



Stock Short Name: 健康元  
Stock Code: 600380

# Joincare 2022 Annual Report

For the Health For the Future



## Important Notice

**I. The Board of Directors (the “Board”), the Board of Supervisors and directors, supervisors and senior management of the Company 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 legal responsibility.**

**II. All directors of the Company attended the Board meeting.**

**III. Grant Thornton (Special General Partnership) issued a standard unqualified audit report for the Company.**

**IV. Mr. Zhu Baoguo (朱保国), the person-in-charge of the Company, and Mr. Qiu Qingfeng (邱庆丰), the person-in-charge of accounting work and the person-in-charge of the accounting department (the head of the accounting department) declare that they hereby warrant the truthfulness, accuracy and completeness of the financial statements contained in the Report.**

**V. Profit distribution plan or plan for conversion of capital reserve to share capital approved by the Board resolution during the Reporting Period**

Based on the audit conducted by Grant Thornton (Special General Partnership), in 2022, the Parent Company generated net profit of RMB849,731,957.95, 10% of which was contributed to the statutory surplus reserve, namely RMB84,973,195.80, the remainder of which, together with undistributed profits for the last year of RMB1,400,174,178.18 and gain on disposal of other equity investments of RMB80,749,859.60, subtracting cash dividends for the last year of RMB277,557,631.65, is the profits available for distribution to shareholders for the year of RMB1,968,125,168.28. The Company plans to distribute cash dividends for the fiscal year 2022, based on the total number of shares for dividend distribution, which is defined by the total shares of Company, minus the shares in the Share Repurchase Account, on the equity registration date designated by the annual profit distribution plan. The Company plans to distribute cash dividend of RMB1.80 (tax inclusive) for every 10 shares of to all shareholders of the Company, and the remaining undistributed profits will be carried forward to the following year.

**VI. Risk declaration for the forward-looking statements**

Applicable N/A

The Report contains forward-looking statements which involve the future plans, development strategies, etc. of the Company, yet do not constitute substantive undertakings of the Company to investors. Investors should exercise caution prior to making investment decisions.

**VII. Whether there is non-operating use of funds by the controlling shareholder and their related parties**

No

**VIII. Whether there is a violation of the prescribed decision-making procedures to provide external guarantees**

No

**IX. Whether more than half of directors cannot warrant the truthfulness, accuracy and completeness of the Report disclosed by the Company**

No

**X. Significant risk warnings**

There is no exceptionally significant risk that will have a material impact on the production and operation of the Company during the Reporting Period. In this Report, the Company has elaborated on the risks and countermeasures that the Company may face in the course of production and operation, including industry policy risk, market risk, risk of safety and environmental protection, risk in price and supply of raw materials and R&D risk. For more information, please refer to “Potential risks” part in Chapter 3 Management Discussion and Analysis.

**XI. Others**

Applicable N/A

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List of documents available for inspection	The Financial Statements signed and sealed by the person-in-charge of the Company, the person-in-charge of the Company's accounting work and the person-in-charge of the accounting department (the head of the accounting department)
	The original document of the auditors' report sealed by the accounting firm and signed and sealed by the certified public accountants
	The original copies of all documents and announcements of the Company which have been disclosed to the public on the website designated by CSRC (China Securities Regulatory Commission) during the Reporting Period

## Chairman's Statement

### Dear shareholders,

2022 was a year of both carrying forward and breaking new ground for the implementation of the “14th Five-Year” Plan and a crucial year for deeply promoting the “Healthy China” initiative, and deepening the reform of the medical and healthcare systems. During this year, the pharmaceutical industry underwent significant structural adjustments and steadily entered the “new normal” of transformation and upgrading with more opportunities than challenges. Under the guidance of the national “14th Five-Year” Plan, a number of major policies and guidelines related to the pharmaceutical industry have been released and the theme of high-quality development has become the focus of the new era.

2022 was the 30th anniversary of the establishment of Joincare. During the 30 years with significant changes in the industry, the Group adhered to the mission of “For the health, For the future” and the vision to “Diligently make high-quality and innovative drugs”, focused on the high-quality development of the principal pharmaceutical business, maintained its strategic focuses, and tactically demonstrated its resilience and potential. Based on the development blueprint outlined in the Report to the 20th National Congress of the CPC, the Group achieved effective qualitative improvement and reasonable quantitative growth in expediting product innovation, achieving technical breakthroughs, expanding industrial chains, enhancing the comprehensive competitiveness, and accelerating the pace of internationalization. With the fortitudinous and steadfast efforts of all staff, the Group recorded sustained and steady performance growth and successfully achieved its annual business goals.

In 2022, the Group realized total revenues of RMB17,143 million, representing a year-on-year increase of approximately 7.79%; realized a net profit attributable to shareholders of listed companies of RMB1,503 million, representing a year-on-year increase of approximately 13.10%; and realized a net profit attributable to shareholders of listed companies after deduction of the extraordinary gains and losses of RMB1,419 million, representing a year-on-year increase of approximately RMB194 million or 15.84%.

**We maintained steady performance growth and strived to create higher returns for our shareholders.** Based on the operating results and overall financial position of the Group in 2022, the Board of Directors proposed that we continue to adopt a stable profit distribution scheme in 2022. Specifically, a cash dividend of RMB1.80 (tax inclusive) for every 10 shares will be distributed to all shareholders of the Company, based on the total number of shares (excluding the number of shares repurchased but not cancelled by the Company) on the equity registration date designated by the annual profit distribution plan for 2022. No bonus shares will be distributed and no conversion of capital reserve into share capital will be carried out. The profit distribution scheme for 2022 is yet to be reviewed and approved at the Company’s 2022 Annual General Meeting.

**In 2022, the Group deeply implemented the dual-drive strategy of developing platforms of both innovative medicines and high-barrier complex formulations, focused on unmet clinical needs and constantly created and developed new drivers and new advantages. In terms of R&D innovation,** the Group continuously increased R&D expenditures while constantly refining

differentiated innovation R&D strategies. It combined “long-term” and “short-term” plans on strategic plannings and pipeline deployments and concentrated on the construction of R&D systems covering the full lifecycle of drugs development and production.

We continued to increase our R&D expenditures and boosted efforts in the construction of innovative R&D technology platforms for high-barrier complex formulations, including inhalation formulation, antibody, and sustained-release microspheres for injections. We have achieved remarkable results. In 2022, the R&D of many innovative medicine products and high-barrier complex formulations in the Group’s pipeline made significant progress with 6 products approved for launching, 5 products applied for production and 5 products approved for clinical trials.

The birth of each new drug or the initiation of each new therapy represents a process of perception to diseases. In October 2022, Tobramycin Inhalation Solution (妥布霉素吸入溶液), a blockbuster product of the Group, was approved for launching. It is the first inhalation drug for bronchiectasis in the world as well as the first nebulizer inhalation antibiotic launched in China, marking that the situation of “no drugs available” faced by bronchiectasis patients in China will be significantly relieved. Meanwhile, it further validates our strategic correctness and the market leader advantages in the inhalation formulation products market.

While adhering to strengthening independent innovation, the Group also pays close attention to domestic and overseas cutting-edge technologies and opportunities. In 2022, Joincare and its subsidiary, Livzon Group, jointly established an industrial investment entity and contributed a total of RMB1 billion to strategically invest in high-quality healthcare industry projects, demonstrating the strength and determination of the Group in boosting industrial innovation through “bringing in investments”, establishing diversified platforms for incubating and introducing R&D and innovation projects, rapidly diversifying core pipeline products of the Company and further bolstering the sustained profitability of the Group.

In terms of **business scope innovation**, we continued to use our existing strength as a “springboard” for new businesses, expanding our business territory at a steady pace. In 2022, the Recombinant SARS-CoV-2 Fusion Protein (CHO Cell) Vaccine “Likang V-01”, jointly developed by the Institute of Biophysics of the Chinese Academy of Sciences and Joincare, was successfully developed and approved to be included for heterologous booster vaccination.

Our success in R&D of Likang V-01 relies on our ability of R&D transform R&D achievements in the whole chain from clinical research and production to approval, marketing and terminal promotion; and the launch of Likang V01 represents significant breakthroughs in both the construction of the recombinant protein vaccine platform and the commercialization capability in vaccine market niche.

In the end of 2022, we adopted new measures in the expansion of the business scope. Relying on the strategic advantages in “APIs-formulations vertical integration” and the leading position in core pet drugs’ APIs of the two listed companies, Joincare and Livzon Group, we integrated our advantageous resources in the R&D, production, brand promotion, online and offline marketing through all channels in the pet drugs sector, coordinated the operation of animal health care products and further boosted the layout on animal health care formulations.

In terms of **business model innovation**, in 2022, the Group continued to strengthen and upgrade the “patient-centered” digital marketing ecosystem, adopted new digital marketing models for respiratory drugs, namely “to empower all links including education, screening, diagnosis, treatment, and medication monitoring, form a closed-loop consisting of doctors, hospitals, patients and pharmaceutical companies, and explore the external huge market of chronic disease management with owned traffic, so as to realize real-time interaction between consumers and brands” to expand to gastroenterological, psychiatric and other advantageous sectors of the Group. In 2022, healthcare products & OTC segment of the Group successfully promoted the iteration and upgrading of “Taita” (太太) and other core classical brands through omni-channel strategy. On one hand, it continuously promoted the reform of the offline team structure, upgraded the distribution channel, integrated the key chain stores and empowered the Company with resources; on the other hand, it continued to improve online self-operated channels such as platforms of Tmall, Jingdong (JD), Douyin e-commerce and WeChat Mall, Leveraging on online quality content platforms, it conveyed the scientifically based healthcare concept, accurately reached target users and empowered the revitalization of time-honored brands.

**We always adhered to the strategy on the coordinated development of industry and capital operation. With our top-notch intuition, courage and industry standard, while leveraging on the opportunities in the capital market, Joincare has maintained the fast-moving edge in the integration of industry and capital market for three decades.**

In September 2022, the Global Depository Receipts (GDRs) of Joincare were successfully listed on the SIX Stock Exchange, making us the first domestic bio-pharmaceutical enterprise with GDRs issued and successfully listed in Switzerland. As a result, the two listed companies under the Group jointly set a precedent for being listed on, in total, four exchanges in China, Hong Kong and Switzerland. The Group has been paying close attention to policies and opportunities for the innovative development of the capital market and actively serving the strategic development and business layout of enterprises through the capital market. The successful issuance of GDRs in Switzerland represents a key milestone in the internationalization strategy of Joincare, facilitates the Group’s internalization strategy in expanding businesses overseas, and allows the Company to develop an international horizon, pattern and operating logic to improve international recognition, so as to enhance the overall profitability and comprehensive competitiveness of the Company.

**We always actively undertake social responsibilities and integrate the ESG concept into all links of the strategy and operation of the Group with practical actions.** We proactively focus on the internal regulatory environment and external policy guidance and practice the CSR strategy and social welfare initiatives adapted to our current business situation in combination with China’s 14th Five-Year Plan and the local government’s development plan.

As a leader in domestic market niche of inhalation formulations, we shoulder the undertakings of pharmaceutical enterprises to serve the country and people. Following the listing of three inhalation formulation products in the fifth-round national volume-based procurement, including 雾舒<sup>®</sup>, 舒坦琳<sup>®</sup>, 丽雾安<sup>®</sup> and 特瑞通<sup>®</sup>, a new product, successfully won the bidding in the seventh round of national volume-based procurement in July 2022. We have been implementing the concept of inclusive health through academic works, public welfare actions and the promotion of scientific popularization to increasingly enhance the awareness on the diagnosis, treatment and management

of chronic diseases and improve the accessibility of drugs. As of the end of 2022, “Respiratory Experts' Views” (呼吸专家说), a public welfare patient education platform in the domestic respiratory diseases sector under the Group, which is the first of its kind in the industry, had joined hands with thousands of doctors in popularizing the scientific concept on the prevention of chronic respiratory diseases among millions of followers. It focused on Chronic obstructive pulmonary disease (COPD), bronchiectasis and other respiratory diseases with high morbidity but low awareness and rate of standardized treatment, supporting the “Healthy China 2030” with practical actions. In 2022, the segment of inhalation formulations of Joincare realized revenues of RMB1.174 billion, representing a year-on-year increase of 103.37%. Such figures mean that an increasing number of Chinese people obtain high-quality domestic new drugs at a more affordable price.

In 2022, the Recombinant SARS-CoV-2 Fusion Protein (CHO Cell) Vaccine “Likang V-01” under the Group was included into the preferred combinations under the Implementation Plan for Vaccination of Second Booster Dose of COVID-19 Vaccines. During the fight against the COVID-19 pandemic, the Group contributed the strength of pharmaceutical enterprises in building immunologic barriers for people with underlying diseases, the elderly, people exposed to high risks and other key groups through vaccines with excellent protection and high safety. In addition, the Tocilizumab Solution for Injection (Atvtia) (托珠单抗注射液(安维泰)) was approved for market launch in January 2023 and listed in the Diagnosis and Treatment Protocol for COVID-19 (Trial Version 10) and the Diagnosis and Treatment Protocol for Severe COVID-19 Cases (Trial Version 4), effectively relieving the shortage of drugs for severe COVID-19 patients.

The Group has actively responded to national policies and calls for years. In combination with its own industrial advantages, the Group jointly launched the “Access to Public Welfare for Chronic Diseases Prevention and Treatment (普惠慢病防治公益项目)” program, which currently covers 8 provinces and 1 autonomous region. It brought drugs and other materials for patients with chronic diseases in remote areas, alleviated their medical burdens and further improved the accessibility of drugs. In 2022, the Group’s public welfare donations amounted to approximately RMB12.117 million.

2023 is the first year for implementing the spirit of the 20th National Congress of the CPC. Based on the new situation and new stage of the pharmaceutical industry, the Group will anchor in high-quality development, conduct in-depth layout with the focus on the two strategic orientations of innovation and internationalization, and review current opportunities and challenges while continuing to balance aspiration with practicality. Firstly, we will stick to and speed up in R&D innovation and continuously launch products with high quality and accurate efficacy. Secondly, we will boost technological and management innovation and vigorously advance the progress of internationalization. Thirdly, we will bravely try new technologies and models, and implement the digital and intelligent transformation in all links of industrial chains from R&D, production and sales to management, so as to improve the operational efficiency and adapt to the new trends of the pharmaceutical industry and market. The Group will continue to deeply penetrate into the markets of innovative drugs and high-barrier complex formulations, keep an acute insight on market changes, break conventional thinking and path dependence, continuously consolidate the industrial position of the Group in all segments and speed up in promoting the high-quality development of industries.

In 1992, Joincare embarked on its journey with a strong sense of purpose and determination. Over



the past three decades, it has overcome many challenges and navigated through significant changes in the industry. This top integrated pharmaceutical enterprise with revenues of RMB17.1 billion, was not a surf boat but became an aircraft carrier in the domestic field of innovation. It will not only ride through the ups and downs of the industry firmly and confidently, but also attract, match and carry more and more like-minded partners to sail, at full speed, towards the new era for the pharmaceutical industry with a bright future.

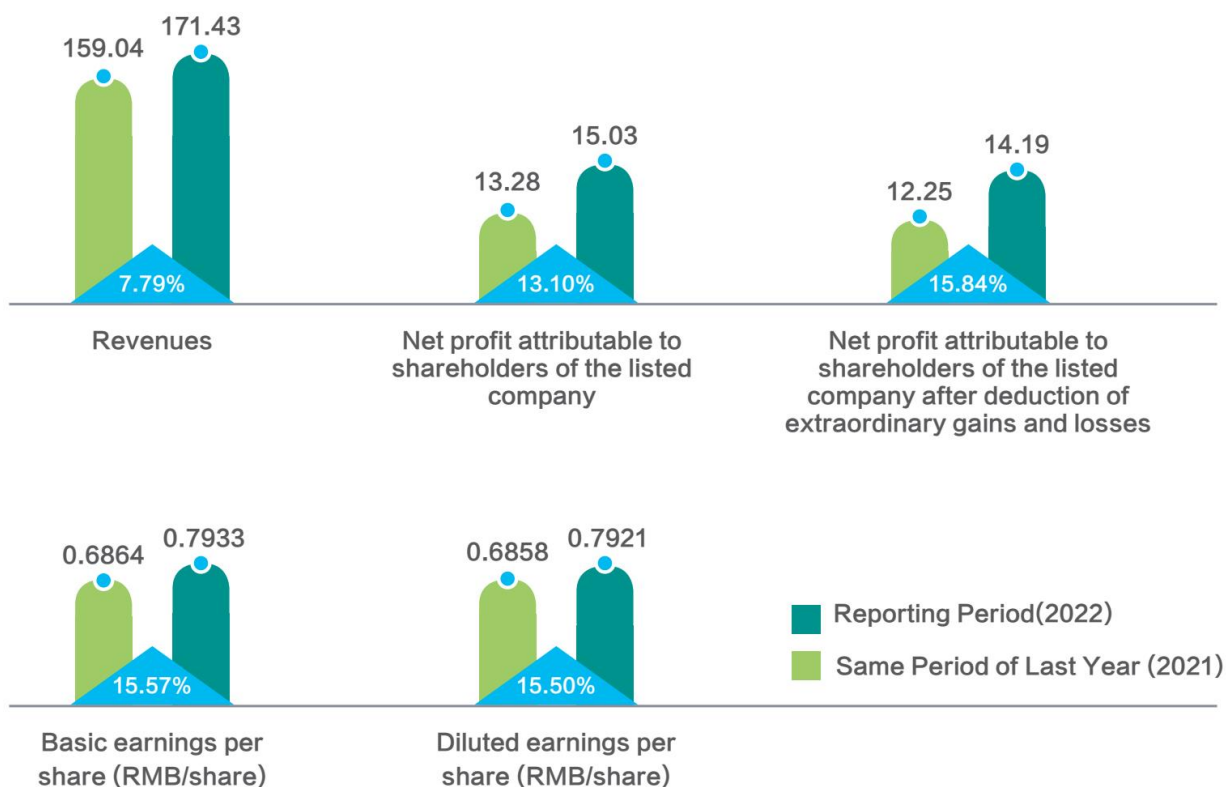
On behalf of the Board of the Company, I would like to take this opportunity to express my sincere gratitude to all Shareholders, all staff of the Group and business partners for their long-lasting care, companion and support.

