realisable value is lower than the cost, the provision for diminution in value of inventories is made.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

13. Inventories *(continued)*

(3) The underlying factors in the determination and the basis of provision for diminution in value of inventories *(continued)*

Net realisable value is the estimated selling price less the estimated costs of completion, selling expenses and related taxes. The net realisable 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.

The Company usually makes provision for diminution in value of inventories on an item-by-item basis. For large volume inventories with low unit price, the provision for diminution in value of inventories is made by categories.

At the balance sheet date, if the factors that previously give rise to the write-down of inventories no longer exist, the provision for diminution in value of inventories should be reversed within the amount of the provision that has been made.

(4) Inventory system

The Company maintains a perpetual inventory system.

(5) Amortisation methods for low-value consumables

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

14. Assets held for sale and discontinued operations

(1) Standards for determination and accounting treatment for non-current assets or the disposal group classified as held for sale

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(1) Standards for determination and accounting treatment for non-current assets or the disposal group classified as held for sale *(continued)*

The difference between carrying amount of non-current assets or disposal groups classified as held for sale and the net amount of fair value less selling costs shall be recognised as impairment loss on assets upon initial measurement or when such non-current assets or disposal groups are remeasured at the balance sheet date. For the amount of impairment loss on assets recognised in disposal groups, the carrying amount of disposal groups' goodwill shall be offset against first, and then offset against the carrying amount of non-current assets according to the proportion of carrying amount of the individual non-current assets in the disposal groups.

If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale non-current asset or disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset after the non-current asset is classified into held-for-sale category. The reversed amount is recognised in current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

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

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

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

(2) Recognition standards of discontinued operation

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(3) Presentation

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

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

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.

15. Long-term equity investment

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

(1) Determination of initial investment cost

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

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

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

When accounted for using the equity method, return on investment and other comprehensive income are recognised according to the share in the investee's realised net profit or loss and other comprehensive income respectively, and the carrying amount of the long-term equity investment is adjusted. The carrying amount of the long-term equity investment will be deducted according to the profit distribution declared by the investee or cash dividend attributable to the Company. The carrying amount of long-term equity investment will be adjusted for changes to equity interest attributable to the owners of the investee other than net profit or loss, other comprehensive income and profit distribution, and recorded into capital reserve (other capital reserve). The Company's share of the net profit or loss of the investees will be recognised after adjustment of the net profit of the investees according to the accounting policy and accounting period of the Company on the basis of fair value of all identifiable assets of the investee on acquisition.

If the Company is able to exert significant influence or implement joint control (which does not constitute control) on the investee through additional investment or other reason, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial investment cost, which will be accounted for with equity method, on the conversion date. If the original equity has been classified as non-trading equity instrument investments measured at fair value through other comprehensive income, the related accumulated change of fair value originally recorded into other comprehensive income will be transferred into the retained earnings when accounted for using equity method.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

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

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

The Company recognises the unrealized profit or loss of intra-transaction with associates and joint ventures that belongs to itself according to the percentage of shareholding and recognises the investment gains or losses after offset. However, the loss arising from the unrealized intra-transaction between the Company and investees, which belongs to the impairment loss of assets transferred, cannot be offset.

(3) Basis of determining common control and significant influence on the investee

Joint control is the contractually agreed sharing of control over an arrangement under which the decisions relating to any activity require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judge is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved and then determine whether the decisions of the relevant activities related to the arrangement should require the unanimous consent of the parties involved. If the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. If two or more parties involve in the collective control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

(3) Basis of determining common control and significant influence on the investee *(continued)*

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 or 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. 14 for the relevant accounting treatment of the equity investment to associates or joint ventures all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to associates or joint ventures already classified as held for sale, if no longer meets the conditions of assets held for sale, shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

(5) Methods for impairment test and impairment provision

Refer to Note III. 23 for investment to subsidiaries, associates and joint ventures and the methods for impairment provision of assets.

16. Investment properties

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

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

The Company adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in Note III. 23.

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

17. Fixed assets

(1) Conditions for recognition of fixed assets

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

The fixed asset can be recognised only when it is probable that the related economic benefits will flow to the entity and the cost of the fixed asset can be reliably measured.

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

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the related economic benefits will flow to the Company and the related cost can be reliably measured. The daily repair costs of fixed assets that do not meet the recognition criteria of subsequent expenditures of fixed assets are recorded in the profit or loss for the current period or included in the cost of the relevant assets according to beneficiaries when incurred. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the equal annual instalment method. Fixed assets start to be depreciated when the assets are ready for their intended use and stop to be depreciated when the assets are derecognised or classified as held-for-sale non-current assets. For those fixed assets without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

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

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. 23 for the impairment testing and the impairment provision of fixed assets.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

17. Fixed assets (continued)

(5) Disposal of fixed assets

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

18. 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.

The standards for transfer of construction in progress of the Company to fixed assets are as follows:

Category	Standards for transfer to fixed assets
Properties and buildings	(1) the main construction works and ancillary works have been substantially completed; (2) the construction project meets the pre-determined design requirements and it has been inspected and accepted by survey, design, construction, supervision and other entities; (3) they have been inspected and accepted by departments such as fire protection department, land and resources department, planning department; (4) they have passed the on-site GMP inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification; (5) if the construction projects reach the expected usable state but has not yet completed the final account, they will be transferred to fixed assets at the estimated value based on the actual cost of construction from the date when they reach the expected usable state.
Production and ancillary equipment subject to installation and commissioning	(1) the relevant equipments and other ancillary facilities have been installed; (2) the equipments can maintain a normal and stable operation over a period of time after commissioning; (3) production equipments are able to steadily produce qualified products over a period of time; (4) the equipments have been inspected and accepted by asset management personnel and users; (5) they have passed GMP on-site inspection and received the certificate of GMP compliance inspection if they are subject to GMP certification.

For provision for impairment of construction in progress, refer to Note III. 23.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

19. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

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

- ① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest-bearing liabilities for the purpose of acquiring, constructing or producing 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 to the extent that occurred and included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to be capitalized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

20. Biological assets

(1) Determination of biological assets

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

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

(2) Classification of biological assets

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

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

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

(3) Impairment of biological assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Intangible assets

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

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

Intangible assets are initially measured at actual cost.

- ① Where the payment for acquisition of an intangible asset is postponed beyond the normal credit terms, which substantially constitutes a financing transaction, the present value of the purchase price will be recognised as the cost of intangible assets.
- ② The intangible assets acquired from debtor under debt restructuring are stated at the fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debtor under debt restructuring is recognised in the profit or loss for the current period. For non-monetary assets exchange with commercial substance, if the fair value of the assets received or transferred can be reliably measured, the intangible assets received in the exchange of non-monetary assets shall normally be stated at the fair value of the assets transferred, unless there is objective evidence indicating that the fair value of the assets received is more reliable; for the exchange of non-monetary assets that does not meet the above conditions, the cost of intangible assets received is recognised at the carrying amount of the assets transferred with the relevant taxes, hence no gains or losses shall be recognised.
- ③ The intangible assets acquired in the business combinations under common control are stated at the carrying amount of the intangible assets of the acquiree. The intangible assets acquired in the business combinations not under common control are recognised at its fair value.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

21. Intangible assets (continued)

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

Category	Useful life	Basis for determining useful life	Amortisation	Notes
Land use rights	50 years	Registration period of land use rights certificate	Equal annual instalment method	
Patent and technical know-how	1-10 years	The shorter of the expected period of benefits and the patent validity period	Equal annual instalment method	
Software	2-5 years	Expected period of benefits	Equal annual instalment method	
Trademark rights	5 years	The shorter of the expected period of benefits and the trademark validity period	Equal annual instalment method	
Others	10 years	Expected period of benefits	Equal annual instalment method	

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

Please refer to Note III. 23 for the provision of impairment of intangible assets.

22. Research and development expenditure

The Company's research and development expenses are expenses directly related to the Company's research and development activities, including the compensation of research and development employee, direct investment expenses, depreciation expenses and long-term deferred expenses, equipment commissioning expenses, amortisation expenses of intangible asset, outsourced external research and development expenses, clinical trial expenses, other expenses, etc. Shared equipment, production lines and sites for research and development activities and other production and operation activities are included in research and development expenses according to the allocation of the proportion of working hours and area.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

22. Research and development expenditure *(continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

23. Impairment of assets

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

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

The recoverable amount of an asset is determined by the higher amount of its fair value less disposal costs and the present value of future cash flows expected to be derived from the assets. The Company estimates the recoverable amount based on individual asset; for an individual asset which is difficult to estimate the recoverable amount, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

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

In terms of impairment test of the goodwill, the carrying amount of the goodwill arising from business combination shall be allocated to the related asset groups on a reasonable basis from acquisition date; where it is difficult to allocate to the related asset groups, it is allocated to the combination of related asset groups. The related asset groups or combination of asset groups are those which can benefit from the synergies of the business combination and are not larger than the reportable segments identified by the Company.

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

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

24. Long-term deferred expenses

The Company's long-term deferred expenses are measured at actual cost and evenly amortized on straight-line basis over the expected beneficial period. For the long-term deferred expense items that cannot benefit the subsequent accounting periods, their amortized value shall be entirely included in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

25. Employee compensation

(1) The scope of employee compensation

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

According to liquidity, employee compensation is presented separately as "employee benefits payables" item and "long-term employee benefits payables" item in the balance sheet.

(2) Short-term employee compensation

During the accounting period in which the employees render the related services, actually incurred wages, bonuses, social insurance contributions (including medical insurance fees, work-related injury insurance fees, maternity insurance fees, etc.) and housing provident fund are recognised as liability and included in the profit or loss for the current period or related asset costs.

(3) Post-employment benefits

Post-employment benefit plans mainly include defined contribution plans. Defined contribution plans refer to the post-employment benefit plans under which an entity pays fixed contributions into a separate fund and will have no obligation to pay further contributions. The Company is only involved in defined contribution plans.

Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

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

(4) Termination benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

25. Employee compensation *(continued)*

(5) Other long-term benefits

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

26. Provisions

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

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

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

If all or some expenses incurred for settlement of recognised provisions are expected to be borne by a third party or another party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of the liability recognised.

27. Share-based payment and equity instruments

(1) Category of share-based payment

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

(2) Determination of fair value of equity instrument

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

For share-based payment transactions involving the Company and the shareholders or the actual controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while the other external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

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

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

28. Preferred shares, perpetual bonds and other financial instruments

(1) Distinction between financial liabilities and equity instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

28. Preferred shares, perpetual bonds and other financial instruments (continued)

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

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

29. Revenue

(1) General principles

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

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

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

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

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

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

- ① The Company has the current right to receive payment for the goods or services, which is when the customer has the current payment obligations for the goods.
- ② The Company has transferred the legal title of the goods to the customer, which is when the customer possesses the legal title of the goods.
- ③ The Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

29. Revenue *(continued)*

(1) General principles *(continued)*

- ④ The Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtains all of the substantial risks and rewards of ownership of the goods.
- ⑤ When the customer has accepted the goods or services.
- ⑥ When other information indicates that the customer has obtained control of the goods.

A contract asset represents the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditioned on factors other than passage of time, for which the impairment allowance for expected credit loss is recognised (see Note III. 11(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration from the customer separately as a receivable. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

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

(2) Specific methods

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

The credit period granted by the Company to various customers is consistent, and there is no significant financing component.

The cooperation model between the Company and its distributors is buy-out sales, and the sales revenue recognition under the distribution model is consistent with the direct sales model.

For sales with a sales return clause, revenue is recognised to the extent that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The Company recognises liabilities according to the expected refund amount, and recognises the balance of the book value when the goods expected to be returned are transferred, net of the estimated costs to recover the goods (including the impairment of the value of the returned goods) as an asset.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

30. Contract costs

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

Incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. The Company recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other expenses incurred by the Company for obtaining the contract, except for the incremental costs expected to be recovered, are recognised in profit or loss for the current period when incurred.

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

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

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a basis that is consistent with the revenue recognition of the goods or services relating the assets and recognised in profit or loss for the current period.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

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

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

The government grants related to daily activities are recognised as other gains in accordance with the substance of economic business. Government grants that are not related to daily activities are recognised as non-operating income.

If the recognised government grants need to be refunded, adjust the carrying amount of assets when the carrying amount of assets is offset at the time of initial recognition; the balance of deferred income is offset against the carrying amount of the balance of deferred income and the excess is recognised in the profit or loss for the current period. Under other circumstances, it is directly recognised in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Deferred income tax assets and deferred income tax liabilities

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

32. Deferred income tax assets and deferred income tax liabilities *(continued)*

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

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis after offsetting when all the following conditions are met:

- (1) The taxpayer of the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- (2) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same taxation authority on the same taxpayer within the Company.

33. Leases

(1) Identification of leases

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

(2) The Company as the lessee

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

For the accounting policies on the right-of-use assets, please refer to Note III. 34.

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease, or the incremental borrowing rate in case the interest rate implicit in the lease cannot be determined. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Company shall subsequently calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into the profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Leases (continued)

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

Leases of low-value assets

Leases of low-value assets refer to a lease with a value of less than RMB0.04 million when the individual leased asset is a brand-new asset.

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

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

Lease modification

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

33. Leases *(continued)*

(3) The Company as the lessor

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

Finance leases

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

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

Operating leases

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

Lease modification

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

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

If the modification to finance lease is not accounted for as a separate lease, the Company will deal with the modified lease under the following circumstances: ① If the modification takes effect on the commencement date of the lease and the lease will be classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease modification, and take the net lease investment before the effective date of the lease modification as the carrying amount of the leased assets; ② If the modification takes effect on the commencement date of the lease and the lease will be classified as a finance lease, the Company will account for it in accordance with the requirements on modifying or renegotiating a contract under the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument".

NOTES TO THE FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

34. Right-of-use assets

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

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

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

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

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

(3) For methods of impairment testing and provision for impairment for right-of-use assets, please refer to Note III. 23.

35. 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 there purchase of shares shall lead to the elimination of owners' equity and does not recognise profit or loss when shares of the Company are repurchased, transferred or cancelled.

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

NOTES TO THE FINANCIAL STATEMENTS

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates

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

(1) Classification of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates *(continued)*

(2) Measurement of ECL for account receivables

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

(3) Impairment of non-current assets other than financial assets (excluding goodwill)

The Company assesses whether there are any indicators of impairment for non-current assets other than financial assets as at the balance sheet date. For intangible assets that have not yet reached their usable status, in addition to the annual impairment test, when there are indications of impairment, an impairment test is also conducted. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

(4) Impairment of goodwill

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

(5) Development expenditure

Determining the amounts to be capitalized requires the management to make assumptions regarding the expected future cash flows generated from assets, discount rates to be applied and the expected period of benefits.

(6) Deferred income tax assets

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits against which the loss is utilised. This requires the management to exert numerous judgments to estimate the timing and amount of the future taxable profits so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

36. Significant accounting judgements and estimates (continued)

(7) Revenue recognition

As stated in Note III. 29, the Company makes the following significant accounting judgements and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract, etc. The Company makes judgments primarily based on historical experiences and works. Changes in these significant judgments and estimates may have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

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

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

37. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

① Interpretation No. 17 of Accounting Standards for Business Enterprises

The Ministry of Finance issued Interpretation No. 17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21) in November 2023 (hereinafter referred to as "Interpretation No. 17").

Classification of current liabilities and non-current liabilities

As specified by Interpretation No. 17, for liabilities arising from corporate loan arrangements, the right of a corporation to defer settlement of liabilities for more than one year after the balance sheet date may depend on whether the corporation has complied with the conditions stipulated in the loan arrangement (the "Covenants"). The Covenants that the company shall comply with on or before the balance sheet date, even if the performance of Covenants is being assessed after the balance sheet date (in some cases, the Covenants provide for an assessment after the balance sheet date based on the financial conditions on the balance sheet date), affects the judgment as to whether such right exists on the balance sheet date, which in turn affects the classification of liabilities as current or non-current on the balance sheet date. The Covenants that the company shall comply with after the balance sheet date (in some cases, the Covenants provide for an assessment based on the financial conditions at six months after the balance sheet date), will not affect the judgment as to whether such right exists on the balance sheet date, and is not related to the classification of liabilities as current or non-current on the balance sheet date.

If a term of the liability results in the settlement of the liability through the delivery of the enterprise's own equity instruments at the discretion of the counterparty, and if this option is classified as an equity instrument in accordance with the requirements of the standards and recognized separately as an equity component of a compound financial instrument, the term does not affect the liquidity classification of the liability.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

37. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in accounting policies (continued)

① Interpretation No. 17 of Accounting Standards for Business Enterprises (continued)

The Company has implemented this requirement from 1 January 2024 and adjusted the information for the comparable periods.

The adoption of Interpretation No. 17 did not have a significant impact on the financial position and operating results of the Company.

Disclosure of Supplier Financing Arrangements

Interpretation No. 17 provides that for supplier financing arrangements, the following shall be disclosed: A. the terms and conditions of supplier financing arrangements (such as deferred payment terms and provision of guarantees, etc.). B. a. the presentation items and carrying amount of financial liabilities under supplier financing arrangements in the balance sheet; b. if the supplier has received funds from the financing provider, the presentation items and carrying amount of the corresponding financial liabilities shall be disclosed; c. and the payment due date range of the related financial liabilities, as well as the payment due date range of comparable accounts payable that are not a part of the supplier financing arrangements. If the range of the payment due date is large, the enterprise shall also disclose explanatory information or additional range information related to these ranges; C. the types and impacts of current changes in the carrying amount of related financial liabilities that do not involve cash receipts and payments (including business combinations, changes in exchange rates and other transactions or matters that do not require the use of cash or cash equivalents).

When disclosing liquidity risk information in accordance with the requirements of Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (《企業會計準則第37號—金融工具列報》), an enterprise shall consider whether it has obtained or has access to obtain credit for the deferred payment to the enterprise or early payment to its suppliers through supplier financing arrangements. When identifying liquidity risk concentration in accordance with requirements of the relevant standards, an enterprise shall consider the factor that supplier financing arrangements lead to the concentration of a part of the financial liabilities originally payable to suppliers with the financing providers.

The company has implemented this requirement from 1 January 2024. At the initial implementation of the requirement, the Company is not required to disclose the relevant information for the comparable period and the opening information as required under b and c of Item B.

NOTES TO THE FINANCIAL STATEMENTS

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(continued)

37. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in accounting policies *(continued)*

② Accounting Standards for Business Enterprises Interpretation No. 18

The Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretation No. 18 (《企業會計準則解釋第18號》) (Cai Kuai [2024] No. 24) (hereinafter referred to as "Interpretation No. 18") on 31 December 2024.

Accounting treatment of a warranty-type of quality guarantee that is not a separate performance obligation

Interpretation No. 18 stipulates that when accounting for the provision for warranty-type quality guarantee that is not a separate performance obligation, an enterprise shall, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 13 – Contingencies (《企業會計準則第13號—或有事項》), debit the items such as "Main business cost" and "Other business cost" based on the determined amount of provisions, and credit the item of "Provisions". These items shall be correspondingly presented in the "Operating cost" of the income statement and in items such as "Other current liabilities," "Non-current liabilities due within one year," and "Provisions" in the balance sheet.

The Company has implemented the requirements from the date of issuance of Interpretation No. 18 and made retrospective adjustments.

The implementation of Interpretation No. 18 did not have a significant impact on the financial position and operating results of the Company.

(2) Changes in significant accounting estimates

None.

NOTES TO THE FINANCIAL STATEMENTS

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

IV. TAXATION

1. The main taxes and tax rates

Types of tax	Basis of taxation	Statutory tax rate (%)
Value added tax	Taxable value added amount	3, 6, 13
Urban maintenance and construction tax	Actual amount of turnover tax paid	1, 5, 7
Education surcharges	Actual amount of turnover tax paid	3
Local education surcharges	Actual amount of turnover tax paid	Note 1
Enterprise income tax	Taxable income	Note 2

Note 1: The Company and its subsidiaries that are incorporated in Zhuhai shall pay local education surcharges that are charged at 2% on the turnover tax to be paid; other subsidiaries shall pay local education surcharges according to the tax rate as specified at their places of incorporation on the basis of turnover tax to be paid.

Note 2: The enterprise income tax rates applicable to the Company and its subsidiaries are set out as follows:

Name of taxpayer	Income tax rate (%)
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技有限公司), Lian Hong Kong Limited (麗安香港有限公司), 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), Macau Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (澳門麗珠中藥現代化科技有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP0.6 million or more; for those with taxable income less than MOP0.6 million, they are exempted from income taxes.)
The Company and Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司), Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司), Zhuhai Lihe Medical Diagnostic Product Company Limited (珠海麗禾醫療診斷產品有限公司), Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司), Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	15
LIVZON MALAYSIA SDN. BHD. (formerly known as LIVZON BIOLOGICS (MALAYSIA) SDN. BHD., the same below)	17 or 24 (Tax rate is 17% where registered capital is less than RM2.5 million or initial profit is less than RM0.6 million; tax rate is 24% where registered capital is more than RM2.5 million or initial profit is more than RM0.6 million)
LIAN SGP HOLDING PTE. LTD	17
PT. LIVZON PHARMA INDONESIA	22
Livzon MABPharm (US) Inc. (麗珠單抗生物技術(美國)有限公司)	21
Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II, LIAN International Holding LTD	0
Other subsidiaries	25 or be entitled to preferential tax policies for small and low-profit enterprises

NOTES TO THE FINANCIAL STATEMENTS

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

IV. TAXATION (Continued)

2. Tax preference and approvals

(1) Preferential value added tax

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs, the State Administration of Taxation and the National Medical Products Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Cai Shui [2018] No. 47), the biological products and anti-cancer drugs sold by the Company are subject to value added tax at 3% by the simple approach.

(2) Preferential enterprise income tax

The Company and its subsidiaries, Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠), Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司), Sichuan Ugandan Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司) and Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司) have been entitled to the preferential income tax policies for high and new technology enterprises since 2023 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), Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) and Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) have been entitled to the preferential income tax policies for high and new technology enterprises since 2022 for a valid period of three years; Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司) has been entitled to the preferential income tax policies for high and new technology enterprise since 2024 for a valid period of three years; Shanghai Livzon Biotechnology Co., Ltd. (上海麗珠生物科技股份有限公司) is proposed to be recognised as the high and new technology enterprise 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 Qiyuan Medicine Co., Ltd. (大同麗珠芪源藥材有限公司) and Longxi Livzon Shenyuan Medicine Co., Ltd. (隴西麗珠參源藥材有限公司) are exempted from enterprise income tax.

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

According to the preferential tax policies for small low-profit enterprises, until 31 December 2027, the portion of annual taxable income of a small low-profit enterprise which does not exceed RMB3 million is subject to enterprise income tax at a tax rate of 5%.

According to the preferential tax policies for Indonesian small and micro enterprises, the portion of taxable income of a small and micro enterprise which does not exceed IDR4.8 billion is subject to enterprise income tax at a rate of 11%.

NOTES TO THE FINANCIAL STATEMENTS

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

V. NOTES TO THE COMPONENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Items	Balance at the End of the Period	Balance at the End of the Previous Year
Cash on hand	155,198.45	143,780.93
Bank deposits	10,702,613,867.91	11,171,560,488.98
Other monetary funds	124,377,918.56	109,628,093.41
Accrued interest on deposits		44,391,492.44
Total	10,827,146,984.92	11,325,723,855.76
Of which: Total amount of overseas deposits	1,397,909,086.05	921,984,371.98

- ① Other monetary funds are mainly deposits for investments.
- ② Restricted funds in bank deposits and other monetary funds were deducted from cash and cash equivalents in cash flow statement. Other than such funds, there are no other amounts subject to restricted uses under charge, pledge or lockup, kept outside China and having probable risks in its collection of the balance at the End of the Period. Below are the details of the use of restricted monetary funds:

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deposits under guarantee	9,330,323.62	4,965,960.88

NOTES TO THE FINANCIAL STATEMENTS

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

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

2. Financial assets held for trading

(1) Classification

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Financial assets measured at fair value through profit or loss for the current period	89,363,055.07	81,792,081.22
Of which: Debt instrument investments	16,069,437.32	937,588.47
Equity instrument investments	72,993,949.73	78,238,516.48
Derivative financial assets	299,668.02	2,615,976.27
Total	89,363,055.07	81,792,081.22

① The Company's investments in equity instruments and certain debt instruments for financial assets held for trading at the End of the Period were listed for trading on stock exchanges such as Shenzhen Stock Exchange, The Stock Exchange of Hong Kong Limited and NASDAQ in the United States. Their fair value was determined based on the closing price on the last trading day in the Reporting Period.

② Derivative financial assets represent foreign currency forward contracts, futures contracts, gains from unexpired contracts measured at fair value was recognised as financial assets at balance sheet date.

(2) No restrictive financial asset measured at fair value through profit or loss was realised in the balance at the End of the Period.

(3) There were no hedging instruments in the balance at the End of the Period and no hedging transactions occurred during the Period.

NOTES TO THE FINANCIAL STATEMENTS

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

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

3. Bills receivable

Type of bills	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Bank acceptance bills	1,313,604,720.17		1,313,604,720.17	1,459,333,093.74		1,459,333,093.74

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

Type	Pledged amount at the End of the Period
Bank acceptance bills	282,356,860.08

As at 31 December 2024, bills with carrying amount of RMB282,356,860.08 (31 December 2023: RMB241,568,273.18) were pledged for bank acceptance bills.

(2) Endorsed or discounted bills receivable not yet mature by the date of balance sheet at the End of the Period

Type	Amount derecognized at the End of the Period	Amount not derecognized at the End of the Period
Bank acceptance bills not yet mature but already endorsed	34,906,855.80	
Bank acceptance bills not yet mature but already discounted		
Total	34,906,855.80	

During the Period, the Company discounted bank acceptance bills of RMB0.00 (Previous Period: RMB0.00) to a bank.

NOTES TO THE FINANCIAL STATEMENTS

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

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

3. Bills receivable (Continued)

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

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

Category	Balance at the End of the Period					Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt			Gross amount		Provision for bad debt		
	Amount	Percentage	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage	Amount	Expected credit loss rate (%)	Carrying value
		(%)					(%)			
Provision for bad debt on individual basis										
Provision for bad debt on collective basis	1,313,604,720.17	100.00			1,313,604,720.17	1,459,333,093.74		100.00		1,459,333,093.74
Of which:										
Bank acceptance bills	1,313,604,720.17	100.00			1,313,604,720.17	1,459,333,093.74		100.00		1,459,333,093.74
Total	1,313,604,720.17	100.00			1,313,604,720.17	1,459,333,093.74		100.00		1,459,333,093.74

Bills receivable with provision for bad debt on individual basis:

Nil.

Bills receivable with provision for bad debt on collective basis:

Item with provision on collective basis: Bank acceptance bills

Name	Balance at the End of the Period			Balance at the End of the Previous Year		
	Bills receivable	Provision for bad debt	Expected credit loss rate (%)	Bills receivable	Provision for bad debt	Expected credit loss rate (%)
Within 1 year	1,313,604,720.17			1,459,333,093.74		

(5) No provision for bad debt was made, recovered or reversed during the Period.

(6) No bills receivable was actually written-off during the Period.

NOTES TO THE FINANCIAL STATEMENTS

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

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

4. Accounts receivables

(1) Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	1,784,642,012.31	1,858,811,501.54
4 – 6 months (including 6 months)	129,562,751.22	163,989,281.13
7 – 12 months (including 12 months)	31,445,440.67	45,010,307.95
Subtotal within 1 year:	1,945,650,204.20	2,067,811,090.62
1 – 2 years (including 2 years)	9,392,826.91	98,962,409.39
2 – 3 years (including 3 years)	33,645,227.77	2,415,386.26
Over 3 years	6,805,625.80	4,836,686.85
Subtotal	1,995,493,884.68	2,174,025,573.12
Less: Provision for bad debt	59,991,847.96	58,366,928.00
Total	1,935,502,036.72	2,115,658,645.12

According to the credit policies of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers. The aging of accounts receivable is calculated from the date of billing.

NOTES TO THE FINANCIAL STATEMENTS

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

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

4. Accounts receivables (Continued)

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

Category	Balance at the End of the Period					Balance at the End of the Previous Year				
	Gross amount		Provision for bad debt			Gross amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debt on individual basis	24,973,539.22	1.25	17,637,135.88	70.62	7,336,403.34	666,208.18	0.03	666,208.18	100.00	
Of which:										
Due from domestic customers	24,973,539.22	1.25	17,637,135.88	70.62	7,336,403.34	518,861.41	0.02	518,861.41	100.00	
Due from overseas customers						147,346.77	0.01	147,346.77	100.00	
Provision for bad debt on collective basis	1,970,520,345.46	98.75	42,354,712.08	2.15	1,928,165,633.38	2,173,359,364.94	99.97	57,700,719.82	2.65	2,115,658,645.12
Of which:										
Due from domestic customers	1,535,413,320.03	76.94	35,452,948.18	2.31	1,499,960,371.85	1,878,807,886.66	86.42	52,207,695.16	2.78	1,826,600,191.50
Due from overseas customers	435,107,025.43	21.81	6,901,763.90	1.59	428,205,261.53	294,551,478.28	13.55	5,493,024.66	1.86	289,058,453.62
Total	1,995,493,884.68	100.00	59,991,847.96	3.01	1,935,502,036.72	2,174,025,573.12	100.00	58,366,928.00	2.68	2,115,658,645.12

Accounts receivables with provision for bad debt on individual basis:

Name	Balance at the End of the Period				Balance at the End of the Previous Year			
	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision	Gross amount	Provision for bad debt	Expected credit loss rate (%)	Reason for making provision
Customers 1	10,081,549.81	7,057,084.87	70.00	Expected that the possibility of full recovery is relatively low.				
Customers 2	4,363,408.00	3,054,385.60	70.00					
Customers 3	2,679,262.00	1,875,483.40	70.00					
Customers 4	2,120,846.00	1,484,592.20	70.00					
Customers 5	1,746,986.00	1,222,890.20	70.00					
Total (other customers)	3,981,487.41	2,942,699.61	73.91		666,208.18	666,208.18	100.00	Not expected to be recoverable
Total	24,973,539.22	17,637,135.88	70.62		666,208.18	666,208.18	100.00	

NOTES TO THE FINANCIAL STATEMENTS

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

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

4. Accounts receivables (Continued)

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

Accounts receivables with provision for bad debt on collective basis:

Item with provision on collective basis: Due from domestic customers

	Balance at the End of the Period			Balance at the End of the Previous Year		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	1,394,190,805.19	14,130,809.26	1.01	1,614,893,364.76	16,422,948.89	1.02
4 – 6 months (including 6 months)	88,534,970.68	4,400,341.57	4.97	120,367,902.87	6,001,373.30	4.99
7 – 12 months (including 12 months)	28,669,323.19	2,875,533.03	10.03	38,962,450.34	4,072,530.64	10.45
1 – 2 years	9,392,826.91	1,887,783.46	20.10	97,850,956.99	19,654,379.23	20.09
2 – 3 years	8,338,629.67	5,871,716.47	70.42	2,415,386.26	1,738,637.66	71.98
Over 3 years	6,286,764.39	6,286,764.39	100.00	4,317,825.44	4,317,825.44	100.00
Total	1,535,413,320.03	35,452,948.18	2.31	1,878,807,886.66	52,207,695.16	2.78

Item with provision on collective basis: Due from overseas customers

	Balance at the End of the Period			Balance at the End of the Previous Year		
	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)	Accounts receivables	Provision for bad debt	Expected credit loss rate (%)
Within 3 months (including 3 months)	390,451,207.12	3,975,162.36	1.02	243,918,136.78	2,503,347.14	1.03
4 – 6 months (including 6 months)	41,027,780.54	2,050,586.84	5.00	43,621,378.26	2,184,445.46	5.01
7 – 12 months (including 12 months)	2,776,117.48	279,500.11	10.07	6,047,857.61	611,272.55	10.11
1 – 2 years				964,105.63	193,959.51	20.12
2 – 3 years	851,920.29	596,514.59	70.02			
Total	435,107,025.43	6,901,763.90	1.59	294,551,478.28	5,493,024.66	1.86

NOTES TO THE FINANCIAL STATEMENTS

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

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

4. Accounts receivables (Continued)

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

	Amount of provision for bad debt
Balance at the Beginning of the Period	58,366,928.00
Provision for the Period	4,640,137.92
Recoveries or reversals during the Period	
Write-off during the Period	3,015,217.96
Balance at the End of the Period	59,991,847.96

As at 31 December 2024 and 31 December 2023, the Company had no accounts receivables that were past due but not impaired.

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

Item	Amount written off
Total (domestic customers)	2,867,871.19
Total (overseas customers)	147,346.77

(5) Top five balances of accounts receivables by debtors at the End of the Period

The total amount of the top five balances of accounts receivables by debtors at the End of the Period was RMB196,552,057.78, representing 9.85% of the total balances of accounts receivables at the End of the Period, and the corresponding aggregate amount of the balances of provision for bad debt at the End of the Period was RMB3,018,544.98.

(6) Accounts receivables derecognized due to the transfer of financial assets

In 2024, the Group conducted non-recourse factoring for a few accounts receivables, and almost all risks and rewards of ownership have been transferred to other parties. The corresponding accounts receivables derecognized amounted to RMB66,924,038.65, and the gains and losses related to the derecognition were RMB0.

(7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

NOTES TO THE FINANCIAL STATEMENTS

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

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

5. Prepayments

(1) Disclosure of prepayments by aging analysis

Aging	Balance at the End of the Period		Balance at the End of the Previous Year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	139,296,516.84	93.19	128,009,092.47	91.79
1 – 2 years	7,154,918.99	4.79	3,279,492.21	2.35
2 – 3 years	931,627.21	0.62	6,405,258.31	4.59
Over 3 years	2,094,916.06	1.40	1,764,381.64	1.27
Total	149,477,979.10	100.00	139,458,224.63	100.00

(2) Prepayments to units with top five balances at the End of the Period by payees of the prepayments

The total amount of prepayments with top five balances at the End of the Period by payees of the prepayments was RMB40,150,220.61, representing 26.86% 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 End of the Previous Year
Dividends receivable		
Other receivables	34,558,694.17	32,008,338.25
Total	34,558,694.17	32,008,338.25

(1) Other receivables

① Disclosed using the aging analysis method

Aging	Balance at the End of the Period	Balance at the End of the Previous Year
Within 1 year	31,660,138.52	27,427,857.48
1 – 2 years	2,663,796.10	5,664,206.92
2 – 3 years	4,490,233.15	1,005,494.60
Over 3 years	7,065,376.82	6,929,438.08
Subtotal	45,879,544.59	41,026,997.08
Less: Provision for bad debt	11,320,850.42	9,018,658.83
Total	34,558,694.17	32,008,338.25

NOTES TO THE FINANCIAL STATEMENTS

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

② Disclosed by nature

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for bad debt	Carrying amount	Gross amount	Provision for bad debt	Carrying amount
Deposits under guarantee, deposits and lease expenses	3,847,950.90	1,448,629.93	2,399,320.97	4,571,158.43	1,551,374.61	3,019,783.82
Reserve fund and advances	16,948,099.83	1,583,569.07	15,364,530.76	17,015,925.26	1,179,527.61	15,836,397.65
Balance with associates	654,810.12	6,548.10	648,262.02	1,542,497.41	18,827.23	1,523,670.18
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Tax refund on exports	12,746,669.03	137,836.48	12,608,832.55	7,931,105.45	373,263.13	7,557,842.32
Others	6,682,014.71	3,144,266.84	3,537,747.87	4,966,310.53	895,666.25	4,070,644.28
Total	45,879,544.59	11,320,850.42	34,558,694.17	41,026,997.08	9,018,658.83	32,008,338.25

③ Provision for bad debt

At the End of the Period, there was no provision for bad debt in Step 1.

NOTES TO THE FINANCIAL STATEMENTS

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

At the End of the Period, the provision for bad debt in Step 2 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	38,254,152.12	9.66	3,695,457.95	34,558,694.17	
Export tax refund receivable	12,746,669.03	1.08	137,836.48	12,608,832.55	
Deposits under guarantee and security deposits and lease expenses receivable	3,847,950.90	37.65	1,448,629.93	2,399,320.97	
Other receivables	21,659,532.19	9.74	2,108,991.54	19,550,540.65	
Total	38,254,152.12	9.66	3,695,457.95	34,558,694.17	

At the End of the Period, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	7,625,392.47	100.00	7,625,392.47		
Other receivables	7,625,392.47	100.00	7,625,392.47		Not expected to be recoverable
Total	7,625,392.47	100.00	7,625,392.47		

NOTES TO THE FINANCIAL STATEMENTS

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

③ Provision for bad debt (continued)

As at 31 December 2023, the provision for bad debt was as follows:

As at 31 December 2023, there was no provision for bad debt in Step 1:

As at 31 December 2023, the provision for bad debt in Step 2 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on collective basis	35,291,604.61	9.30	3,283,266.36	32,008,338.25	
Export tax refund receivable	7,931,105.45	4.71	373,263.13	7,557,842.32	
Deposits under guarantee and security deposits and lease expenses receivable	4,571,158.43	33.94	1,551,374.61	3,019,783.82	
Other receivables	22,789,340.73	5.96	1,358,628.62	21,430,712.11	
Total	35,291,604.61	9.30	3,283,266.36	32,008,338.25	

As at 31 December 2023, the provision for bad debt in Step 3 was as follows:

Category	Gross amount	Expected credit loss rate over the lifetime (%)	Provision for bad debt	Carrying amount	Reason
Provision for bad debt on individual basis	5,735,392.47	100.00	5,735,392.47		
Other receivables	5,735,392.47	100.00	5,735,392.47		Not expected to be recoverable
Total	5,735,392.47	100.00	5,735,392.47		

NOTES TO THE FINANCIAL STATEMENTS

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

- ④ Provision for bad debt made, recovered or reversed during the Period

	Step 1	Step 2	Step 3	
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	Total
Provision for bad debt				
Balance at the Beginning of the Period		3,283,266.36	5,735,392.47	9,018,658.83
Balance at the Beginning of the Period during the Period				
– Transferred to Step 3		-282,768.68	282,768.68	
Provision for the Period		686,131.24	1,890,000.00	2,576,131.24
Reversal during the Period				
Write-off during the Period			282,768.68	282,768.68
Other changes		8,829.03		8,829.03
Balance at the End of the Period		3,695,457.95	7,625,392.47	11,320,850.42

- ⑤ Other receivables that were actually written off during the Period

Item	Amount written off
Other receivables that were actually written off	282,768.68

NOTES TO THE FINANCIAL STATEMENTS

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

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

6. Other receivables (continued)

(1) Other receivables (continued)

⑥ Top five balances of other receivables by debtors at the End of the Period

Name of entity	Nature of amount	Balance of other receivables at the End of the Period	Aging	Percentage in the total balance of other receivables at the End of the Period (%)	Balance of provision for bad debt at the End of the Period
Tax refund on exports	Tax refund on exports	12,746,669.03	Within 1 year	27.78	137,836.48
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	10.90	5,000,000.00
Baishi Jiatai BioScience (Hainan) Co., Ltd. (百時泰生物科學(海南)有限公司)	Payments	1,890,000.00	2 to 3 years	4.12	1,890,000.00
Pioneer Time Investment Limited	Security deposits	851,330.09	2 to 3 years	1.85	595,931.06
Shanghai Jinqiao Export Processing Zone United Development Co., Ltd. (上海金橋出口加工區聯合發展有限公司)	Deposits under guarantee	654,091.80	Within 1 year RMB75,248.70, 1 to 2 years RMB578,843.10	1.43	123,293.49
Total	-	21,142,090.92	-	46.08	7,747,061.03

⑦ No accounts receivables of the Company has been derecognized due to the transfer of financial assets.

⑧ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

NOTES TO THE FINANCIAL STATEMENTS

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

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

7. Inventories

(1) Inventories by types

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for diminution in value	Carrying amount	Gross amount	Provision for diminution in value	Carrying amount
Raw materials	446,645,045.62	18,795,817.23	427,849,228.39	563,067,581.50	65,884,220.51	497,183,360.99
Packaging materials	90,815,125.39	26,226,191.54	64,588,933.85	104,840,433.82	14,893,906.96	89,946,526.86
Work in progress	457,174,029.20	71,560,335.13	385,613,694.07	418,974,345.20	81,151,701.90	337,822,643.30
Finished goods	929,478,569.11	25,889,302.03	903,589,267.08	1,138,946,322.97	198,699,606.07	940,246,716.90
Sub-contracting materials	1,734,123.93		1,734,123.93	2,918,287.46		2,918,287.46
Low-value consumables	38,557,228.82	13,262,003.36	25,295,225.46	32,950,905.84	603,689.52	32,347,216.32
Goods in transit	32,780,385.25		32,780,385.25	28,244,842.91		28,244,842.91
Consumable biological assets	17,112,905.05		17,112,905.05	15,384,338.39		15,384,338.39
Proprietary semi-finished goods	166,624,123.20	31,860,889.29	134,763,233.91	136,064,539.30	19,507,292.49	116,557,246.81
Contract performance cost	4,315,299.30		4,315,299.30			
Total	2,185,236,834.87	187,594,538.58	1,997,642,296.29	2,441,391,597.39	380,740,417.45	2,060,651,179.94

(2) Provision for diminution in value of inventories

Item	Balance at the Beginning of the Period	Increase during the Period		Decrease during the Period		Balance at the End of the Period
		Provision	Others	Reversal or write-off	Others	
Raw materials	65,884,220.51	12,359,187.79		59,447,591.07		18,795,817.23
Packaging materials	14,893,906.96	12,873,241.46		1,540,956.88		26,226,191.54
Work in progress	81,151,701.90	327,189.24		9,918,556.01		71,560,335.13
Finished goods	198,699,606.07	24,575,324.77		197,385,628.81		25,889,302.03
Low-value consumables	603,689.52	13,659,459.46		1,001,145.62		13,262,003.36
Proprietary semi-finished goods	19,507,292.49	12,553,404.41		199,807.61		31,860,889.29
Total	380,740,417.45	76,347,807.13		269,493,686.00		187,594,538.58

NOTES TO THE FINANCIAL STATEMENTS

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

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

7. Inventories (Continued)

(2) Provision for diminution in value of inventories (Continued)

Item	Basis for determination of net realizable value/remaining consideration and costs to be incurred	Reason for reversal or write-off of provision for diminution in value of inventories/provision for impairment in contract performance cost for the Period
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less related taxes	Discard
Work in progress	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processed finished goods
Finished goods	The estimated selling price less the estimated selling expenses and related taxes	Sale and discard
Low-value consumables	The estimated selling price less related taxes	Discard
Proprietary semi-finished goods	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Sale and discard

(3) No borrowing costs had been capitalised in the balance of inventories of the Company at the End of the Period.

8. Other current assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Input VAT pending deduction/attestation	7,280,059.39	2,611,256.55
Remaining VAT credit	42,484,488.76	38,754,463.19
Advance payment of income tax	22,476,774.60	3,440,818.88
Costs of return receivable		6,536,364.62
Others	443,555.11	206,396.38
Total	72,684,877.86	51,549,299.62

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

9. Long-term equity investments

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NOTES TO THE FINANCIAL STATEMENTS

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

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

10. Other equity instrument investments

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	228,006,000.00	226,644,000.00
GLOBAL HEALTH SCIENCE	143,205,685.40	205,217,490.01
Nextech V Oncology S.C.S., SICAV-SIF	22,515,721.72	15,837,395.11
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	24,737,630.38	35,147,356.03
ELICIO THERAPEUTICS, INC.	4,853,421.34	7,820,060.93
CARISMA THERAPEUTICS, INC.	2,168,737.47	14,907,045.58
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	49,572,318.75	63,219,286.50
Guangzhou Keentai Biomedical Technology Co., Ltd. (廣州科恩泰生物醫藥科技有限公司) (Former name: Shanghai Keentai Biomedical Technology Co., Ltd. (上海科恩泰生物醫藥科技有限公司))	12,000,000.00	12,000,000.00
Other	74,586,094.37	58,051,141.52
Total	561,645,609.43	638,843,775.68

As the aforesaid project is a long-term investment that the Company plans to hold for strategic purposes, the Company designates it as a financial asset measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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

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

10. Other equity instrument investments (Continued)

Continued:

Item	Gains and losses included in other comprehensive income for the Period	Cumulative gains and losses included in other comprehensive income at the End of the Period	Dividend income recognised for the Period	Cumulative gains and losses transferred to retained earnings due to derecognition	Reason for derecognition
Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	1,157,700.00	129,778,204.00	3,567,312.00		
GLOBAL HEALTH SCIENCE	-28,454,907.34	-17,960,672.06		41,195,535.80	Partial recovery of investments
Nextech V Oncology S.C.S., SICAV-SIF	9,874,211.87	-7,446,637.86		-1,465,979.64	Partial recovery of investments
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	-4,893,088.83	-2,694,052.73			
ELICIO THERAPEUTICS, INC.	-2,966,639.59	-30,509,880.71			
CARISMA THERAPEUTICS, INC.	-12,738,308.11	-36,638,528.53			
Beijing Luzhu Biotechnology Co., Ltd. (北京綠竹生物技術股份有限公司)	-10,235,225.82	14,679,239.05			
Guangzhou Keentai Biomedical Technology Co., Ltd. (廣州科恩泰生物醫藥科技有限公司) (Former name: Shanghai Keentai Biomedical Technology Co., Ltd. (上海科恩泰生物醫藥科技有限公司))					
Other	14,053,724.56	48,479,427.99			

NOTES TO THE FINANCIAL STATEMENTS

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

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

11. Investment properties

Item	Properties and buildings
I. Original book value:	
1. Balance at the Beginning of the Period	17,727,141.51
2. Addition during the Period	
(1) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	17,727,141.51
II. Accumulated depreciation and amortization	
1. Balance at the Beginning of the Period	6,960,403.94
2. Addition during the Period	840,883.43
(1) Provision or amortization	840,883.43
(2) Transfer from fixed assets	
3. Decrease during the Period	
4. Balance at the End of the Period	7,801,287.37
III. Provision for impairment	
1. Balance at the Beginning of the Period	
2. Addition during the Period	
3. Decrease during the Period	
4. Balance at the End of the Period	
IV. Carrying amount	
1. Carrying amount at the End of the Period	9,925,854.14
2. Carrying amount at the Beginning of the Period	10,766,737.57

12. Fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Fixed assets	4,254,805,388.16	4,255,423,836.99
Disposal of fixed assets		38,808,631.84
Total	4,254,805,388.16	4,294,232,468.83

NOTES TO THE FINANCIAL STATEMENTS

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

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

12. 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 Period	3,766,004,959.62	3,876,732,797.65	77,228,904.39	618,581,469.82	8,338,548,131.48
2. Addition during the Period	180,823,830.44	312,421,616.57	8,149,365.15	42,259,238.90	543,654,051.06
(1) Acquisition	14,719,392.19	144,443,014.17	7,839,656.93	37,949,679.54	204,951,742.83
(2) Construction in progress transferred	166,104,438.25	167,978,602.40		4,309,559.36	338,392,600.01
(3) Others			309,708.22		309,708.22
3. Decrease during the Period	9,329,744.67	70,832,702.09	6,368,907.11	13,519,079.13	100,050,433.00
(1) Disposal or written off	9,329,744.67	70,832,702.09	6,368,907.11	13,519,079.13	100,050,433.00
4. Balance at the End of the Period	3,937,499,045.39	4,118,321,712.13	79,009,362.43	647,321,629.59	8,782,151,749.54
II. Accumulated depreciation					
1. Balance at the Beginning of the Period	1,509,279,652.16	2,088,942,230.39	62,897,614.00	379,557,383.65	4,040,676,880.20
2. Addition during the Period	178,392,784.33	266,148,362.87	4,788,631.45	66,142,999.89	515,472,778.54
(1) Provision	178,392,784.33	266,148,362.87	4,473,015.32	66,142,999.89	515,157,162.41
(2) Others			315,616.13		315,616.13
3. Decrease during the Period	6,972,771.43	59,925,364.21	5,233,439.13	9,761,211.02	81,892,785.79
(1) Disposal or written-off	6,972,771.43	59,925,364.21	5,233,439.13	9,761,211.02	81,892,785.79
4. Balance at the End of the Period	1,680,699,665.06	2,295,165,229.05	62,452,806.32	435,939,172.52	4,474,256,872.95
III. Provision for impairment					
1. Balance at the Beginning of the Period	21,280,867.03	20,049,562.89		1,116,984.37	42,447,414.29
2. Additions during the Period	4,116,058.88	8,586,491.61		94,122.37	12,796,672.86
(1) Provision	4,116,058.88	8,586,491.61		94,122.37	12,796,672.86
3. Amount decrease during the Period	5,055.54	2,062,933.69		86,609.49	2,154,598.72
(1) Disposal or written-off	5,055.54	2,062,933.69		86,609.49	2,154,598.72
4. Balance at the End of the Period	25,391,870.37	26,573,120.81		1,124,497.25	53,089,488.43
IV. Carrying amount					
1. Carrying amount at the End of the Period	2,231,407,509.96	1,796,583,362.27	16,556,556.11	210,257,959.82	4,254,805,388.16
2. Carrying amount of balance at the Beginning of the Period	2,235,444,440.43	1,767,741,004.37	14,331,290.39	237,907,101.80	4,255,423,836.99

On the balance sheet date, the Company engaged an appraiser to conduct impairment tests on production equipment with low capacity utilization and adopted the asset group related to such production equipment to estimate the present value of future cash flows when estimating the recoverable amount of the investment cost. As tested, such asset group did not experience any impairment.