Chairman: Zhu Baoguo

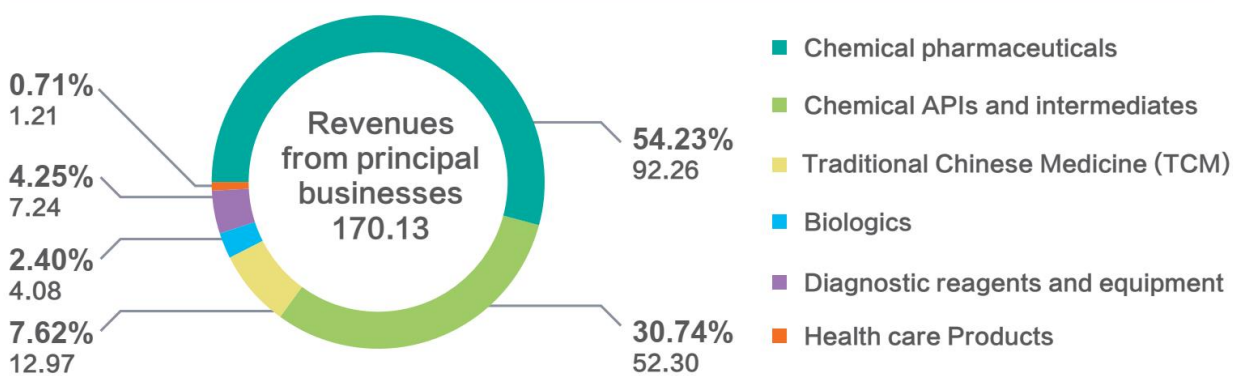
7 April 2023

## Financial Highlights

### Major Financial indicators (RMB100 Million)



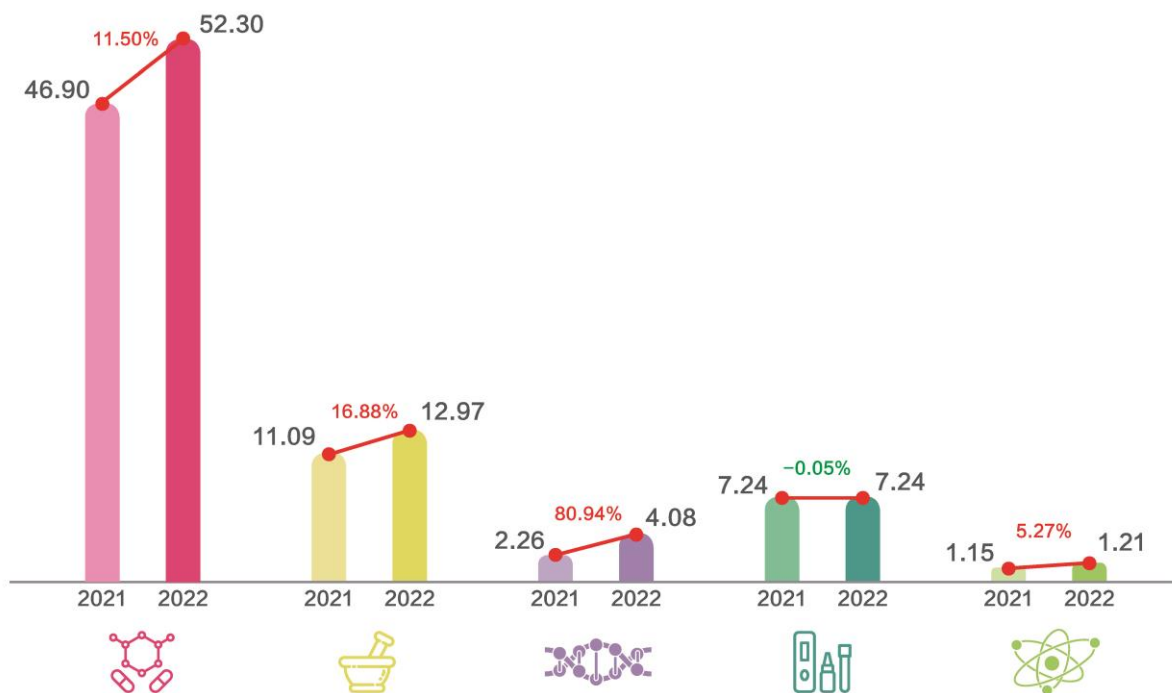
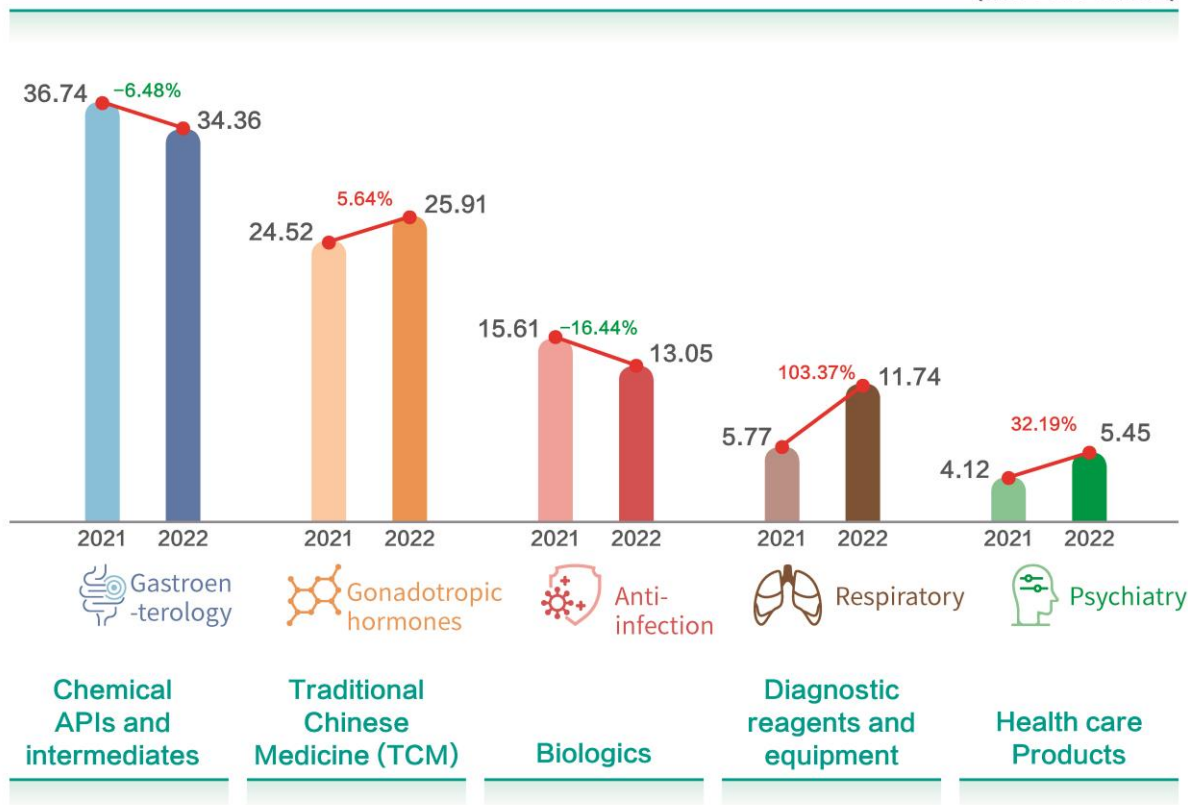
### Principal Businesses (RMB 100 million)



## Financial Highlights

### Chemical pharmaceuticals

(RMB 100 million)



## Chapter 1 Definitions

### I. Definitions

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

Definitions of common terms		
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
SZSE	Refers to	Shenzhen Stock Exchange
Baiyeyuan or the Controlling Shareholder	Refers to	Shenzhen Baiyeyuan Investment Co., Ltd. * (深圳市百业源投资有限公司)
Company, the Company, Group or the Group	Refers to	Joincare Pharmaceutical Group Industry Co., Ltd.* (健康元药业集团股份有限公司)
GMP	Refers to	Good Manufacturing Practice
GSP	Refers to	Good Supply Practice
CE	Refers to	The certification of the products by European Union, indicating that the product has complied the safety requirements specified in the European Directives. The access condition for a product to enter the EU market is that the product has undergone the appropriate conformity assessment procedures and the declaration of conformity of a manufacturer, with attachment of CE mark
CEP	Refers to	Certificate of Suitability to Monograph of European Pharmacopoeia
BE	Refers to	Bioequivalence
BLA	Refers to	Biologics License Application
IND	Refers to	Investigational New Drug Application
R&D	Refers to	Research and Development
TCM	Refers to	Traditional Chinese Medicine
NHSA	Refers to	National Health Security Administration
NMPA	Refers to	National Medical Products Administration
Livzon Group	Refers to	Livzon Pharmaceutical Group Inc.* (丽珠医药集团股份有限公司)
Haibin Pharma	Refers to	Shenzhen Haibin Pharmaceutical Co., Ltd.* (深圳市海滨制药有限公司)
Joincare Haibin	Refers to	Joincare Haibin Pharmaceutical Co., Ltd.* (健康元海滨药业有限公司)
Xinxiang Haibin	Refers to	Xinxiang Haibin Pharmaceutical Co., Ltd. * (新乡海滨药业有限公司)
Taitai Pharmaceutical	Refers to	Shenzhen Taitai Pharmaceutical Co., Ltd. * (深圳太太药业有限公司)
Taitai Genomics	Refers to	Shenzhen Taitai Genomics Inc. Co., Ltd. * (深圳太太基因工程有限公司)
Taitai Biotechnology	Refers to	Shenzhen Taitai Biotechnology Co., Ltd. *(深圳太太生物科技有限公司)
Joincare Biopharmaceutical Research Institute	Refers to	Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. * (河南省健康元生物医药研究院有限公司)
Jiaozuo Joincare	Refers to	Jiaozuo Joincare Bio Technological Co., Ltd.* (焦作健康元生物制品有限公司)
Joincare Daily-Use	Refers to	Joincare Daily-Use & Health Care Co., Ltd. * (健康元日用保健品有限公司)
Topsino	Refers to	Topsino Industries Limited *(天诚实业有限公司)
Fenglei Electric Power	Refers to	Shenzhen Fenglei Electric Power Investment Co., Ltd. * (深圳市风雷电力投资有限公司)
Health Pharmaceutical	Refers to	Health Pharmaceutical (China) Co., Ltd. *(健康药业(中国)有限公司)

Hiyeh Industry	Refers to	Shenzhen Hiyeh Industry Co., Ltd. * (深圳市喜悦实业有限公司)
Shanghai Frontier	Refers to	Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. *(上海方予健康医药科技有限公司)
Joincare Special Medicine Food	Refers to	Joincare (Guangdong) Special Medicine Food Co., Ltd. *(健康元(广东)特医食品有限公司)
Livzon MAB	Refers to	Livzon MABPharm Inc. *(珠海市丽珠单抗生物技术有限公司)
Livzon Diagnostics	Refers to	Zhuhai Livzon Diagnostics Inc. *(珠海丽珠试剂股份有限公司)
Fuzhou Fuxing	Refers to	Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.*(丽珠集团福州福兴医药有限公司)
Livzon Xinbeijiang	Refers to	Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.*(丽珠集团新北江制药股份有限公司)
Ningxia Pharmaceutical	Refers to	Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.*(丽珠集团(宁夏)制药有限公司)
Gutian Fuxing	Refers to	Gutian Fuxing Pharmaceutical Co., Ltd. *(古田福兴医药有限公司)
Livzon Hecheng	Refers to	Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. *(珠海保税区丽珠合成制药有限公司)
Livzon Limin	Refers to	Livzon Group Limin Pharmaceutical Manufacturing Factory *(丽珠集团利民制药厂)
Livzon Pharmaceutical Factory	Refers to	Livzon Group Livzon Pharmaceutical Factory *(丽珠集团丽珠制药厂)
Jiaozuo Hecheng	Refers to	Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.*(焦作丽珠合成制药有限公司)
Shanghai Livzon	Refers to	Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. *(上海丽珠制药有限公司)
Sichuan Guangda	Refers to	Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. *(四川光大制药有限公司)
Jinguan Electric Power	Refers to	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. *(焦作金冠嘉华电力有限公司)
Tianjin Tongrentang	Refers to	Tianjin Tongrentang Group Co., Ltd. *(天津同仁堂集团股份有限公司)
Sanmed Biotech	Refers to	Zhuhai Sanmed Biotech Inc. *(珠海圣美生物诊断技术有限公司)
LivzonBio	Refers to	Zhuhai Livzon Biotechnology Co., Ltd.*(珠海市丽珠生物医药科技有限公司)
Greenanew	Refers to	Greenanew (Shanghai) Biotechnology Co., Ltd.
COVID-19	Refers to	A new coronavirus (SARS-CoV-2)
COVID- 19 pandemic or pandemic	Refers to	The outbreak of the disease caused by a new coronavirus called SARS-CoV-2
Ruihua Certified Public Accountants	Refers to	Ruihua Certified Public Accountants (Special General Partnership)
Grant Thornton	Refers to	Grant Thornton (Special General Partnership)
Reporting Period	Refers to	From 1 January 2022 to 31 December 2022
End of the Reporting Period	Refers to	31 December 2022
Currency or unit	Refers to	RMB unless otherwise specified

## Chapter 2 Company Profile and Major Financial Indicators

### I. Company profile

Chinese name of the Company	健康元药业集团股份有限公司
Abbreviation of the Chinese name	健康元
English name of the Company	Joincare Pharmaceutical Group Industry Co., Ltd.
Abbreviation of the English name	Joincare
Legal representative of the Company	Zhu Baoguo(朱保国)

### II. Contact persons and contact information

	Board Secretary	Representatives of Securities Affairs
Name	Zhao Fengguang ( 赵风光 )	Li Hongtao( 李洪涛 ) and Luo Xiao( 罗逍 )
Address	Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen	Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen
Telephone	0755-86252656, 0755-86252388	0755-86252656, 0755-86252388
Fax	0755-86252165	0755-86252165
E-mail	zhaofengguang@joincare.com	lihongtao@joincare.com luoxiao@joincare.com

### III. Introduction of the Company's basic information

Registered address	Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen
Historical changes in registered address	<p>Registered at B5, Hengfeng Industrial City, Hezhou Community, Huangtian Village, Xin'an Town, Bao'an County on 18 December 1992</p> <p>Changed its registered address to 4-5/F, Dongpeng Building, Shangmeilin Industrial Area, Futian District, Shenzhen on 25 May 1994</p> <p>Changed its registered address to 24/F, Block B, Fujian Building, Caitian South Road, Futian District, Shenzhen on 4 July 1995</p> <p>Changed its registered address to 23/F, Diwang Building, Shun Hing Square, No .333, Shennan East Road, Shenzhen on 20 June 1997</p> <p>Changed its registered address to Taitai Pharmaceutical Industrial Building, the 5th Industrial Area, Nanshan District, Shenzhen on 22 September 2000</p> <p>Changed its registered address to 23/F, Diwang Building, Shun Hing Square, No .5002, Shennan East Road, Luohu District, Shenzhen on 4 June 2003</p> <p>Changed its registered address to Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen on 29 January 2008</p> <p>Changed its registered address to Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen on 27 November 2012</p>
Office address	Joincare Pharmaceutical Group Building, No. 17, Langshan Road, North District, Hi-tech Zone, Nanshan District, Shenzhen
Postal code of Office address	518057
Website	www.joincare.com
E-mail	joincare@joincare.com

### IV. Information disclosure and place for inspection

Designated media and website for disclosing annual report	China Securities Journal, Securities Times, Securities Daily, and Shanghai Securities News
Stock exchange website for disclosing annual report	www.sse.com.cn
The place for inspection of annual report	Office address of the Company

## V. Company stock profile

Company Stock Profile				
Class of stock	Listed on	Stock Abbreviation	Stock code	Stock abbreviation prior to change
A Share	Shanghai Stock Exchange	健康元	600380	太太药业, S健康元
GDR	SIX Swiss Exchange	Joincare Pharmaceutical Group Industry Co., Ltd.	JCARE	/

## VI. Other relevant information

Accounting firm appointed by the Company (domestic)	Name	Grant Thornton (Special General Partnership)
	Office address	5th Floor, Scitech Palace, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
	Name of the signing accountants	Wang Yuan (王远) and Wang Qilai (王其来)
Sponsor appointed for performing the duty of continuous supervisory responsibilities during the Reporting Period	Name	Minsheng Securities Co., Ltd.
	Office address	17th Floor, Block D, Minsheng Financial Centre, 28 Jianguomen Nei Avenue, Dongcheng District, Beijing
	representatives signing the report	Yu Chunyu (于春宇) and Ma Chujin (马初进)
	Period of continuous supervision	From 24 October 2018 to 31 December 2019

Note: According to Article 29 of “Measures for the Administration of the Sponsorship Business for the Offering and Listing of Securities”, for offering of new stocks or convertible corporate bonds by a company listed on the main board, the period of continuous supervision and guidance shall be the remaining time of the current year of the listing of securities and the following one full accounting year. As the Company issued shares to the public by allotment on 24 October 2018, the period of continuous supervision should start from the completion of this issuance and end on 31 December 2019. Furthermore, according to “Article 13 of the Guidelines of Shanghai Stock Exchange for Self-Regulation Rules for Listed Companies No. 11 - Continuous Supervision”, the sponsor shall continue to perform the obligations of continuous supervision if the funds raised have not been fully utilized upon the expiration of the continuous supervision period. During the Reporting Period, funds raised in this issuance have not yet been fully utilized, so the sponsor, Minsheng Securities, shall continue to perform its continuous supervision obligations in respect of the deposit and utilization of the funds raised.

## VII. Major accounting data and financial indicators in the last three years

### (1) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2022	2021	YoY Change (%)	2020
Revenues	17,142,753,068.82	15,903,688,266.59	7.79	13,521,605,768.20
Net profit attributable to shareholders of the listed company	1,502,595,840.48	1,328,499,432.05	13.10	1,120,439,799.25

Net profit attributable to shareholders of the listed company after deduction of extraordinary gains and losses	1,419,050,912.26	1,224,997,371.57	15.84	966,680,220.14
Net cash flow from operating activities	3,977,705,139.29	2,563,089,045.24	55.19	3,024,999,592.24
	End of 2022	End of 2021	Increase or decrease at the end of the period over the same period of last year(%)	End of 2020
Net assets attributable to shareholders of the listed company	13,121,820,410.55	11,820,293,656.69	11.01	11,096,125,890.51
Total assets	35,729,253,651.41	31,103,900,389.29	14.87	28,156,977,599.07

## (2) Major financial indicators

Major financial indicators	2022	2021	YoY Change (%)	2020
Basic earnings per share (RMB/share)	0.7933	0.6864	15.57	0.5753
Diluted earnings per share (RMB/share)	0.7921	0.6858	15.50	0.5728
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	0.7492	0.6329	18.38	0.4964
Weighted average return on net assets (%)	12.23	11.50	Increased by 0.73 percentage points	10.41
Weighted average return on net assets after deduction of extraordinary gains and losses (%)	11.55	10.60	Increased by 0.95 percentage points	8.98

Statement on major accounting data and financial indicators within three years before the End of the Reporting Period

Applicable  N/A

The net cash flow from operating activities was RMB3,978 million, representing a year-on-year increase of 55.19%, mainly due to the combined effect of an increase in sales receipts and a decrease in payment of marketing expenses during the Reporting Period.

## VIII. Differences in accounting data under domestic and foreign accounting standards

### (1) Differences in net profit and net assets attributable to shareholders of the listed company disclosed in the financial statements according to international accounting standards (IFRS) and Chinese accounting standards (Chinese GAAP)

Applicable  N/A

### (2) Differences in net profit and net assets attributable to shareholders of the listed company disclosed in the financial statements according to foreign accounting standards and Chinese accounting standards

Applicable  N/A

### (3) Explanations on differences under domestic and foreign accounting standards:

Applicable  N/A

## IX. Major financial indicators in 2022 by quarter



Unit: Yuan Currency: RMB

	1st quarter (Jan. - Mar.)	2nd quarter (Apr. - Jun.)	3rd quarter (Jul. - Sept.)	4th quarter (Oct. - Dec.)
Revenues	4,657,343,538.89	3,907,601,746.66	4,447,021,452.61	4,130,786,330.66
Net profit attributable to shareholders of the listed company	460,537,813.53	340,730,705.97	325,293,433.73	376,033,887.25
Net profit attributable to Shareholders of the listed company after deducting the extraordinary gains or losses	457,193,702.95	346,800,729.08	312,360,089.27	302,696,390.96
Net cash flow from operating activities	871,904,476.98	1,031,048,747.81	706,039,308.18	1,368,712,606.32

Statement on differences between quarterly data and the data disclosed in previous periodic reports

Applicable  N/A

#### X. Items and amounts of extraordinary gains and losses

Applicable  N/A

Unit: Yuan Currency: RMB

Item of extraordinary gains and losses	2022	2021	2020
Gain or loss on disposal of non-current assets	-705,357.30	14,492,047.24	102,634,566.25
Government grants recognized in profit or loss for the current period (excluding government grants that are closely related to the business of the Company and are provided in fixed amount or quantity continuously according to the applicable policies and standards of the country)	286,842,932.33	245,335,140.69	246,707,925.30
Profit or loss on debt restructuring	0.00	0.00	-298,617.11
Gains and losses on fair value changes incurred from financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income on disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, except for effective hedging activities related to the ordinary operating business of the Company	-109,887,696.11	8,110,644.25	48,458,672.96
Reversal of impairment loss on accounts receivable and contract assets tested for impairment individually	158,470.77	1,013,650.67	0.00
Other non-operating income and expenses apart from the above items	-23,830,838.49	-30,737,442.83	-22,794,516.25
Less: Effect of income tax	31,919,034.26	39,580,260.30	51,541,134.41
Effect of minority equity (after tax)	37,113,548.72	95,131,719.24	169,407,317.63
Total	83,544,928.22	103,502,060.48	153,759,579.11

Explanations for the Company's extraordinary gain or loss items as defined in the "Explanatory Announcement No.1 for Public Company Information Disclosures – Extraordinary Gains or Losses", and the extraordinary gain or loss items as illustrated in the "Explanatory Announcement No.1 for Public Company Information Disclosures – Extraordinary Gains or Losses" which has been defined as its recurring gain or loss items.

Applicable  N/A

**XI. Items measured at fair value**

√ Applicable □ N/A

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Change for the period	Effect on profits & losses for the period
Financial assets held for trading	184,638,344.31	109,015,664.98	-75,622,679.33	-113,211,242.08
Other equity instrument investments	1,408,882,377.42	1,193,958,879.05	-214,923,498.37	18,713,637.23
Financial liabilities held for trading	143,302.24	755,634.43	612,332.19	-612,332.19
Total	1,593,664,023.97	1,303,730,178.46	-289,933,845.51	-95,109,937.04

**XII. Others**

□ Applicable √ N/A

## Chapter 3 Management Discussion and Analysis

### I. Discussion and analysis of business operation

2022 was a crucial year for China to promote the implementation of the “14th Five-Year” Plan and the 30th anniversary of the establishment of Joincare. Facing the complex and volatile external environment and various unexpected hardships and challenge, the Company adhered to the corporate vision of “Diligently make high-quality and innovative drugs” and the core values of “Putting People First, Valuing Workmanship and Quality, Pursuing Innovation and Truth, Promoting Cooperation and Sharing”, and achieved sustained and stable growth by focusing on its principal business, fully leveraging its comprehensive strengths, increasing investments in R&D to improve its innovative capability, optimizing the product structure at a faster pace and adapting to the in-depth market-oriented reform and innovation of the marketing system.