The estimated future cash flow of the asset group is calculated according to the financial budget for the benefit period of the production equipment made by the management.

NOTES TO THE FINANCIAL STATEMENTS

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

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

12. Fixed assets (Continued)

(1) Fixed assets (Continued)

① Status of fixed assets (Continued)

Key assumptions of discounted future cash flow for impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset group, key assumptions are a gross profit margin of 82.74% – 86.71% and a business revenue growth rate of -30% – 25% as well as a cash flow discount rate of 13.50%. The management took into account historical conditions prior to the budget period and predictions for market development in making above assumptions.

② Temporary idled fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Plant and building	14,243,288.67	11,695,684.57		2,547,604.10	
Machinery and equipment	15,668,962.02	14,724,905.17		944,056.85	
Electronic devices and others	317,278.72	299,759.77		17,518.95	
Total	30,229,529.41	26,720,349.51		3,509,179.90	

③ The Company has no fixed assets leased under financial leasing.

④ Fixed assets leased out under operating leases

Item	Carrying amount
Plant and building	590,907.21

⑤ Fixed assets pending for certificate of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Plant and building	116,379,518.16	Procedure in progress

NOTES TO THE FINANCIAL STATEMENTS

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

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

12. Fixed assets (Continued)

(2) Disposal of fixed assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year	Reasons for disposal
Overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing		38,808,631.84	

13. Construction in progress

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Construction in progress	257,366,336.12	289,306,707.05
Construction supplies		
Total	257,366,336.12	289,306,707.05

NOTES TO THE FINANCIAL STATEMENTS

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

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

13. Construction in progress (Continued)

(1) Construction in progress

① Breakdown of construction in progress

Item	Balance at the End of the Period			Balance at the End of the Previous Year		
	Gross amount	Provision for impairment	Net carrying amount	Gross amount	Provision for impairment	Net carrying amount
Project of Shijiao New Factory (石角新廠項目)				11,242,321.59		11,242,321.59
Semaglutide Project (司美項目)	47,742,942.52		47,742,942.52	53,876,039.98		53,876,039.98
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)				100,095,507.68		100,095,507.68
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P04/P05建設項目)				1,710,588.82		1,710,588.82
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	41,750,648.05		41,750,648.05	243,501.31		243,501.31
Jiaozuo new factory relocation project (焦作新廠遷建項目)	55,831,987.95		55,831,987.95	67,116,236.97		67,116,236.97
Others	112,210,098.06	169,340.46	112,040,757.60	55,191,851.16	169,340.46	55,022,510.70
Total	257,535,676.58	169,340.46	257,366,336.12	289,476,047.51	169,340.46	289,306,707.05

NOTES TO THE FINANCIAL STATEMENTS

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

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

13. 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 Period	Additions during the Period	Transferred to fixed assets	Other deductions	Accumulated amount of capitalized interest	Of which: Amount of interest capitalized for the Period	Interest capitalization rate for the Period (%)	Balance at the End of the Period
Project of Shijiao New Factory (石角新廠項目)	11,242,321.59	11,066,517.46	22,308,839.05					47,742,942.52
Semaglutide Project (司美項目)	53,876,039.98	32,678,473.02	38,811,570.48					
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	100,095,507.68	573,931.81	100,669,439.49					
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P04/P05建設項目)	1,710,588.82			1,710,588.82				41,750,648.05
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	243,501.31	41,507,146.74						
Jiaozuo new factory relocation project (焦作新廠遷建項目)	67,116,236.97	61,736,982.62	73,021,231.64					55,831,987.95
Total	234,284,196.35	147,563,051.65	234,811,080.66	1,710,588.82				145,325,578.52

NOTES TO THE FINANCIAL STATEMENTS

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

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

13. 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
Project of Shijiao New Factory (石角新廠項目)	377,005,000.00	93.21	100.00	Self-funding and raised funds
Semaglutide Project (司美項目)	168,900,000.00	71.89	70.00	Self-funding
Transformation Project of Pharmaceutical Factory Workshop (藥廠車間改造項目)	306,558,388.48	92.62	100.00	Self-funding
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P04/P05建設項目)	126,880,000.00	1.35	—	Self-funding
P03 Construction Project of Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠P03建設項目)	106,033,900.00	39.37	40.00	Self-funding
Jiaozuo new factory relocation project (焦作新廠遷建項目)	184,261,900.00	69.93	70.00	Self-funding
Total	1,269,639,188.48	—	—	—

③ Provision for impairment of construction in progress

Item	Balance at the Beginning of the Period	Provision for the Period	Decrease in the Period	Balance at the End of the Period
Others	169,340.46			169,340.46

NOTES TO THE FINANCIAL STATEMENTS

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

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

14. Right-of-use assets

Item	Plant and building
I. Original book value:	
1. Balance at the Beginning of the Period	52,802,993.88
2. Addition during the Period	24,533,731.75
(1) Leasing	24,533,731.75
3. Decrease during the Period	25,980,602.95
4. Balance at the End of the Period	51,356,122.68
II. Accumulated depreciation	
1. Balance at the Beginning of the Period	31,894,881.32
2. Addition during the Period	19,289,189.73
(1) Provision	19,289,189.73
3. Decrease during the Period	24,911,160.35
4. Balance at the End of the Period	26,272,910.70
III. Provision for impairment	
1. Balance at the Beginning of the Period	
2. Addition during the Period	
3. Decrease during the Period	
4. Balance at the End of the Period	
IV. Carrying amount	
1. Carrying amount at the End of the Period	25,083,211.98
2. Carrying amount at the Beginning of the Period	20,908,112.56

During the Period, the Company recognized lease expenses related to short-term leases and the leases of low-value assets of RMB1.5469 million.

NOTES TO THE FINANCIAL STATEMENTS

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

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

15. 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 Period	298,548,726.43	822,786,030.77	71,106,255.18	28,716.98	10,985,294.53	1,203,455,023.89
2. Additions for the Period		15,664,286.64	2,798,561.92		2,216,640.00	20,679,488.56
(1) Acquisition		4,053,481.29	2,798,561.92		2,216,640.00	9,068,683.21
(2) Internal R&D		11,610,805.35				11,610,805.35
3. Decrease for the Period	9,403,981.00					9,403,981.00
(1) Disposal or written off	9,403,981.00					9,403,981.00
4. Balance at the End of the Period	289,144,745.43	838,450,317.41	73,904,817.10	28,716.98	13,201,934.53	1,214,730,531.45
II. Accumulated amortization						
1. Balance at the Beginning of the Period	98,617,811.00	607,860,220.69	51,696,514.89	25,139.99	7,781,250.27	765,980,936.84
2. Additions for the Period	5,642,297.24	26,542,050.47	6,547,050.85	471.72	1,117,001.45	39,848,871.73
(1) Provision	5,642,297.24	26,542,050.47	6,547,050.85	471.72	1,117,001.45	39,848,871.73
3. Decrease for the Period	5,972,137.45					5,972,137.45
(1) Disposal or written off	5,972,137.45					5,972,137.45
4. Balance at the End of the Period	98,287,970.79	634,402,271.16	58,243,565.74	25,611.71	8,898,251.72	799,857,671.12
III. Provision for impairment						
1. Balance at the Beginning of the Period	981,826.94	10,209,166.76				11,190,993.70
2. Additions for the Period						
3. Decrease for the Period						
4. Balance at the End of the Period	981,826.94	10,209,166.76				11,190,993.70
IV. Carrying amount						
1. Carrying amount at the End of the Period	189,874,947.70	193,838,879.49	15,661,251.36	3,105.27	4,303,682.81	403,681,866.63
2. Carrying amount at the Beginning of the Period	198,949,088.49	204,716,643.32	19,409,740.29	3,576.99	3,204,044.26	426,283,093.35

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 52.63%.

On the balance sheet date, the Company engaged an appraiser to conduct an impairment test on intangible assets carried forward from the previous Period and adopted the asset group related to such intangible asset to estimate the present value of future cash flows when estimating the recoverable amount of the investment cost. As tested, such asset group did not experience any impairment.

The estimated future cash flow of the asset group is calculated according to the financial budget for the benefit period of the biotechnology made by the management.

NOTES TO THE FINANCIAL STATEMENTS

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

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

15. Intangible assets (Continued)

(1) Status of Intangible assets (Continued)

Key assumptions of discounted future cash flow for impairment test are as follows:

For the calculation of estimated present value of future cash flow of the asset group related to the biotechnology, key assumptions are a gross profit margin of 82.55% – 83.72% and a business revenue growth rate of -1% – 239% as well as a cash flow discount rate of 14.50%. The management took into account historical conditions prior to the budget period and predictions for market development in making above assumptions.

(2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending for certificate of ownership
Land use rights	19,715,757.62	Procedure in progress

(3) Notes to intangible assets

The land use rights represent the state-owned land use rights obtained by the Company in accordance with PRC laws in China, and the term of grant will be 50 years commencing from the date of obtaining the land use rights.

16. Development expenditure

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Development expenditure	287,888,786.16	36,645,008.45	104,035,813.85	220,497,980.76

Please refer to Note VI. Research and Development Expenditure for details.

NOTES TO THE FINANCIAL STATEMENTS

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

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

17. Goodwill

(1) Original book value of goodwill

Name of investee	Balance at the Beginning of the Period	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Arose from business combination	Others	Disposal	Others	
Balance at the End of the Period Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	47,912,269.66					47,912,269.66
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	13,863,330.24					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					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					7,271,307.03
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	2,045,990.12					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					3,492,752.58
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司)	21,870,805.09					21,870,805.09
Total	143,382,609.97					143,382,609.97

(2) Provision for impairment of goodwill

Name of investee	Balance at the Beginning of the Period	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Provision	Others	Disposal	Others	
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	11,200,000.00					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					7,271,307.03
Total	18,471,307.03					18,471,307.03

NOTES TO THE FINANCIAL STATEMENTS

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

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

17. Goodwill (Continued)

(2) Provision for impairment of goodwill (Continued)

Goodwill of the Company arose from its business combination involving enterprises not under common control.

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 84.97%-86.32% and a business revenue growth rate of -2.63%-6.45% as well as a cash flow discount rate of 14.71%. 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 56.17%-60.53% and a business revenue growth rate of 0-14.43% 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 58.50%-63.85% and a business revenue growth rate of -2.02%-2.16% 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.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司), key assumptions are a gross margin of 2.09%-63.30% and a business revenue growth rate of 0-450% as well as a cash flow discount rate of 15.53%. 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

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

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

18. Long-term deferred expenses

Item	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period		Balance at the End of the Period
			Amortisation for the Period	Other decrease	
Renovation costs of offices	24,676,971.83	3,142,560.55	5,626,616.03		22,192,916.35
Renovation costs of plants	101,024,125.13	22,612,886.46	15,982,599.52	1,508,083.30	106,146,328.77
Resins and fillers	19,139,639.91	18,394,292.02	19,717,196.26		17,816,735.67
License fee	21,962,914.49		3,378,909.92		18,584,004.57
Others	13,928,562.71	4,478,705.92	7,398,887.11		11,008,381.52
Total	180,732,214.07	48,628,444.95	52,104,208.84	1,508,083.30	175,748,366.88

19. 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 End of the Previous 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	202,777,799.75	33,685,563.46	185,952,050.95	29,802,090.05
Accrued expenses	568,516,781.08	85,277,517.17	480,769,741.16	72,388,453.94
Deductible losses	588,291,021.85	88,243,653.28	360,530,212.96	56,559,983.48
Deferred income	232,244,090.61	34,836,613.59	261,732,990.84	39,273,948.62
Unrealized gains from intra-company transactions	342,822,538.33	51,484,093.65	261,650,441.32	39,414,182.87
Share incentive costs	146,115,191.99	21,917,278.80	160,616,539.21	24,121,929.62
Changes in fair value	19,969,938.37	3,805,031.12	6,788,598.30	1,118,844.82
Lease liabilities	25,632,966.15	3,855,370.02	21,235,216.59	3,228,721.46
Other deductible temporary difference	221,049,675.46	33,240,307.27	239,768,330.13	36,016,121.69
Subtotal	2,347,420,003.59	356,345,428.36	1,979,044,121.46	301,924,276.55
Deferred income tax liabilities:				
Valuation of financial instruments held for trading and derivative financial instruments	12,583,829.07	1,925,721.93	17,029,426.44	2,638,712.36
Changes in fair value of other equity instruments through other comprehensive income	276,736,095.37	44,063,292.82	277,123,738.37	45,949,550.72
Accelerated depreciation of fixed assets	985,797,180.92	149,087,333.27	989,226,480.81	149,502,458.97
Unrealized gains from intra-company transactions	56,940,000.00	8,541,000.00	56,940,000.00	8,541,000.00
Right-of-use assets	25,083,211.98	3,772,906.90	20,908,112.56	3,180,570.77
Subtotal	1,357,140,317.34	207,390,254.92	1,361,227,758.18	209,812,292.82

NOTES TO THE FINANCIAL STATEMENTS

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

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

19. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Breakdown of deductible temporary difference and deductible losses of unrecognized deferred income tax assets

Item	Balance at the End of the Period	Balance at the End of the Previous Year
Deductible temporary difference	528,647,041.74	705,890,030.05
Deductible losses	3,881,533,397.01	3,277,227,008.58
Total	4,410,180,438.75	3,983,117,038.63

(3) Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Balance at the End of the Period	Balance at the End of the Previous Year	Remarks
2024		346,142,552.31	
2025	407,871,974.13	408,024,891.88	
2026	554,979,730.64	555,026,002.05	
2027	714,968,022.87	720,950,750.34	
2028	1,113,026,403.45	1,113,027,397.26	
2029	951,567,738.41		
Indefinite	139,119,527.51	134,055,414.74	
Total	3,881,533,397.01	3,277,227,008.58	

NOTES TO THE FINANCIAL STATEMENTS

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

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

20. Other non-current assets

Item	Balance at the End of the Period	Balance at the End of Last Year
Remaining VAT credit	3,338,832.19	3,338,552.19
Prepayment for acquisition of project and equipment	119,280,875.84	168,256,581.68
Time deposits	466,993,683.39	
Total	589,613,391.42	171,595,133.87

21. Assets with restricted ownership or right of use

Item	Book balance	At the End of the Period		Restricted situation
		Carrying value	Type of restrictions	
Monetary funds	9,330,323.62	9,330,323.62	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	282,356,860.08	282,356,860.08	Pledged	Pledged bills receivable for the bill pool business
Total	291,687,183.70	291,687,183.70		

Continued:

Item	Book balance	At the End of the Previous Year		Restricted situation
		Carrying value	Type of restrictions	
Monetary funds	4,965,960.88	4,965,960.88	Locked up	Deposits for letters of guarantee and other businesses
Bills receivable	241,568,273.18	241,568,273.18	Pledged	Pledged bills receivable for the bill pool business
Total	246,534,234.06	246,534,234.06		

NOTES TO THE FINANCIAL STATEMENTS

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

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

22. Short-term loans

(1) Classification of short-term loans

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on credit	2,295,000,000.00	1,850,000,000.00
Loans on guarantee	100,000,000.00	10,009,625.00
Pledged borrowings	60,000,000.00	
Total	2,455,000,000.00	1,860,009,625.00

(2) The Company has no overdue but outstanding short-term loans.

23. Bills payables

Type	Balance at the End of the Period	Balance at the End of Last Year
Bank acceptance bills	965,581,088.61	894,588,217.10

The Company has no due but unpaid bills payables for the Period.

24. Accounts payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 3 months (including 3 months)	424,390,062.49	447,393,757.99
4 – 6 months (including 6 months)	27,358,168.95	63,278,870.98
7 – 12 months (including 12 months)	20,294,215.36	102,196,320.36
1 – 2 years (including 2 years)	64,871,885.90	77,332,024.34
Over 2 years	81,483,191.04	73,624,184.02
Total	618,397,523.74	763,825,157.69

(1) The aging of accounts payables is calculated from the date of billing.

(2) As at the End of the Period, there was no significant accounts payables aged over 1 year.

NOTES TO THE FINANCIAL STATEMENTS

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

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

25. Contract liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Within 1 year	93,948,412.46	119,693,793.53
Over 1 year	30,683,585.08	18,304,600.56
Total	124,631,997.54	137,998,394.09

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 Period is RMB91,524,843.62.

26. Employee benefits payables

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Short-term remuneration	263,140,978.74	1,602,431,929.28	1,535,314,948.94	330,257,959.08
Post-resignation benefits – defined contribution plans	8,910.00	124,466,908.34	124,475,818.34	
Dismissal benefits	1,282,742.00	3,215,749.54	4,498,491.54	
Total	264,432,630.74	1,730,114,587.16	1,664,289,258.82	330,257,959.08

(1) Short-term remuneration

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Salaries, bonuses, allowances and subsidies	261,984,429.74	1,433,325,568.33	1,366,309,994.43	329,000,003.64
Employee welfare	814,280.51	67,759,834.61	67,685,468.62	888,646.50
Social insurance fees	5,486.40	48,014,034.11	48,019,520.51	
Including:				
1. Medical insurance fees	5,400.00	42,068,194.40	42,073,594.40	
2. Work-related injury insurance fees	86.40	5,207,294.31	5,207,380.71	
3. Maternity insurance fees		738,545.40	738,545.40	
Housing provident fund	212,842.40	49,991,758.91	49,997,790.91	206,810.40
Labour union fees and employee education fees	123,938.12	3,340,733.32	3,302,172.90	162,498.54
Special funds of the share ownership scheme	1.57		1.57	
Total	263,140,978.74	1,602,431,929.28	1,535,314,948.94	330,257,959.08

NOTES TO THE FINANCIAL STATEMENTS

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

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

26. Employee benefits payables (Continued)

(2) Defined contribution plan

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Post-resignation benefits Including:	8,910.00	124,466,908.34	124,475,818.34	
1. Basic pension insurance fees	8,640.00	118,894,316.09	118,902,956.09	
2. Unemployment insurance fees	270.00	5,572,592.25	5,572,862.25	
Total	8,910.00	124,466,908.34	124,475,818.34	

The Company participates in pension insurance and unemployment insurance plans established by the government in accordance with relevant requirements. According to the plans, the Company makes contributions to these plans in accordance with relevant requirements of the local government. Save for the above contributions, the Company no longer undertakes further payment obligation. The corresponding cost is charged to the profit or loss for the current period or the cost of relevant assets when it occurs.

27. Taxes payables

Taxes	Balance at the End of the Period	Balance at the End of Last Year
Value added tax	63,382,722.69	85,152,511.07
Urban maintenance and construction tax	6,631,369.85	7,963,093.23
Enterprise income tax	112,878,344.55	181,581,949.67
Property tax	6,071,344.17	9,596,056.19
Land use tax	1,560,812.06	2,673,149.79
Individual income tax	4,120,518.93	3,693,389.98
Stamp duty	2,515,035.51	2,308,413.45
Education surcharges	4,402,109.74	5,267,235.91
Flood prevention fees	20,300.76	20,300.76
Others	1,114,687.47	831,895.23
Total	202,697,245.73	299,087,995.28

NOTES TO THE FINANCIAL STATEMENTS

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

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

28. Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends payable	9,890,041.38	12,478,280.13
Other payables	2,851,491,300.70	3,145,172,753.46
Total	2,861,381,342.08	3,157,651,033.59

(1) Dividends payable

Item	Balance at the End of the Period	Balance at the End of Last Year
Dividends on ordinary shares	20,174.46	20,174.46
Qingyuan Xinbeijiang (Group) Company (清遠新北江企業(集團)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shares of subsidiaries	5,302,168.02	6,709,282.62
Staff shares of subsidiaries	3,366,988.90	4,548,113.05
Total	9,890,041.38	12,478,280.13

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	5,302,168.02	Not yet paid
Staff shares of subsidiaries	3,366,988.90	Not yet paid
Total	9,869,866.92	—

NOTES TO THE FINANCIAL STATEMENTS

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

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

28. Other payables (Continued)

(2) Other payables

Item	Balance at the End of the Period	Balance at the End of Last Year
Office expenses	70,346,214.43	83,331,804.21
Deposits under guarantees	52,996,402.13	72,157,862.64
Utilities expenses	22,230,909.18	31,966,742.90
Research expenses	58,908,906.21	38,500,715.04
Business promotion expenses	2,526,916,478.34	2,747,452,284.71
Technology transfer funds	5,456,393.91	8,700,644.18
Balance with associates	9,778,409.44	13,256,379.28
Advisory, consultancy and information disclosure expenses	3,706,689.58	6,859,179.42
Business meeting expenses	10,857,362.82	8,607,166.46
Others	90,293,534.66	134,339,974.62
Total	2,851,491,300.70	3,145,172,753.46

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.

At the End of the Period, there were no significant other accounts payables aged over 1 year.

29. Non-current liabilities due within one year

Item	Balance at the End of the Period	Balance at the End of Last Year
Long-term loans due within 1 year	36,211,647.55	647,474,883.29
Lease liabilities due within 1 year	12,530,438.44	12,204,594.02
Total	48,742,085.99	659,679,477.31

(1) Long-term loans due within 1 year

Item	Balance at the End of the Period	Balance at the End of Last Year
Loans on guarantee		647,474,883.29
Loans on credit	36,211,647.55	
Total	36,211,647.55	647,474,883.29

NOTES TO THE FINANCIAL STATEMENTS

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

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

30. Other current liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Tax for items pending for settlement	10,642,182.94	9,933,488.90
Refund payable		39,844,637.92
Total	10,642,182.94	49,778,126.82

31. Long-term loans

Item	Balance at the End of the Period	Interest rate range	Balance at the End of Last Year	Interest rate range
Loans on credit	94,336,947.20	2.70%-2.95%	265,183,640.45	2.70%-3.05%
Loans on guarantee	1,407,609,812.72	2.50%-2.65%	1,995,064,521.83	2.65%-3.60%
Subtotal	1,501,946,759.92		2,260,248,162.28	
Less: Long-term loans due within 1 year	36,211,647.55	2.80%-2.95%	647,474,883.29	2.65%-3.60%
Total	1,465,735,112.37		1,612,773,278.99	

32. Lease liabilities

Item	Balance at the End of the Period	Balance at the End of Last Year
Amount payable under lease	25,632,966.15	21,235,216.59
Less: Lease liabilities due within one year	12,530,438.44	12,204,594.02
Total	13,102,527.71	9,030,622.57

During the Period, the amount of interest expenses of lease liabilities was RMB1.5187 million, which was recorded in finance expenses – interest expenses.

33. Deferred gains

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Government grants	269,370,462.59	16,083,100.00	47,030,726.24	238,422,836.35

For details of the government grants included in deferred gains, see Note VIII. Government grants.

NOTES TO THE FINANCIAL STATEMENTS

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

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

34. Other non-current liabilities

Item	Balance at the End of the Period	Balance at the End of Previous Year
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing		90,000,000.00

35. Share capital

2024

Item	Balance at the Beginning of the Period		Changes for the Period (+ -)					Balance at the End of the Period	
	Amount	Percentage (%)	Issuance of new shares	No. of bonus shares	Reserve Fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. Shares held by State Government									
2. Shares held by State-owned entities	17,306,329	1.87						17,306,329	1.90
3. Shares held by other domestic holders	2,604,405	0.28	114,827			-65,301	49,526	2,653,931	0.29
Including: Shares held by domestic natural persons	2,604,405	0.28	114,827			-65,301	49,526	2,653,931	0.29
4. Shares held by foreign holders									
Including: Shares held by domestic natural persons									
Shares subject to selling restrictions in aggregate	19,910,734	2.15	114,827			-65,301	49,526	19,960,260	2.19
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	594,196,188	64.31	6,546,128			-16,409,263	-9,863,135	584,333,053	64.12
2. Overseas listed foreign shares (H-share)	309,831,217	33.54				-2,778,800	-2,778,800	307,052,417	33.69
Shares not subject to selling restrictions in aggregate	904,027,405	97.85	6,546,128			-19,188,063	-12,641,935	891,385,470	97.81
III. Total number of shares	923,938,139	100.00	6,660,955			-19,253,364	-12,592,409	911,345,730	100.00

According to the relevant requirements of the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), there are 2,653,931 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

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

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

35. Share capital (Continued)

2023

Item	Balance at the Beginning of the Year		Issuance of new shares	Changes for the Period (+ -)				Balance at the End of the Period	
	Amount	Percentage (%)		No. of bonus shares	Reserve Fund capitalized	Others	Subtotal	Amount	Percentage (%)
I. Shares subject to selling restrictions									
1. Shares held by State Government									
2. Shares held by State-owned entities	17,306,329	1.85						17,306,329	1.87
3. Shares held by other domestic holders	2,501,537	0.26				102,868	102,868	2,604,405	0.28
Including: Shares held by domestic natural persons	2,501,537	0.26				102,868	102,868	2,604,405	0.28
4. Shares held by foreign holders	53,235	0.01				-53,235	-53,235		
Including: Shares held by foreign natural persons	53,235	0.01				-53,235	-53,235		
Shares subject to selling restrictions in aggregate	19,861,101	2.12				49,633	49,633	19,910,734	2.15
II. Shares not subject to selling restrictions									
1. Ordinary shares denominated in Renminbi	605,860,369	64.76				-11,664,181	-11,664,181	594,196,188	64.31
2. Overseas listed foreign shares (H-share)	309,831,217	33.12						309,831,217	33.54
Shares not subject to selling restrictions in aggregate	915,691,586	97.88				-11,664,181	-11,664,181	904,027,405	97.85
III. Total number of shares	935,552,687	100.00				-11,614,548	-11,614,548	923,938,139	100.00

According to the relevant requirements of the Guideline No. 1 on Self-Discipline Supervision of Companies Listed on the Shenzhen Stock Exchange – Standardized Operation of Main Board Listed Companies (《深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作》), there are 2,604,405 locked shares held by the senior management.

NOTES TO THE FINANCIAL STATEMENTS

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

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

36. Capital reserve

2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,029,948,025.05	246,039,893.03	1,018,133,068.02	257,854,850.06
Other capital reserve	292,550,449.18	36,253,521.64	57,414,633.47	271,389,337.35
Total	1,322,498,474.23	282,293,414.67	1,075,547,701.49	529,244,187.41

The increase in the share premium for the Period represented: ① an increase in share premium of RMB201,893,546.05 as a result of the exercise of 6,660,955 share options during the Period, and the withdrawal of share incentive expenses of RMB41,698,520.18 was transferred from other capital reserves into share premium; ② upon the exercise of share options, pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision decreased income tax payable by RMB2,447,826.80, the share premium was increased accordingly.

The decrease in the share premium in the Period represented: ① the decrease in share premium of RMB642,692,591.19 as a result of cancellation of 19,253,364 repurchased shares; ② the decrease in share premium due to the difference of RMB375,440,476.83 between the capital contribution and acquisition payment and the corresponding net assets shares of the subsidiary for the disproportionate capital increase to a subsidiary and acquisition of minority equity in a subsidiary.

Other capital reserve increase for the Period represented: ① withdrawal of share incentive expenses of RMB10,389,718.88; ② capital reserve increase of RMB25,863,802.76 due to changes in equity calculated under the equity method. The decrease in other capital reserve for the Period represented: ① the withdrawal of share incentive expenses of RMB41,698,520.18 was transferred from other capital reserves into share premium; ② failure to meet the performance conditions set by the Share Options Incentive Scheme, resulting in the reversal of previously accrued share incentive expenses amounting to RMB15,716,113.29.

NOTES TO THE FINANCIAL STATEMENTS

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

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

36. Capital reserve (Continued)

2023

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Share premium	1,422,329,567.31		392,381,542.26	1,029,948,025.05
Other capital reserve	205,148,795.29	87,401,653.89		292,550,449.18
Total	1,627,478,362.60	87,401,653.89	392,381,542.26	1,322,498,474.23

The decrease in the share premium in the Period represented: ① the decrease in share premium of RMB390,476,161.70 as a result of cancellation of 11,614,548 repurchased shares; ② pursuant to the taxation rules, the difference between deductible expenses before taxation and the amount of provision increased income tax payable by RMB523,427.64, the share premium was decreased accordingly; ③ the difference between the consideration for the acquisition of minority interests and the share of minority interests acquired decreased capital premium by RMB1,381,952.92.

Other capital reserve increase for the Period includes: ① withdrawal of share incentive expenses of RMB65,820,074.82; ② capital reserve increase of RMB21,581,579.07 due to changes in equity calculated under the equity method.

37. Treasury shares

2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares		858,562,382.65	661,945,955.19	196,616,427.46

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for 26,950,864 Shares of the Company through centralized bidding transactions by the Company. The decrease in treasury shares for the Period represented: the cancellation of 19,253,364 repurchased shares.

2023

Item	Balance at the Beginning of the Year	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Repurchase of A Shares and H Shares	55,936,280.81	346,154,428.89	402,090,709.70	

The increase in treasury shares for the Period represented: the repurchase of the total amount of capital used for A Shares through centralized bidding transactions by the Company. The decrease in treasury shares for the Period represented: the cancellation of repurchased shares.

NOTES TO THE FINANCIAL STATEMENTS

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

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

38. Other comprehensive income

2024

Item	Amount for the Period						
	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized in other comprehensive income in previous period transferred to retained earnings for current period (2)	Less: income tax expenses	Attributable to parent company after tax (3)	Attributable to minority interests after tax
I. Other comprehensive income not to be reclassified into profit or loss	154,381,888.45	-12,883,866.89		39,729,556.16	-3,201,850.31	-6,641,016.43	-3,041,000.15
1. Other comprehensive income not to be reclassified into profit or loss under equity method	22,492,256.04	-12,168,039.33				-12,168,039.33	
2. Change in fair value of investments in other equity instruments	131,889,632.41	-715,827.56		39,729,556.16	-3,201,850.31	5,527,022.90	-3,041,000.15
II. Other comprehensive income to be reclassified into profit or loss	-11,310,320.60	15,643,679.46				15,479,371.37	164,308.09
1. Other comprehensive income to be reclassified into profit or loss under equity method	435,839.62	319,802.85				319,802.85	
2. Translation differences of financial statements denominated in foreign currency	-11,746,160.22	15,323,876.61				15,159,568.52	164,308.09
Total other comprehensive income	143,071,567.85	2,759,812.57		39,729,556.16	-3,201,850.31	8,838,354.94	-2,876,692.06

NOTES TO THE FINANCIAL STATEMENTS

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

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

38. Other comprehensive income (Continued)

2023

Item	Amount for the Period							
	Balance at the Beginning of the Period (1)	Amount incurred before income tax for the Period	Less: Amount recognized in other comprehensive income in previous period transferred to profit or loss for current period	Less: Amount recognized in other comprehensive income in previous period transferred to retained earnings for current period (2)	Less: income tax expenses	Attributable to parent company after tax (3)	Attributable to minority interests after tax	Balance at the End of the Period (4)=(1)-(2)+(3)
I. Other comprehensive income not to be reclassified into profit or loss	210,136,038.95	-36,612,959.91		4,408,075.32	13,184,665.40	-51,346,075.18	1,548,449.87	154,381,888.45
1. Other comprehensive income not to be reclassified into profit or loss under equity method	19,544,123.98	2,948,132.06				2,948,132.06		22,492,256.04
2. Change in fair value of investments in other equity instruments	190,591,914.97	-39,561,091.97		4,408,075.32	13,184,665.40	-54,294,207.24	1,548,449.87	131,889,632.41
II. Other comprehensive income to be reclassified into profit or loss	-23,647,380.22	12,682,737.04				12,337,059.62	345,677.42	-11,310,320.60
1. Other comprehensive income to be reclassified into profit or loss under equity method	612,516.97	-176,677.35				-176,677.35		435,839.62
2. Translation differences of financial statements denominated in foreign currency	-24,259,897.19	12,859,414.39				12,513,736.97	345,677.42	-11,746,160.22
Total other comprehensive income	186,488,658.73	-23,930,222.87		4,408,075.32	13,184,665.40	-39,009,015.56	1,894,127.29	143,071,567.85

NOTES TO THE FINANCIAL STATEMENTS

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

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

39. Surplus reserve

2024

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75			577,212,833.75
Discretionary surplus reserve	63,796,201.34			63,796,201.34
Reserve funds	82,108,376.71			82,108,376.71
Enterprise development fund	21,683,742.35			21,683,742.35
Total	744,801,154.15			744,801,154.15

2023

Item	Balance at the Beginning of the Period	Increase in the Period	Decrease in the Period	Balance at the End of the Period
Statutory surplus reserve	577,212,833.75			577,212,833.75
Discretionary surplus reserve	63,796,201.34			63,796,201.34
Reserve funds	82,108,376.71			82,108,376.71
Enterprise development fund	21,683,742.35			21,683,742.35
Total	744,801,154.15			744,801,154.15

NOTES TO THE FINANCIAL STATEMENTS

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

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

40. Retained earnings

(1) Movement in retained earnings

Item	Amount for the Period	Amount for Previous Period	Appropriation or allocation proportion
Retained earnings at the End of Previous Year before adjustment	10,908,185,967.49	10,437,684,823.51	—
Adjustment for total retained earnings at the Beginning of the Period (+ for increase, – for decrease)			—
Retained earnings at the Beginning of the Period after adjustment	10,908,185,967.49	10,437,684,823.51	
Add: Net profit attributable to owners of the parent company for the Period	2,061,095,803.97	1,953,650,833.28	—
Disposal of other equity instruments	39,729,556.16	4,408,075.32	—
Less: Appropriation to statutory surplus reserve			
Dividends payable to ordinary shares	1,247,632,149.02	1,487,557,764.62	
Retained earnings at the End of the Period	11,761,379,178.60	10,908,185,967.49	

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

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

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

40. Retained earnings (Continued)

(2) Notes to appropriation of profits

Item	The Period	Unit: RMB'000
		Previous Period
Dividends:		
Final dividends for 2023 paid during the Year (Note 2)	1,247,632.15	
Final dividends for 2022 paid during the Year (Note 3)	—	1,487,557.76
Dividends declared after balance sheet date:		
Final dividends for 2024 (Note 1)		—
Final dividends for 2023 (Note 2)	—	1,247,632.15

Note 1: On 26 March 2025, the 2024 Annual Profit Distribution Plan was resolved and approved at the 23rd meeting of the eleventh session of the Board of the Company, it is expected to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

Note 2: On 28 March 2024, the 2023 Annual Profit Distribution Plan was resolved and approved at the 13th meeting of the 11th session of the Board of the Company, it is expected to distribute cash dividend of RMB13.50 (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 2023 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 14 June 2024 and the payment was completed.

Note 3: On 30 March 2023, the 2022 Annual Profit Distribution Plan was resolved and approved at the 46th meeting of the tenth session of the Board of the Company, it is expected to distribute cash dividend of RMB16.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2022 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 21 June 2023 and the payment was completed.

NOTES TO THE FINANCIAL STATEMENTS

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

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

41. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities	11,700,607,055.89	3,995,776,770.49	12,325,586,500.80	4,389,732,242.49
Other activities	111,731,798.79	85,330,186.44	104,451,825.02	75,741,118.61
Total	11,812,338,854.68	4,081,106,956.93	12,430,038,325.82	4,465,473,361.10

The Company operates in a single operating segment in the PRC, i.e. the manufacture of pharmaceuticals. Accordingly, no information on operating segment of the Company is presented.

(2) Operating income and operating costs presented by product types

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical drug preparations	6,119,280,577.64	1,191,792,820.74	6,570,639,537.54	1,374,066,456.91
APIs and intermediates	3,254,813,190.56	2,078,062,928.99	3,252,993,304.38	2,098,349,900.71
Traditional Chinese medicine preparations	1,408,665,554.58	341,044,343.07	1,744,892,737.51	547,592,940.44
Biological products	170,894,744.45	107,637,053.53	84,426,083.26	102,589,712.45
Diagnostic reagents and equipment	718,428,253.32	259,860,292.34	658,966,438.70	256,124,411.27
Others	28,524,735.34	17,379,331.82	13,668,399.41	11,008,820.71
Subtotal	11,700,607,055.89	3,995,776,770.49	12,325,586,500.80	4,389,732,242.49
Other activities:				
Sales materials, processing charge, etc.	51,392,431.10	33,489,439.28	45,950,441.95	27,118,109.90
Lease fees	8,333,634.18	1,059,122.29	9,055,551.44	2,528,922.41
Others	52,005,733.51	50,781,624.87	49,445,831.63	46,094,086.30
Subtotal	111,731,798.79	85,330,186.44	104,451,825.02	75,741,118.61
Total	11,812,338,854.68	4,081,106,956.93	12,430,038,325.82	4,465,473,361.10

NOTES TO THE FINANCIAL STATEMENTS

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

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

41. Operating income and operating cost (Continued)

(3) Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Domestic	9,976,999,763.57	3,115,011,134.23	10,754,233,842.34	3,505,739,065.11
Overseas	1,723,607,292.32	880,765,636.26	1,571,352,658.46	883,993,177.38
Total	11,700,607,055.89	3,995,776,770.49	12,325,586,500.80	4,389,732,242.49

(4) Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	11,700,607,055.89	3,995,776,770.49	12,325,586,500.80	4,389,732,242.49
Other activities:				
Of which: recognized at a point of time	103,398,164.61	84,271,064.15	95,396,273.58	73,212,196.20
Lease income	8,333,634.18	1,059,122.29	9,055,551.44	2,528,922.41
Total	11,812,338,854.68	4,081,106,956.93	12,430,038,325.82	4,465,473,361.10

NOTES TO THE FINANCIAL STATEMENTS

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

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

42. Taxes and surcharges

Item	Amount for the Period	Amount for Previous Period
Urban maintenance and construction tax	55,617,784.18	62,773,954.09
Education surcharges	42,674,083.90	48,034,018.38
Land use tax	6,494,143.85	6,807,030.61
Property tax	27,506,870.22	23,527,349.58
Stamp duty	9,179,912.90	9,432,907.27
Vehicle and vessel usage tax	48,010.64	93,140.13
Environmental protection tax	345,198.31	198,348.29
Others	727,266.21	648,264.74
Total	142,593,270.21	151,515,013.09

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. TAXATION.

43. Selling expenses

Item	Amount for the Period	Amount for Previous Period
Marketing and promotional expenses	2,572,030,592.64	3,121,844,539.47
Staff salaries	478,299,696.53	353,245,429.10
Office, entertainment and travelling expenses	80,056,716.96	55,532,041.03
Business meeting expenses	67,258,392.21	20,447,505.05
Others	56,993,106.36	47,083,207.22
Total	3,254,638,504.70	3,598,152,721.87

44. Administrative expenses

Item	Amount for the Period	Amount for Previous Period
Staff salaries	317,305,664.73	266,663,096.69
Share incentive expenses	-3,335,299.32	76,725,834.18
Depreciation and amortization	84,676,264.78	94,947,478.74
Advisory, consultancy and information disclosure fees	21,580,332.62	18,548,756.89
Quality project expenses	37,508,757.46	51,398,582.85
Office, entertainment and travelling expenses	52,223,506.17	51,636,475.53
Repair of utilities, transportation and miscellaneous expenses	19,450,599.60	23,062,071.97
Recruitment and staff training expenses	6,897,737.18	6,528,710.34
Auditors' fees	2,169,811.32	3,213,207.49
Others	74,580,185.29	61,549,912.24
Total	613,057,559.83	654,274,126.92

NOTES TO THE FINANCIAL STATEMENTS

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

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

45. R&D expenses

Item	Amount for the Period	Amount for Previous Period
Material costs	137,842,329.62	217,654,713.17
Staff salaries	322,640,661.93	307,392,293.77
Testing fees	412,670,548.22	332,800,582.26
Depreciation and amortization	102,263,824.84	361,506,506.40
Outsourced research and development expenses	18,222,452.84	56,461,661.17
Others	39,715,690.70	58,879,722.85
Total	1,033,355,508.15	1,334,695,479.62

46. Finance expenses

Item	Amount for the Period	Amount for Previous Period
Interest expenses	88,606,560.78	102,085,923.09
Less: Interest income	247,956,636.96	368,159,120.40
Exchange gains/losses	-944,480.13	-10,231,666.45
Commission charges and others	4,404,478.42	4,802,940.87
Total	-155,890,077.89	-271,501,922.89

47. Other income

Item	Amount for the Period	Amount for Previous Period	Related to assets/ Related to income
Government grants	44,032,755.02	77,125,187.14	Related to assets
Government grants	76,238,029.31	109,212,865.84	Related to income
Tax withholding commission charges	2,492,687.73	1,991,168.63	
Additional deduction of value added tax	19,773,649.86	16,455,214.47	
Total	142,537,121.92	204,784,436.08	

For specific information on government grants, please refer to Note VIII Government grants for details; for reasons of government grants which are non-recurring profit or loss items, please refer to Note XVIII. 1.

NOTES TO THE FINANCIAL STATEMENTS

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

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

48. Investment income

Item	Amount for the Period	Amount for Previous Period
Long-term equity investments income under equity method	9,869,948.94	58,460,786.39
Investment income from financial assets held for trading during the holding period	745,083.08	356,166.62
Dividend income from other equity instrument investments	3,567,312.00	21,295,667.39
Investment income from disposal of financial assets held for trading (Note 1)	3,204,571.56	-18,293,656.00
Total	17,386,915.58	61,818,964.40

Note 1: Details of investment income from disposal of financial assets held for trading are as follows:

Item	Amount for the Period	Amount for Previous Period
Equity instrument investments held for trading – Stock investments	16,921.08	3,279.44
Debt instrument investment held for trading	2,509,507.92	
Derivatives not designated as hedging instruments	678,142.56	-18,296,935.44
Of which: Forward foreign exchange contract	678,142.76	-18,296,935.44
Others	-0.20	
Total	3,204,571.56	-18,293,656.00

49. Gains from changes in fair value

Sources of gains from changes in fair value	Amount for the Period	Amount for Previous Period
Financial assets held for trading	-7,429,026.15	-26,273,973.98
Of which: Debt instrument investments	131,848.85	3,298.53
Equity instrument investments	-5,244,566.75	-24,382,368.68
Derivative financial assets	-2,316,308.25	-1,894,903.83
Financial liabilities held for trading	-8,010,128.96	623,217.31
Of which: Derivative financial liabilities	-8,010,128.96	623,217.31
Total	-15,439,155.11	-25,650,756.67

50. Credit impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Bad debt loss of accounts receivables	-4,640,137.92	-13,452,389.16
Bad debt loss of other receivables	-2,576,131.24	387,212.37
Total	-7,216,269.16	-13,065,176.79

NOTES TO THE FINANCIAL STATEMENTS

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

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

51. Asset impairment loss ("-" represents losses)

Item	Amount for the Period	Amount for Previous Period
Loss on obsolete stocks	-76,326,348.41	-309,468,215.74
Impairment loss on fixed assets	-12,796,672.86	-569,867.28
Impairment loss on development expenditure	-92,425,008.50	
Total	-181,548,029.77	-310,038,083.02

52. Gains on disposal of assets

Item	Amount for the Period	Amount for Previous Period
Gains on disposal of fixed assets ("-" represents losses)	45,202,545.04	-170,440.24

53. Non-operating income

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Gains on destruction or retirement of non-current assets	89,565.26	3,855.00	89,565.26
Income from scraps	2,079,068.48	1,810,361.55	2,079,068.48
Compensation income	980,165.70	351,920.01	980,165.70
Waiver of payables	1,653,963.38	2,293,183.73	1,653,963.38
Others	676,437.84	190,761.93	676,437.84
Total	5,479,200.66	4,650,082.22	5,479,200.66

54. Non-operating expenses

Item	Amount for the Period	Amount for Previous Period	Amount charged to non-recurring gains or losses during the Period
Charitable donation expenses	12,977,288.43	16,981,436.81	12,977,288.43
Loss on destruction or retirement of non-current assets	7,150,533.15	1,865,610.23	7,150,533.15
Others	23,605,372.76	18,244,978.78	23,605,372.76
Total	43,733,194.34	37,092,025.82	43,733,194.34

NOTES TO THE FINANCIAL STATEMENTS

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

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

55. Income tax expenses

(1) Breakdown of income tax expenses

Item	Amount for the Period	Amount for Previous Period
Current income tax calculated according to tax laws and relevant rules	555,302,654.48	498,430,473.92
Of which: Domestic enterprise income tax	541,025,969.69	498,430,473.92
Corporate income tax in Hong Kong and Macao	14,276,684.79	
Deferred income tax expenses	-53,641,339.40	-13,364,939.89
Total	501,661,315.08	485,065,534.03

(2) Reconciliation between income tax expenses and total profit is set out below:

Item	Amount for the Period	Amount for Previous Period
Total profit	2,806,146,267.57	2,382,666,546.27
Income tax expenses calculated at statutory tax rate	701,536,566.89	595,666,636.57
Effect of different tax rates applicable to subsidiaries	355,486.03	-36,791.03
Effect of tax reduction and exemption	-408,164,738.25	-374,843,287.30
Effect of non-taxable income	-1,722,909.17	-5,165,307.80
Effect of using the equity method	790,148.59	-7,523,775.23
Effect of non-deductible expenses	11,918,500.97	20,007,700.27
Credit (charge) on deductible temporary differences on which deferred income tax assets are not recognized for the Year	18,516,707.50	73,716,204.64
Deductible losses of deferred income tax assets are not recognized for the Year	104,733,514.93	144,933,423.20
Utilization of deductible losses of deferred income tax assets not recognized in prior periods	-3,547,557.09	-1,724,542.28
Others	77,245,594.68	40,035,272.99
Income tax expenses	501,661,315.08	485,065,534.03

NOTES TO THE FINANCIAL STATEMENTS

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

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

56. 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 ordinary shares increased after conversion of dilutive potential ordinary shares into issued ordinary shares, the dilutive potential ordinary shares which were issued in previous periods are assumed to be converted at the beginning of current year and the dilutive potential ordinary shares which were issued during the current year are assumed to be converted at the date of issue.