#### **(I) Focusing on innovative drugs and high-barrier complex formulations to promote high-quality development**

Driven by R&D and innovation, the Company has been concentrating on developing innovative drugs and high-barrier complex preparations to meet the needs of patients. The Company carried out the R&D of differentiated products covering the full lifecycle of drugs, gradually broke through technological barriers in segmented industries and developed competitive advantages in the market. While deeply cultivating inhalation administration, sustained-release microspheres, antibody technology and other platforms with technical strength, the Company continued to develop and deploy on platforms for complex injections represented by nanocrystals and liposomes and constantly consolidated the leading position of the Company in the domestic high-end complex formulations. During the Reporting Period, the Company made a significant headway in developing multiple medicines in our R&D pipeline and sped up the innovation process. Tobramycin Solution for Inhalation (妥布霉素吸入溶液) was approved for market launch. The Recombinant SARS-CoV-2 Fusion Protein Vaccine (Likang) was successfully included for the emergency use for heterologous booster vaccination. Indacaterol Maleate Powder for Inhalation (马来酸茚达特罗吸入粉雾剂) and Ilaprazole Sodium for injection (注射用艾普拉唑钠) with new indication had applied for production. Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation (沙美特罗替卡松吸入粉雾剂), Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release), Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody for Injection (重组抗人 IL-17A/F 人源化单克隆抗体注射液) and XYP-001 were currently under clinical studies. The Company has been paying attention to the R&D of drug-device combinations. Two products developed by the Company have obtained the registration certificates of class II medical devices and one product has obtained the filing certificate for medical devices.

While continuously strengthening independent innovation, the Company has been paying close

attention to cutting-edge technologies, enhancing external cooperation and actively promoting innovative business cooperation models in global market. It has been actively seeking opportunities for frontier technology expansion and global product layout through cooperative development and licensing, among other means, to strengthen its commercialization and integration capabilities. The Company has been strengthening the licensing on introduction of products in core sectors, authorizing the introduction of various projects in the fields of respiratory, psychiatry and gastroenterology and expanding the R&D pipeline of the Group. It has made phased progress in collaborative projects. XYP-001 and Asenapine transdermal patch licensed-in were approved for clinical trials in China. Moreover, the Company succeeded in exporting its products under research, with its R&D strength gradually recognized by overseas markets. The Company is still continuously advancing international cooperation and licensing on innovative products and pipelines, and conducting negotiations on cooperation with various parties in the international community. For Tobramycin Inhalation Solution (妥布霉素吸入溶液), an modified new drug, the Company is conducting negotiations on licensing with customers in Europe, Southeast Asia and other regions.

## **(II) Innovating a diversified marketing model to enhance corporate brand value**

In 2022, the marketing teams of prescription medicines actively implemented the sales strategies and completed the following key tasks: strengthening product and brand promotion, integrating resources of end-users, focusing on appraisal of hospitals at above grade II, and enhancing the hospital coverage of core brands and fulfillment rate of evaluation indicators. During the Reporting Period, the hospital coverage rate of key products continued to rise, and the overall sales revenues of prescription medicines showed a steady increase compared with the previous period. As Online and offline linkage of prescription drugs were enhanced, and with “patients” as the starting point, online digital marketing was continuously promoted, content construction on doctors intensified, diseases management knowledge spread, cooperation between hospitals and chain pharmacies deepened, and offline patient services, brand reputation and patient satisfaction improved. We continued to carry out evidence marketing, boost academic marketing and maintain close communication with domestic and international academic communities. Tobramycin Inhalation Solution (妥布霉素吸入溶液), Ilaprazole series(艾普拉唑系列) and other key products were incorporated into several core guides and clinical consensus. The clinical and pharmacoeconomic study for key products went on smoothly, boosting continuous growth of products. We actively follow up the implementation of policies on national medical reform, and two products are included into the 7th round national volume-based procurement to reduce the price and improve the accessibility to patients.

Actively expanding overseas markets remained the focus for API marketing this year. Against the backdrop of the complicated and severe global economic situation and increasingly fierce competition in API sales in 2022, the sales team of the Company deeply explored in the market and advanced against headwinds, achieving remarkable performance. The Company increasingly became the preferred strategic partner of global leading pharmaceutical enterprises. Sales of high-

end antibiotics and high-end pet drugs achieved remarkable growth. More than ten products further consolidated their advantages while maintaining the biggest market share in the global export market. In addition, after over ten years of development, the pet API of the Company occupied a large global market share, and it has established strategic partnerships with many multinational animal healthcare companies. The Company's first pet formulation product - Imidacloprid and Moxidectin Spot-on Solutions (吡虫啉莫昔克丁滴剂)-had been launched for sale in 2022.

### **(III) Attaching equal importance to quality and efficiency, and entering a new stage of internationalization**

Adhering to the concept that quality, safety and environmental protection are the lifeline, the Company conducted systematic control of quality and safety risks, improved the management mechanism, and increased investment in safety and environmental protection, to ensure production safety and stable quality of drugs. At the same time, the Company always adheres to the principle of sustainable development and integrates the concept of green development into operation and management processes. It promoted lean production of major products through green chemical technological means and the improvement and upgrading of equipment and facilities to improve the production efficiency, achieving comprehensive cost reduction and efficiency improvement. While constantly consolidating the foundation for environmental protection and safety, improving the quality study on existing products, optimizing the production process, and promoting the normalization of GMP, all production enterprises have been actively applying for international certification, thus the internationalization process is further accelerated.

With respect to formulation products, the Company strengthened overseas market access, product registration and promotion of inhalation products, assisted reproductive products, gastroenterological products, antiviral products, etc. Ilaprazole Sodium for injection (注射用艾普拉唑钠) and Ilaprazole Enteric-Coated Tablets (艾普拉唑肠溶片), key products of the Company, were approved to be launched for market in Indonesia. The work related to overseas registration of Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒促性素) is being promoted, the submission of registration materials has been completed in Indonesia, Pakistan, five countries in Central and South America and 2 countries in Central Asia, and it has been approved to be launched for market in Tajikistan. Budesonide Suspension for Inhalation (布地奈德吸入混悬液), Compound Ipratropium Bromide Solution for Inhalation (吸入用复方异丙托溴铵溶液) and other products are undergoing registration in the Philippines and other countries. Budesonide Suspension for Inhalation has completed registration in Macau and the company completed the first overseas sale of inhaled formulation products. With respect to APIs, during the Reporting Period, the Company obtained 4 international authentication certificates for APIs and intermediates, namely 1 EU GMP certificate for Teicoplanin (替考拉宁) and Vancomycin Hydrochloride (盐酸万古霉素); and 3 CEP certificates, namely the CEP certificate for Moxidectin (莫昔克丁), the CEP certificate for Acarbose (阿卡波糖) and the CEP certificate for Tobramycin (妥布霉素).

**(IV) Implementing scientifically-based lean management and improving the overall operating efficiency**

During the Reporting Period, the Company ensured that the management processes follow the development of the Company by improving the management efficiency through formulating and optimizing management processes and strengthening standardized operation and risk control. The Company raised higher requirements and targets on work related to the sustainable development, released appraisal rules on ESG indicators and actively performed social responsibilities. The Company intensified the management by an objective system with OKRs and KPIs in parallel, with full cooperation and support from all functional departments to provide strong services and guarantee for R&D, production and marketing, attached great importance to talent acquisition and team building, implemented the A/B role working mechanism, enhanced the working capability of employees, continued to introduce global high-end talents while strengthening identification, training and promotion of internal talents to ensure stability of the core talent team, actively disseminated the corporate culture and developed highly unified core values of enterprises to enhance their sense of happiness and enterprise identity, so as to achieve greater cohesiveness and affinity in the workplace.

**(V) Practicing corporate social responsibility to boost sustainable development**

The Company adhered to the path of green development and facilitated the achievement of “carbon peaking and carbon neutrality” targets with practical actions. Through the formulation of the “Energy Conservation and Emission Reduction Targets 2021-2025”, it continuously promotes all its production enterprises to carry out energy saving and emissions reduction and complete the environmental management targets for 2022. During the Reporting Period, the Company introduced the Environmental Management Targets on Carbon Emissions and strived to achieve carbon neutrality by 2055. While focusing on its own development, the Company always participates in social welfare initiatives and vigorously undertakes social responsibilities. The Group has actively responded to national policies and calls for years. In combination with its own industrial advantages, the Group jointly launched the “Access to Public Welfare for Chronic Diseases Prevention and Treatment (普惠慢病防治公益项目)” program, which currently covers 8 provinces and 1 autonomous region. It provided drugs and other materials for patients with chronic diseases in remote areas, alleviated their medical burdens and further improved the affordability of drugs. In addition, the Company actively conducted public welfare and science popularization activities, deeply spread knowledge on diseases through preparing videos on public welfare and science popularization, invited experts to conduct livestreaming on public welfare and science popularization, and hosted public welfare lectures. It carried out bronchiectasis assistance programs as well. Through the “Enterprise WeCom Expert’s little helper”, it provided one-to-one services for bronchiectasis patients and offered medication consultation, disease consultation, free expert diagnosis and other services. In 2022, the Company’s public welfare donations amounted to approximately RMB12.117 million.

## II. Overview on the industry in which the Company operates during the Reporting Period

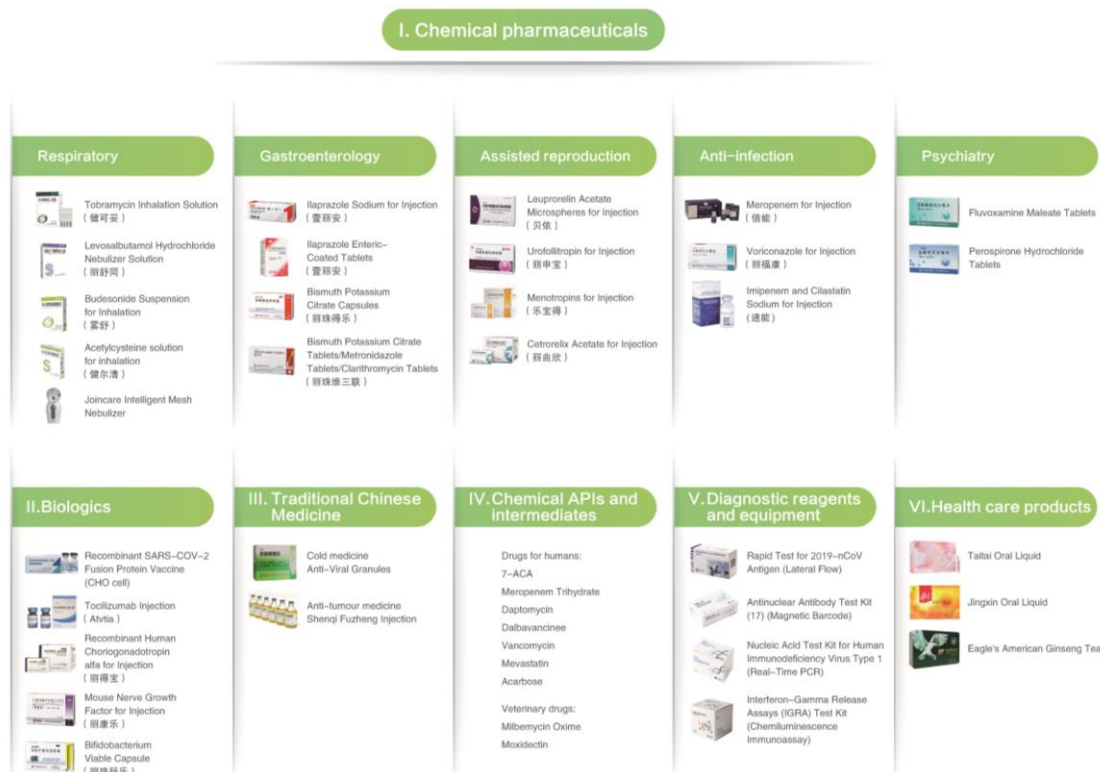
The pharmaceutical industry is a national strategic emerging industry bearing on the national economy and people's livelihood, and an important part of the national economy. According to the 14th Five-Year Plan for the Development of Pharmaceutical Industry(《“十四五”医药工业发展规划》), the overall development of the pharmaceutical industry will reach a new level. During the "13th Five-Year Plan" period, the average annual growth rate of the added value of pharmaceutical industry above designated scale was 9.5%, 4.2 percentage points higher than the overall growth rate of all the industries, and the proportion of the total added value of the pharmaceutical industry to that of all the industries increased from 3.0% to 3.9%; the average annual growth rate of the operating revenues and total profit of enterprises above designated scale were 9.9% and 13.8%, respectively, being at the forefront of various industries in terms of growth rate. At the same time, the scale of leading pharmaceutical manufacturers has further expanded with the steadily increasing industry concentration. In 2022, with the deepening reform of the national medical and healthcare system and increasing improvement in the innovation environment, the pharmaceutical industry continued to advance towards high-quality development featuring transformation as well as upgrading and encouraging innovation. With the aging population and the increasing urbanization rate in China, from the long-term and holistic perspective, China's pharmaceutical industry will continue to present a promising development trend.

The R&D expenditures in new drugs in the pharmaceutical industry remained high and the pipeline of new drugs under research was increasingly diversified. In 2022, 10 innovative chemical drugs, 31 modified new chemical drugs, 6 innovative biological drugs and 5 new TCM drugs were approved for market launch. The number of new drugs approved for market launch remained relatively stable. Meanwhile, the time from the launching of innovative drugs to the inclusion in the medical insurance system was shortened from the original 4-5 years to the current about 1 year. The application of innovative drugs with “clinical value” in hospitals was further accelerated. Data of National Bureau of Statistics shows that in 2022, enterprises in the pharmaceutical manufacturing industry above designated scale in China recorded revenues of RMB2,911.14 billion, representing a year-on-year decrease of 1.6%; operating costs of RMB1,698.46 billion, representing a year-on-year increase of 7.8%; and total profits of RMB428.87 billion, representing a year-on-year decrease of 31.8%.

## III. Overview on the businesses of the Company during the Reporting Period

### (I) Principal businesses and products of the Company

The Company is primarily engaged in the R&D, production and sales of pharmaceutical products and health care products. The business scope of the Company covers chemical pharmaceuticals, biologics, chemical active pharmaceutical ingredients (APIs) and intermediates, traditional Chinese medicine, diagnostic reagents, equipment, health care products, etc. The comprehensive product series and mix provide larger market and growth opportunities for the Company. Main products of the Company are as follows:



## (II) Business model of the Company

With the stable operation and rapid development over the years, the Company has become an integrated pharmaceutical group that is driven by scientific research and innovation, integrating the R&D, production, sale and service of pharmaceutical and health care products. It has complete systems of R&D, procurement, production and sale. Main business models of the Company are as follows:

### 1. R&D

Taking independent R&D as the mainstay and combining external introduction and cooperative development, the Company has been paying attention to the cutting-edge technology and unmet clinical needs, with efforts focused on innovative drugs and high-barrier complex formulations and has established an efficient R&D innovation management model. In terms of independent innovation, the Company has a diversified and multi-dimensional R&D organization with mature R&D teams for chemical pharmaceuticals, biologics, TCM drugs, APIs, diagnostic reagents and health care products. Based on technology platform construction, the Company has built a clear product R&D pipeline centering on key areas such as respiratory, tumor immunity and psychiatry. In terms of cooperative innovation, the Company has launched technical cooperation with domestic and foreign scientific research institutions by way of commissioned development or cooperative development, and has introduced new technologies and products that meet the strategic development goal of the Company through technology transfer or license-in to implement industrial



transformation, so as to reinforce and strengthen our position and strategy in the leading and emerging fields.

## **2. Procurement**

In terms of procurement, the Company pays strict attention to effectiveness, quality and cost of procurement and has established long-term and stable partnership with many suppliers. Active pharmaceutical ingredients, supplementary materials, and packaging materials were purchased and stocked up by manufacturers according to production schedules. The Company has developed strict quality standards and procurement management systems and required subordinate manufacturers to make procurements in accordance with the GMP. Meanwhile, the Company established long-term strategic partnerships with bulk material suppliers, and strengthened the management of supply quality and cost control based on strict quality standards. The Company has established an internal evaluation system and files of market prices so as to promptly acquire market information for procurement through comparisons of quality and price.

## **3. Production**

In terms of production, the Company adopts the principle of market demand-oriented approach paying attention to real market demand. Specifically, the Sales Department of the Company investigated market demands, made sales plans, and comprehensively considered factors such as the product inventory quantity and capacity of production lines of the Company so as to determine the monthly production quantities and specifications. Moreover, the purchase orders of raw materials are determined according to the production schedule and the inventory levels of raw materials. The final production plans are issued upon approval of the management of the Company and implemented by the Production Technology Department of the Company.

The Company has been carrying out production in strict accordance with the GMP. The Company and its affiliates have established a sound quality management system and implemented the qualified-person system. In terms of quality control, the Company has established a strict and sound production quality assurance system, and is geared to international standards and subject to international certification while in compliance with national standards. The Company conducts annual GMP self-inspection, ISO9001 internal and external audits, and is subject to various external audits. It actively pursued the internationally advanced GMP management, and implemented whole-process quality control over supplier selection, audit, incoming material inspection, production process, product release from factory, and market tracking. The system is running well.

## **4. Sales**

### **(1) Drug formulation products**

End customers of drug formulation products (chemical pharmaceuticals, biologics, traditional Chinese medicine) of the Company are mainly hospitals, clinics, and retail pharmacies. In line with

the pharmaceutical industry practice and the sales model of most peers in the industry, the Company has conducted sales of drug formulation products through drug distribution enterprises. The Company carried out selection and centralized management of qualified drug distribution enterprises (with Drug Supply Certificate, GSP Certification, etc.) according to their distribution capability, market familiarity, financial strength, credit record, and operation scale. General sales process: After end customers place purchase orders to distribution enterprises, drug distribution enterprises will send those orders to the Company according to their inventories, distribution agreements and conditions; then, the Group will deliver products to drug distribution enterprises and do the revenue recognition.

### **(2) APIs and intermediates**

Main target customers of APIs are large pharmaceutical manufacturers. The selling prices are determined based on a set of integrated factors such as costs of production, inventory levels, industry rivalry and market trend. Specific pricing method: The sales and marketing department conduct weekly or bi-weekly meetings to analyze the current market conditions, the trends and drivers of prices; the selling prices are determined based on a set of comprehensive factors such as costs of production, inventory levels, industry rivalry and market conditions; the selling prices will be effective once are reported by the managers of the sales department to our management team and get approvals.

Specific sales methods of APIs include: ① Domestic market: The Company directly signs product sales contracts with large manufacturers to directly sell products to customers. Meanwhile, the Company also sells products through distributors. ② Foreign market: The Company directly sells products in the foreign market and in areas with high market and political risks, products are sold through distributors. At present, products of the Company are mainly exported to over 60 countries and regions in Asia, Europe, North America, and Africa.

### **(3) Diagnostic reagents and equipment**

Diagnostic reagents and equipment sold by the Company both domestically manufactured and imported. Main end customers are hospitals, centers for disease control and prevention, and health departments. The Company mainly sells those products in combination with direct sales and sales through drug distribution enterprises.

The Company has an experienced sales team responsible for the sales of diagnostic reagents and equipment, with provision of marketing support for some drug distribution enterprises. The Company carried out selection and centralized management of qualified drug distribution enterprises (with Drug Supply Certificate, GSP Certification, etc.) according to their distribution capability, market familiarity, financial strength, credit record, and operation scale.

#### **(4) Health care products**

The sales model of health care products is mainly distributor management model. Product promotion, price control, and channel carding are managed and improved with the distributor distribution channel and terminal coverage capability. At present, the Company has set up 25 provincial branches and 92 subordinate offices across China and maintained long-term partnership with distributors with better area coverage capability for stable strategic alliance and common development. The Company has cooperated with about 103 first-level/primary distributors in total, including 78 businesses in drug distribution line and approximately 25 businesses in food distribution line with more than 150,000 subordinate secondary businesses and terminal businesses in drug and food distribution lines. Products are well managed and promoted through the tiered marketing channel. In addition to the traditional distribution management model, the Company realizes synergetic development through online channels. At present, the Company has set up official flagship stores on mainstream e-commerce platforms such as Tmall(天猫), Jingdong (京东), Douyin (抖音), Kuaihou (快手) and Pinduoduo (拼多多).