The calculation of basic and diluted earnings per share is as follows:

Calculation of earnings per share	Amount for the Period	Amount for Previous Period
Net profit attributable to ordinary shareholders of the parent company	2,061,095,803.97	1,953,650,833.28
Of which: Net profit from continuing operations	2,061,095,803.97	1,953,650,833.28
Net profit from discontinued operations		
Weighted average number of ordinary shares of the Company outstanding	920,350,151	929,124,135
Effect of dilution – weighted average number of ordinary shares (share options)		1,484,696
Weighted average number of ordinary shares of the Company outstanding after adjustment	920,350,151	930,608,831
Basic earnings per share	2.24	2.10
Of which: Basic earnings per share of continuing operations	2.24	2.10
Basic earnings per share of discontinued operations	–	–
Diluted earnings per share	2.24	2.10
Of which: Diluted earnings per share of continuing operations	2.24	2.10
Diluted earnings per share of discontinued operations	–	–

NOTES TO THE FINANCIAL STATEMENTS

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

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

57. Notes to cash flow statement items

(1) Cash received relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Government grants	92,135,558.09	183,179,718.82
Interest income	283,826,879.43	391,526,479.69
Deposits for letter of credit/bank acceptance bills	5,297,446.89	215,113.95
Movements in capital and others	43,765,026.06	97,593,530.72
Total	425,024,910.47	672,514,843.18

(2) Cash paid relating to other operating activities

Item	Amount for the Period	Amount for Previous Period
Business promotion expenses	2,824,062,225.69	3,016,484,590.74
R&D expenses	579,318,840.27	629,403,664.32
Bank charges	4,404,478.42	4,802,940.87
Deposits for letter of credit and bank acceptance bills	9,636,803.41	3,909,198.19
Other expenses paid	519,928,551.30	405,985,105.78
Movements in capital and others	40,883,329.97	35,728,487.01
Total	3,978,234,229.06	4,096,313,986.91

(3) Cash received relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Fixed deposit	300,000,000.00	270,000,000.00
Cash management	315,281,444.47	191,536,624.91
Dividends of Tianjin Tongrentang		112,640,000.00
Total	615,281,444.47	574,176,624.91

NOTES TO THE FINANCIAL STATEMENTS

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

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

57. Notes to cash flow statement items (Continued)

(4) Cash received relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Compensation for demolition		6,000,000.00

(5) Cash paid relating to major investing activities

Item	Amount for the Period	Amount for Previous Period
Guangda New Factory Project (光大新廠項目)		136,779,283.28
Time deposits	458,472,433.42	300,000,000.00
Cash management	314,230,400.45	
Total	772,702,833.87	436,779,283.28

(6) Cash paid relating to other investing activities

Item	Amount for the Period	Amount for Previous Period
Deposits under guarantee	25,000.00	325,000.00
Foreign exchange forward contract losses	4,921,998.66	29,274,143.05
Total	4,946,998.66	29,599,143.05

NOTES TO THE FINANCIAL STATEMENTS

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

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

57. Notes to cash flow statement items (Continued)

(7) Cash received relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Collection and advance payment of individual income tax	1,682,133.31	

(8) Cash paid relating to other financing activities

Item	Amount for the Period	Amount for Previous Period
Repurchase of shares and commission charges	858,562,382.65	346,154,428.89
Collection and advance payment of individual income tax	70,429.97	14,362.22
Rental	20,707,098.65	23,549,509.62
Withholding income tax	14,402,445.16	
Total	893,742,356.43	369,718,300.73

(9) Changes in liabilities arising from financing activities

Item	Balance at the Beginning of the Period	Cash changes		Accrued interest	Non-cash changes		Balance at the End of the Period
		Cash inflow	Cash outflow		Changes in fair value	Others	
Short-term loans	1,860,009,625.00	4,305,000,000.00	3,735,583,539.69	22,189,888.54		3,384,026.15	2,455,000,000.00
Long-term loans	2,260,248,162.28	1,560,552,394.66	2,384,149,517.55	64,897,982.89		397,737.64	1,501,946,759.92
Lease liabilities	21,235,216.59		20,707,098.65	1,518,689.35		23,586,158.86	25,632,966.15
Total	4,141,493,003.87	5,865,552,394.66	6,140,440,155.89	88,606,560.78		27,367,922.65	3,982,579,726.07

NOTES TO THE FINANCIAL STATEMENTS

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

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

58. Supplemental information to cash flow statement

(1) Supplemental information to cash flow statement

Supplemental information	Amount for the Period	Amount for Previous Period
1. Reconciliation from net profit to cash flow from operating activities:		
Net profit	2,304,484,952.49	1,897,601,012.24
Add: Asset impairment loss	181,548,029.77	310,038,083.02
Credit impairment loss	7,216,269.16	13,065,176.79
Depreciation of fixed assets	515,998,045.84	523,812,777.30
Amortization of right-of-use assets	19,289,189.73	21,520,727.38
Amortization of intangible assets	39,848,871.73	294,990,127.07
Amortization of long-term deferred expenses	52,104,208.84	47,575,890.87
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" represents gains)	-45,202,545.04	170,440.24
Loss on retirement of fixed assets ("-" represents gains)	7,060,967.89	1,861,755.23
Loss on fair value change ("-" represents gains)	15,439,155.11	25,650,756.67
Finance expenses ("-" represents gains)	87,003,804.40	94,955,270.34
Investment losses ("-" represents gains)	-17,386,915.58	-61,818,964.40
Decrease in deferred income tax assets ("-" represents increase)	-53,105,559.40	-18,033,207.41
Increase in deferred income tax liabilities ("-" represents decrease)	-535,780.00	4,668,267.52
Decrease in inventories ("-" represents increase)	-13,317,464.76	-334,424,677.95
Decrease in operating items receivable ("-" represents increase)	270,243,771.15	466,285,209.50
Increase in operating items payable ("-" represents decrease)	-388,506,175.25	-115,710,286.79
Others	-3,335,299.32	76,725,834.18
Net cash flow from operating activities	2,978,847,526.76	3,248,934,191.80
2. Major investment and financing activities irrelevant to cash income and expenses:		
Conversion of debts into capital		
Convertible corporate bonds due within 1 year		
The increased right-of-use assets of current period	24,533,731.75	20,917,452.83
3. Net change in cash and cash equivalents:		
Cash balance at the End of the Period	10,817,816,661.30	10,976,366,402.44
Less: Cash balance at the Beginning of the Period	10,976,366,402.44	10,072,642,681.72
Add: Balance of cash equivalents at the End of the Period		
Less: Balance of cash equivalents at the Beginning of the Period		
Net increase in cash and cash equivalents	-158,549,741.14	903,723,720.72

NOTES TO THE FINANCIAL STATEMENTS

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

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

58. 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

Nil.

(4) Composition of cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of Last Year
I. Cash	10,817,816,661.30	10,976,366,402.44
Of which: Cash on hand	155,198.45	143,780.93
Bank deposits that are readily available for payment	10,693,287,128.22	10,867,543,536.85
Other monetary funds that are readily available for payment	124,374,334.63	108,679,084.66
II. Cash equivalents		
Of which: Bond investments due within 3 months		
III. Balance of cash and cash equivalents at the End of the Period	10,817,816,661.30	10,976,366,402.44

Cash and cash equivalents excluded restricted cash and cash equivalents used by the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

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

58. Supplemental information to cash flow statement (Continued)

(5) Monetary funds that are not cash and cash equivalents

Item	Balance at the End of the Period	Balance at the End of the Previous Year	Reasons that are not cash and cash equivalents
Deposits for letters of guarantee and other businesses	9,330,323.62	4,965,960.88	Locked up
Time deposits		300,000,000.00	Interest is accrued at a fixed rate with a maturity period of more than one year but less than one year from the balance sheet date
Accrued interest		44,391,492.44	Interest accrued
Total	9,330,323.62	349,357,453.32	

59. Foreign currency monetary items

Item	Balance in foreign currency at the End of the Period	Exchange rate for conversion	Equivalent RMB balance at the End of the Period
Monetary funds			
Of which: HKD	15,425,110.37	0.92604	14,284,269.20
EUR	92,585.97	7.5257	696,774.24
USD	241,102,795.67	7.1884	1,733,143,336.39
MOP	6,374,373.52	0.8985	5,727,374.61
JPY	286,308,497.00	0.046233	13,236,900.74
MYR	17,061.18	1.61991	27,637.58
IDR	325,303,128,229.60	0.000453	147,362,317.09
Accounts receivables			
Of which: USD	60,253,606.55	7.1884	433,127,025.32
Other receivables			
Of which: HKD	960,771.39	0.92604	889,712.74
Accounts payables			
Of which: EUR	5,665.41	7.5257	42,636.18
USD	211,300.56	7.1884	1,518,912.95
JPY	24,936,230.40	0.046233	1,152,876.74
Other payables			
Of which: USD	4,405,983.55	7.1884	31,671,972.15
HKD	58,665.01	0.92604	54,326.15
IDR	13,000,000.00	0.000453	5,889.00

NOTES TO THE FINANCIAL STATEMENTS

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

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

60. Leases

(1) As a lessee

Item	Amount for the Period
short-term lease expenses	1,546,887.71

(2) As a lessor

Operating leases

① Lease income

Item	Amount for the Period
Lease income	8,333,634.1

② The undiscounted lease receivables to be received in each of the five consecutive accounting years after the balance sheet date, and the total undiscounted lease receivables to be received in the remaining years.

Post balance sheet date	Balance as at the End of the Period	Balance as at the End of the Previous Year
Year 1	3,615,049.52	5,286,896.70
Year 2	2,014,770.60	2,413,201.40
Year 3	378,934.10	813,720.00
Year 4		252,000.00
Year 5		252,000.00
After 5 years		1,554,000.00
Total	6,008,754.22	10,571,818.10

NOTES TO THE FINANCIAL STATEMENTS

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

VI. RESEARCH AND DEVELOPMENT EXPENDITURE

1. Research and development expenditure

Item	Amount for the Period		Amount for Previous Period	
	Expensed amount	Capitalised amount	Expensed amount	Capitalised amount
Material costs	137,842,329.62	2,086,757.27	217,654,713.17	14,047,007.93
Staff salaries	322,640,661.93		307,392,293.77	
Testing fees	412,670,548.22	20,066,519.10	332,800,582.26	54,645,966.84
Depreciation and amortization	102,263,824.84		361,506,506.40	
Purchased projects under research	18,222,452.84	14,450,298.12	56,461,661.17	110,189,959.33
Others	39,715,690.70	41,433.96	58,879,722.85	492,894.46
Total	1,033,355,508.15	36,645,008.45	1,334,695,479.62	179,375,828.56

2. Development expenditure

Item	Balance at the Beginning of the Period	Increase in the Period		Decrease in the Period		Balance at the End of the Period
		Internal development expenditure	Other increases	Recognized as intangible assets	Recognized in profit and loss for current period	
Biologics	92,425,008.50				92,425,008.50	
Chemical drug preparation	195,463,777.66	22,194,710.33	14,450,298.12	11,610,805.35		220,497,980.76
Total	287,888,786.16	22,194,710.33	14,450,298.12	11,610,805.35	92,425,008.50	220,497,980.76

(1) Significant capitalized research and development projects

Item	Progress of research and development	Anticipate how economic benefits will be generated	Point of time for commencement of capitalization	Specific basis for capitalization
JP1366 Project	The clinical trial has been approved	Marketing	Clinical stage	Obtain approval for clinical trial and evaluated by the Company

(2) Provision for development expenditure

Item	Balance at the Beginning of the Period	Provision for the Period	Decrease during the Period	Balance at the End of the Period
Biologics		92,425,008.50		92,425,008.50

3. Purchased projects under research

The JP1366 Project has been approved for market launch in Korea, and the Company is responsible for domestic clinical trials after the purchase. The Company has assessed that the future economic benefits of the projects will probably flow to the entity, and therefore the purchase price is recognised as development expense.

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group structure

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD451 million	100		Set-up
Ando Development Limited (安滔發展有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD0.5 million		100	Set-up
Livzon International Ventures	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.25 million		100	Set-up
Livzon International Ventures I	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD5.15 million		100	Set-up
Livzon International Ventures II	Subsidiary of a wholly-owned subsidiary	Limited company	Cayman	Cayman	Investment	USD0.05 million		100	Set-up
Lian Hong Kong Limited (麗安香港有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD313 million	100		Set-up
LIVZON MALAYSIA SDN. BHD.	Subsidiary of a wholly-owned subsidiary	Limited company	Malaysia	Malaysia	Technology development	MYR 100		100	Set-up
LIAN International Holding LTD	Subsidiary of a holding subsidiary	Limited company	Virgin Islands	Virgin Islands	Investment	USD0.05 million		100	Set-up
LIAN SGP HOLDING PTE. LTD	Subsidiary of a holding subsidiary	Limited company	Singapore	Singapore	Investment	USD32 million		100	Set-up
PT. LIVZON PHARMA INDONESIA	Subsidiary of a holding subsidiary	Limited company	Jakarta	Jakarta	Manufacture of medicine	IDR1,306,080 million		80	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 million	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 million	74.46	25.54	Set-up
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB20 million	60.04	39.96	Set-up
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Trade of goods	RMB60 million	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	RMB87.3289 million	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	Manufacture of medicine	RMB10 million		75	Set-up
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓醫藥科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB8 million		100	Consolidation not under common control

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai 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	RMB128.28 million		100	Set-up
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Jiaozuo	Jiaozuo	Manufacture of medicine	RMB70 million		100	Set-up
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB400 million	47.425 (Note)		Set-up
Companhia de Macau Carason Limitada (澳門嘉安信有限公司)	Subsidiary of a holding subsidiary	Limited company	Macao	Macao	Trade of goods	MOP0.10 million		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 million		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 million		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 million		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 million		100	Set-up
Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司)	Subsidiary of a holding subsidiary	Limited company	Changsha	Changsha	Manufacture of special equipment	RMB1 million		100	Set-up
Livzon Pharmaceutical Biotechnology Co., Ltd. (麗珠醫藥生物科技股份有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Provision of services	HKD0.01 million		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 million	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 million	57	25	Set-up
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB10 million	60.04	39.96	Set-up
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB65 million	83.85		Set-up
Li Zhu (Macao) Limitada (麗珠(澳門)有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Investment	MOP0.10 million		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Livzon Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB503.48685 million	60	40	Set-up
Zhuhai Livzon Investment Development Co., Ltd. (珠海市麗珠投資發展有限公司) (Former name: 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), hereinafter the same)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Investment	RMB500 million	90	10	Set-up
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	Holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1,095.472334 million	61.66		Set-up
Livzon Biologics Hong Kong Limited	Subsidiary of a holding	Limited company	Hong Kong	Hong Kong	Investment	HKD0.0004 million		100	Set-up
Zhuhai Kadi Medical Biotechnology Inc. (珠海市卡迪生物醫藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Technology development	RMB1 million		100	VIE
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	Subsidiary of a holding subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB1,500 million		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	USD1.10 million		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 million	57.41	42.59	Consolidation not under common control
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	RMB239.8877 million	87.14		Consolidation not under common control
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	Subsidiary of a holding subsidiary	Limited company	Pingluo county	Pingluo county	Manufacture of medicine	RMB200 million		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	USD41.70 million		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	RMB26.70 million	25	75	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	RMB61.56101 million	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 million		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 count	Longxi count	Crop farming	RMB4 million		100	Set-up

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(1) Group structure (continued)

Name of subsidiaries	Type	Type of legal entity	Principal place of business	Place of registration	Nature of business	Registered capital	Percentage of shareholding (%)		Acquisition method
							Direct	Indirect	
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿智新醫藥科技有限責任公司)(Former name: Shanghai Liyu Biopharmaceutical Technology Co., Ltd.(上海麗予生物醫藥技術有限責任公司), hereinafter the same)	Holding subsidiary	Limited company	Shanghai	Shanghai	Technology development	RMB3 million	55	45	Set-up
Wuhan Kangli Health Investment Management Co., Ltd.(武漢康麗健康投資管理有限公司)	Holding subsidiary	Limited company	Wuhan	Wuhan	Investment	RMB1,000 million	60		Set-up
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd.(毛孩子動物保健(廣東)有限公司)(Former name: Lijian (Guangdong) Animal Healthcare Co., Ltd.(麗健(廣東)動物保健有限公司), hereinafter the same)	Holding subsidiary	Limited company	Qingyuan	Qingyuan	Manufacture of medicine	RMB200 million	51		Set-up
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd.(珠海市麗珠中藥現代化科技有限公司)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Manufacture of medicine	RMB130 million	50	50	Set-up
Macau Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd.(澳門麗珠中藥現代化科技有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Macao	Macao	Trade of goods	MOPO.10 million		100	Set-up
Linfen Lizhu Qiaoyuan Medicine Co., Ltd.(臨汾麗珠翹源藥材有限公司)	Subsidiary of a wholly-owned subsidiary	Limited company	Linfen	Linfen	Crop farming	RMB5 million		51	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 104 of the Articles of Association of Livzon Diagnostics, the board of directors of Livzon Diagnostics consists of nine Directors. The Company will appoint 4 directors of its board of directors, representing more than half of the 6 non-independent directors, and one of them shall be appointed as the chairman of the board of directors. Pursuant to Article 72 and 73 of the Articles of Association of Livzon Diagnostics, "ordinary resolutions made by the General Meetings must be passed by more than half of the voting rights represented by the shareholders (including proxies) present at the shareholders' general meetings". Ordinary resolutions include annual financial budget, final accounts and other related businesses. Through its influence over the shareholders' general meetings and the board of directors of Livzon Diagnostics, the Company has the control over Livzon Diagnostics. As such, the Company includes Livzon Diagnostics in the scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(2) Important non-wholly owned subsidiaries

Name of subsidiaries	Percentage of minority interests (%)	Profit and loss attributable to minority interests for the Period	Dividends declared of or distribution to minority interests during the Period	Balance of equity of minority interests at the End of the Period
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	49.00	326,781,052.45	274,600,000.00	646,193,627.54
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	52.575	63,745,824.89	52,575,000.00	460,585,914.57
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	38.34	-205,756,856.09		-491,311,069.10
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	12.86	67,573,957.55		316,895,159.99

(3) Major financial information on important non-wholly owned subsidiaries

Name of subsidiaries	Balance at the End of the Period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司) (consolidated)	1,868,136,767.19	159,804,277.61	2,027,941,044.80	697,690,712.71	8,002,219.41	705,692,932.12
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	988,847,440.52	229,832,057.63	1,218,679,498.15	310,953,005.41	31,670,198.60	342,623,204.01
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	157,024,866.59	306,633,242.55	463,658,109.14	262,210,341.98	1,482,905,954.67	1,745,116,296.65
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	2,496,593,982.63	1,783,865,951.81	4,280,459,934.44	1,375,162,136.55	47,594,515.37	1,422,756,651.92

Continued (1):

Name of subsidiaries	Balance at the End of the Previous 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)	1,755,415,063.60	159,018,275.51	1,914,433,339.11	698,725,369.92	7,835,736.26	706,561,106.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) (consolidated)	960,370,975.22	275,487,887.13	1,235,858,862.35	348,436,176.85	34,012,775.42	382,448,952.27
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司) (consolidated)	388,617,888.39	566,281,020.26	954,898,908.65	890,898,698.83	1,547,257,071.47	2,438,155,770.30
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司) (consolidated)	1,942,367,503.07	1,745,812,763.30	3,688,180,266.37	1,378,934,378.40	47,253,214.06	1,426,187,592.46

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(3) Major financial information on important non-wholly owned subsidiaries (continued)

Continued (2):

Name of subsidiaries	Amount for the Period				Amount for Previous Period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai Livzon Pharmaceutical Manufacturing Co. Ltd. (上海麗珠製藥有限公司)(consolidated),	2,012,800,539.23	661,879,663.06	661,879,663.06	756,788,608.74	1,945,315,280.60	601,107,152.32	601,107,152.32	617,704,098.79
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)(consolidated)	722,834,548.13	121,247,408.27	121,346,384.06	137,254,362.63	668,010,685.47	79,162,872.52	79,258,837.87	82,667,789.60
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)(consolidated)	46,423,814.38	-479,515,900.21	-479,516,524.63	-153,515,743.32	-90,783,112.54	-999,186,716.72	-999,185,276.08	-386,448,754.89
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)(consolidated)	2,361,240,808.38	525,458,456.87	525,458,456.87	834,603,747.87	2,348,220,890.09	532,879,243.14	532,879,243.14	686,246,367.37

(4) Transactions that result in change of owners' equity in subsidiaries without losing control

① Changes of owners' equity of in subsidiaries

The Company originally held 55.13% equity interest in LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司) ("LivzonBio"). According to the Capital Contribution Agreement of LivzonBio, Inc. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) and the resolution of the general meeting of LivzonBio, the registered capital of LivzonBio will be increased from RMB889,023,284.00 to RMB1,095,472,334.00, and the newly-increased registered capital of RMB206,449,050.00 will fully paid by way of cash before 31 December 2028. The subscription consideration is RMB1,000,000,000, and the subscription consideration exceeding the subscribed capital contribution will be accounted in capital reserves. The Company made capital contributions of RMB160,000,000, RMB113,000,000, RMB172,500,000 and RMB232,440,000 on 25 March 2024, 27 November 2024, 2 December 2024 and 11 December 2024, respectively. The capital increase during the period resulted in an increase of RMB373,686,765.89 in minority interests and a decrease of RMB373,686,765.89 in capital reserve.

The Company originally held a 55% equity interest in Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿研智新醫藥科技有限責任公司) ("Ruiyan Zhixin Pharmaceutical"). According to the Equity Transfer Agreement of Shanghai Liyu Biopharmaceutical Technology Co., Ltd. (《關於上海麗予生物醫藥技術有限責任公司之股權轉讓協議》) and the resolution at the general meeting of Ruiyan Zhixin Pharmaceutical, Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司) will transfer its 45% equity in Ruiyan Zhixin Pharmaceutical to Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠) for a transfer consideration of RMB1.575 million. As at 31 December 2024, the equity transfer agreement has been fulfilled, and Livzon Group Livzon Pharmaceutical Factory paid a transaction consideration of RMB1.575 million. This transaction resulted in an increase of RMB1,753,710.94 in minority interests and a decrease of RMB1,753,710.94 in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

1. Equity in subsidiaries (continued)

(4) Transactions that result in change of owners' equity in subsidiaries without losing control (continued)

- ② Effect of the transactions on minority interest and equity attributable to the owners of the parent company

Item	Livzon Diagnostics	Ruiyan Zhixin Pharmaceutical
Acquisition cost		
– Cash	677,940,000.00	1,575,000.00
Total acquisition cost	677,940,000.00	1,575,000.00
Less: Difference in net assets shares of subsidiaries calculated based on the proportion of equity acquired	304,253,234.11	-178,710.94
Of which: adjustment in capital reserve	373,686,765.89	1,753,710.94

2. Business combinations involving enterprises not under common control

Nil.

3. Changes in the scope of consolidation due to other reasons

On 9 May 2024, Lian Hong Kong Limited (麗安香港有限公司) established LIAN International Holding LTD, with a registered capital of USD0.05 million, and was interested in 100% of its registered capital.

On 27 May 2024, LIAN International Holding LTD established LIAN SGP HOLDING PTE. LTD, with a registered capital of USD32 million, and was interested in 100% of its registered capital.

On 29 August 2024, LIAN SGP HOLDING PTE. LTD and PT GLOBAL CHEMINDO MEGATRADING established PT. LIVZON PHARMA INDONESIA as a joint venture, with a registered capital of Indonesian Rupiah1,306,080 million. PT. LIVZON PHARMA INDONESIA will issue 25% ordinary shares, of which LIAN SGP HOLDING PTE. LTD will contribute Indonesian Rupiah261,216 million, accounting for 80% of the initial issued shares, and PT GLOBAL CHEMINDO MEGATRADING will contribute Indonesian Rupiah 65,304 million, accounting for 20% of the initial issued shares.

On 16 April 2024, Zhuhai Liye Biotechnology Co., Ltd. (珠海市麗業生物技術有限公司) completed the business deregistration.

On 19 November 2024, Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司) completed the business deregistration.

On 5 December 2024, Changsha Lijin Baokang Medical Technology Co., Ltd. (長沙麗瑾葆康醫療科技有限公司) completed tax deregistration; on 7 January 2025, it completed the business deregistration.

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (continued)

4. Equity in associates

(1) Important associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatments for investments in joint ventures or associates
				Direct	Indirect	
Associates						
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Tianjin	Tianjin	Manufacture of medicine	40.00		Equity method

(2) Major financial information on important associates

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) 2024.12.31	
Owners' equity attributable to the parent company		627,091,302.27
Net assets shares calculated based on the proportion of the shares		250,836,520.90
Adjusting items		
Of which: Goodwill		498,457,683.68
Carrying amount of equity investment in associates		749,294,204.58

Continued:

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司) Amount for the Period	
Operating income		985,916,053.04
Dividends received by the enterprise from associates for the Period		

The Company calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES *(continued)*

4. Equity in associates *(continued)*

(3) Summarized financial information of other non-important associates

Item	Balance at the End of the Period/ Amount for the Period	Balance for Previous Period/ Amount for Previous Period
Associates:		
Total carrying amount of investments	306,926,111.48	325,655,367.95
Total amount calculated by percentage of shareholding		
Net profit	-45,987,862.08	-30,255,233.36
Other comprehensive income	319,802.85	-176,677.35
Total comprehensive income	-45,668,059.23	-30,431,910.71

(4) Explanation of major restrictions on the capacity of capital transfer from associates to the Company

Nil.

NOTES TO THE FINANCIAL STATEMENTS

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

VIII. GOVERNMENT GRANTS

1. Government grants included in deferred income

Classification	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period	Balance at the End of the Period
Government grant related to assets	268,247,750.86	16,083,100.00	46,929,855.02	237,400,995.84
Government grant related to income	1,122,711.73		100,871.22	1,021,840.51
Total	269,370,462.59	16,083,100.00	47,030,726.24	238,422,836.35

(1) Government grants included in deferred income will be measured by gross amount method subsequently

Type	Balance at the Beginning of the Period	Amount of Additional grant for the Period	Amount carried forward into profit and loss for the Period	Other changes	Balance at the End of the Period	Presentation item carried forward into profit and loss for the Period
Government grant related to assets	268,247,750.86	16,083,100.00	44,117,455.02	2,812,400.00	237,400,995.84	Other income
Government grant related to income	1,122,711.73		100,871.22		1,021,840.51	Other income
Total	269,370,462.59	16,083,100.00	44,218,326.24	2,812,400.00	238,422,836.35	

The above government grants were mainly from grants for projects such as R&D, technology transformation, technology innovation and relocation from relevant government authorities such as development and reform, finance, technology and industrial information bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS

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

VIII. GOVERNMENT GRANTS (continued)

2. Government grants charged to profit and loss of current period by adopting gross amount method

Type	Amount charged to profit and loss for the Previous Period	Amount charged to profit and loss for the Period	Presentation item charged to profit and loss
Government grant related to assets	77,125,187.14	44,032,755.02	Other income
Government grant related to income	109,212,865.84	76,238,029.31	Other income
Total	186,338,052.98	120,270,784.33	

Government grants were mainly from grants for projects such as enterprises operation, R&D, technology transformation, technology innovation, export credit insurance and employment assurance from relevant government authorities such as development and reform, finance, commerce, technology, technology and industrial information bureau, human resources and social security bureau of prefecture, provincial and municipal level government of the place where the Company and its subsidiaries operate.

3. Government grants adopting the netting method to offset the relevant cost

Nil.

4. Government grants refunded during the Period

Project	Amount	Reason
2023 Zhuhai Special Funds for Promoting High-Quality Development of Real Economy (P06 Industrialization Project)	2,812,400.00	Return to Repeat
Research and industrialization of lipid-lowering statin drugs	84,700.00	Refund for project termination

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The major financial instruments of the Company include monetary funds, bills receivable, accounts receivable, other receivables, other current assets, financial assets held for trading, other equity instrument investments, bills payable, accounts payable, other payables, short-term loans, financial liabilities held for trading, non-current liabilities due within one year, long-term loans, lease liabilities and long-term payables. The details of these financial instruments are disclosed in the respective notes. The risks relating to these financial instruments and the risk management policies adopted by the Company to minimize these risks are disclosed as below. The management of the Company manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

1. Risk management objectives and policies

The operation activities of the Company are subject to various types of financial risks: market risk (mainly including foreign exchange risks and interest rate risks), credit risk and liquidity risk. The Company formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimize the potential adverse impacts on the financial performance of the Company.

(1) Foreign exchange risk

The Company conducts its operations primarily in China. Substantially all of the transactions are denominated and settled in Renminbi. However, the Company still has some import and export businesses regarding APIs and diagnostic reagents that are settled in U.S. dollar and Japanese Yen. The Company's businesses outside China (mainly in Hong Kong) are settled in Hong Kong dollars. In addition, the Company will have foreign currency loans according to the operating needs. In summary of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable to the Company, the Company adopted non-hedging foreign currency forward contracts to control foreign exchange risk. However, as to the foreign exchange risk in loans, the Company shall closely monitor the trend of the exchange rate of Renminbi, and timely adjust the extent of borrowings, so as to minimize the risks.

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(1) Foreign exchange risk (continued)

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① 31 December 2024

Unit: RMB'000

Item	HKD item	USD item	EUR item	JPY item	MYR item	IDR item	MOP item
Financial assets in foreign currency:							
Monetary funds	14,284.27	1,733,143.34	696.77	13,236.90	27.64	147,362.32	5,727.37
Financial assets held for trading	61,589.37						
Accounts receivable		433,127.03					
Other receivables	889.71						
Other equity instrument investments	172,980.32						
Subtotal:	249,743.67	2,166,270.37	696.77	13,236.90	27.64	147,362.32	5,727.37
Financial liabilities in foreign currency:							
Accounts payable		1,518.91	42.64	1,152.88			
Other payables	54.33	31,671.97				5.89	
Subtotal:	54.33	33,190.88	42.64	1,152.88		5.89	

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(1) Foreign exchange risk (continued)

② 31 December 2023

Unit: RMB'000

Item	HKD item	USD item	EUR item	JPY item	MYR item	MOP item
Financial assets in foreign currency:						
Monetary funds	16,262.14	1,108,381.50	728.44	178.35	15.10	5,534.73
Financial assets held for trading	64,572.80					
Accounts receivable		286,358.51				147.35
Other receivables	999.50					158.67
Other equity instrument investments	244,015.26					
Subtotal:	325,849.70	1,394,740.01	728.44	178.35	15.10	5,840.75
Financial liabilities in foreign						
Accounts payable		2,623.80	44.53	21,132.48		
Other payables	3,673.01	28,937.74				
Subtotal:	3,673.01	31,561.54	44.53	21,132.48		

As at 31 December 2024, in respect of the Company's financial assets and liabilities denominated in Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against Hong Kong dollar, U.S. dollar, EUR, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB127.43092 million (31 December 2023: approximately RMB83.54704 million).

(2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank loans. The interest rates are affected by the macro monetary policies of China, hence the Company will face the risks arising from fluctuations of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate. The rise in the interest rate will increase the cost of additional interest-bearing liabilities and the interest expenses of the Company's outstanding interest-bearing liabilities of which the interests are calculated at floating rates, and will have material adverse impact on the financial results of the Company. The management will make timely adjustment based on the updated market conditions. The directors of the Company consider that the future changes in the interest rate will not have material adverse impact on the operating results of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

1. Risk management objectives and policies *(continued)*

(3) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivable and other receivables. In respect of deposits at banks, they are placed in several banks with good reputation, and the credit risk faced by us is limited. In respect of receivables, the Company will assess the credit limit granted to customers for credit purpose. Moreover, as the customer base is large, the credit risk from accounts receivable is not concentrated. In respect of the settlement of bills receivable, since more quality bills such as bank acceptance bills are used, it is expected that there should be no significant credit risks as to whether the Company decides to hold the bills for redemption upon maturity or endorse them to external parties for payment based on capital requirements. In addition, the impairment provisions for accounts receivable and other receivables are adequate to manage the credit risk.

Among the accounts receivable of the Company, the accounts receivable from the top five customers accounted for 9.85 % (31 December 2023: 8.02%); among other receivables of the Company, the other receivables from the top five customers accounted for 46.08% (31 December 2023: 37.30%).

(4) Liquidity risk

Liquidity risk refers to the risk of shortage of funds that the Company may encounter in meeting its obligations of settlement by delivering cash or other financial assets.

The Company adopts prudent liquidity risk management for the sufficient supply of monetary funds and liquidity. It secures readily available credit loans from banks mainly by maintaining adequate monetary funds and banking facilities. Apart from indirect financing from banks, a number of financing channels are available, such as direct financing by inter-bank market (including short-term financing bills and medium-term notes) and corporate bonds etc. These instruments can effectively reduce the effects of the scale of financing and the macro monetary policies of China on indirect bank financing, and enable us to secure adequate funds in a flexible manner.

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(4) Liquidity risk (continued)

As at the balance sheet date, the contractual cash flows of financial assets and financial liabilities of the Company are presented below in terms of maturity:

① 31 December 2024

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	10,827,146,984.92			10,827,146,984.92	
Financial assets held for trading	89,363,055.07			89,363,055.07	
Bills receivable	1,313,604,720.17			1,313,604,720.17	
Accounts receivable	1,935,502,036.72			1,935,502,036.72	
Other receivables	34,558,694.17			34,558,694.17	
Other non-current assets		262,603,561.62	204,390,121.77		466,993,683.39
Subtotal:	14,200,175,491.05	262,603,561.62	204,390,121.77		14,667,169,174.44
Financial liabilities:					
Short-term loans	2,455,000,000.00			2,455,000,000.00	
Financial liabilities held for trading	8,096,946.08			8,096,946.08	
Bills payable	965,581,088.61			965,581,088.61	
Accounts payable	618,397,523.74			618,397,523.74	
Other payables	2,861,381,342.08			2,861,381,342.08	
Non-current liabilities due within one year	48,742,085.99			48,742,085.99	
Lease liabilities		4,199,179.12	8,903,348.59		13,102,527.71
Long-term loans		361,336,865.48	1,104,398,246.89		1,465,735,112.37
Subtotal:	6,957,198,986.50	365,536,044.60	1,113,301,595.48		8,436,036,626.58

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

1. Risk management objectives and policies (continued)

(4) Liquidity risk (continued)

② 31 December 2023

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Monetary funds	11,325,723,855.76				11,325,723,855.76
Financial assets held for trading	81,792,081.22				81,792,081.22
Bills receivable	1,459,333,093.74				1,459,333,093.74
Accounts receivable	2,115,658,645.12				2,115,658,645.12
Other receivables	32,008,338.25				32,008,338.25
Other current assets	6,536,364.62				6,536,364.62
Subtotal:	15,021,052,378.71				15,021,052,378.71
Financial liabilities:					
Short-term loans	1,860,009,625.00				1,860,009,625.00
Financial liabilities held for trading	86,817.12				86,817.12
Bills payable	894,588,217.10				894,588,217.10
Accounts payable	763,825,157.69				763,825,157.69
Other payables	3,157,651,033.59				3,157,651,033.59
Non-current liabilities due within one year	659,679,477.31				659,679,477.31
Other current liabilities	39,844,637.92				39,844,637.92
Lease liabilities		6,669,342.22	2,361,280.35		9,030,622.57
Long-term loans		1,146,854,277.01	465,919,001.98		1,612,773,278.99
Subtotal:	7,375,684,965.73	1,153,523,619.23	468,280,282.33		8,997,488,867.29

2. Capital management

The capital management policies are made to keep the continuous operation of the Company, to enhance the return to shareholders, to benefit other stakeholders and to maintain the best capital structure to minimize the cost of capital.

For the maintenance or adjustment of the capital structure, the Company may adjust financing methods, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with the gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2024, the Company's gearing ratio is 39.05% (31 December 2023: 41.04%).

NOTES TO THE FINANCIAL STATEMENTS

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

IX. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS *(continued)*

3. Transfer of financial assets

(1) Classification of transfer methods

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Confirmation of derecognition	Basis of judgement for derecognition
Endorse	Bills receivable	34,906,855.80	Derecognized	Contractual rights to receive cash flows from financial assets have been derecognized and almost all risks and rewards have been transferred
Factoring	Accounts receivable	66,924,038.65	Derecognized	Without recourse right

(2) Financial assets derecognized on transfer

Item	Transfer method	Profits or losses Amount related to derecognized derecognition
Bills receivable	Endorse	34,906,855.80
Accounts receivable	Transfer	66,924,038.65

On 31 December 2024, the carrying amount of the Company's bank acceptance bills undue and endorsed to suppliers for settling accounts payable was RMB34,906,855.80 (31 December 2023: RMB94,570,051.97); the Company had no commercial acceptance bills undue and endorsed to suppliers for settling accounts payable (31 December 2023: RMB0.00). On 31 December 2024, the due dates were within 1 to 6 months. In accordance with the relevant provisions of the Law of Negotiable Instruments, if payment is refused by the bank of acceptance, the holder of the bills shall have a right of recourse against the Company (the "Continuing Involvement"). The Company is of the view that it had transferred substantially all risks and rewards of the bills. Accordingly, their carrying amounts of the associated accounts payable which had been settled would be derecognized. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchase were equal to their respective carrying amounts. In the opinion of the Company, the fair value of the Continuing Involvement was not significant.

In 2024, no gain or loss was generated by the Company on the date of transfer of the bills. The Company had no current or accumulated gain or expense arising from the Continuing Involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the Period.

(3) Financial assets which are transferred but have not been derecognized in their entirety

Nil.

NOTES TO THE FINANCIAL STATEMENTS

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

X. FAIR VALUE

Based on the inputs of the lowest level that are of great significance to the measurement as a whole in the fair value measurement, the fair value can be categorized as:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than the quoted market price of assets or liabilities in Level 1, either directly (the prices) or indirectly (derived from prices).
- Level 3: Any input that is not based on observable market data (unobservable inputs) is used for assets or liabilities.

(1) Items and amounts measured at fair value

As at 31 December 2024, assets and liabilities measured at fair value are listed as follows based on the three hierarchies as set out above:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Debt instrument investments	987,629.66		15,081,807.66	16,069,437.32
2. Equity instrument investments	72,993,949.73			72,993,949.73
3. Derivative financial assets		299,668.02		299,668.02
(II) Other equity instrument investments	57,634,195.50		504,011,413.93	561,645,609.43
Total assets measured at fair value on a recurring basis	131,615,774.89	299,668.02	519,093,221.59	651,008,664.50
(III) Financial liabilities held for trading				
1. Derivative financial liabilities		8,096,946.08		8,096,946.08
Total liabilities measured at fair value on a recurring basis		8,096,946.08		8,096,946.08
II. Non-recurring fair value measurement Held-for-sale assets				
Total assets measured at fair value on a non-recurring basis				
Total liabilities measured at fair value on a non-recurring basis				

In 2024, there were no transfers of the fair value measurements of financial assets and financial liabilities of the Company between level 1 and level 2 and no transfers into or out of level 3.

For financial instruments traded in an active market, the Company measures their fair values at quoted price in the active market. The Company's debt instrument investment and equity instrument investment held for trading are listed and traded in Shenzhen, Hong Kong, the United States and other places, and their fair values are determined based on the closing price on the last trading day of the Reporting Period.

For financial instruments that are not traded in an active market, the Company measures their fair values using valuation techniques. The valuation models used are mainly discounted cash flow model and market comparable entity model. Inputs of the valuation techniques mainly include risk-free interest rate, benchmark interest rate, foreign exchange rate, credit spread, liquidity premium, lack of liquidity discount, etc.

NOTES TO THE FINANCIAL STATEMENTS

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

X. 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	299,668.02	The fair value is measured at the forward exchange rates quoted by the respective matured contract
Derivative financial liabilities	8,096,946.08	The fair value is measured at the forward exchange rates 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
Financial assets held for trading – Structural deposits	15,081,807.66	Expected revenue
Other equity instrument investments – Zhuhai China Resources Bank Co., Ltd. (珠海華潤銀行股份有限公司)	228,006,000.00	Market method
Other equity instrument investments – Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物醫藥(上海)有限公司)	24,737,630.38	Market method
Other equity instrument investments – Zhuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	36,710,669.76	Latest financing price
Other equity instrument investments – Xiangrong (Shanghai) Biotechnology Co, Ltd. (享融(上海)生物科技有限公司)	36,098,956.59	Latest financing price
Other equity instrument investments – GLOBAL HEALTH SCIENCE	143,205,685.40	Net assets
Other equity instrument investments – HSG Venture VI 2018-B, L.P. (formerly known as SCC VENTURE VI 2018-B, L.P.).	236,750.08	Net assets
Other equity instrument investments – Nextech V Oncology S.C.S., SICAV-SIF	22,515,721.72	Net assets
Other equity instrument investments – Others	12,500,000.00	Cost

(4) Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy

Item (Amount for the Period)	Total current gains or losses				Purchase, issuance, sale and settlement				Movements in unrealized gains or losses for the period through profit or loss for assets held at the end of the Reporting Period	
	Balance at the Beginning of the Period	Transfers into Level 3	Transfers out of Level 3	Included in profit and loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement	Balance at the End of the Period
Financial assets held for trading				81,807.66		15,000,000.00				15,081,807.66
Other equity instrument investments	547,292,620.52				-6,528,424.06			36,752,782.53		504,011,413.99
Total	547,292,620.52			81,807.66	-6,528,424.06	15,000,000.00		36,752,782.53		519,092,221.59

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS

1. Parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of the Company's shareholding held by the parent company (%)	Percentage of the Company's voting rights held by the parent company (%)
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Shenzhen	Production and operation of oral liquid, drugs and healthcare food	187,420.042	24.50	24.50

Notes to the parent company of the Company:

As at 31 December 2024, the Company's parent company and its subsidiaries held a total of 418,878,625 shares in the Company, representing 46.35% of the total share capital of the Company. Among these shares, 17,306,329 legal person shares were held in the name of Guangzhou Begol Trading Holdings Limited (廣州市保科力貿易公司) and the transfer procedures were not completed. The transfer procedures for other shares were completed.

The ultimate controller of the Company: Zhu Baoguo.

2. The Company's subsidiaries

Please refer to Note VII.1 for the details of subsidiaries.

3. Associates of the Company

Please refer to Note V.9 and Note VII.4 for the details of the associates.

Other joint ventures or associates entered into related transactions with the Company during the Period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Company
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Associate
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Associate
AbCye Therapeutics Inc.	Associate
L&L Biopharma, Co., Ltd. (上海健信生物醫藥科技有限公司)	Associate
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Associate
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	A company controlled by the associate
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	A company controlled by the associate
Aetio Biotherapy, Inc.	Associate
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Associate and a company controlled by the parent company
Hangzhou New Element Pharmaceutical Co., Ltd. (杭州新元素藥業有限公司)	Associate
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Associate
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	Associate
Shenzhen KangTi Biopharma Technology Co., Ltd. (深圳康體生物醫藥科技有限公司)	Associate

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

4. Other related parties of the Company

Name of related parties	Relationship with the Company
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	A company controlled by the parent company
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	A company controlled by the parent company
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	A company controlled by the parent company
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	A company controlled by the parent company
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 Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司) (Former name: 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), the same below)	A company controlled by the parent company
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	A company controlled by the parent company
Joincare (Guangdong) Special Medicine Food Co., Ltd. (健康元(廣東)特醫食品有限公司)	A company controlled by the parent company
Joincare Pharmaceutical Group Industry Co., Ltd.	A company controlled by the parent company
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永樂高爾夫俱樂部有限公司)	A company controlled by the controlling shareholder of the parent company
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Subsidiaries of the company in which a Director of the Company serves as a director
WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司)	A company in which a Director of the Company serves as a director
Zuhai Medpha Biotechnology Co., Ltd. (珠海麥得發生物科技股份有限公司)	A company in which a Supervisor of the Company serves as a director
Zuhai 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
Zuhai 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 senior management of the Company
Zuhai 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 of the Company
Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	An enterprise controlled by a Director of the Company
Zuhai Puxiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企業管理有限公司)	A company controlled by close family members of a Director of the Company
Directors, Supervisors and other senior management personnel	Key management personnel

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions

(1) Related purchase and sales

- ① Purchase of goods, receipt of services

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Raw materials	The market price	3,396,106.21	2,592,283.20
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Raw materials	The market price	12,747,512.25	18,973,423.13
Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	Raw materials	The market price	48,318.85	
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	439,786.47	420,511.47
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Raw materials	The market price	223,765,802.46	236,773,806.26
Jiangsu Yiyinjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Finished goods	The market price	29,816.00	2,669,251.00
Purchase of goods in aggregate			240,427,342.24	261,429,275.06

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related purchase and sales (continued)

① Purchase of goods, receipt of services (continued)

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Water, electricity, and power	The market price	31,369,416.62	32,647,411.34
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	R&D	Based on negotiation	20,196,582.93	15,612,720.84
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	R&D, testing and modern service	Based on negotiation	2,397,667.27	856,788.85
Shenzhen Youbao Technology Co., Ltd. (深圳市有寶科技有限公司)	Modern service	Based on negotiation		1,005,433.00
Jiangsu Yiyongjia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Modern service	Based on negotiation		176,428.00
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Processing	Based on negotiation	7,759,299.58	5,500,000.00
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	R&D	Based on negotiation	1,000,000.00	
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Modern service	Based on negotiation		27,312.86
Beijing Infinite Intelligence Pharmaceutical Technology Co., Ltd. (北京英飛智藥科技有限公司)	R&D	Based on negotiation	83,168.32	693,069.31
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	R&D	Based on negotiation	12,523,551.33	11,234,834.92
Receipt of services in aggregate			75,329,686.05	67,753,999.12

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related purchase and sales (continued)

② Sales of goods, provision of services

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Finished goods	The market price	19,178,761.03	36,127,256.69
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Finished goods	The market price	1,174.31	421,840.71
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太藥業有限公司)	Finished goods	The market price		23,761.06
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Finished goods	The market price	4,831,041.76	
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Finished goods	The market price	1,908,898.45	7,054,955.75
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Finished goods	The market price	11,095.45	3,554,365.92
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Finished goods	The market price	3,318.58	2,654.87
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	309.73	7,929.20
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海橫琴維勝精準醫學科技有限公司)	Finished goods	The market price	154,412.03	
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	Finished goods	The market price	2,402,637.85	2,918,682.18
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Finished goods	The market price		23,044.77
Jiangsu Yiyijia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司) and its subsidiaries	Finished goods	The market price		5,021.65
WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司)	Finished goods	The market price		963,106.79
Sales of goods in aggregate			28,491,649.19	51,102,619.59

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(1) Related purchase and sales (continued)

② Sales of goods, provision of services (continued)

Related party	Description of related party transaction	Pricing basis and decision-making procedures of the related party transactions	Amount for the Period	Amount for the Previous Period
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	Water, electricity and power	The market price	4,638,451.76	5,670,231.95
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Power and modern service	The market price	601,680.74	640,387.40
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Power and modern service	The market price	220,674.65	640,383.39
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Water, electricity, Power	The market price	132,600.76	138,382.95
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Processing and testing	Based on negotiation	150,127.15	641,509.43
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Modern service	Based on negotiation		301,016.88
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	R&D, processing and testing	Based on negotiation	9,072,291.49	1,017,945.75
Guangzhou Respiratory Drugs Engineering Technology Co., Ltd. (廣州呼吸藥物工程技術有限公司)	R&D	Based on negotiation	3,776,000.00	
Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. (河南省健康元生物醫藥研究院有限公司)	Processing and testing	Based on negotiation	11,990.70	83,992.56
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集團股份有限公司)	Modern service	Based on negotiation		566,037.74
Provision of services in aggregate			18,603,817.25	9,699,888.05

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(2) Related party leases

① The Company as a lessor

Name of lessee	Type of leased assets	Lease income recognized for the Period	Lease income recognized for the Previous Period
Health Pharmaceutical (China) Co., Ltd. (健康藥業(中國)有限公司)	Plant & buildings	38,532.12	38,532.12
Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	Plant & buildings	1,170,980.93	2,171,444.85
Topsino Industries Limited (天誠實業有限公司)	Plant & buildings	27,487.93	27,194.53
Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	Plant & buildings	253,028.56	253,028.56
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	Plant & buildings	230,926.66	240,000.00

② The Company as a lessee

Name of lessor	Type of leased assets	Lease expenses recognized for the Period	Lease expenses recognized for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Plant & buildings	779,581.65	779,581.65
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Plant & buildings, equipment	501,420.54	1,708,588.32
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Plant & buildings	15,000.00	
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	Transportation equipment	83,628.30	