#### **(III) Industry status of the Company**

Through years of development, the Company has become a comprehensive pharmaceutical enterprise covering multiple areas including chemical pharmaceuticals, biologics, chemical APIs and intermediates, traditional Chinese medicine, diagnostic reagents and equipment, health care products, etc. In terms of revenues in 2021, the Company ranked sixth among the listed integrated pharmaceutical enterprises in China. Chemical pharmaceuticals are the largest revenue generator of the Company, among which gastroenterological products, anti-infection products and gonadotropic hormones products are traditional competitive products of the Company, with key products securing a long-standing leading position in national drug formulation market segment. Respiratory and psychiatric products have been the focus of the Company, with key products maintaining a strong sales growth momentum.

In terms of R&D expenditures in 2021, the Company ranked fifth among listed integrated pharmaceutical enterprises in China. During the Reporting Period, with solid strength in R&D, production, and steady marketing presence, the Company ranked Top 10 in 2021 Annual Ranking of Top 100 Chinese Chemical Drug Enterprises and Top 100 in the “2022 Annual Ranking of Chinese Pharmaceutical R&D Comprehensive Strength”.

#### **(IV) Performance drivers during the Reporting Period**

In 2022, the Company actively implemented sales deployment, strengthened market promotion and reinforced sales specialization. In addition, the Company increased digital marketing and enhanced delicacy management. That is how we can realize steady growth of main business revenues and consolidate the foundation and ability of sustainable development of enterprises. During the Reporting Period, sales of main varieties in key specialist areas, especially in fields of respiratory

and psychiatry of the Company, kept steady growth, and contribution of sales revenues from key preparation products to overall revenues was continuously improved. In addition, the proportion of sales and profit of high-end APIs increased as the Company has been taking measures to integrate resources, optimize product structure, and reinforce international certification while actively using advanced technologies including synthetic biology and continuous production to ensure green production.

#### **IV. Analysis of core competitive strengths during the Reporting Period**

√Applicable □N/A

##### **1. Leading integrated pharmaceutical company under continuous innovation and development in China**

The Company is primarily engaged in the R&D, production and sale of pharmaceutical products and health care products. The business scope of the Company covers chemical pharmaceuticals, biologics, chemical APIs and intermediates, TCM drugs, diagnostic reagents and equipment, as well as health care products, allowing the Company to establish competitive advantages across various therapeutic areas such as respiratory, anti-infection, assisted reproduction, gastroenterology, psychiatry, and tumor immunity. 1) Innovative R&D drives growth: The Company has developed and launched a number of innovative medicine products and high-barrier complex formulation products, strengthening the Group's product portfolio and drug candidates in the pipeline. 2) The Company has first-tier commercialization ability, and its sales network covers all provinces in China and over 80 overseas countries and regions in the world. The Company emphasizes scientific promotion and evidence-based marketing. By building a professional marketing team, the Company has established a comprehensive marketing system, and market education and brand building have been deeply strengthened through digital marketing. Leveraging our comprehensive sales channels, broad market coverage, leading digital marketing and brand awareness, the Company is able to sell the products at scale in an efficient manner. 3) Cross-industry and multi-specialist innovative R&D and coordinated development: On one hand, the Company actively adapts to the changes in the pharmaceutical market and constantly adjusts its product strategy and R&D direction according to policies and clinical needs. This will realize the continuous iteration and upgrade of the main products. On the other hand, the Company fully utilizes external scientific research and commercial resources, such as strategic collaboration with Chinese Academy of Sciences, Tencent Quantum Lab and other scientific research institutes and innovative companies and invests in cutting-edge biotechnology companies to expand the Company's product portfolio and R&D pipeline, thus realizing the Company's sustainable development.

## **2. Strong R&D capabilities, diversified product portfolio and leading commercialization capabilities**

Focusing on innovative medicines and high-barrier complex formulation, the Company has formed diversified product portfolio. With the huge clinical demand and high product quality, it has established market competitive advantages in many pharmaceutical segments. The Company's chemical pharmaceuticals cover gastroenterology, assisted reproduction, anti-infection, respiratory, psychiatry, tumor and other fields, among which alimentary tract proton pump inhibitor (PPI) drugs, gonadorelin hormone drugs, and inhalation formulation for respiratory diseases have an advantageous market position. Relying on APIs production, the Company's core products, together with our chemical APIs and intermediates, form an integrated and stable pharmaceutical industrial chain of "APIs-formulations vertical integration". Meanwhile, the Company actively develops overseas markets, and our products are marketed and distributed worldwide, facilitating strategic cooperation with many internationally renowned pharmaceutical companies. In addition, the Company also has a number of TCM drugs and in vitro diagnostic reagent products and has accumulated resources and extensive brand influence in healthcare products for many years.

## **3. Making breakthroughs in the key R&D and industrialization technologies of complex formulation**

The technology platform, which has been developed over the years in the field of innovative medicines and high-barrier complex formulation, enables the Company to address the complex process problems in the R&D and production of relevant drugs. Guided by clinical value, the Company develops R&D projects with high short-term certainty and cutting-edge technologies with long-term growth potential (such as AI-driven drug molecular design, proteolysis targeted chimeric (PROTAC), synthetic biology, gene-editing, cellular treatment, etc.). All in all, the Company's R&D system covers through-cycle of drug development and production. Based on the mature R&D platform of innovative drugs and high-barrier complex formulations, the Company has designed extensive pipeline in fields with significant clinical demand such as respiratory, gastroenterology, assisted reproduction, psychiatry, and tumor.

## **4. Stable management and R&D team with expertise, long-term vision and commitment to social responsibility**

The Company has a stable, visionary and experienced, results-oriented management team and an outstanding talent team. Outstanding leaders are the key to the Company's rapid development. The founder of the Company has over 30 years of expertise in the pharmaceutical industry as well as a global vision and a strategic mindset. With a deep industry insight, the founder has led us develop platform technologies centered on high-barrier complex formulations, which has established leading position of the Group with sustainable development in the broader healthcare industry. The senior

management team of the Company has over 20 years of industry experience on average, with an average of more than 10 years of service in the Company, and has a thorough understanding of market demand, industry development and growth opportunities. Each key R&D field of the Company is led by industry-leading scientists and accompanied by an efficient R&D management team. In addition, the Company has upheld the core value of “Putting People First, Valuing Workmanship and Quality, Pursuing Innovation and Truth, Promoting Cooperation and Sharing” and laid emphasis on talent team training to build a diversified reserve of talents with global vision, advanced knowledge, strong implementation capability and sense of self-reliance. Driven by the corporate culture of pursuing excellence, the talent team works diligently and conscientiously to jointly contribute to the sustainable development of the enterprise through teamwork and collaboration.

## **V. Overview of business operations during the Reporting Period**

During the Reporting Period, the Company realized revenues of RMB17,143 million, representing a year-on-year increase of approximately 7.79%; a net profit attributable to shareholders of the listed company of RMB1,503 million, representing a year-on-year increase of approximately 13.10%, and a net profit attributable to shareholders of the listed company after deducting the extraordinary gains or loss of RMB1,419 million, representing a year-on-year increase of approximately 15.84%. In 2022, business development of various segments of the Company is as follows:

### **(1) Livzon Group (excluding Livzon MAB)**

As at the End of the Reporting Period, the Company directly and indirectly held 44.77% equity interest in Livzon Group (000513.SZ, 01513.HK). During the Reporting Period, Livzon Group (excluding Livzon MAB) realized revenues of RMB12,424 million, representing a year-on-year increase of approximately 3.35%; and realized a net profit of approximately RMB1,038 million attributable to shareholders of the Company.

During the Reporting Period, the sales of the drug formulation segment of Livzon Group increased steadily, and recorded the steady growth in the proportion and profitability of high-end specialty APIs in the API segment. The sales of its products in the key therapeutic areas are as follows: Gastroenterology products realized revenues of RMB3,436 million, representing a year-on-year decrease of approximately 6.48%; gonadotropic hormones products realized revenues of RMB2,591 million, representing a year-on-year increase of approximately 5.64%; and psychiatry products realized revenues of RMB545 million, representing a year-on-year increase of approximately 32.19%.

### **(2) Livzon MAB**

As at the End of the Reporting Period, the equity interest directly and indirectly held by the Company in Livzon MAB was 55.90%, and the amount affecting the Company's net profit attributable to the parent company for the current period was approximately RMB-446 million.

During the Reporting Period, Livzon MAB focused on promoting the application on conditional marketing approval of the Recombinant SARS-CoV-2 Fusion Protein Vaccine (重组新型冠状病毒病毒融合蛋白疫苗) (Likang). Livzon MAB completed the Phase III clinical master analysis report for sequential immunization and basic immunization and submitted related application materials to CDE in February and May 2022, respectively. It was approved for the domestic heterologous booster vaccination in June 2022 and was officially included into the national immunization plans in September of the same year. Currently, it has been applied in the booster vaccination in over 20 provinces and municipalities across China. To meet the market demand, Livzon MAB has completed the construction of the third preparation workshop (2-tests and 10-tests production line), which has been fully put into operation, on the basis of the existing 1 stock solution production line and 2 preparation production lines. In addition, in response to the global trend of COVID-19 pandemic and the prevalence of COVID-19 variants, Livzon MAB developed several vaccines against the variants and related bivalent vaccines and carried out explorations on enhanced immunization with portfolios of various types of vaccines. During the Reporting Period, Livzon MAB carried out the R&D of bivalent vaccine BV-01-B5 on prototype strain + Omicron strain. Data showed that BV-01-B5 has outstanding cross-neutralization effects on Omicron BA.4/5 and other subtypes. Currently, complete clinical application materials for the bivalent vaccine have been submitted and are under CDE's review.

On the other hand, Livzon MAB continued to focus on new molecules, new targets and differentiated molecular designs in the fields of tumors, immune diseases and assisted reproduction. During the Reporting Period, Livzon MAB made phased progress in the R&D of the following projects: Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒毛促性素) was approved for launching in 2021 and had started sales, which is the first generic drug of its kind in China. Livzon MAB had been actively promoting overseas registrations. Its submission of registration materials had been completed in Indonesia, Pakistan, five countries in Central and South America and 2 countries in Central Asia and the drug had been approved for launching in Tajikistan. The application for launch approval on Tocilizumab Solution for Injection (托珠单抗注射液) (i.e. Recombinant Humanized Anti-human IL-6R Monoclonal Antibody Solution for Injection (重组人源化抗人 IL-6R 单克隆抗体注射液), with the indication of rheumatoid arthritis, had been approved. Meanwhile, it was listed in the Diagnosis and Treatment Protocol for COVID-19 (Trial Version 10) and the Diagnosis and Treatment Protocol for Severe COVID-19 Cases (Trial Version 4). With tight domestic supply of brand-name drugs at the end of 2022 and the beginning of 2023, the approval for market launch of Tocilizumab Solution for Injection of Livzon MAB relieved the tight supply to a certain extent. The phase II clinical trials for Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody for Injection (重组抗人 IL-17A/F 人源化单克隆抗体注射液) were completed and Livzon MAB was about to conduct the phase III clinical trials. Results showed that such product has fast action, outstanding efficacy, long maintenance of efficacy and other clinical advantages. It has better efficacy than IL-17A single-target drug and is expected to provide

better solutions for psoriasis treatment in China. Moreover, the product with ankylosing spondylitis indication jointly applied for clinical trial by Livzon MAB and Beijing Kanova was under the preliminary analysis of interim data of the phase II clinical trials.

In addition to advancing projects in the clinical phase, Livzon MAB is also exploring through R&D in areas such as bispecific antibodies and NKT cell therapy. With more and more products approved for market launch, Livzon MAB expanded its pharmacovigilance, production quality, production and sales linkage and other relevant teams, gradually enhanced the GMP system and industrialization capability and improved the overall operational capability.

### **(3) Joincare (excluding Livzon Group and Livzon MAB)**

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized revenues of RMB4,832 million, representing a 17.04% year-on-year increase of approximately, and realized a net profit attributable to shareholders of listed companies of RMB929 million, representing a year-on-year increase of approximately 43.00%. Joincare realized a net profit attributable to shareholders of the listed company after deducting the extraordinary gains and losses of RMB863 million, representing a year-on-year increase of approximately 39.73%. Key results of the main business segments are as follows:

#### **① Prescription medicines**

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized sales revenues of RMB2,120 million from prescription drug segment, representing a year-on-year increase of approximately 18.46%. Among which, the sales revenues and year-on-year change of key therapeutic areas are as follows: the revenues generated from the field of respiratory totaled RMB1,174 million, representing a year-on-year increase of 103.37%; the revenues generated from the field of anti-infection totaled RMB921 million, representing a year-on-year decrease of 22.76%.

In 2022, the Company gradually enhanced the national sales team in respiratory line, established a three-level fine marketing development system of regional managers, provincial managers, and development managers, actively taking various measures to speed up the penetration of key products into hospitals: 1. The coverage and fulfillment rate of evaluation indicators were enhanced; the development speed of respiratory variety was obviously accelerated; drug formulary expansion of more than 2,200 hospitals above grade II was newly conducted throughout the year; 2. Rapid coverage and sales growth of the Levosalbutamol Hydrochloride Nebulizer Solution (盐酸左沙丁胺醇雾化吸入溶液) was realized by taking the opportunity that the drug was included in the China's National Reimbursement Drug List ("NRDL"); 3. Construction of digital marketing platforms was continuously advanced, marketing process accelerated through digital means and the brand comprehensively communicated via the platform of "Respiratory Experts' Views" (呼吸专家说); 4. With three inhalation formulations being included to the fifth batch of the volume-based procurement and one inhalation formulation being included to the seven batch of the volume-based



procurement, the Company has rapidly tapped into the domestic sales market and gradually improved market share for inhalation formulation products; 5. Construction of regional warehouses in 10 regions across the country completed, including Shijiazhuang, Wuhan and Zhengzhou and were put into operation in 2022, which effectively ensured the timely and efficient distribution of drugs.

## ② APIs and intermediates

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized sale revenues of RMB2,360 million from APIs and intermediates segment, representing a year-on-year increase of approximately 16.05%.

During the Reporting Period, in the API segment, Joincare adhered to the management concept of “green production, cost reduction and efficiency enhancement”, focused on the transformation and upgrading of production equipment, enhanced the establishment of the quality management system and strengthened the construction of safety and environmental management, guaranteeing the steady improvement in the production and yield of key products of the Company. In terms of marketing, Joincare actively expanded domestic and international markets for the key product 7-ACA by optimizing strategic cooperation channels and strengthening in-depth cooperation with strategic customers. Leveraging the advantages in the upstream and downstream industry chains, we continued to increase our market share. The export share of Meropenem Trihydrate (美罗培南混粉) has repeatedly set a new high. Despite increased competition in the market this year, the Company continued to strengthen its position in the market through making plans in advance, thus the sales and profit of the product hit a historical high. In addition, the Company applied the registration for Meropenem Trihydrate and Meropenem Crude (美罗培南粗品) in Japanese market and Italian market, respectively, boosting market development efforts for the products to expand overseas market share. With the implementation of the centralized procurement of Meropenem for injection, the Company displayed the advantages of APIs-preparations vertical integration and actively explored domestic API markets in response to the impacts of centralized procurements.

In terms of API R&D, the Company focuses on two frontier fields to carry out key scientific research. Firstly, through the transformation and selection systems previously established and in combination with metabolic engineering, gene editing, systems biology, enzyme directed evolution, high-throughput screening and other technologies, the Company further optimized conditions for all processes of genetic modification, gene editing and strains selection. The Company has obtained more than 450 potential Cephalosporin C (头孢菌, CPC) high-yielding mutant strains from over 65,000 *acremonium chrysogenum* (产黄支顶孢霉) strains in the initial screening. It obtained 3 new CPC high-yielding mutant strains for large-scale industrial fermentation through selection, which made the average CPC yield per unit increased remarkably. Secondly, leveraging on the computer-assisted protein engineering technology platform and through the omics research, rational transformation and metabolic regulation on strains, the Company successfully developed screening

strategies on metabolite biosensor applicable to aromatic amino acid and its intermediate products relying on the optimization of metabolic pathways guided by machine learning. Moreover, the Company made phased progress in the selection of doramectin, Acarbose, pleocidin, erythrocin, vitamin B2, levodopa,  $\alpha$ -arbutin and other industrial strains and in the improvement of production process.

### ③ Health care products and OTC drugs

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized revenues of RMB309 million from health care products and OTC segment, representing a year-on-year increase of approximately 7.24%.

During the Reporting Period, the Company established a data-driven digital marketing system with user operation as the core to drive sales growth. On content marketing front, it focused on strengthening its exposure on social media platforms such as Douyin, RED(小红书) and WeChat, established cooperative relationships with several professional KOLs and promoted brands and products through graphics, short videos and livestreaming, to greatly enhance its brand exposure and at the same time to spread common knowledge on healthcare. In terms of brand marketing, it jointly unveiled the White Paper on Melasma Prevention and Treatment with industry associations and professional physicians, carried out common knowledge education and conveyed scientifically-based health concepts to foster its professional brand image and reputation. In terms of channel sales, in addition to maintaining the existing sales model of offline channels, we focused on expanding businesses through online channels such as Tmall, JD.com and Douyin to increase the penetration rate of channels, thereby boosting brand sales.

## (I) Analysis of principal business

### 1. Analysis of changes in items of income statement and cash flows statement

Unit: Yuan Currency: RMB

Item	Amount for the period	Amount for the same period of last year	Change (%)
Revenues	17,142,753,068.82	15,903,688,266.59	7.79
Operating costs	6,252,265,308.40	5,716,293,887.58	9.38
Selling expenses	4,950,802,456.16	5,026,812,145.41	-1.51
Administrative expenses	992,483,591.51	939,253,444.33	5.67
Financial expenses	-352,447,424.62	-92,894,751.72	N/A
R&D expenses	1,742,088,079.94	1,397,131,273.33	24.69
Net cash flow from operating activities	3,977,705,139.29	2,563,089,045.24	55.19
Net cash flow from investing activities	-2,252,167,188.62	-1,964,157,731.17	N/A
Net cash flow from financing activities	566,122,659.80	-974,904,353.44	N/A

Reasons for changes in financial expenses: Mainly due to the increase in interest income and the increase in foreign exchange gains as a result of exchange rate changes during the Period.

Reasons for changes in net cash flow from operating activities: Mainly due to the combined effect of an increase in sales receipts and a decrease in payment of marketing expenses during the Reporting Period.

Reasons for changes in net cash flow from financing activities: Mainly due to the combined effect of new borrowing and investment absorption (through GDR issuance) during the Reporting Period.

### Details of material changes in business type, components or source of profits during the current period

□Applicable √N/A

## 2. Analysis of revenues and costs

√Applicable □N/A

During the Reporting Period, the Company realized revenues of RMB17,143 million, representing a year-on-year increase of 7.79%; the operating costs totaled RMB6,252 million, representing a year-on-year increase of 9.38%.

### (1). Composition of principal businesses by industry, product, region and sales model

Unit: Yuan Currency: RMB

Principal business by industry						
By industry	Revenues	Operating costs	Gross profit margin (%)	YoY change in revenues (%)	YoY change in operating costs	YoY change in gross profit margin (%)
Pharmaceutical manufacturing Industry	17,005,972,382.14	6,157,580,341.92	63.79	8.03	9.90	Decreased by 0.62 percentage points
Service industry	6,761,356.72	2,750,242.27	59.32	34.89	55.02	Decreased by 5.28 percentage points
Principal business by product						
By product	Revenues	Operating costs	Gross profit margin (%)	YoY change in revenues (%)	YoY change in operating costs	YoY change in gross profit margin (%)
Chemical pharmaceuticals	9,226,385,569.43	1,813,969,087.68	80.34	3.94	3.44	Increased by 0.09 percentage points
Chemical APIs and intermediates	5,229,641,907.04	3,409,781,896.55	34.80	11.50	7.06	Increased by 2.70 percentage points
Traditional Chinese medicine	1,296,583,761.24	427,894,665.07	67.00	16.88	44.89	Decreased by 6.38 percentage points
Diagnostic reagents and equipment	723,535,115.00	352,636,503.06	51.26	-0.05	10.49	Decreased by 4.65 percentage points
Biologics	408,488,131.90	106,811,638.64	73.85	80.94	568.08	Decreased by 19.07 percentage

						points
Health care products	121,235,545.22	46,223,021.02	61.87	5.27	37.35	Decreased by 8.91 percentage points
Principal business by region						
By region	Revenues	Operating costs	Gross profit margin (%)	YoY change in revenues (%)	YoY change in operating costs	YoY change in gross profit margin (%)
Domestic	14,170,771,017.92	4,326,229,111.25	69.47	7.56	12.73	Decreased by 1.40 percentage points
Overseas	2,841,962,720.94	1,834,101,472.94	35.46	10.51	3.80	Increased by 4.17 percentage points
Principal business by sales model						
By sales model	Revenues	Operating costs	Gross profit margin (%)	YoY change in revenues (%)	YoY change in operating costs	YoY change in gross profit margin (%)
Channel sales	11,185,248,628.68	2,566,303,271.29	77.06	4.51	11.47	Decreased by 1.43 percentage points
Direct sales	5,827,485,110.18	3,594,027,312.90	38.33	15.54	8.83	Increased by 3.80 percentage points

Note: Biological products include Recombinant SARS-CoV-2 Fusion Protein Vaccine (重组新型冠状病毒融合蛋白疫苗), Mouse Nerve Growth Factor for Injection (注射用鼠神经生长因子), Bifidobacterium Viable Capsule (双歧杆菌活菌胶囊), Recombinant Human Choriogonadotropin alfa for Injection (注射用重组人绒毛促性素), etc.