(3) Related party asset transfers

Related party	Description of related party transaction	Amount for the Period	Amount for the Previous Period
Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	Technology transfer	2,000,000.00	
Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	Sale of equipment	100,668.65	
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	Sale of equipment	1,092,673.04	
Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	Transfer of 45% equity interest in Ruiyan Zhixin Pharmaceuticals (睿研智新醫藥)	1,575,000.00	

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(4) Related party guarantees

- ① The details on the guarantees provided to the subsidiaries by the Company were set out as follows

A. Credit facilities guarantees

Unit: RMB0'000

Name of guaranteed party	Actual date of event (Signing date of agreement)	Balance at the End of the Period	Actual Guarantee amount	Guaranteed amount	Description and type of guarantee	Period of guarantee
Livzon MABPharm Inc. (珠海市麗珠單抗生物技術有限公司)	2024.10.18	140,640.92	140,640.92	210,000.00	Bank loans, joint liability guarantee	2024.10.18-2027.11.22 (HSBC, China Merchants, ICBC, Bank of Communications, China CITIC Bank, etc.)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.7.18	2,394.92	2,394.92	17,000.00	Opening letter of credit and bank acceptance bills, joint liability guarantee	2024.7.18-2027.6.30 (Bank of Communications)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.7.1	4,206.02	4,206.02	11,500.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2022.12.6	4,891.88	4,891.88	15,000.00	Opening bank acceptance bills, joint liability guarantee	2022.12.6-2026.6.6 (CR Bank)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.3.22	7,995.20	7,995.20	30,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.22-2026.6.30 (Industrial and Commercial Bank of China)
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	2024.12.6	6,000.00	6,000.00	20,000.00	Opening bank acceptance bills, joint liability guarantee	2024.12.6-2026.3.31 (China Construction Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2024.7.1	5,610.44	5,610.44	23,000.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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)	2022.12.6	4,369.81	4,369.81	10,000.00	Opening bank acceptance bills, joint liability guarantee	2022.12.6-2026.6.6 (CR Bank)
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保稅區麗珠合成製藥有限公司)	2023.8.28	2,587.71	2,587.71	20,000.00	Opening bank acceptance bills, joint liability guarantee	2023.8.28-2026.6.28 (Bank of Communications)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.1.1	73.89	73.89	10,000.00	Opening letter of guarantee, joint liability guarantee	2024.1.1-2026.6.30 (Industrial and Commercial Bank of China)
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司)	2024.4.28	3,613.42	3,613.42	10,000.00	Opening bank acceptance bills, joint liability guarantee	2024.4.28-2026.6.30 (Bank of Communications)
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2024.7.1	17,491.71	17,491.71	23,000.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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
Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (麗珠集團(寧夏)製藥有限公司)	2024.5.24	2,653.17	2,653.17	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.5.24-2026.6.30 (Bank of Communications)
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	2024.7.1	1,455.11	1,455.11	11,500.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (麗珠集團福州福興醫藥有限公司)	2024.7.1	6,737.59	6,737.59	17,250.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.7.1	13,232.00	13,232.00	17,250.00	Opening bank acceptance bills, joint liability guarantee	2024.7.1-2029.6.11 (Standard Chartered Bank)
Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	2024.3.25	2,048.05	2,048.05	15,000.00	Opening bank acceptance bills, joint liability guarantee	2024.3.25-2026.6.30 (Bank of Communications)
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	2023.8.1	1,300.01	1,300.01	5,750.00	Opening bank acceptance bills, joint liability guarantee	2023.8.1-2028.7.24 (Standard Chartered Bank)
Total actual amount guaranteed for subsidiaries during the Reporting Period			333,905.66			
Total balance of actual amount guaranteed for subsidiaries at the end of the Reporting Period			227,301.84			

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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 30 March 2023, the 46th meeting of the tenth 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 RMB1.8 billion for conducting bills pooling business is to be shared by the Company and its holding subsidiaries, such amount may be utilized on rolling basis. As at 31 December 2024, 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	13,671.25	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	110.89	Till 19 June 2025
			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	184.86	Till 12 March 2025
			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	3,902.62	Till 18 June 2025
			Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	Opening bank acceptance bills, joint liability guarantee	510.00	Till 13 May 2025
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	549.62	Till 16 June 2025
			Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	Opening bank acceptance bills, joint liability guarantee	213.44	Till 13 May 2025
			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	2,623.84	Till 23 June 2025
			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	4,680.57	Till 19 June 2025
	Industrial Bank	2,484.08	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	254.42	Till 24 June 2025
			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	619.88	Till 19 May 2025
			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	1,394.61	Till 17 June 2025

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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 *(continued)*

		Pledged amount of bills receivable	Name of guaranteed party	Description of guarantee	Guaranteed amount	Period of guarantee
Guarantor	Pledgee					
	Industrial and Commercial Bank of China	4,529.45	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	1,101.64	Till 19 June 2025
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	3,180.99	Till 24 June 2025
	China CITIC Bank	7,550.90	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (焦作麗珠合成製藥有限公司)	Opening bank acceptance bills, joint liability guarantee	1.45	Till 21 February 2025
			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	87.48	Till 20 February 2025
			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	23.42	Till 24 March 2025
			Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	Opening bank acceptance bills, joint liability guarantee	6,000.00	Till 12 June 2025
			Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	Opening bank acceptance bills, joint liability guarantee	110.93	Till 24 January 2025
Total balance of actual guaranteed amount for subsidiaries at the End of the Reporting Period					25,550.65	

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(4) Related party guarantees (continued)

- ② Guarantee provided to related parties by the Company

Nil.

- ③ 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 26.84% of the obligation of the Company under the guarantee granted to Livzon MABPharm Inc. and the guarantee period of which will be expired on the expiry date of the Company's obligation thereunder.

Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中匯源投資合夥企業(有限合夥)), the other shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司), has provided a "Letter of Undertaking for Counter Guarantee", pursuant to which it has undertaken to provide a joint liability guarantee for 8.44% of the obligation of the Company under the guarantee granted to Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (麗珠集團新北江製藥股份有限公司).

Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), another shareholder of Fluffy Buddy Animal Health (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)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 49.00% of the obligation of the Company under the guarantee granted to Fluffy Buddy Animal Health (Guangdong) Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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

2024

Unit: RMB0'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Compensation Signing bonus	for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00								325.00
Tao Desheng (陶德勝)	300.00								300.00
Qiu Qingfeng (邱慶豐)	9.60								9.60
Yu Xiong (俞雄)	8.80								8.80
Lin Nanqi (林楠棋)	0.95								0.95
Executive Directors:									
Tang Yanggang (唐陽剛) *	9.60	178.47	7.10	1.95	430.63			18.18	645.93
Xu Guoxiang (徐國祥) *	300.00	92.31			133.46			18.18	543.95
Independent Non-executive Directors:									
Bai Hua (白華)	12.00								12.00
Tian Qiusheng (田秋生)	12.00								12.00
Wong Kam Wa (黃錦華)	12.00								12.00
Luo Huiyuan (羅會遠)	12.00								12.00
Cui Lijie (崔麗婕)	12.00								12.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	59.23	6.91	1.95	80.24			9.79	165.32
Tang Yin (湯胤)	6.00								6.00
Huang Huamin (黃華敏)	6.00								6.00
Other senior management:									
Du Jun (杜軍) *		130.77	7.04	2.33	419.62			17.60	577.36
Liu Daping (劉大平) *		110.00	7.37	2.34	260.50			17.70	397.91
Yang Daihong (楊代宏)		117.69	6.90	1.95	236.47			18.08	381.10
Si Yanxia (司燕霞) *		134.62			237.59			18.18	390.40
Huang Yuxuan (黃瑜璇)		100.35			141.81			18.07	260.23
Yang Liang (楊亮)		91.08	6.81	1.95	97.95			17.51	215.31
Total	1,033.15	1,014.53	42.13	12.46	2,038.29			153.30	4,293.86

"*" represents the five highest paid individuals in 2024. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

Mr. Liu Daping (劉大平) was appointed in January 2024, Mr. Lin Nanqi (林楠棋) was appointed in November 2024; Mr. Yu Xiong (俞雄) resigned in October 2024.

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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)

2023

Unit: RMB0'000

	Fees of Director/ Supervisor	Salaries and allowances	Social insurance	Housing provident fund	Bonus	Signing bonus	Compensation for loss of office	Others	Total
Non-executive Directors:									
Zhu Baoguo (朱保國)	325.00								325.00
Tao Desheng (陶德勝)	300.00								300.00
Qiu Qingfeng (邱慶豐)	9.60								9.60
Yu Xiong (俞雄)	9.60								9.60
Executive Directors:									
Tang Yanggang (唐陽剛) *	9.60	110.77	6.24	1.86	434.35			18.18	581.00
Xu Guoxiang (徐國祥) *	300.00	92.31			138.46			16.42	547.19
Independent Non-executive Directors:									
Bai Hua (白華)	12.00								12.00
Tian Qiusheng (田秋生)	12.00								12.00
Wong Kam Wa (黃錦華)	12.00								12.00
Luo Huiyuan (羅會遠)	12.00								12.00
Cui Lijie (崔麗婕)	12.00								12.00
Supervisors:									
Wang Maolin (汪卯林)	7.20	50.77	6.20	1.86	57.72			7.14	130.89
Tang Yin (湯胤)	4.80								4.80
Huang Huamin (黃華敏)	4.80								4.80
Other senior management:									
Yang Daihong (楊代宏) *		92.31	6.20	1.86	253.54			18.08	371.98
Xu Peng (徐朋)		46.15						0.30	46.45
Si Yanxia (司燕霞) *		92.31	6.20	1.86	238.46			15.56	354.38
Zhou Peng (周鵬) *		62.31	4.58	1.38	16.43			25.09	109.79
Huang Yuxuan (黃瑜璇)		87.23			136.35			15.66	239.24
Yang Liang (楊亮)		77.54	6.16	1.86	135.54			14.62	235.71
Du Jun (杜軍) *		72.58	7.61	2.40	426.12			7.84	516.55
Total	1,030.60	784.27	43.18	13.07	1,836.97			138.90	3,846.99

"*" represents the five highest paid individuals in 2023. Except for participating in pension insurance and unemployment insurance (i.e. social insurance in the above table) plans established by the government as required, the Company has not provided other pension plans to all current and former directors, supervisors and senior management.

Mr. Du Jun (杜軍) was appointed in September 2023; Mr. Xu Peng (徐朋) resigned in June 2023; Mr. Zhou Peng (周鵬) resigned in September 2023.

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS *(continued)*

5. Related transactions *(continued)*

(5) Remuneration of key management personnel *(continued)*

② Individuals with highest emoluments

For 2024, two of the five highest paid individuals were directors of the Company and three of them were members of the senior management of the Company; for 2023, two of the five highest paid individuals were directors of the Company and three of them were members of the senior management of the Company. The remuneration of directors and senior management of the Company were already disclosed in Note XI.5. (5) "Remuneration of key management personnel", and the emoluments of the five highest paid individuals were within the following bands:

Item	2024	2023
Number of individuals within the band of RMB0-RMB1,000,000	—	—
Number of individuals within the band of RMB1,000,001-RMB1,500,000	—	—
Number of individuals within the band of RMB1,500,001-RMB2,000,000	—	—
Number of individuals within the band of RMB2,000,001-RMB2,500,000	—	—
Number of individuals within the band of RMB2,500,001-RMB3,000,000	—	—
Number of individuals within the band of RMB3,000,001-RMB3,500,000	—	—
Number of individuals within the band of RMB3,500,001-RMB4,000,000	2	2
Number of individuals within the band of RMB4,000,001-RMB4,500,000	—	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	—
Number of individuals within the band of RMB5,000,001-RMB5,500,000	1	2
Number of individuals within the band of RMB5,500,001-RMB6,000,000	1	1
Number of individuals within the band of RMB6,000,001-RMB6,500,000	1	—
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	—	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	—

NOTES TO THE FINANCIAL STATEMENTS

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

XI. RELATED PARTIES AND RELATED TRANSACTIONS (continued)

5. Related transactions (continued)

(5) Remuneration of key management personnel (continued)

③ Emoluments band of senior management

Item	2024	2023
Number of individuals within the band of RMB0-RMB1,000,000	—	1
Number of individuals within the band of RMB1,000,001-RMB1,500,000	—	2
Number of individuals within the band of RMB1,500,001-RMB2,000,000	1	—
Number of individuals within the band of RMB2,000,001-RMB2,500,000	1	2
Number of individuals within the band of RMB2,500,001-RMB3,000,000	1	—
Number of individuals within the band of RMB3,000,001-RMB3,500,000	—	—
Number of individuals within the band of RMB3,500,001-RMB4,000,000	3	2
Number of individuals within the band of RMB4,000,001-RMB4,500,000	—	—
Number of individuals within the band of RMB4,500,001-RMB5,000,000	—	—
Number of individuals within the band of RMB5,000,001-RMB5,500,000	1	2
Number of individuals within the band of RMB5,500,001-RMB6,000,000	1	1
Number of individuals within the band of RMB6,000,001-RMB6,500,000	1	—
Number of individuals within the band of RMB6,500,001-RMB7,000,000	—	—
Number of individuals within the band of RMB7,000,001-RMB7,500,000	—	—
Number of individuals within the band of RMB7,500,001-RMB8,000,000	—	—
Number of individuals within the band of RMB8,000,001-RMB8,500,000	—	—

During the years 2024 and 2023, no emolument was paid by the Company to the directors, supervisors or five highest paid individuals as an inducement to join or upon joining the Company; or as compensation for loss of office. None of the directors or supervisors waived any remuneration.

(6) Other related transactions

On 17 November 2023, the Company signed the Capital Contribution Agreement of LivzonBio, Inc. (《關於珠海市麗珠生物醫藥科技有限公司之增資協議》) with LivzonBio, and it was approved by a resolution at the 2023 third extraordinary general meeting on 19 December 2023. The registered capital of LivzonBio will be increased from RMB889,023,284.00 to RMB1,095,472,334.00, and the newly-increased registered capital of RMB206,449,050.00 will fully paid by the Company by way of cash before 31 December 2028. The subscription consideration is RMB1,000,000,000, and the subscription consideration exceeding the subscribed capital contribution will be accounted in capital reserves. On 25 March 2024, 27 November 2024, 2 December 2024 and 11 December 2024, the Company paid capital contributions of RMB160,000,000, RMB113,000,000, RMB172,500,000 and RMB232,440,000, respectively. A total of RMB677,940,000 of capital contributions have been paid to LivzonBio during the Period.

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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 as at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivable	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)			316,680.00	
Bills receivable	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	6,000,000.00		1,448,032.00	
Bills receivable	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	88,000.00		2,727,000.00	
Bills receivable	Joincare (Guangdong) Food for Special Medical Purposes Co., Ltd. (健康元(廣東)特醫食品有限公司)	88,370.33		218,001.34	
Bills receivable	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	5,459,077.17			
Subtotal of bills receivable		11,635,447.50		4,709,713.34	
Accounts receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)			9,288,000.00	93,808.80
Accounts receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)	53,978.00	545.18	180,820.75	1,844.37
Accounts receivables	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	1,821,547.17	282,060.12	5,133,582.89	115,664.09
Accounts receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)			2,979,700.00	31,472.52
Accounts receivables	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)			434,422.80	87,318.98
Subtotal of accounts receivables		1,875,525.17	282,605.30	18,016,526.44	330,108.76

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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 as at the End of the Previous Year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	211,200.00		211,200.00	
Prepayments	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)			1,249,727.30	
Prepayments	Shanghai Fangyu Health Pharmaceutical Technology Co., Ltd. (上海方予健康醫藥科技有限公司)	1,143,720.00			
Prepayments	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)	102,899.70			
Prepayments	Jiangsu Yiyijia Medical Technology Co., Ltd. (江蘇一贏家醫療科技有限公司)			29,816.00	
Subtotal of prepayments		1,457,819.70		1,490,743.30	
Other receivables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	511,310.14	5,113.10	860,233.52	9,118.48
Other receivables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)			680,000.00	9,656.00
Other receivables	Joincare Haibin Pharmaceutical Co., Ltd. (健康元海濱藥業有限公司)	134,875.00	1,348.75		
Other receivables	Zhuhai Sanmed Biotech Inc. (珠海聖美生物診斷技術有限公司)	8,624.98	86.25		
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市聖美基因檢測科技有限公司)			2,263.89	52.75
Subtotal of other receivables		654,810.12	6,548.10	1,542,497.41	18,827.23

NOTES TO THE FINANCIAL STATEMENTS

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

XI. 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 as at the End of the Previous Year
Bills payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	137,095,500.00	111,504,770.42
Bills payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	5,562,366.60	14,814,287.14
Bills payables	Xinxiang Haibin Pharmaceutical Co., Ltd. (新鄉海濱藥業有限公司)		
Bills payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	2,292,000.00	883,200.00
Subtotal of bills payables		144,949,866.60	127,202,257.56
Accounts payables	Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海濱製藥有限公司)	1,447,382.56	1,477,012.60
Accounts payables	Guangdong Blue Treasure Pharmaceutical Co., Ltd. (廣東藍寶製藥有限公司)	276,000.00	195,398.23
Accounts payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (焦作健康元生物製品有限公司)	61,537,500.00	67,623,600.85
Subtotal of accounts payables		63,260,882.56	69,296,011.68
Contract liabilities	Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿醫院管理有限公司)	68,563.91	255,459.93
Contract liabilities	Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司)	80,000.00	
Subtotal of contract liabilities		148,563.91	255,459.93
Other payables	Jiaozuo Joincare Pharmaceutical Industry Co., Ltd.	9,778,409.44	13,256,379.28
Subtotal of other payables		9,778,409.44	13,256,379.28

NOTES TO THE FINANCIAL STATEMENTS

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

XII. SHARE-BASED PAYMENT

1. General information about share-based payment

(1) Share options incentive schemes

① The 2022 Share Options Incentive Scheme – First Grant

On 14 October 2022, the “Resolution on 2022 Share Options Incentive Scheme (Revised Draft) and its Summary”, the “Resolution on Administrative Measures for Appraisal System of the 2022 Share Options Incentive Scheme” and the “Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the 2022 Share Options Incentive Scheme” were considered and approved at the 2022 Second Extraordinary General Meeting, the 2022 Second Class Meeting of A Shareholders and the 2022 Second Class Meeting of H Shareholders. On 7 November 2022, the “Resolution on the Related Matters of the First Grant of 2022 Share Options Incentive Scheme” was considered and approved at the 39th meeting of the tenth session of the Board, pursuant to which, 7 November 2022 was set as the date of grant, on which 17.9735 million Share Options were granted to 1,026 incentive participants at an exercise price of RMB31.31 per A Share. Completion and effective date of the registration of the share options granted: 23 November 2022

The share options (a total of 361,000 options) granted to 25 former incentive participants under the First Grant of 2022 Share Options Incentive Scheme were cancelled as the incentive conditions were no longer met due to the resignation of the incentive participants. After the cancellation, the number of share options under the First Grant of 2022 Share Options Incentive Scheme of the Company was adjusted from 17.9735 million to 17.6125 million, and the number of incentive participants under the First Grant was adjusted from 1,026 to 1,001.

As the Company failed to meet the performance targets at the Company level for the second exercise period for share options under the First Grant, 5.28375 million share options corresponding to the second exercise period for share options under the First Grant cannot be exercised and have been cancelled. As at 31 December 2024, the remaining number of share options under the First Grant was 5.28375 million.

NOTES TO THE FINANCIAL STATEMENTS

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

XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(1) Share options incentive schemes (continued)

① The 2022 Share Options Incentive Scheme – First Grant (continued)

The following table sets forth the exercise period of the share options granted 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%

Performance targets at the Company level: The Share Options granted under the Incentive Scheme are subject to annual assessment for exercise during the three accounting years in the exercise period, such that achieving of the performance targets by the Incentive Participant is a condition to exercise the Share Options. The performance targets of the First Grant are as follows:

Exercise period	Performance target
First exercise period for share options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2022 shall not be lower than 15%;
Second exercise period for share options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Third exercise period for share options under the First Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

NOTES TO THE FINANCIAL STATEMENTS

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

XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(1) Share options incentive schemes (continued)

② The 2022 Share Options Incentive Scheme – Reserved Grant

On 12 October 2023, the “Resolution on the Related Matters of the Proposed Reserved Grant of 2022 Share Options Incentive Scheme” was considered and approved at the 4th meeting of the 11th session of the Board, pursuant to which, 30 October 2023 was set as the date of grant, on which 2 million Share Options were granted to 243 incentive participants at an exercise price of RMB36.26 per A Share. Completion and effective date of the registration of the share options granted: 28 November 2023

As the Company failed to meet the performance targets at the Company level for the first exercise period for share options under the Reserved Grant, 1 million share options corresponding to the first exercise period for share options under the Reserved Grant cannot be exercised and have been cancelled. As at 31 December 2024, the remaining number of share options under the Reserved Grant was 1 million.

The following table sets forth the exercise period of the share options granted 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%

Performance targets at the Company level: The Share Options granted under the Scheme are subject to annual assessment for exercise during the two accounting years in the exercise period, such that achieving of the performance targets by the Incentive Participant is a condition to exercise the Share Options. The performance targets of the Reserved Grant are as follows:

Exercise period	Performance target
First exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2023 shall not be lower than 15%;
Second exercise period for Share Options under the Reserved Grant	On the basis of net profit in 2021, the compound growth rate of the net profit for 2024 shall not be lower than 15%.

NOTES TO THE FINANCIAL STATEMENTS

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

XII. SHARE-BASED PAYMENT *(continued)*

1. General information about share-based payment *(continued)*

(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 8.3821 million 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. (珠海麗珠試劑股份有限公司) in relation to the Proposed Equity Transfer by Livzon Pharmaceutical Group Inc. (麗珠醫藥集團股份有限公司) (Huaya Zhengxin Appraisal Report [2019] No. A02 – 0011), the valuation of the shareholders' equity as a whole of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) as at 30 June 2019 was RMB647.3075 million, and above equity transfer price was lower than its fair value, therefore it constituted a share-based payment. The total sharebased payment of the transaction was RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海麗英投資管理合夥企業(有限合夥)).

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. (珠海麗珠試劑股份有限公司) for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the incentive participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares and/or indirectly subscribe for the such shares through the holding of the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司), the total shares of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) 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) (珠海豪汛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) (珠海啓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 was lower than the fair value, therefore it constituted a share-based payment. The total share-based payment of the transaction was RMB20.7090 million, which should be amortized within 5 years according to the Partnership Agreement, and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司) /the employee shareholding platform.

NOTES TO THE FINANCIAL STATEMENTS

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

XII. SHARE-BASED PAYMENT (continued)

1. General information about share-based payment (continued)

(2) Other equity incentives (continued)

On 31 August 2021, the general meeting of LivzonBio considered and approved the Equity Incentive Scheme of LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司), granting 66,666,667 restricted shares of LivzonBio to incentive participants, among which 42 million shares were granted in the first batch and 24,666,667 shares were reserved. Incentive participants indirectly subscribed for the above shares through the holding of the limited partnership shares of the employee shareholding platform. The subscription price was lower than the fair value, therefore it constituted a share-based payment. The total share-based payment of the transaction was RMB33.60 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement, of which RMB2.9867 million was amortized in 2024.

(3) The equity instruments granted are as follows:

Number: Ten thousand/Amount: RMB0'000

Category of grantees	Granted during the Period		Exercised during the Period		Unlocked during the Period		Lapsed during the Period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sales personnel			263.1400	8,238.9134			243.2400	
Management personnel			140.6395	4,403.4227			361.6555	
R&D personnel			262.3160	8,213.1140			182.4840	
Total			666.0955	20,855.4501			787.3795	

2. Equity settled share-based payments

Determination on fair value of equity instruments as at the date of grant	Black-Scholes Model, market price
Significant parameters on fair value of equity instruments as at the date of grant	Risk-free interest rate, historical volatility of share price, dividend yield
Basis for determining quantity of exercisable equity instruments	Determined based on exercising conditions and expected turnover rate
Reasons for significant discrepancies between estimate for the Period and the Previous Period	Without significant discrepancies
Accumulated amount of equity settled share-based payments included in capital reserve	238,229,819.52

3. Cash settled share-based payments

Nil.