### Explanations on composition of principal businesses by industry, product, region and sales model

During the Reporting Period, the Company's principal businesses generated revenues of RMB17,013 million, representing a year-on-year increase of RMB1,266million or 8.04%.

The growth of the Company's revenues of principal businesses was primarily due to the Company's continuous efforts in promoting marketing reforms, fully facilitating the mass market product channels and accelerating sales in key specialist fields. Sales of main varieties in the key fields of chemical pharmaceuticals kept sustained robust growth. In addition, the sales revenues of APIs segment grew noticeably with an obvious increase of gross profit margin as the Company taken measures to integrate resources, adjust product portfolio, reinforce international certification while actively using advanced technologies including synthetic biology and continuous production to ensure green production.

### (2). Analysis of production and sales

√Applicable □N/A

Main products	Unit	Production	Sales	Inventory level	YoY change in production (%)	YoY change in sales (%)	YoY change in Inventory (%)
Ilaprazole sodium for injection	Ten thousand boxes	1,866.33	1,956.16	225.38	29.94	57.12	-28.71
Leuprorelin Acetate Microspheres for Injection	Ten thousand ampules	151.98	151.94	-	-2.39	10.47	-
Ilaprazole Enteric-Coated Tablets	Ten thousand boxes	2,502.09	2,257.23	482.82	28.25	9.82	101.71
Meropenem for Injection	Ten thousand ampules	1,873.59	2,011.01	13.32	2.59	1.71	-91.16
7-ACA (including D-7ACA)	Ton	3,065.58	3,018.95	102.50	5.57	1.07	83.43

### Explanations on production and sales

In 2022, the Company actively implemented sales planning, stepped up efforts in marketing, and enhanced specialized and fine sale management, thus leading to significant increase in the output and sales volume of our major product, Ilaprazole sodium for injection. The change in inventory was mainly due to the supply and demand at the end of the year and the stock preparation for the new year.

### (3). Performance of major procurement contracts and major sales contracts

□Applicable √N/A

### (4). Cost analysis

Unit: Yuan

By industry	Cost components	Amount incurred in the current period	As a percentage of total costs in the current period (%)	Amount incurred in the same period of previous year	As a percentage of total costs in the same period of previous year (%)	YoY change (%)
Pharmaceutical manufacturing Industry	Costs of materials	3,908,782,585.27	62.52	3,426,827,118.77	59.95	14.06
	Labor costs	809,277,538.94	12.94	619,622,563.47	10.84	30.61
	Manufacturing costs	1,684,532,284.52	26.94	1,487,278,456.52	26.02	13.26
	Depreciation	406,107,662.76	6.50	322,761,251.80	5.65	25.82
	Others	-559,185,005.37	-8.94	-141,969,567.28	-2.48	N/A
	Subtotal	6,249,515,066.13	99.96	5,714,519,823.28	99.97	9.36
Service	Costs of	512,284.05	0.01	408,782.66	0.01	25.32

industry	materials					
	Labor costs	1,757,712.56	0.03	1,022,280.28	0.02	71.94
	Manufacturing costs	327,719.99	0.01	223,280.63	0.00	46.77
	Depreciation	152,525.67	0.00	119,720.73	0.00	27.40
	Subtotal	2,750,242.27	0.04	1,774,064.30	0.03	55.02
Total	Costs of materials	3,909,294,869.32	62.53	3,427,235,901.43	59.96	14.07
	Labor costs	811,035,251.51	12.97	620,644,843.75	10.86	30.68
	Manufacturing costs	1,684,860,004.51	26.95	1,487,501,737.14	26.02	13.27
	Depreciation	406,260,188.43	6.50	322,880,972.53	5.65	25.82
	Others	-559,185,005.37	-8.94	-141,969,567.28	-2.48	N/A
	Subtotal	6,252,265,308.40	100.00	5,716,293,887.58	100.00	9.38
By product	Cost components	Amount incurred in the current period	As a percentage of total costs in the current period (%)	Amount incurred in the same period of previous year	As a percentage of total costs in the same period of previous year (%)	YoY change (%)
Health care products	Costs of materials	36,089,962.70	0.58	26,560,959.72	0.46	35.88
	Labor costs	11,329,854.63	0.18	6,336,694.50	0.11	78.80
	Manufacturing costs	9,444,348.04	0.15	2,677,541.36	0.05	252.72
	Depreciation	5,463,682.37	0.09	2,564,510.61	0.04	113.05
	Others	-16,104,826.72	-0.26	-4,487,206.18	-0.08	N/A
	Subtotal	46,223,021.02	0.74	33,652,500.02	0.59	37.35
Pharmaceutical Products	Costs of materials	3,841,254,506.51	61.44	3,359,165,272.77	58.76	14.35
	Labor costs	795,400,898.83	12.72	611,624,924.03	10.70	30.05
	Manufacturing costs	1,620,338,814.98	25.92	1,435,952,937.90	25.12	12.84
	Depreciation	400,238,957.27	6.40	320,084,243.85	5.60	25.04
	Others	-546,139,386.60	-8.74	-157,879,982.96	-2.76	N/A
	Subtotal	6,111,093,791.00	97.74	5,568,947,395.59	97.42	9.74

Other information on cost analysis

Cost and variety of main medicinal herbs used in main TCMs

Main TCMs	Variety of main medicinal herb	Supply and demand	Procurement model	Influence of price fluctuation
Shenqi Fuzheng Injection(参芪扶正注射液)	Codonopsis Root and Astragalus Root	The supply of Livzon Limin's codonopsis root and astragalus root is relatively stable. Both medicinal herbs are supplied by plantation bases and external suppliers. Plantation Base of Livzon Limin Pharmaceutical Manufacturing Factory ("Livzon Limin Base") maintains safety stock of medicinal herbs, which ensures the supply quantity and stabilizes the supply price. Meanwhile, Limin	Supplied by Livzon Limin Base and external suppliers	Codonopsis Root: the supply price fall compared with the same period last year; Astragalus Root: the supply maintained relatively stable, and the supply price edged up due to the increase in processing costs, labor costs and other expenses.

		signed annual demand-based supply agreements with external suppliers who are obligated to stock up according to Limin's quality requirements, so as to ensure sufficient supply of herbs with stable quality.		
Anti-Viral Granules, Anti-Viral Granules (Sugar-free), Anti-Viral Syrup, Anti-Viral Tablets	Indigowoad Root, Fructus Forsythiae, Anemarrhena, Acori graminei Rhizoma, Gypsum, Rhizoma Phragmitis, Patchouli, Rehmanniae Radix, Radix Curcumae, Dahurian Angelica Root	There is sufficient supply of main raw medicinal herbs used in Anti-Viral Granules. Indigowoad Root, Acori Graminei Rhizome, Anemarrhena, Patchouli, Rehmanniae Radix and Radix Curcumae are supplied by plantation bases and external suppliers; some wild medicinal herbs such as Fructus Forsythiae and Acori Graminei Rhizome have a certain amount of safety stock to ensure basically stable supply and price.	Tendering procurement, supplied by plantation base and external suppliers	For main raw medicinal herbs used in Anti-Viral Granules, compared with the same period of the previous year, price of Rehmanniae Radix fell largely as the plantation area was supplemented stimulated by the high price at the earlier stage; price of Radix Curcumae decreased as results of expansion of the plantation area; the prices of some medicinal herbs such as Indigowoad Root, Fructus Forsythiae, Rhizoma Phragmitis, Patchouli, Anemarrhena, Acori graminei Rhizoma stayed relatively the same. However, as the demand for certain varieties of medicinal herbs such as Indigowoad Root, Fructus Forsythiae, Rhizoma Phragmitis and Patchouli increased significantly in the market at the end of 2022, their prices rose to varying degrees.

**(5). Changes in consolidation scope due to equity change of major subsidiaries during the Reporting Period**

Applicable N/A

**(6). Material changes or adjustments in business, products or services during the Reporting Period**

Applicable N/A

**(7). Major customers of sales and major suppliers**

**A. Major customers of sales**

Applicable N/A

Sales to the top 5 customers were RMB1,524.4901 million, representing 8.89% of the total annual sales; of which the sales to related parties were RMB0 million, representing 0.00% of the total annual sales.

Sales to any individual customer in excess of 50% of the total, any new customer in the top 5 customers or heavy dependence on a few customers during the Reporting Period

Applicable N/A

**B. Information on major suppliers**

√Applicable □ N/A

Purchases from top 5 suppliers were RMB835.906 million, representing 17.24% of the total annual purchase cost, of which the purchases from related parties were RMB268.667 million, representing 5.54 % of the total annual purchase cost.

Purchases from any individual supplier in excess of 50% of the total, any new supplier in top 5 suppliers or heavy dependence on a few suppliers during the Reporting Period.

□Applicable √N/A

**3. Expenses**

√Applicable □ N/A

Unit: Yuan

Item	2022	2021	YOY Change(%)	Explanations
Selling expenses	4,950,802,456.16	5,026,812,145.41	-1.51	No material change
Administrative expenses	992,483,591.51	939,253,444.33	5.67	No material change
Financial expenses	-352,447,424.62	-92,894,751.72	N/A	Mainly due to the increase in interest income and the increase in foreign exchange gains as a result of exchange rate changes during the Period.
R&D expenses	1,742,088,079.94	1,397,131,273.33	24.69	No material change

**4. Investment in R&D****(1). Investment in R&D**

√Applicable □ N/A

Unit: Yuan

Current expensed R&D expenditure	1,583,502,138.74
Current capitalized R&D expenditure	175,159,872.18
Total R&D expenditure	1,758,662,010.92
Total amount R&D expenditure as a percentage of Revenues (%)	10.26
Ratio of capitalized R&D expenditure (%)	9.96

**(2). R&D Staff**

√Applicable □ N/A

Number of R&D staff	1,717
Proportion of R&D staff to the total employees (%)	12.20
Education background of R&D staff	
Education composition	Number
PhD	58
Postgraduate	417
Bachelor	774
Junior college graduate	350



High school and below	118
Age composition of R&D staff	
Age composition	Number
Under 30 years old (exclusive)	842
30-40 years old (including 30 years old, excluding 40 years old)	640
40-50 years old (including 40 years old, excluding 50 years old)	187
50-60 years old (including 50 years old, excluding 60 years old)	48
Over 60 years old	0

**(3). Explanations**

Applicable N/A

**(4). Reasons for and impact of the material change in the composition of R&D staff personnel on future development of the Company**

Applicable N/A

**5. Cash flows**

Applicable N/A

Item	2022	2021	YOY Change (%)	Explanations
Net cash flow from operating activities	3,977,499,939.73	2,563,089,045.24	55.19	Mainly due to the combined effect of an increase in sales receipts and a decrease in payment of marketing expenses during the Reporting Period.
Net cash flow from investing activities	-2,252,167,188.62	1,964,157,731.17	N/A	No material change
Net cash flow from financing activities	566,327,859.36	-974,904,353.44	N/A	Mainly due to the combined effect of new borrowing and investment absorption (through GDR issuance) during the Reporting Period.

**(II) Statement on material changes in profits arising from non-principal businesses**

Applicable N/A

Unit: Yuan

Item	Amount	As a percentage of total profit	Cause	Sustainable or not
Investment income	55,973,114.29	1.62%	Primarily due to changes in gains or losses of the associates.	No
Gains or losses from changes in fair value	-76,262,989.83	-2.21%	Primarily due to fluctuations in market value of the securities investment held.	No
Impairment of assets	-142,627,936.44	-4.13%	Primarily due to the impairment provision for inventories.	No
Non-operating income	8,229,847.57	0.24%	Primarily due to income from disposal of scrap and transfer to non-operating income from buying on credit for longer terms and not required to be paid.	No
Non-operating expenses	32,060,686.06	0.93%	Primarily due to donation expenses and loss on retirement of fixed assets.	No
Other income	289,868,006.44	8.39%	Primarily due to government grants received.	Yes

**(III) Analysis of assets and liabilities**

√Applicable □ N/A

**1. Status of assets and liabilities**

Unit: Yuan

Item	Ending balance of this period	Proportion of ending balance of this period to the total assets (%)	Ending balance of previous period	The proportion of ending balance of previous period to the total assets (%)	Change in amount (%)	Explanations
Financial assets held for trading	109,015,664.98	0.31	184,638,344.31	0.59	-40.96	Primarily due to fluctuations in market value of the securities investment held by Livzon Group, a subsidiary of the Company.
Other receivables	52,535,740.14	0.15	88,053,825.12	0.28	-40.34	Primarily due to the collection of capital reduction proceeds for the period.
Non-current assets due within one year	54,048,611.11	0.15	317,381.23	0.00	16,929.55	Primarily due to the reclassification of time deposit due within one year to non-current assets due within one year.
Other current assets	163,539,900.32	0.46	83,986,214.37	0.27	94.72	Primarily due to the increase in cash management business of Livzon Group, a subsidiary of the Company, for the period.
Long-term receivables	0.00	0.00	266,904.13	0.00	-100.00	Primarily due to the recovery of finance lease payments by Livzon Group, a subsidiary of the Company.
Intangible assets	802,115,125.75	2.24	456,782,094.80	1.47	75.60	Primarily due to the fact that the "Recombinant SARS-CoV-2 Fusion Protein Vaccine (重组新型冠状病毒病毒融合蛋白疫苗)" of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARS-CoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.
Development expenditure	428,284,884.17	1.20	786,993,435.71	2.53	-45.58	Primarily due to the fact that the "Recombinant SARS-CoV-2 Fusion Protein Vaccine (重组新型冠状病毒病毒融合蛋白疫苗)" of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARS-CoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.
Long-term	277,867,716.95	0.78	200,715,740.93	0.65	38.44	Primarily due to the transfer of

prepaid expenses						completion of plant decoration to long-term prepaid expenses for the period.
Other non-current assets	1,156,772,182.99	3.24	663,584,003.80	2.13	74.32	Primarily due to the reclassification of time deposit to other non-current assets.
Financial liabilities held for trading	755,634.43	0.00	143,302.24	0.00	427.30	Primarily due to changes in fair value of foreign currency forward contracts.
Non-current liabilities due within one year	63,077,260.98	0.18	91,576,066.33	0.29	-31.12	Primarily due to the repayment of long-term loans due within one year.
Other current liabilities	101,276,714.35	0.28	15,626,224.29	0.05	548.12	Primarily due to the increase in expected refunds payable of Livzon Group, a subsidiary of the Company, for the period.
Long-term loans	3,230,844,042.88	9.04	826,780,252.78	2.66	290.77	Primarily due to the newly incurred long-term bank borrowings of for the period.
Treasury shares	347,176,561.29	0.97	222,644,454.50	0.72	55.93	Primarily due to the increase in repurchase of shares to be cancelled.

## 2. Overseas assets

Applicable  N/A

### (1) Asset size

Of which: Overseas assets were 42.03 (Unit: 100 million Currency: RMB), representing 11.76 % of the total assets.

### (2) Statement on high proportion of overseas assets

Applicable  N/A

## 3. Restrictions on assets entitlements as at the end of the Reporting Period

Applicable  N/A

Unit: Yuan

Item	Carrying value at the end of the period	Cause of restriction
Other monetary funds	1,392,407.76	Letters of credit, bank acceptances and forward exchange settlement deposits, etc.
Notes receivable	469,659,266.19	Notes pool business and pledge of notes receivable
Total	471,051,673.95	

## 4. Others

Applicable  N/A

### (IV) Analysis of industry-related business information

Applicable  N/A

According to the Guidelines for the Industry Classification of Listed Companies (2012 Revision) issued by the CSRC, the Company is operating in the pharmaceutical manufacturing industry. Adhering to the mission of “For the health, For the future” and the vision of “diligently make high-quality and innovative drugs”, the Company has been committed to the pharmaceutical business

and been strengthening R&D, production, marketing and management of medical products, to strive to become a domestic leading integrated pharmaceutical enterprise with capacity for independent innovation and international competitiveness in terms of production, technology and management in the near future.

## **Analysis of business information on pharmaceutical manufacturing industry**

### **1. Basic information on industry and main drugs (products)**

#### **(1). Basic information on industry**

Applicable N/A

#### **I. Influence of industry policies**

The year of 2022 is the second year of the 14th Five-Year Plan, and the pharmaceutical industry is still magnificent, as opportunities and challenges coexist. Various key programmatic documents and policies on the pharmaceutical industry have been released, and the major policies that had a significant impact on the Company are as follows.

##### **① Release of the 14th Five-Year Plan for the Development of the Pharmaceutical Industry**

In January 2022, nine departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, jointly issued the “14th Five-Year Plan for the Development of the Pharmaceutical Industry” (the “Plan”). The Plan clarifies the development goals for the next five years: by 2025, major economic indicators will achieve medium-high growth, innovation achievements in frontier fields will be prominent, innovation driving force will be strengthened, the modernization level of industrial chain will be significantly improved, the supply and guarantee system of pharmaceutical devices will be further improved, and internationalization will be advanced in an all-round way. The Plan puts forward goals for the pharmaceutical industry in terms of scale efficiency, innovation-driven development transformation, industrial chain and supply chain, drug and equipment supply and international development, it also proposes the specific development direction of chemical pharmaceuticals, traditional Chinese medicine, biological medicine and medical device. The pharmaceutical industry is expected to enter into a new era of sustainable development.

##### **② Routine operation of volume-based procurement**

In July 2022, the Notice on the Results of National Centralized Drug Procurement (GY-YD2022-1) (《关于公布全国药品集中采购(GY-YD2022-1)中选结果的通知》) was released by the National Organization Office for Centralized Procurement of Pharmaceuticals. A total of 60 drugs were successfully procured in this round of centralized procurement, with an average price reduction of 48% for the drugs to be selected. In order to better ensure the stable supply of the drugs for centralized procurement, the mechanism of "reserve supply enterprises" was introduced in the procurement documents initially for the seventh batch of centralized drug procurement, to explore the implementation of "double supply in one province", each province not only has a selected

enterprise, that is, the main supply enterprise, but also has a reserve supply enterprise.

### ③ Adjustment of the catalog of medicines covered by medical insurance

In June 2022, the NHA issued the 2022 Work Plan of the Adjustment to the Catalogue of Drugs for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《2022 年国家基本医疗保险、工伤保险和生育保险药品目录调整工作方案》) and related documents for public comments, marking commencement of a new round of adjustment work for the National Medical Insurance Catalogue. The adjustment work for the Medical Insurance Catalogue has been continuously improved and has entered the era of dynamic adjustment. While continuing to support COVID-19 treatment drugs and innovative drugs, the new medical adjustment plan issued in June 2022 fully reflects the attention to treatment drugs for rare disease and drugs for children. In September 2022, the NHA issued the 2022 National Medical Insurance Catalogue Adjustment through Initial Review of Drugs and Information (2022 年国家医保药品目录调整通过初步形式审查药品及信息), with 344 varieties shortlisted.

### ④ New Notice of reform of DRG/DIP payment method

In April 2022, the NHA issued the Notice on the Convergence of the Use of DRG/DIP Functional Module of the Payment Method Management Subsystem (《关于做好支付方式管理子系统 DRG/DIP 功能模块使用衔接工作的通知》), which clarified that the NHA had developed the basic version of the DRG/DIP functional module based on the nationally unified medical insurance information platform, and would promote the DRG/DIP payment method reform to a deeper level. According to the arrangement, the DRG/DIP functional module would be implemented and applied nationwide by the end of November 2022.

### ⑤ Promoting innovation in traditional Chinese medicine

In March 2022, the General Office of the State Council issued the 14th Five-Year Plan for the Development of Traditional Chinese Medicine (《“十四五”中医药发展规划》), which specifies the guiding ideology, basic principles and development goals for the development of TCM during the 14th Five-Year Plan period, proposes 10 major tasks and 11 work columns, and specific measures for each of the major tasks. By 2025, the capacity of TCM health services will be significantly enhanced, the policy and system for high-quality development of TCM will be further improved, positive results will be achieved in the revitalization and development of TCM, and its unique advantages in the construction of a healthy China will be given full play.

In December 2022, the National Administration of Traditional Chinese Medicine issued the 14th Five-year Plan for the Development of Traditional Chinese Medicine Informatization (《“十四五”中医药信息化发展规划》), which clearly proposed the construction of TCM internet hospitals, the development of telemedicine and internet diagnosis and treatment, and providing support for the construction of intelligent hospitals in about 20 Class III TCM hospitals. Meanwhile, governments at various levels actively support the development of TCM informatization through existing funding

channels, and through guiding social investment to increase investment in TCM informatization and statistics.