4. Share-based payment expense for the Period

Class of Grantees	Equity settled share-based payment expenses	Cash settled share-based payment expenses
Mid-level management, senior management and business core personnel	-3,335,299.32	

NOTES TO THE FINANCIAL STATEMENTS

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

XIII. 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 as at the End of the Previous Year
Commitments in relation to acquisition of long-term assets	143,012,133.25	395,307,398.73
Commitments in relation to external investment		8,000,000.00
Commitments in relation to R&D expenditure	304,801,419.25	306,619,716.31

(2) Other commitments

Nil.

(3) Performance of previous commitments

The Company has duly performed the capital expenditure commitments and the operating lease commitments and the other commitments as at 31 December 2023 in the same manner as the previous commitments.

2. Contingencies

As at 31 December 2024, there were no significant contingencies required to be disclosed by the Company.

XIV. POST BALANCE SHEET DATE EVENTS

1. Profit distribution

On 26 March 2025, the Company held the 23rd meeting of the eleventh session of the Board of the Company and passed the resolution of 2024 annual profit distribution plan. It is expected to distribute cash dividend of RMB11.00 (tax inclusive) for every 10 shares to all Shareholders of the Company, based on the Company's total share capital (excluding the shares of the Company which were repurchased but not yet cancelled) as at the registration date of shareholding as determined by implementation of the 2024 annual profit distribution plan. There will be no bonus shares, nor will the capital reserves be capitalized.

The above mentioned profit distribution plan shall be submitted to the annual general meeting of 2024 of the Company for consideration and approval.

As at 26 March 2025, the Company has no other events that needed to be disclosed after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

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

XV. OTHER SIGNIFICANT MATTERS

1. Medium to Long-term Business Partner Share Ownership Scheme

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 (中信証券—麗珠集團事業合夥人持股計劃第一期—中信証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 means of centralized bidding transactions with transaction amount of RMB117,268,338.21. Lock-up periods of the Underlying Shares obtained by the First Phase Ownership Scheme shall be 36 months from 27 May 2021 to 26 May 2024.

A total of 2,348,960 shares of the Company held under the First Phase Ownership Scheme have been completely sold by means of centralized bidding transactions.

As at 31 December 2024, save as the disclosed above, there were no other significant matters required to be disclosed by the Company.

XVI. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

1. Net current assets

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Current assets	16,419,980,644.30	17,266,174,718.28
Less: Current liabilities	7,625,428,371.79	8,087,137,474.74
Net current assets	8,794,552,272.51	9,179,037,243.54

2. Total assets less current liabilities

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Total assets	24,455,825,697.18	25,044,827,127.75
Less: Current liabilities	7,625,428,371.79	8,087,137,474.74
Total assets less current liabilities	16,830,397,325.39	16,957,689,653.01

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Bills receivable

Type of bill	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Bank acceptance bills	673,226,891.51		673,226,891.51	702,305,008.17		702,305,008.17

(1) Bills receivable that were pledged at the End of the Period

Type	Pledged amount at the End of the Period
Bank acceptance bills	282,356,860.08

As at 31 December 2024, bills with carrying amount of RMB282,356,860.08 (31 December 2023: RMB206,252,034.58) were pledged for bank acceptance bills.

(2) There were no bills receivable endorsed or discounted at the End of the Period but not yet due at the date of balance sheet

For the Period, the bank acceptance bills issued by the Company to banks amounted to RMB0.00 (Previous Period: RMB0.00).

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Bills receivable (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 provision for bad debts

Type	Balance at the End of the Period				Balance as at the End of the Previous Year				
	Book balance		Provision for bad debts		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 debts on individual basis									
Provision for bad debts on collective basis	673,226,891.51	100.00		673,226,891.51	702,305,008.17	100.00			702,305,008.17
Of which:									
Bank acceptance bills	673,226,891.51	100.00		673,226,891.51	702,305,008.17	100.00			702,305,008.17
Total	673,226,891.51	100.00		673,226,891.51	702,305,008.17	100.00			702,305,008.17

Bills receivable with provision for bad debts on individual basis:

Nil

Bills receivable with provision for bad debts on collective basis:

Item on collective basis: Bank acceptance bills

Description	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Bills receivable	Provision for bad debts	Expected credit loss rate (%)	Bills receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	673,226,891.51			702,305,008.17		

(5) No provision for bad debts was made, recovered or reversed during the Period.

(6) There is no bills receivable actually written-off for the Period.

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivables

(1) Disclosure using the aging analysis method

Aging	Balance at the End of the Period	Balance as at the End of the Previous Year
Within 1 year		
Of which: Within 3 months (including 3 months)	943,360,335.29	978,106,460.60
4-6 months (including 6 months)	33,978,325.32	28,280,917.83
7-12 months (including 12 months)	3,330,021.99	9,732,538.62
Subtotal within 1 year:	980,668,682.6	1,016,119,917.05
1-2 years (including 2 years)	2,289,918.56	11,470,435.77
2-3 years (including 3 years)	5,025,091.22	231,149.20
Over 3 years	350,643.68	434,532.60
Subtotal	988,334,336.06	1,028,256,034.62
Less: Provisions for bad debts	15,852,336.61	15,263,140.77
Total	972,481,999.45	1,012,992,893.85

(2) Disclosure according to the method of provision for bad debts

Type	Balance at the End of the Period					Balance as at the End of the Previous Year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on collective basis	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85
Of which:										
Due from domestic customers	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85
Total	988,334,336.06	100.00	15,852,336.61	1.60	972,481,999.45	1,028,256,034.62	100.00	15,263,140.77	1.48	1,012,992,893.85

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivables (Continued)

(2) Disclosure according to the method of provision for bad debts (Continued)

Accounts receivables with provision for bad debts on collective basis:

Item on collective basis: Due from domestic customers

Description	Balance at the End of the Period			Balance as at the End of the Previous 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)	943,360,335.29	9,527,892.17	1.01	978,106,460.60	9,962,938.65	1.02
4-6 months (including 6 months)	33,978,325.32	1,658,370.42	4.88	28,280,917.83	1,419,702.08	5.02
7-12 months (including 12 months)	3,330,021.99	333,668.20	10.02	9,732,538.62	984,932.91	10.12
1-2 years	2,289,918.56	458,670.69	20.03	11,470,435.77	2,298,675.33	20.04
2-3 years	5,025,091.22	3,523,091.45	70.11	231,149.20	162,359.20	70.24
Over 3 years	350,643.68	350,643.68	100.00	434,532.60	434,532.60	100.00
Total	988,334,336.06	15,852,336.61	1.60	1,028,256,034.62	15,263,140.77	1.48

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

	Amount of provision for bad debts
Balance at the Beginning of the Period	15,263,140.77
Provision made for the Period	854,255.88
Recovery or reversal during the Period	
Write-off for the Period	265,060.04
Balance at the End of the Period	15,852,336.61

As at 31 December 2024 and 31 December 2023, the Company had no accounts receivables that are past due but not impaired.

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

Item	Amount written off
Total (domestic customers)	265,060.04

(5) The top five balances of accounts receivables by debtors as at the End of the Period

The total of the top five balances of accounts receivables by debtors as at the End of the Period was RMB146,090,836.58 for the Period, representing 14.78% 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 RMB1,461,525.05.

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Accounts receivables (Continued)

- (6) There are no derecognised accounts receivables in the Company due to the transfer of financial assets.
- (7) The Company has no assets or liabilities formed by its continuous involvement of transferring accounts receivables.

3. Other receivables

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Dividend receivables		548,291,888.07
Other receivables	343,051,410.41	584,394,557.01
Total	343,051,410.41	1,132,686,445.08

(1) Dividend receivables

Item	Balance at the End of the Period	Balance as at the End of the Previous Year
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)		501,548,088.07
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)		46,743,800.00
Subtotal:		548,291,888.07
Less: Provision for bad debts		
Total		548,291,888.07

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(1) Dividend receivables (Continued)

Provision made for bad debts

On 31 December 2023, provision made for bad debts:

As at 31 December 2023, provision for bad debts at step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on individual basis	548,291,888.07			548,291,888.07	
Dividend receivables	548,291,888.07			548,291,888.07	Recoverable
Total	548,291,888.07			548,291,888.07	

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(2) Other receivables

① Disclosure by nature of the amount

Item	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for bad debts	Carrying value	Book balance	Provision for bad debts	Carrying value
Deposits under guarantee and security deposits and lease expenses				500,000.00	121,500.00	378,500.00
Reserve fund and advances	9,232,491.98	706,567.86	8,525,924.123	8,534,852.43	497,880.60	8,036,971.83
Other receivables of each company within the scope of combination	333,711,459.47		33,711,459.47	574,351,298.47		574,351,298.47
Balance with associates				2,263.89	52.75	2,211.14
Borrowing due from external entities	5,000,000.00	5,000,000.00		5,000,000.00	5,000,000.00	
Others	949,285.26	135,258.44	814,026.82	1,664,788.60	39,213.03	1,625,575.57
Total	348,893,236.71	5,841,826.30	343,051,410.41	590,053,203.39	5,658,646.38	584,394,557.01

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. 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 debts on collective basis	333,711,459.47			333,711,459.47	
Amounts of exercised options	333,711,459.47			333,711,459.47	Recoverable
Total	333,711,459.47			333,711,459.47	

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 debts on collective basis	10,181,777.24	8.27	841,826.30	9,339,950.94	
Other receivables	10,181,777.24	8.27	841,826.30	9,339,950.94	–
Total	10,181,777.24	8.27	841,826.30	9,339,950.94	

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

② Provision made for bad debts (Continued)

As at the End of the 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 debts on individual basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
Total	5,000,000.00	100.00	5,000,000.00		

On 31 December 2023, provision made for bad debts:

As at 31 December 2023, provision for bad debts at Step 1:

Type	Book balance	Expected credit losses rate over the next 12 months (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on collective basis	574,351,298.47			574,351,298.47	
Other receivables of each company within the scope of combination	574,351,298.47			574,351,298.47	Recoverable
Total	574,351,298.47			574,351,298.47	

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. 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 2023, 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 debts on collective basis	10,701,904.92	6.15	658,646.38	10,043,258.54	
Receivables of deposits under guarantee and security deposits and lease expenses	500,000.00	24.30	121,500.00	378,500.00	–
Other receivables	10,201,904.92	5.27	537,146.38	9,664,758.54	–
Total	10,701,904.92	6.15	658,646.38	10,043,258.54	

As at 31 December 2023, the provision for bad debt in Step 3:

Type	Book balance	Expected credit losses rate over the lifetime (%)	Provision for bad debts	Carrying value	Reason
Provision for bad debts on individual basis	5,000,000.00	100.00	5,000,000.00		
Other receivables	5,000,000.00	100.00	5,000,000.00		Not expected to be recoverable
Total	5,000,000.00	100.00	5,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

- ③ Provision for bad debts made, recovered or reversed during the Period

	Step 1	Step 2	Step 3	
	Expected credit loss over the next 12 months	Expected credit loss over the lifetime (without impairment of credit)	Expected credit loss over the lifetime (with impairment of credit)	Total
Provision for bad debts				
Balance at the Beginning of the Period		658,646.38	5,000,000.00	5,658,646.38
Balance at the Beginning of the Period during the Period				
— Transferred to Step 3		-279,950.00	279,950.00	
Provision made for the Period		463,129.92		463,129.92
Write-off for the Period			279,950.00	279,950.00
Balance at the End of the Period		841,826.30	5,000,000.00	5,841,826.30

- ④ Other receivables that were actually written off during the Period

Item	Amount written off
Other receivables that were actually written off	279,950.00

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

⑤ Top five balances of other receivables by debtors at the End of the Period

Name of unit	Nature of Receivables	Balance of other receivables at the End of the Period	Aging	Proportion to total balance of other receivables at the End of the Period (%)	Balance of provision for bad debt 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	191,223,953.15	Within 1 year	54.81	
Ando Development Limited (安滔發展有限公司)	Current account	120,187,309.39	Within 1 year RMB3,410,897.24, 1-2 years RMB56,168.53, 2-3 years RMB235,724.43, over 3 years RMB116,484,519.19	34.45	
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	Current account	21,033,372.39	Within 1 year RMB200.00, 1-2 years RMB2,000.00, over 3 years RMB21,031,172.39	6.03	
Guangzhou Galaxy Sunshine Biological Products Borrowings Co., Ltd. (廣州銀河陽光生物製品有限公司)		5,000,000.00	Over 5 years	1.43	5,000,000.00
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿研智新醫藥科技有限責任公司)	Current account	620,000.00	Within 1 year	0.18	
Total	—	338,064,634.93		96.90	5,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Other receivables (Continued)

(2) Other receivables (Continued)

- ⑥ No amounts receivables of the Company has been derecognized due to the transfer of financial assets.
- ⑦ The Company has no assets or liabilities formed by its continuous involvement of transferring other receivables.

4. Long-term equity investments

Item	Balance at the End of the Period			Balance as at the End of the Previous Year		
	Book balance	Provision for impairment	Carrying value	Book balance	Provision for impairment	Carrying value
Investments in subsidiaries	3,855,647,145.20	17,287,569.18	3,838,359,576.02	3,158,207,145.20	17,287,569.18	3,140,919,576.02
Investments in associates	801,949,340.37	1,200,000.00	800,749,340.37	770,827,958.91	1,200,000.00	769,627,958.91
Total	4,657,596,485.57	18,487,569.18	4,639,108,916.39	3,929,035,104.11	18,487,569.18	3,910,547,534.93

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investments (Continued)

(1) Investments in subsidiaries

Investee	Balance at the Beginning of the Period	Increase during the Period	Decrease during the Period	Balance at the End of the Period	Provision for impairment for the Period	Balance of provision for impairment at the End of the Period
Zhuhai Livzon Baiameng Biological Materials Co., Ltd. (珠海麗珠一拜阿蒙生物材料有限公司)	3,934,721.95			3,934,721.95		
Livzon Group Livzon Pharmaceutical Factory (麗珠集團麗珠製藥廠)	361,060,443.85			361,060,443.85		
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大製藥有限公司)	170,872,457.35			170,872,457.35		
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海麗珠製藥有限公司)	31,438,404.00			31,438,404.00		
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			4,539,975.00		
Livzon Group Livzon Medical Research Centre (麗珠集團麗珠醫藥研究所)	6,004,000.00			6,004,000.00		
Lizhu (Hong Kong) Co., Limited (麗珠(香港)有限公司)	265,149,450.47			265,149,450.47		
Lian Hong Kong Limited (麗安香港有限公司)	140,000,000.00			140,000,000.00		
Ando Development Limited (安滔發展有限公司)	534,050.00			534,050.00		
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			378,259,319.91		17,287,569.18
Zhuhai Livzon Diagnostics Inc. (珠海麗珠試劑股份有限公司)	67,877,200.00			67,877,200.00		
Livzon Group Livzon Pharmaceutical Marketing Co., Ltd. (麗珠集團麗珠醫藥營銷有限公司)	12,008,000.00			12,008,000.00		
Livzon Group Limin Pharmaceutical Manufacturing Factory (麗珠集團利民製藥廠)	184,301,219.52			184,301,219.52		
Zhuhai Livzon Pharmaceutical Trading Co., Ltd. (珠海市麗珠醫藥貿易有限公司)	40,020,000.00			40,020,000.00		
Livzon Group Vaccine Engineering Inc. (麗珠集團疫苗工程股份有限公司)	54,500,000.00			54,500,000.00		
Gutian Fuxing Pharmaceutical Co., Ltd. (古田福興醫藥有限公司)	6,675,000.00			6,675,000.00		
Zhuhai Livzon Investment Development Co., Ltd. (珠海市麗珠投資發展有限公司)	171,000,000.00			171,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investments (Continued)

(1) Investments in subsidiaries (Continued)

Investee	Balance at the Beginning of the Period	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 Microsphere Technology Co., Ltd. (珠海市麗珠微球科技有限公司)	212,092,110.00	12,000,000.00		224,092,110.00		
LivzonBio, Inc. (珠海市麗珠生物醫藥科技有限公司)	932,230,793.15	677,940,000.00		1,610,170,793.15		
Zhuhai Livzon Ruiyan Zhixin Pharmaceutical Technology Co., Ltd. (珠海市麗珠睿研智新醫藥科技有限責任公司)	1,650,000.00			1,650,000.00		
Zhuhai Livzon Traditional Chinese Medicine Modernization Technology Co., Ltd. (珠海市麗珠中藥現代化科技有限公司)	30,000,000.00	15,000,000.00		45,000,000.00		
Zhuhai Livzon Pharmaceuticals Import and Export Trading Co., Ltd. (珠海市麗珠醫藥進出口貿易有限公司)	7,500,000.00		7,500,000.00			
Fluffy Buddy Animal Healthcare (Guangdong) Co., Ltd. (毛孩子動物保健(廣東)有限公司)	76,500,000.00			76,500,000.00		
Wuhan Kangli Health Investment Management Co., Ltd. (武漢康麗健康投資管理有限公司)	60,000.00			60,000.00		
Total	3,158,207,145.20	704,940,000.00	7,500,000.00	3,855,647,145.20		17,287,569.18

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Long-term equity investments (continued)

(2) Investments in associates

Investee	Balance at the Beginning of the Period	Additional/ new investments	Decreased investments	Change during the Period					Balance at the End of the Period	Balance of provision for impairment at the End of the Period	
				Investment profit and loss recognized under the equity method	Adjustment in other comprehensive income	Other equity change	Cash dividend or profit distribution declared	Provision for impairment			Others
Associates											
Livzon Medical Electronic Equipment (Plant) Co., Ltd.(麗珠醫用電子設備(廠)有限公司)	1,200,000.00									1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd.(廣東藍寶製藥有限公司)	23,939,467.05			3,694,845.02			850,000.00			26,784,312.07	
Shenzhen Youbao Technology Co., Ltd.(深圳市有寶科技有限公司)	1,564,214.37			-265,074.18						1,299,140.19	
Zhuhai Sanmed Biotech Inc.(珠海聖美生物診斷技術有限公司)	38,519,844.60			-31,917,579.57	349,157.30	16,420,261.20				23,371,683.53	
Tianjin Tongrentang Group Co., Ltd.(天津同仁堂集團股份有限公司)	705,604,432.89			55,857,811.02	-12,168,039.33					749,294,204.58	
Total	770,827,958.91			27,370,002.29	-11,818,882.03	16,420,261.20	850,000.00			801,949,340.37	1,200,000.00

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

5. Operating income and operating cost

(1) Operating income and operating cost

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities	5,425,057,351.83	3,921,481,716.40	5,913,259,283.02	4,081,355,813.45
Other activities	49,444,205.52	41,393,526.71	32,530,511.92	31,152,427.96
Total	5,474,501,557.35	3,962,875,243.11	5,945,789,794.94	4,112,508,241.41

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

5. Operating income and operating cost (continued)

(2) Operating income, operating cost presented by product types

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Chemical preparations	4,156,980,186.69	3,172,721,723.63	4,688,295,373.60	3,412,773,670.98
Traditional Chinese medicine preparations	1,101,417,529.93	661,287,929.36	1,019,617,606.86	573,658,637.19
Biological products	166,659,635.21	87,472,063.41	205,346,302.56	94,923,505.28
Subtotal	5,425,057,351.83	3,921,481,716.40	5,913,259,283.02	4,081,355,813.45
Other activities:				
Sales materials, etc.	14,369,095.38	14,387,738.79	364,314.16	364,314.16
Lease fees	8,290,322.94		5,859,478.42	
Others	26,784,787.20	27,005,787.92	26,306,719.34	30,788,113.80
Subtotal	49,444,205.52	41,393,526.71	32,530,511.92	31,152,427.96
Total	5,474,501,557.35	3,962,875,243.11	5,945,789,794.94	4,112,508,241.41

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

5. Operating income and operating cost (continued)

(3) Major business income and cost presented by major regions of operations

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Domestic	5,425,057,351.83	3,921,481,716.40	5,913,259,283.02	4,081,355,813.45

(4) Operating income and operating costs presented by transfer time of commodities

Item	Amount for the Period		Amount for the Previous Period	
	Income	Cost	Income	Cost
Principal activities:				
Of which: recognized at a point of time	5,425,057,351.83	3,921,481,716.40	5,913,259,283.02	4,081,355,813.45
Other activities:				
Of which: recognized at a point of time	41,153,882.58	41,393,526.71	26,671,033.50	31,152,427.96
Lease income	8,290,322.94		5,859,478.42	
Total	5,474,501,557.35	3,962,875,243.11	5,945,789,794.94	4,112,508,241.41

NOTES TO THE FINANCIAL STATEMENTS

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

XVII. NOTES TO THE KEY COMPONENTS OF FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

6. Investment Income

Item	Amount for the Period	Amount for the Previous Period
Long-term equity investments income under cost method	241,825,000.00	1,143,951,800.000
Long-term equity investments income under equity method	27,370,002.29	68,451,468.44
Investment income from financial assets held for trading during its holding period	306,539.16	95,587.48
Investment income from disposal of financial assets held for trading	1,033,853.65	3,279.44
Investment income generated from the disposal of long-term equity investments	1,394,520.93	
Total	271,929,916.03	1,212,502,135.36

NOTES TO THE FINANCIAL STATEMENTS

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

XVIII. SUPPLEMENTARY INFORMATION

1. Statement of non-recurring profit or loss over the current period

Item	Amount for the Period	Amount for the Previous Period
Profit or loss from disposal of non-current assets, including the written-off portion of provisions made for asset impairment	38,141,577.15	-170,440.24
Government grants 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, entitled in accordance with determined standards and that have a continuous impact on the Company's profit or loss	120,270,784.33	186,338,052.98
Gains or losses arising from changes in fair value derived from financial assets and financial liabilities held by non-financial enterprises and gains or losses generated on disposal of financial assets and financial liabilities, except for effective hedging activities related to the ordinary operating business of the Company	-12,234,583.55	-43,944,412.67
Other non-operating income and expenses other than the abovementioned items	-31,193,025.79	-32,441,943.60
Total non-recurring profit or loss	114,984,752.14	109,781,256.47
Less: Effect on income tax of non-recurring profit or loss	19,295,298.12	15,584,103.48
Less: Net effect of non-recurring profit or loss attributable to the Company's minority shareholders (after tax)	13,789,475.52	21,891,665.67
Non-recurring profit or loss attributable to the Company's ordinary shareholders	81,899,978.50	72,305,487.32

The Company recognizes non-recurring profit or loss items according to the Explanatory Announcement No. 1 on Corporate Information Disclosure for the Public Offering of Securities-Non-recurring Profit or Loss (2023 Revision) (ZJHGG (2023) No. 65).

NOTES TO THE FINANCIAL STATEMENTS

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

XVIII. SUPPLEMENTARY INFORMATION (Continued)

2. Rate of return on net assets and earnings per share

2024

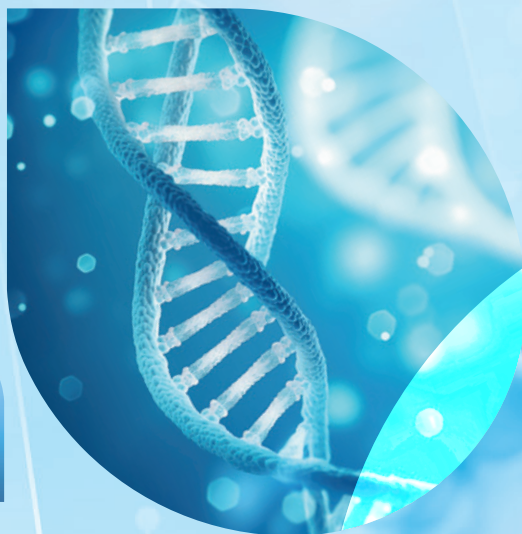
Profit during the Reporting Period	Rate of return on weighted average net assets %	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.43	2.24	2.24
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	13.86	2.15	2.15

2023

Profit during the reporting period	Rate of return on weighted average net assets %	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary shareholders	14.00	2.10	2.10
Net profit attributable to the Company's ordinary shareholders after a deduction of non-recurring profit or loss	13.48	2.02	2.02

Livzon Pharmaceutical Group Inc.

26 March 2025



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Bright Future & Wisdom

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