### ⑥ In-depth reform of medical and healthcare system

In May 2022, the General Office of the State Council issued the Key Tasks for Deepening the Reform of the Medical and Health System in 2022 (《深化医药卫生体制改革2022年重点工作任务》)(the "Tasks"), which put forward 21 key tasks from 4 aspects covering accelerating the construction of a new pattern of orderly access to medical diagnosis and treatment, deeply promoting the experience of Sanming's medical reform, making efforts to enhance the capacity of public health services, and promoting the high-quality development of medicine and health. The general requirements of the Tasks are to comprehensively promote the construction of a healthy China, deeply promote the experience of Sanming's medical reform, promote the expansion and balanced layout of high-quality medical resources, deepen the linkage reform of medical care, medical insurance and medicine, continuously promote the shift from focusing on the treatment to focusing on people's health, and continuously promote to solve the difficult problems of the lack of accessibility to and the high costs of medical treatment. For the pharmaceutical industry, new requirements for development at stages have also been put forward.

### ⑦ Market exclusivity of new drugs for rare diseases

In May 2022, the NMPA conducted a study on the Implementation Rules of the Law of the PRC on the Administration of Drugs (《中华人民共和国药品管理法实施条例》), forming an amended consultation draft for public comments (the "Consultation Draft"). The Consultation Draft proposes for the first time to grant a period of market exclusivity to new drugs such as drugs for rare diseases. The Consultation Draft proposes that the state encourages the development and innovation of drugs for rare diseases, supports the development of drugs for rare diseases by the holders of drug marketing licenses, encourages the development of launched drugs for new indications of rare diseases, and gives priority to the review and approval of drugs for rare diseases that are in urgent clinical need. During drug development and registration filing, communication with sponsors will be strengthened to facilitate the speedy launch of drugs for rare diseases and meet the clinical needs of patients with rare diseases. For new drugs approved for marketing for rare diseases, a period of market exclusivity of up to seven years will be granted under the commitment of the drug's marketing licensee to safeguard the supply of the drug, during which time the same variety will not be approved for marketing.

Response measures: The Company will take effective measures to cope with major changes in policies of the pharmaceutical industry through early layout, transformation, and compliance, and constantly improve its core competitive strength. Meanwhile, the Company will actively increase the research, development and innovation of new products, drive development through R&D, continuously optimize and adjust the product structure, strenuously apply for medical insurance

coverage, and maintain the competitive sales of large varieties while keeping striving for market access and promoting sales to lower-tier markets. The Company will create more competitive advantages of products, improve the production quality management, standardize the safe and environmentally friendly production, operate in compliance with regulations, and establish a more reasonable market-oriented system in order to establish its own advantageous position and core competitiveness.

## **II. Basic information on the sector where the Company operates**

The Company is primarily engaged in the R&D, production and sale of hundreds of varieties of pharmaceutical products and health care products in areas such as chemical pharmaceuticals, biologics, chemical active pharmaceutical ingredients (APIs), TCM, and health care products. Basic information on the market niches in which the Company operates are follows:

**Chemical pharmaceuticals:** In recent years, influenced by policies regarding medical insurance payment control, volume-based procurement and consistency evaluation, chemical pharmaceuticals have recorded a slower growth in revenues and profit. The market of chemical pharmaceuticals is relatively competitive as there are many domestic manufacturers. However, innovative drugs and high-barrier formulations will become an industry trend and an important source of profits thanks to low competitive pressure and continuous support from national policies. The Company's chemical pharmaceuticals cover many therapeutic fields with competitive strengths in product varieties, sales channels, end user groups and brand awareness. In the future, the Company will speed up research and development, introduce new technologies, and accelerate the product structure optimization and strategic planning to cope with the increasingly fierce market competition.

**Biologics:** Biologics include monoclonal antibodies, vaccines, recombinant therapeutic proteins and other biological therapies. Globally, the development of biologics has been relatively late compared to chemical pharmaceuticals products, and it is only in the last 40 years that they have entered the large-scale industrialization stage. However, due to the safety, efficacy, and other clinical needs met by biologics that chemical pharmaceuticals could not satisfy, the biologics industry has grown rapidly in recent years, especially in emerging markets such as China, where the biologics industry is growing at a much faster rate than the general pharmaceutical industry. China's biologics market is still in a period of unstable segment structure, continued increase in unmet clinical needs, more frequent technology iteration, and rapid growth of emerging segments such as monoclonal antibodies. LivzonBio is the primary biopharmaceutical R&D platform of the Company and principally engages in the independent innovative R&D and commercialization of biopharmaceuticals, including innovative mAbs (monoclonal antibodies), mAb biosimilars, bispecific antibodies, antibody drug conjugates, CAR-T cell therapies, etc., with its products covering multiple fields such as tumor, autoimmune disease, vaccine, etc.

**Chemical APIs:** At present, the Company has the following chemical APIs: cephalosporin series,

statin series, and carbapenem series among others. Restricted by heavy investment, long construction period, high technical threshold and strict environmental protection requirements, the bulk API market in China is relatively concentrated. However, overcapacity causes fierce competition. To adapt to future competition, the Company gradually completed the transformation and upgrading from bulk APIs to high-end characteristic APIs, from nonstandard market to standardized market and from domestic market to international market. Meanwhile, in an effort to further implement the Implementation Plan to Promote the High-quality Development of the API Industry issued by the National Development and Reform Commission and the Ministry of Industry and Information Technology in November 2021, the Company strengthened forward-looking research layout to accelerate high-quality development of APIs under new background. Since October 2020, the Company has focused on building a research and development platform in synthetic biology with AI integrated to promote green, low-carbon transformation of the industry, to give more added value to pharmaceutical intermediates and APIs, and to accelerate integration into the global industrial chain and value chain.

TCM: In recent years, encouraged by many favorable national policies, the TCM industry has gained abundant opportunities to grow. Since 2021, the state has successively issued several policies, including the Several Policies and Measures on Accelerating the Characteristic Development of Traditional Chinese Medicine, the Notice on Updating the Classification and Codes of Diseases and Patterns of Traditional Chinese Medicine (Covered by Medical Insurance) and the 14th Five-Year Plan for the Development of Traditional Chinese Medicine. These policies emphasize the need to optimize the TCM evaluation and approval management, to improve the classification and registration management, to implement suitable payment policies, to strengthen the price management, to adopt integrative medicine approach, and to promote the development of TCM industry. In the fight against the epidemic, ‘three drugs and three prescriptions’ of TCM play an important role in clinic treatment, highlighting the importance of TCM. Shenqi Fuzheng Injection, Anti-Viral Granules and other products from Livzon Group, a holding subsidiary of the Company, are representatives of the Company's TCM products. In the future, the Company will continue to intensify R&D and technological innovation to drive sustainable profitability.

Diagnostic reagents and equipment: As China's healthcare industry develops gradually, in vitro diagnostic reagents industry is seeing a bigger market but remains in primary stage compared with developed countries such as European countries and America. With more product varieties and more advanced technologies, in vitro diagnostic reagents are used in more scenarios, from traditional hospital laboratories to third-party medical diagnostic institutions, physical examination centers, families, and other primary healthcare institutions. More application scenarios make the demand for different kinds of in vitro diagnostic reagents fully released, promoting rapid development of the industry. Since its establishment, Livzon Diagnostics, controlled by Livzon Group (a holding subsidiary of the Company), has been committed to the R&D, production and sales of diagnostic reagents and equipment. After years of efforts and development, it has built a multi-faceted technical



platform that supports ELISA test, colloidal gold rapid test, chemiluminescence assay, multiplex liquid-chip assay, and nucleic acid assay. It has strong market influence in such fields as respiratory infection, infectious diseases, and drug concentration monitoring. Some of its products hold big market shares in China.

Health care products: Driven by increasing public awareness of wellness, aging, consumption upgrading and promotion of direct sales, health care industry has developed rapidly in recent years. However, due to low technical threshold and high gross profit, the domestic market is highly competitive with serious product homogeneity issues and low market concentration. The Company's well-known health care foods brands such as "Taita" (太太), "Jingxin" (静心) and "Eagle's" (鹰牌) deeply rooted in people's minds and have high market awareness. Faced with intense market competition, while staying committed to traditional pharmaceutical chain channels, the Company also actively expands online channels through strategic cooperation with new social e-commerce sales platforms to drive sales growth. In addition, the Company actively prepares to access to fields of functional food by leveraging its R&D and market strengths to enrich product pipelines and enhance core competitiveness.

## (2). Basic information on main drugs (products)

√Applicable □N/A

### Basic information on main drugs (products) by segment and therapeutic areas

√Applicable □N/A

Segment	Main therapeutic area	Name of drug (product)	Registration Category	Indications	Prescription drug or not	Protected TCM or not (if applicable)	Effective and expiration date of patent right for invention (if applicable)	New drug (product) launched during the Reporting Period or not	Included in the Catalog of National Essential Drugs or not	Included in NRDL or not
Chemical pharmaceuticals	Gastroenterology	Elaprazole Sodium for Injection	Chemical drugs Class 2	Peptic ulcer bleeding	Yes	No	From 23 October 2009 to 23 October 2029	No	No	No
Chemical pharmaceuticals	Gonadotropic hormones	Leuprorelin Acetate Microspheres for Injection	Chemical drugs Class 6	Endometriosis, hysteromyoma, breast cancer, etc.	Yes	No	From 23 December 2010 to 23 December 2030	No	No	Yes
Chemical pharmaceuticals	Gastroenterology	Elaprazole Enteric-Coated Tablets	Chemical drugs Class 1.1	Duodenal ulcer and reflux esophagitis	Yes	No	From 24 March 2006 to 24 March 2026	No	No	Yes
Chemical pharmaceuticals	Anti-infection	Meropenem for Injection	Chemical drugs Class 4	Used to treat infection caused by one bacterium or more bacteria sensitive to meropenem.	Yes	No	From 6 June 2006 to 6 June 2026 From 31 July 2012 to 31 July 2032	No	No	Yes

Note: The starting and expiration dates listed above refer to the corresponding term of patents of core products in each product category.

### Main drugs (products) newly added into and exited from the National Reimbursement Drug List during the Reporting Period

√Applicable □N/A

Name of main products	Catalog of National Essential Drugs	National Reimbursement Drug List
Ilaprazole Sodium for Injection	Not included	Included
Leuprorelin Acetate Microspheres for Injection	Not included	Included
Ilaprazole Enteric-Coated Tablets	Not included	Included
Meropenem for Injection	Not included	Included

### Winning bids for main drugs in centralized drug procurement during the Reporting Period

√Applicable □N/A

Name of main drugs	Bid-winning price range	Total actual procurement volume by medical institutions	Unit
Ilaprazole Sodium for Injection	RMB71.00	1,697.62	Ten thousand boxes
Leuprorelin Acetate Microspheres for Injection	RMB1,272.58-1,275.90	153.70	Ten thousand ampules
Ilaprazole Enteric-Coated Tablets (6 tablets)	RMB78.34-99.58	1,490.93	Ten thousand boxes
Ilaprazole Enteric-Coated Tablets (10 tablets)	RMB156.30-158.12	118.60	Ten thousand boxes
Meropenem for Injection 0.25g	RMB6.30-54.66	638.23	Ten thousand ampules
Meropenem for Injection 0.5g	RMB10.71-86.53	1,178.07	Ten thousand ampules
Meropenem for Injection 1g	RMB18.21-167	73.49	Ten thousand ampules

### Explanations

√Applicable □N/A

- ① Data regarding total actual procurement volume by medical institutions are from IQVIA;
- ② The information disclosed is the bid-winning price of the issuer province and newly implemented winning prices during the Reporting Period.
- ③ Meropenem for Injection was included in the seventh batch of national volume-based drug procurement in July 2022, with a significant price adjustment.

### Operating data by therapeutic areas or main drug (products)

√Applicable □N/A

Unit: 10,000 Yuan Currency: RMB

Therapeutic area	Operating income	Operating costs	Gross profit margin (%)	YoY change in operating income (%)	YoY change in operating costs (%)	YoY change in gross profit margin (%)	Gross profit margin of products in the same field in the same industry
Gastroenterology	343,589.84	47,011.06	86.32	-6.48	5.00	-1.50	79.23
Gonadotropic hormones	259,068.36	82,191.10	68.27	5.64	-4.66	3.43	-
Anti-infection	130,468.34	24,765.24	81.02	-16.44	-2.24	-2.76	58.39
Respiratory	117,364.29	20,014.56	82.95	103.37	87.69	1.43	84.95
Psychiatry	54,484.55	2,845.42	94.78	32.19	44.07	-0.43	82.92

## Explanations

√Applicable □N/A

- ① The gross profit margin of products in the field of gastroenterology is derived from that of the relevant industry in “Major products of metabolism and alimentary system” in Fosun Pharma's 2021 Annual Report.
- ② No comparable data on gross profit margin in the field of gonadotropic hormones has been found.
- ③ The data on the gross profit margin of products in the field of anti-infection comes from that of “anti-infection category” in the 2021 Annual Report of Tianyao Co., Ltd.
- ④ The gross profit margin data of products in the field of the respiratory comes from that of “respiratory system category” in Luoxin Pharmaceutical's 2021 Annual Report.
- ⑤ The gross profit margin data of products in the psychiatric field comes from that of “psychiatric category” in Nhwa Pharmaceutical 's 2021 Annual Report.

## 2. Drug (product) R&D of the Company

### (1). Overview of R&D of the Company

√Applicable □N/A

#### (1) Chemical pharmaceuticals

① **High-barrier complex formulations:** There were a total of 45 projects under research, of which, 4 had been launched to the market, 6 had been applied for production, 11 were under the clinical/BE study and 2 received clinical trial approvals. The progress of the major projects was as follows:

**Inhalation formulations:** Terbutaline Sulfate Nebulizer Solution (硫酸特布他林雾化吸入用溶液) and Levosalbutamol Hydrochloride Nebulizer Solution (盐酸左沙丁胺醇雾化吸入溶液) (3ml:1.25mg), Acetylcysteine solution for inhalation(吸入用乙酰半胱氨酸溶液) and Tobramycin Inhalation Solution (妥布霉素吸入溶液) had been launched for market. Fluticasone Propionate Inhalation Suspension (丙酸氟替卡松雾化吸入用混悬液) had been applied for production; The clinical trial of Indacaterol Maleate Powder for Inhalation (马来酸茚达特罗吸入粉雾剂) had been completed and the drug had been applied for production; The registration application of Salmeterol Xinafoate -Fluticasone Propionate Powder for Inhalation (沙美特罗替卡松吸入粉雾剂) was submitted after the completed PK-BE study, the notice of clinical trial approval was received, and the phase III clinical study was quickly started; Phase I clinical trials of Levosalbutamol Hydrochloride and Ipratropium Bromide Inhalation Solution (盐酸左沙丁胺醇异丙托吸入溶液) and Formoterol Fumarate Inhalation Aerosol (富马酸福莫特罗吸入气雾剂) were completed; For class 2 new drug XYP-001, the Company had received the notice of the clinical trial approval and started phase I clinical trials;

**Sustained-release microspheres:** The project of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) for treatment of prostate cancer had completed all registration verification, GMP compliance checks, the first registration inspection,

and the supplementary data study which was submitted to CDE; the project of Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) (1-month sustained release) for treatment of endometriosis has completed patient enrollment, the follow-up period close to end; Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) (1-month sustained release) completed phase I multiple-dosing clinical trial; Octreotide Acetate Microspheres for Injection (注射用醋酸奥曲肽微球) (1-month sustained release) and Leuprorelin Acetate Microspheres for Injection (注射用醋酸亮丙瑞林微球) (3-month sustained release) were undergoing BE trials; Alarelin Microspheres for Injection (注射用丙氨瑞林微球) (1-month sustained release) was undergoing phase I clinical trial; Triptorelin Pamoate Microspheres for Injection (注射用双羟萘酸曲普瑞林微球) (3-month sustained release) was in phase I clinical trial; Triptorelin microspheres of dihydroxynaphthoate for injection (3-month sustained release) was prepared for phase I clinical trial; Goserelin Acetate Sustained-release Implant (醋酸戈舍瑞林缓释植入剂) (1-month sustained-release) had carried out the bridging study of pilot-scale and full-scale production.

② **Conventional formulations:** There were a total of 42 projects under research, of which, 6 projects had applied for production, 5 projects were under the clinical/BE study and 3 projects received clinical trial approval. The progress of the major projects was as follows: New indications of Ilaprazole Sodium for injection (注射用艾普拉唑钠), Blonanserin Tablets (布南色林片) and Lurasidone Hydrochloride Tablets (盐酸鲁拉西酮片) had been applied for production; LZ001 and Ilaprazole Enteric-coated Tablets (艾普拉唑微丸肠溶片) have been approved for phase I clinical trials; and Progesterone Injection (黄体酮注射液) was undergoing BE trial.

③ **Consistency evaluation:** There were a total of 16 projects under research, of which, 6 projects have been approved for launching and 3 projects applied for review. 6 varieties such as Clarithromycin Tablets (克拉霉素片), Valsartan Capsules (缬沙坦胶囊), and Cefodizime Sodium for Injection (注射用头孢地嗪钠) had been approved for launching; Supplemental information had been submitted for Imipenem and Cilastatin Sodium (亚胺培南西司他丁钠), Cyclosporine Softgels (环孢素软胶囊) (50 mg), Vancomycin Hydrochloride for Injection and Bismuth Potassium Citrate Capsule (枸橼酸铋钾胶囊).

## (2) Biologics

There were a total of 8 projects under research, of which, 1 was approved for launching, 1 in the conditional marketing application stage; 1 in the marketing application (BLA) stage (approved for marketing in January 2023), 1 in the phase III clinical trial, 2 in the phase Ib or phase II clinical trial and 2 in the phase I clinical trial.

Therapeutic biological products: Recombinant Human Choriogonadotropin Alfa for injection was approved for launching in China in 2021 and overseas registration is underway; the BLA application of Tocilizumab injection (托珠单抗注射液) has been accepted by CDE and approved for launching in China in January 2023; phase II clinical trials of Recombinant Anti-human IL-17A/F Humanized

Monoclonal Antibody for Injection (重组抗人 IL-17A/F 人源化单克隆抗体注射液) were completed; Recombinant Humanized Anti-PD-1 Monoclonal Antibody for Injection (注射用重组人源化抗 PD-1 单克隆抗体) is undergoing phase Ib/II clinical trials; Recombinant Human Follicle Stimulating Hormone for Injection (重组人促卵泡激素注射液) completed Phase I clinical trials; and Recombinant Tumor Enzyme Specific Interferon  $\alpha$ -2bFc Fusion Protein for Injection (注射用重组肿瘤酶特异性干扰素  $\alpha$ -2bFc 融合蛋白) was undergoing phase I clinical trials. The diabetic drug Semaglutide injection (司美格鲁肽注射液) was approved for clinical trials, and the first phase III clinical center was launched in December 2022.

Preventive biological products: The Recombinant SARS-CoV-2 Fusion Protein Vaccine (Likang V-01) was approved for emergency use in domestic heterologous booster vaccination in June 2022, and was included in the national immunization program in September 2022. Meanwhile, a conditional marketing application of such vaccine had been submitted to the NMPA, which was under review.

### **(3) APIs and intermediates**

There were a total of 39 projects under research, of which 23 were new product R&D projects and 16 were tech-upgradation projects of existing products. For new product R&D projects, the API of Fluticasone Furoate (糠酸氟替卡松) had been approved for launching, and the registration application for the API of Biapenem(比阿培南) and the API of Caspofungin Acetate (醋酸卡泊芬净) were submitted. For technological upgrading projects of existing products, the key project Cephalosporin C-High Producing Mutant Strains (头孢菌素 C 高产突变株) was progressing smoothly. After screening, the scale production verification of the strains had been completed, and the average unit yield had been steadily increased; in the development and selection project of new L-phenylalanine – High Producing Strains (L-苯丙氨酸新型高产菌株) driven by IBT technology, high-value natural product chassis strains such as L-phenylalanine, L-tyrosine and shikimic acid had been screened, strain modification and selection was proceeding and shake-flask cultivation has achieved initial results.

### **(4) Traditional Chinese medicine**

There were 8 projects under research for new TCM, of which, SXSHL gel, a new improved traditional Chinese medicine, had completed pre-clinical trial experiment research, and its application materials were being prepared and collected. The single-center clinical trial of in-hospital preparations was completed for TGDX Granules, a class 1.1 new traditional Chinese medicine, and initial draft of the clinical trial summary report was obtained.

### **(5) Diagnostic reagents and equipment**

There were 86 projects under research, of which, 1 was in the clinical stage (including evaluation); there were a total of 15 technological upgrading projects, including 7 projects were filed for change of registration. In March 2022, Livzon Diagnostics actively responded to the national pandemic prevention and control policy, and promptly initiated the registration of Livzon Rapid Test for 2019-nCoV Antigen

(Lateral Flow) (新型冠状病毒 (2019-nCoV) 抗原检测试剂盒(乳胶法)), which was successfully approved for launching on April 9, 2022. Diagnostic Kit for Immunoglobulin G4 (Chemiluminescence Immunoassay) (免疫球蛋白 G4 测定试剂盒(化学发光法)) and its supporting calibrators and quality control products obtained registration certificates in June 2022; mycoplasma pneumoniae IgM antibody detection kit (chemiluminescence) and four diabetes specific autoantibodies were registered successively in November 2022; three items of chromatography platform blood type card were registered in August 2022. In addition, 6 projects, including Livzon Rapid Test for 2019-nCoV Antigen (Lateral Flow) (新型冠状病毒(2019-nCoV)抗原检测试剂盒(乳胶法)) and Nucleic Acid Test Kit for Monkeypox Virus (Real-time PCR) (猴痘病毒核酸检测试剂盒(PCR-荧光探针法)), and full automated chemiluminescence analyzer successively obtained CE certificates.

**(2). Basic information on main R&D projects**

√Applicable □N/A

R&D projects (including projects subject to GCE)	Name of drug (product)	Registration Category	Indications	Prescription drug or not	Protected TCM or not (if applicable)	R&D stage (registration)
Indacaterol Maleate Powder for Inhalation	Indacaterol Maleate Powder for Inhalation	Chemical drugs Class 4	It is suitable for maintenance therapy of bronchiectasis to relieve symptoms in adults with chronic obstructive pulmonary disease (COPD), including chronic bronchitis and emphysema.	Yes	No	Application for registration
Fluticasone Propionate Inhalation Suspension	Fluticasone Propionate Inhalation Suspension	Chemical drugs Class 4	Treatment of moderate and severe persistent asthma.	Yes	No	Application for registration
Formoterol Fumarate Inhalation Solution	Formoterol Fumarate Inhalation Solution	Chemical drugs Class 3	Suitable for the maintenance treatment of bronchoconstriction in patients with chronic obstructive pulmonary disease (COPD), including chronic bronchitis and emphysema.	Yes	No	Application for registration
Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Chemical drugs Class 4	In combination (bronchodilators and inhaled corticosteroids) for the regular treatment of reversible obstructive airways disease, including asthma in adults and children.	Yes	No	Clinical trial
XYP-001	XYP-001	Chemical drugs Class 2.2; Class 2.4	For the treatment of Idiopathic pulmonary fibrosis (IPF)	Yes	No	Clinical trial
Mometasone Furoate and Formoterol Fumarate Dihydrate Inhalation Aerosol	Mometasone Furoate and Formoterol Fumarate Dihydrate Inhalation Aerosol	Chemical drugs Class 3	Suitable for bronchial asthma and chronic obstructive pulmonary disease.	Yes	No	Clinical trial

Formoterol Fumarate Inhalation Aerosol	Formoterol Fumarate Inhalation Aerosol	Chemical drugs Class 2.2	Suitable for bronchial asthma and chronic obstructive pulmonary disease.	Yes	No	Clinical trial
V-01 (COVID-19)	Recombinant Novel Coronavirus Fusion Protein Vaccine	Preventive biological product (Class 1.1)	Prevention of diseases caused by novel coronavirus infection	Yes	No	Launched under EUA
LZM009 (PD-1)	Recombinant Humanized Anti-PD-1 Monoclonal Antibody For Injection	Therapeutic biological product	Advanced solid tumors	Yes	No	Application for registration
Triptorelin acetate sustained-release microspheres for injection (1 month release)	Triptorelin Acetate Microspheres for Injection	Chemical drugs Class 2.2	Metastatic prostate cancer, endometriosis (stage I to IV), female infertility, preoperative treatment of uterine fibroids, precocious puberty	Yes	No	Application for registration
LZM012 (IL-17A/F)	Recombinant Anti-Human IL-17A/F Humanized Monoclonal Antibody for Injection	Therapeutic biological product (Class 1)	Moderate to severe plaque psoriasis	Yes	No	Clinical trial
Blonanserin	Blonanserin	Chemical drugs Class 4	Schizophrenia	Yes	No	Application for registration

**(3). Drugs (products) filed for regulatory approval and granted approval during the Reporting Period**

√Applicable □N/A

① **Drugs (products) filed for regulatory approval during the Reporting Period**

Name of drug	Registration Category	Approval items	Indications
Fluticasone Propionate Nebulized Suspension	Chemical drugs Class 4	Application for registration	Treatment of mild to moderate acute asthma attacks in children and adolescents aged 4-16 years.
Indacaterol maleate inhalation powder	Chemical drugs Class 4	Application for registration	This product is a bronchodilator suitable for maintenance treatment of adult patients with chronic obstructive pulmonary disease (COPD).
Triptorelin Acetate Microspheres for Injection (new indications)	Chemical drugs Class 2.4	Application for registration	Prevent stress ulcer bleeding in severe patients.
Blonanserin Tablets	Chemical drugs Class 4	Application for registration	Schizophrenia.
Lurasidone Hydrochloride Tablets	Chemical drugs Class 4	Application for registration	Schizophrenia.
Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	Chemical drugs Class 4	Application for Clinical trials	Used for routine treatment of reversible obstructive airway diseases through combination of drugs (bronchodilators and inhaled corticosteroids), including asthma in adults and children.

XYP-001	Chemical drugs Class 2.2 and 2.4	Application for Clinical trials	Temporarily used for idiopathic pulmonary fibrosis
Recombinant Novel Coronavirus Fusion Protein Bivalent (prototype strain/Omicron strain) Vaccine (CHO cells)	Preventive Biological products Class 1.1	Application for Clinical trial	Used for treatment of novel coronavirus infection (COVID-19) .
Progesterone Injection	Chemical drugs Class 3	Application for Clinical trials	Luteal function supplementation in infertile women undergoing assisted reproductive technology.
Elaprazole enteric-coated pellets	Chemical drugs Class 2.2 and 2.4	Application for Clinical trials	1. Treat duodenal ulcer and reflux esophagitis.2. Treatment of duodenal ulcer and reflux esophagitis in children (12-17 years old).3. Treat non-erosive gastroesophageal reflux disease.4. Treat gastric ulcer.5. Eradication of helicobacter pylori.6. Prevent gastric ulcer caused by non-steroidal anti-inflammatory drugs.
Asenapine patch	Chemical drugs Class 2.2	Application for Clinical trials	Treatment of schizophrenia in adults; treatment of manic or mixed episodes of bipolar I disorder.
Bismuth potassium citrate capsules (under consistency evaluation)	Chemical drugs	Supplemental application	Used for chronic gastritis and relieving stomach pain, heartburn and acid regurgitation caused by hyperacidity.
Vancomycin Hydrochloride for injection (under consistency evaluation)	Chemical drugs	Supplemental application	Intravenous infusion of this product is indicated for infections caused by methicillin-resistant staphylococcus aureus and other bacteria: septicemia, infective endocarditis, osteomyelitis, arthritis, burns, surgical trauma and other superficial secondary infections, pneumonia, lung abscess, empyema, peritonitis and meningitis. It may be administered orally for antibiotic-associated pseudomembranous colitis due to clostridium difficile and staphylococcal enterocolitis, while administration by injection has not been shown to be effective for either indication. Oral vancomycin is not effective for other types of infections.
Pantoprazole sodium for injection (consistency evaluation)	Chemical drugs	Supplemental application	1. Duodenal ulcer. 2.Stomach ulcer. 3.Moderate and severe reflux esophagitis. 4.Acute upper gastrointestinal bleeding caused by duodenal ulcer, gastric ulcer, acute gastric mucosal lesion, compound gastric ulcer, etc.

② **Drugs (products) granted clinical approval during the Reporting Period**

Name of drug	Registration Category	Indications
Salmeterol Xinafoate and Fluticasone	Chemical drugs Class 4	Asthma: In combination (bronchodilators and inhaled corticosteroids) for the regular treatment of reversible



Propionate Powder for Inhalation		obstructive airways disease, including asthma in adults and children.
XYP-001	Chemical drugs Class 2.2 and 2.4	Treatment of idiopathic pulmonary fibrosis (tentative)
Semaglutide Injection	Therapeutic biological products Class 3.3	Type II diabetes
LZ001	Chemical drugs Class 1	Advanced solid tumours carrying NTRK1/2/3, ROS1 or ALK gene fusions
Ilaprazole enteric-coated pellets	Chemical drugs Class 2.2 and 2.4	1. treat duodenal ulcer and reflux esophagitis.2. treatment of duodenal ulcer and reflux esophagitis in children (12-17 years old).3. Treat non-erosive gastroesophageal reflux disease.4. treat gastric ulcer.5. eradication of helicobacter pylori. 6. prevent gastric ulcer caused by non-steroidal anti-inflammatory drugs.
Progesterone injection	Chemical drugs Class 3	Luteal function supplementation in infertile women undergoing assisted reproductive technology.

**③ Drugs (products) granted registration approval during the Reporting Period**

Name of drug	Registration classification	Indications
Levosulbutamol Hydrochloride Nebuliser Solution (3ml:1.25mg)	Supplemental application	Used for treating respiratory diseases such as bronchial asthma or asthmatic bronchitis accompanied by bronchospasm in children.
Terbutaline sulfate solution for nebulized inhalation	Chemical drugs Class 4	Relieves bronchospasm associated with bronchial asthma, chronic bronchitis, emphysema and other lung diseases.
Acetylcysteine solution for inhalation	Chemical drugs Class 4	Used for the treatment of respiratory diseases with excessive secretion of thick mucus, such as acute bronchitis, chronic bronchitis and its exacerbation, emphysema, mucoviscidosis, and bronchiectasis
Tobramycin Solution for Inhalation	Chemical drugs Class 2.4	It is indicated for bronchiectasis in adults with pulmonary Pseudomonas aeruginosa infection to control infection and improve symptoms.
Ilaprazole Sodium for Injection (Application in Indonesia)	NDA	Peptic ulcer bleeding
Recombinant SARS-CoV-2 Fusion Protein Vaccine (EUA)	Preventive biological products Class 1.1	Prevention of novel coronavirus infection
Clarithromycin Tablets (consistency evaluation)	Chemical drugs	Clarithromycin is indicated for the treatment of infections caused by pathogens sensitive to clarithromycin, including: 1.Lower respiratory tract infection (bronchitis, pneumonia) 2.Upper respiratory tract infection (pharyngitis, sinusitis) 3.Skin and soft tissue infections (folliculitis, cellulitis, erysipelas) 4.Local or disseminated infection 5.Mixed infection 6.Eradication of Helicobacter pylori 7.Dental infection
Valsartan Capsules (consistency evaluation)	Chemical drugs	Used for treatment of mild to moderate essential hypertension.
Isosorbide Mononitrate Tablets (consistency evaluation)	Chemical drugs	Long-term treatment of coronary heart disease; prevention of angina pectoris; treatment of persistent angina pectoris after myocardial infarction; treatment of chronic congestive heart failure in combination with digitalis and/or diuretics.

Cefodizime sodium for injection (consistency evaluation)	Chemical drugs	This product is indicated for cefodizine-sensitive streptococcus, streptococcus pneumoniae, neisseria gonorrhoeae, branhamella catarrhalis, escherichia coli, citrobacter, klebsiella, enterobacter, serratia, roteus, morganela morganii, providencia, haemophilus influenzae, peptostreptococcus, bacteroides, the infections caused by prevotella including upper urinary tract infection, lower urinary tract infection, lower respiratory tract infection and gonorrhoea.
Cefuroxime sodium for injection (consistency evaluation)	Chemical drugs	It is indicated for the following conditions caused by sensitive bacteria: 1. Respiratory tract infection; 2. Ear, nose and throat infections; 3. Urinary tract infection; 4. Skin and soft tissue infections; 5. Bone and joint infections; 6. Obstetric and gynaecological infections; 7. Gonorrhoea; 8. Other infections;
Pantoprazole sodium for injection (consistency evaluation)	Chemical drugs	1. Duodenal ulcer. 2. Stomach ulcer. 3. Moderate and severe reflux esophagitis. 4. Acute upper gastrointestinal bleeding caused by duodenal ulcer, gastric ulcer, acute gastric mucosal lesion, compound gastric ulcer, etc.

**(4). Cancellation of main R&D projects or the failure to obtain approval for drugs (products) during the Reporting Period**

Applicable N/A

**(5). R&D accounting policy**

Applicable N/A

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 shall be recognized in profit or loss for the current period when incurred.

Expenditures on the development phase will be capitalized only when all of the following conditions are satisfied: it is technically feasible to finish the development of the intangible asset so that it will be available for use or sale; the Company intends to finish the development of 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 recognized in profit or loss for the current period.

Our research and development projects enter the development stage after meeting the above conditions and forming the project through the technical and economic feasibility studies.

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

Capitalization conditions for specific research and development projects are as follows:

① For research and development projects that are not required to obtain clinical approvals, the period from the beginning of research and development to before the pilot phase is treated as the research phase, and all expenditures shall be recognized in profit or loss for the current period when incurred; the period from the pilot phase to the obtaining of production approvals is treated as the development phase, and all expenditures shall be recognized as development expenditures and reclassified as intangible assets after the obtaining of production approvals.

② For research and development projects that require clinical approval, the period from the beginning of research and development to the obtaining of clinical approval is treated as the research phase, and all expenditures incurred shall be recognized in profit or loss for the current period when incurred; the period from the obtaining of clinical approval to the obtaining of production approval is treated as the development phase, and the expenditures shall be recognized as development expenditures and reclassified as intangible assets after the obtaining of production approval.

③ External technology transfer fees and the cost of purchasing clinical approvals can be recognized directly as development expenditures, and subsequent expenditures are accounted for in accordance with ① and ② above.

④ The Company reviews the latest research and development status of each project at the end of each year and if the research and development project no longer qualifies for the development stage, the corresponding development expenditure are recognized in profit or loss for the current period.

⑤ 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 recognized in profit or loss for the current period.

## (6). R&D expenditures

Horizontal comparison

Applicable N/A

Unit: 10,000 Yuan Currency: RMB

Comparable peer companies	R&D expenditures amount	Proportion of R&D expenditures to revenues (%)	Proportion of R&D expenditures to net assets (%)	Ratio of capitalized R&D expenditures (%)
Fosun Pharma	497,500.00	12.75	10.28	22.93

Kelun Pharma	179,953.47	10.42	12.99	3.50
CR Double-Crane	63,974.38	7.02	6.11	35.98
Humanwell Healthcare (Group)	106,053.87	5.16	8.19	23.58
North China Pharmaceutical	50,467.67	4.86	8.29	74.85
Average R&D expenditures in the same industry	179,589.88			
Proportion of R&D expenditures to revenues during the Reporting Period (%)	10.26			
Proportion of R&D expenditures to net assets during the Reporting Period (%)	7.99			
Ratio of capitalized R&D expenditures during the Reporting Period (%)	9.96			

**Notes:** 1. The data regarding comparable companies listed above are from each company's 2021 annual report;  
2. The average R&D expenditures in the same industry is the arithmetic average of the R&D expenditures of five comparable companies listed above.

### Statement on material changes in R&D expenditures and rationality of R&D expenditures proportion and capitalization proportion

√Applicable □N/A

Mainly due to the fact that the “Recombinant SARS-CoV-2 Fusion Protein Vaccine (重组新型冠状病毒病毒融合蛋白疫苗)” of Livzon MAB was included in the emergency use in sequential booster immunization against a novel coronavirus SARSCoV-2 in September 2022, and the accumulated development expenditure of this project was transferred to intangible assets.

### Investment in major R&D projects

√Applicable □N/A

Unit: 10,000 Yuan Currency: RMB

R&D project	R&D expenditures amount	Expensed R&D expenditures	Capitalized R&D expenditures	Proportion of R&D expenditures to revenues (%)	YoY change (%)
Indacaterol Maleate Powder for Inhalation	1,318.71	0.02	1,318.69	0.08	206.37
Fluticasone Propionate Nebulizable Suspension	646.40	646.40	-	0.04	-32.98
Formoterol Fumarate Solution for Inhalation	1,116.59	219.48	897.11	0.07	-28.97
Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	3,042.37	577.16	2,465.20	0.18	131.93
XYP-001	2,589.01	479.56	2,109.45	0.15	5,527.28
Mometasone Furoate and Formoterol Fumarate Dihydrate Inhalation Aerosol	145.08	145.08	-	0.01	-65.44
Formoterol Fumarate Inhalation Aerosol	432.91	432.91	-	0.03	9.13
V-01 (COVID-19)	39,010.09	32,244.11	6,765.98	2.27	-20.57
LZM009 (PD-1)	6,661.86	4,796.98	1,864.88	0.39	31.18
Triptorelin acetate	6,359.08	6,219.99	139.10	0.37	44.42

sustained-release microspheres for injection (1 month release)					
LZM012 (IL-17A/F)	3,932.42	3,932.42	-	0.23	154.78
Blonanserin	181.04	181.04	-	0.01	-84.84

Notes:

1. The projects listed above are the main R&D projects conducted by the Company, of which project Blonanserin Tablets is a Priority Review & Approval project.
2. The main reason for the quite significant YoY change in our R&D expenditure is that our R&D projects were in different R&D stages during the Reporting Period.

### 3. Sales of drugs (products) of the Company

#### (1). Analysis of main sales model

Applicable N/A

Please refer to the “Overview on the businesses of the Company during the Reporting Period” in this Chapter.

#### (2). Analysis of selling expenses

##### Components of selling expenses

Applicable N/A

Unit: 10,000 Yuan Currency: RMB

Item	Amount incurred in the current period	Proportion of amount incurred in the current period to total selling expenses (%)
Business promotion expenses	437,208.76	88.31
Employee compensation	45,687.52	9.23
Entertainment and travel expenses	5,036.34	1.02
Business meeting expenses	1,369.68	0.28
Others	5,777.95	1.17
Total	495,080.25	100.00

#### Horizontal comparison

Applicable N/A

Unit: 10,000 Yuan Currency: RMB

Comparable peer companies	Selling expenses	Proportion of selling expenses to revenues (%)
Fosun Pharma	909,900.00	23.33
Kelun Pharma	502,233.28	29.07
CR Double-Crane	280,731.43	30.81
Humanwell Healthcare (Group)	400,667.12	19.50
North China Pharmaceutica	216,131.38	20.81
Total selling expenses of the Company during the Reporting Period	495,080.25	
Proportion of selling expenses to revenues during the Reporting Period (%)		28.88

Note: The data regarding comparable companies listed above are from each company's 2021 annual report.

#### Statement on material changes in selling expenses and rationality of selling expenses

Applicable N/A

During the Reporting Period, the Company's selling expenses were RMB4,950.8025 million, accounting for 28.88% of revenues, representing a year-on-year decrease of 1.26%. The increase was mainly due to more efforts to promote products and brands, and an increase in selling expenses

in prescription drugs which recorded significant sales growth during this period. Looking forward, the Company will continue to deepen the reform of the marketing system to optimize sales channels and increase the cost efficiency for high profitability.

#### **4. Others**

Applicable N/A

##### **(V) Analysis of investments**

##### **Overall analysis of equity investments**

Applicable N/A

During the Reporting Period, the Company carried out strategic investments in accordance with our development plans as follow:

**1. Major equity investment**

√Applicable □N/A

Unit: 10,000 Yuan Currency: RMB

Name of investee	Principal business	Whether the target is primarily engaged in investment business	Investment method	Investment amount	Percentage of shareholding	In the Consolidation scope of the Company or not	Item on the financial statement (if applicable)	Source of funds	Partner (if applicable)	Investment period (if any)	Status as of balance sheet date	Expected return (if any)	Impact of gain or loss for the period	Litigation involved or not	Disclosure date (if any)	Disclosure index (if any)
Shanghai Sheo Pharma Technology Co., Ltd.(上海偕怡医药科技有限公司)	Primarily engaged in technology development, technology consulting, technology transfer and technology services in the fields of medical technology, biotechnology and computer technology.	No	Capital injection	1,700.00	21.70%	No	Long-term equity investment	Own funds	N/A	Long term	Capital contribution was completed	-	230.92	No	N/A	N/A
Jiaozuo Jianfeng Biotech Co., Ltd.(焦作健风生物科技有限公司)	Primarily engaged in pharmaceutical manufacturing; health care food manufacturing; food manufacturing; food additive manufacturing; cosmetics manufacturing, etc.	No	New establishment	3,325.00	66.50%	Yes	N/A	Own funds	Greenanew	Long term	The parties have completed a total capital contribution of RMB10 million in proportion to their shareholdings	-	-	No	N/A	N/A

Jiangsu Atom Bioscience & Pharmaceutical Technology Co., Ltd.(江苏新元素医药科技有限公司)	Primarily engaged in the research and development of human medicine, veterinary medicine, pesticides, health care products and chemical products, product technology transfer, technology consulting, project cooperation.	No	Capital injection	3,000.00	3.35%	No	Long-term equity investment	Own funds	N/A	Long term	Capital contribution was completed	-	-510.52	No	N/A	N/A
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD	Engaged in all the business of manufacturers, producers, importers, exporters, purchasers, vendors, distribution agents and distributors of patents, pharmaceuticals, medicines, nutritional supplements, health care products, drugs and vaccine products, and all goods, compounds, and substances commonly used in connection therewith.	No	New establishment	0.0152	60.43%	Yes	N/A	Own funds	N/A	Long term	Capital contribution was not yet completed	-	-	No	N/A	N/A
Shenzhen Kangti Biomedical Technology Co., Ltd.(深圳)	Biochemical product technology research and development; technology	No	Capital injection	1,000.00	1.42%	No	Long-term equity investment	Own funds	N/A	Long term	Capital contribution of RMB6 million was completed	-	-	No	N/A	N/A



康体生物医药 科技有限公司)	services, technology development, technical consulting, technology exchange, technology transfer, technology promotion																
Total	/	/	/	9,025.0152	/	/	/	/	/	/	/	/	/	-279.60	/	/	/

Note: Jianguo Atom Bioscience & Pharmaceutical Technology Co., Ltd. completed its Series C financing on 18 March 2022.

## 2. Major non-equity investment

Applicable N/A

## 3. Financial assets measured at fair value

Applicable N/A

Unit: Yuan Currency: RMB

Type of assets	Amount at the beginning of the period	Gain or loss on change in fair value for the period	Accumulated change in fair value included in equity	Impairment provision for the period	Amount of purchase during the period	Amount of disposal / redemption during the period	Other change	Amount at the end of the period
Shares	215,317,489.90	-	6,682,661.01	-	-	212,384,666.97	-	9,615,483.94
Private Equity	701,277,471.64	-	33,186,359.03	-	884,764.97	48,229,068.96	-	687,119,526.68
Derivatives	7,376,328.32	-1,943,816.75	-	-	-	-	-	5,432,511.57
Others	492,287,415.88	-	40,418,396.69	-	-	35,481,944.14	-	497,223,868.43
Others	177,262,015.99	-73,706,840.89	-	-	27,978.31	-	-	103,583,153.41
Total	1,593,520,721.73	-75,650,657.64	80,287,416.73	-	912,743.28	296,095,680.07	-	1,302,974,544.03

## Information on investment in securities

Unit: Yuan Currency: RMB

Type of securities	Securities code	Securities abbreviation	Initial investment cost	Source of fund	Carrying amount at the beginning of the period	Gain or loss on change 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
Shares	601881	China Galaxy	144,915,000.00	Own funds	212,384,666.97	-	-	0.00	212,384,666.97	-	-	Other equity instrument investment
Shares	00135	Kunlun Energy	4,243,647.64	Own funds	5,976,656.00	-1,001,142.10	-	0.00	0.00	-	4,975,513.90	Financial assets held for trading
Funds	206001	Penghua Fund	150,000.00	Own funds	940,162.94	-5,873.00	-	0.00	0.00	-	934,289.94	Financial assets held for trading
Shares	000963	Huadong Medicine	39,851.86	Own funds	13,250,402.40	2,175,439.20	-	0.00	0.00	-	15,425,841.60	Financial assets held for trading
Shares	BEAM(US)	Beam Therapeutics, Inc.	34,209,846.54	Own funds	157,094,794.65	-74,876,557.68	-	0.00	0.00	-	82,218,236.97	Financial assets held for trading
Others			27,978.31	Own funds	-	1,292.69	-	27,978.31	0.00	-	29,271.00	Financial assets held for trading
Total	/	/	134,376,477.81	/	389,646,682.96	-73,706,840.89	-	27,978.31	212,384,666.97	-	103,583,153.41	/

### Information on investment in private equity fund

√Applicable □N/A

Type of assets	Amount at the beginning of the period	Gain or loss on change in fair value for the period	Accumulated change in fair value included in equity	Impairment provision for the period	Amount of purchase during the period	Amount of disposal / redemption during the period	Other change	Amount at the end of the period
Qianhai Equity Investment Fund(前海股权投资基金)	264,930,500.00	-	-21,551,757.83	-	-	-	-	243,378,742.17

PANTHEON D,L.P.	3,715,566.69	-	2,238,734.51	-	-	-	-	5,954,301.20
Shanghai Yunfeng Xinchuang Equity Investment Center(上海云锋新创股权投资中心)	94,040,236.88	-	8,210,913.25	-	-	34,315,445.77	-	67,935,704.36
Shanghai Jingyi Investment Center(上海经颐投资中心)	66,175,062.50	-	7,441,297.41	-	-	-	-	73,616,359.91

### Information on investment in derivatives

√Applicable □N/A

Unit: 10,000 Yuan

Name of the operator of derivatives investment	Related relationship	Is this a related party 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 to the net assets of the Company at the end of the period	Actual gain or loss for the period
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	2,108.32	2021/8/3	2022/2/8	2,269.07	-	2,071.02	-	-	0.00%	58.89
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	7,708.90	2021/9/2	2022/3/31	7,835.52	-	7,572.32	-	-	0.00%	399.98
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	11,312.51	2021/10/11	2022/4/7	11,589.76	-	11,227.57	-	-	0.00%	183.27
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	18,301.91	2021/11/1	2022/5/9	18,602.45	-	18,387.38	-	-	0.00%	40.70
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	17,268.19	2021/12/10	2022/6/13	17,664.55	-	9,153.79	-	-	0.00%	-21.70
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	17,960.93	2022/1/5	2022/7/26	-	17,960.93	18,439.57	-	-	0.00%	-384.03
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	8,197.90	2022/2/10	2022/8/8	-	8,197.90	8,582.48	-	-	0.00%	-345.20

Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	18,437.37	2022/3/11	2022/9/1	-	24,878.83	26,386.53	-	-	0.00%	-1,310.43
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,507.52	2022/4/7	2022/10/10	-	16,323.43	16,845.74	-	-	0.00%	-769.47
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	7,037.84	2022/5/5	2022/11/30	-	7,037.84	7,349.49	-	-	0.00%	-292.77
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,888.09	2022/6/2	2022/12/23	-	14,447.06	15,034.70	-	-	0.00%	-559.15
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,319.83	2022/7/4	2023/1/30	-	14,702.35	14,645.26	-	607.17	0.03%	-519.13
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,632.66	2022/8/2	2023/2/3	-	16,163.56	14,514.10	-	2,183.36	0.10%	-480.15
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	10,560.82	2022/9/5	2023/2/24	-	12,986.49	7,733.99	-	5,376.80	0.24%	-142.27
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	17,297.95	2022/10/8	2023/4/4	-	19,447.09	8,612.85	-	10,392.16	0.47%	214.17
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	12,377.21	2022/11/1	2023/4/24	-	15,220.85	3,494.34	-	11,361.13	0.52%	0.41
Financial institution	Non-related party	No	Forward foreign exchange contract (sell)	9,034.15	2022/12/2	2023/6/26	-	9,034.15	80.36	-	8,939.17	0.41%	0.80
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	14,528.73	2022/4/21	2022/8/4	-	14,528.73	14,986.04	-	-	0.00%	333.01
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	925.07	2022/5/10	2022/12/15	-	925.07	893.48	-	-	0.00%	-38.11
Financial institution	Non-related party	No	Forward foreign exchange contract	1,358.88	2022/9/22	2023/3/21	-	1,358.88	-	-	1,355.92	0.06%	-

			(buy)											
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	831.80	2022/11/14	2023/2/15	-	831.80	386.81	-	461.69	0.02%	1.12	
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	2,402.70	2022/12/2	2023/6/26	-	2,402.70	1,174.90	-	1,257.76	0.06%	1.89	
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	-	2022/12/22	2023/1/30	-	2,091.39	-	-	2,089.38	0.09%	-	
Financial institution	Non-related party	No	Forward foreign exchange contract (buy)	-	2022/12/29	2023/2/3	-	2,093.79	-	-	2,089.38	0.09%	-	
Total				220,999.29	--	--	57,961.35	200,632.85	207,572.71	-	46,113.94	2.09%	-3,786.71	
Source of funds for derivatives investment				Own funds										
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)				31 March 2022										
Disclosure date of the announcement in relation to the approval of derivatives investment by the general meeting of shareholders (if any)				Not applicable										
Risk analysis of derivatives position held during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>To effectively manage the uncertainty of exchange rate fluctuations on assets denominated in foreign currency of the Company, foreign exchange forward contracts and other financial derivatives are employed to lock relevant exchange rates for the purpose of hedging. The Company has formulated the <i>Management System for Financial Derivatives Trading</i> (《金融衍生品交易业务管理制度》) in relation to the operation and control of foreign exchange derivatives: 1. Market risk: the uncertainty of exchange rate fluctuations in the foreign exchange market has led to higher market risk in foreign exchange forward business. Control measures: The Company's foreign exchange forward business is entered into for hedging exchange rate risk associated with assets denominated in US dollar and lock the future exchange settlement price of such assets. It is designed to be used as a hedging instrument. Such foreign exchange derivatives shall not be used for speculative trading. The principle of prudence and conservation shall be observed so as to effectively prevent market risk. 2. Operational risk: operational risk arises from imperfect internal process, improper operation, system failure and other factors. Control measures: The Company has formulated the corresponding management measures, clearly defined the responsibilities of all parties, improved the review and approval process and established supervisory mechanism, so as to effectively reduce operational risk. 3. Legal risk: The Company's foreign exchange forward business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: In addition to strengthening the knowledge of laws and regulations and market rules in the Company's responsible department, the Company's legal department shall also strictly review various business contracts, agreements and other documents, specify the rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's investment and operation in derivatives have met the requirements of applicable laws and regulations as well as the Company's internal systems.</p> <p>In order to manage the uncertainty risk caused by price fluctuations of bulk commodities on the purchase cost of raw materials of the Company, financial derivatives such as commodity futures contracts are employed to hedge raw materials. The Company has formulated the <i>Internal Control System for Commodity Futures Hedging Business</i> (《商</p>										

	<p>品期货套期保值业务内部控制制度》) to standardize the management and risk control of commodity futures derivatives: 1. Market risk: the uncertainty of price changes of bulk commodities has led to greater market risk in futures business. Control measures: The Company's futures hedging business shall not carry out speculative trading, the operation principle of prudence and conservation shall be observed, the number of hedging transactions shall be strictly limited, such that it does not exceed the actual number of spot transactions, and the futures position shall not exceed the spot volume for hedging purpose. 2. Operational risk: operational risk arises from imperfect internal process, improper operation, system failure and other factors. Control measures: The Company has formulated the corresponding management system, clearly defined the division of responsibilities and approval process, and established an improved supervisory mechanism, so as to effectively reduce operational risk through risk control of business process, decision-making process and transaction process. 3. Legal risk: The Company's commodity futures hedging business is subject to applicable laws and regulations, and shall clearly stipulate the relationship of rights and obligations with financial institutions. Control measures: In addition to strengthening the knowledge of laws and regulations and market rules in the Company's responsible department, the Company's legal department shall also strictly review various business contracts, agreements and other documents, specify the rights and obligations, and strengthen compliance inspection, so as to ensure that the Company's investment and operation in derivatives have met the requirements of applicable laws and regulations as well as the Company's internal systems.</p>
<p>Change in market price or fair value of the derivatives invested during the Reporting Period, the specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed</p>	<p>Gains and losses arising from change in fair value of the forward foreign exchange contracts, option contracts and commodity futures contracts during the Reporting Period were RMB-2.5561 million.</p>
<p>Explanation as to whether there has been a material change in the accounting policy and accounting principles for the Company's derivatives during the Reporting Period as compared with the previous reporting period</p>	<p>No</p>
<p>Specific opinion of independent Directors on investment in derivatives and risk control of the Company</p>	<p>Due to the growing import and export business of the Company, a large amount of foreign exchange transactions are required. To avoid and prevent foreign exchange risk, we are of the view that the forward foreign exchange derivatives trading business carried out by the Company and its subsidiaries are in line with the actual development needs of the Company. When the Board reviewed this proposal, the relevant decision-making procedures were in compliance with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other relevant laws and regulations and the provisions in the Articles of Association of the Company. In view of above, we concurred that the Company conducted foreign exchange derivatives trading business with its own funds within the limit approved by the Board.</p>

#### 4. Progress of Material Asset Restructurings of the Company during the Reporting Period

Applicable N/A

#### (VI) Sale of major assets and equity

Applicable N/A

#### (VII) Analysis of major controlled and invested companies

Applicable N/A

Unit: 10,000 Yuan

Company	Nature of business	Main products and services	Registered capital	Asset size	Net assets	Revenues	Operating profit	Net profit
Taitai Pharmaceutical	Industry	R&D, production and sale of oral liquids, tablets (hormone-containing), aerosols (including hormone-containing aerosols), inhalation formulations (solution for inhalation) (hormone-containing), nasal sprays (hormone-containing), and dietary supplements	10,000	48,195.86	35,935.68	26,623.31	9,040.71	8,470.05
Taitai Biotechnology	Industry	Wholesale and retail of skincare products, cosmetics, and other daily necessities; domestic trading business, and R&D of dietary supplements	500	462.49	59.47	293.69	-56.39	-64.87
Haibin Pharma	Industry	Powders for injection (including penicillin-containing powders), tablets, hard capsules, APIs, sterile APIs, inhalation formulations (solution for inhalation), powders for inhalation, pharmaceutical excipients, R&D technical services, and testing technical services	70,000	270,567.22	157,802.84	176,563.89	39,159.15	33,810.82
Xinxiang Haibin	Industry	Manufacturing and sale of pharmaceutical intermediates and APIs (excluding proprietary Chinese medicine or TCM decoction pieces) (excluding hazardous chemicals)	17,000	157,414.92	38,007.93	76,236.57	7,717.10	6,803.30
Health Pharmaceutical	Industry	Production and sale of self-produced dietary supplements, TCM decoction pieces, and drug products	HKD7,317	13,541.87	9,352.64	3,113.88	-552.83	-498.57
Shanghai Frontier	Industry	R&D of new pharmaceutical products, dietary supplements, medical devices, diagnostic reagents, and pharmaceutical intermediates, and provision of relevant technical consulting, technical services and technology transfer	5,000	16,314.32	11,460.04	9,813.17	2,808.70	2,666.34

Hiyeh Industry	Commerce	Technology development of biologics; investment in industry, domestic trading and economic information consulting. Production of beverages and solid beverages; whole sale of pre-packaged food (excluding reheatable food)	17,800	617.63	566.30	6.25	-41.55	-41.55
Joincare Daily-Use	Commerce	Wholesale and retail of skincare products, cosmetics, and other daily necessities; domestic trading business, and R&D of dietary supplements	2,500	3,858.95	3,852.62	-	-0.08	-1.46
Taitai Genomics	Industry	Screening of human disease-specific genes, R&D, production, sale and technical consulting service for genetic engineering drugs and diagnostic reagents, wholesale of medical devices, and in vitro diagnostic reagents (except for diagnostic reagents under special management)	5,000	3,635.48	3,635.48	0.17	5.81	5.81
Appraisal institution	Commerce	Forensic evidence identification; forensic toxicology identification (limited to ethanol detection and drug detection).	-	964.40	888.16	153.10	-54.39	-57.01
Fenglei Electric Power	Investment	Investment in power and industry; domestic commerce, and material supply and marketing industry	10,000	29,278.31	14,282.70	-	91.86	91.86
Hong Kong Pharmaceutical	Investment	Investment and trading	HKD1	35,457.68	835.04	-	131.87	120.99
Jiaozuo Joincare	Industry	R&D, production and sale of pharmaceuticals, chemical APIs, biological APIs, pharmaceutical intermediates, and biological products	50,000	185,715.54	88,087.38	159,030.74	29,330.87	25,470.94
Topsino	Commerce	Investment and trading	HKD89,693	185,901.35	128,993.00	-	44,136.90	44,080.67
Health Investment	Investment	According to the laws where it was incorporated	USD5	2,834.63	2,834.63	-	-	-
Joincare Haibin	Industry	R&D, production, storage, transportation and sale of chemical APIs (including intermediates) and pharmaceuticals. Import and export business and domestic trading (excluding State controlled or franchised goods)	50,000	98,129.06	82,133.68	68,579.14	42,109.14	36,773.72
Joincare Special Medicine Food	Industry	R&D, production and sale of formula food, dietary products and food for special medical use	2,000	1,720.47	4.46	-	-311.98	-228.08
Livzon Group	Industry	Drug R&D, production, manufacturing and sale	93,555	2,486,482.54	1,493,625.16	1,262,957.90	235,055.56	195,554.02

**(VIII) Structured entities controlled by the Company**



Applicable  N/A

## **VI. Discussion and analysis of the Company's future development**

### **(I) Industry landscape and trend**

For details, please refer to the “Basic information on industry” in this chapter.

### **(II) Company's strategies for business development**

Applicable  N/A

Taking scientific and technological innovation as a strategic priority and executing our dual-drive strategy of developing platforms of both innovative medicines and high-barrier complex formulation, we have been evolving into a world-wide influential innovative pharmaceutical enterprise paying great attention to people's livelihood and actively undertaking social responsibilities. Over the years, the Company has been committed to developing itself in the pharmaceutical field, and has grown into an integrated pharmaceutical enterprise covering multiple areas including chemical pharmaceuticals, biologics, chemical APIs and intermediates, traditional Chinese medicine, diagnostic reagents and equipment. In the future, the Company will continue to increase R&D expenditures to improve its research and innovation capacity, accelerate the optimization and adjustment of its product structure, fully leverage its existing market advantages, and actively deepen the reform of the marketing system, to promote its sustainable and steady business growth.

### **(III) Business plan**

Applicable  N/A

The year of 2023 is crucial for the transformation of the Chinese market to the “post-pandemic” era, as well as an important window period for the reshaping of the pharmaceutical industry and the transformation and upgrading of enterprises. The main business plans for each business segment of the Company in 2023 are set as follows:

#### **1.R&D Center**

R&D and innovation are the hard power of the Company to maintain sustainable development. The Company will, on one hand, define the direction of research and development strategy, and screen and evaluate key high-barrier varieties, to enrich and diversify the pipelines; and will, on the other hand, promote product transformation, and effectively advance the research and clinical development of existing core products, to accelerate the launching process.

(1) Strategic plannings of R&D and innovation: In recent years, focusing on inhalation formulations, the Group has conducted in-depth research on a few of carefully selected new products with high clinical value and promising market potential, and has achieved good performance. In the future, under the existing R&D pipeline, the Group will focus on the following R&D areas: 1) Inhalation formulations: continue to enrich the pipeline and portfolio of inhalation formulations; 2) Complex injections: Complex injections are mainly microcrystals and liposome injections, with broad clinical application prospect and high technical barrier, and will be added to the Company's R&D platforms of high-barrier complex formulation ; 3) New drug delivery devices: drugs for respiratory treatment are usually delivered through combined medical instruments with a complex structure, thus posing high requirements on the structural design, performance and quality control. The Group will develop supporting drug delivery devices based on the progress of R&D of drugs for respiratory diseases, improve the industrial chain of inhalation formulations, and enhance the added value and core competitive strengths of products to be launched.

(2) Accelerating the commercialization of existing drugs candidates under R&D: Currently, the Company has 244 drug candidates under R&D, including 45 high-barrier complex formulations. In 2023, the Company will focus on promoting the marketing application of indacaterol maleate powder for inhalation, salmeterol xinafoate - fluticasone propionate powder for inhalation, triptorelin acetate microspheres for injection (1-month

sustained release) and clinical research of XYP-001, Recombinant Anti-Human IL-17A/F Humanized Monoclonal Antibody Injection and other key varieties, while actively promoting the establishment and research of innovative high-barrier complex formulations.

(3) In addition to independent research and development, the Company will continue to focus on cutting-edge technologies, enhance external cooperation, proactively carry out innovative business cooperation in the global market, and actively seek opportunities for international expansion of cutting-edge technologies and products through licensing-in, cooperative development and other means. By focusing on its advantageous fields, the Company will also strive to realize product iteration, build its technology platform, and improve the construction of product portfolio in its core and advantageous fields, thus achieving long-term sustainable development.

## 2. Sales Center

The key work deployments in marketing of prescription drugs are as follows: 1. Strengthen team building and improve comprehensive quality through expanding and reinforcing the sales team of hospital channels and the sales team of OTC channels, attracting excellent talents to join the sales team, making brand building a goal, and enhancing the practical capability and comprehensive quality of marketing teams nationwide; 2. Continue to strengthen integration of terminal resources, focus on establishing national benchmark areas, benchmark hospitals and benchmark sales teams, include key hospitals above grade II in appraisal system, and comprehensively enhance the coverage and fulfillment rate of evaluation indicators; 3. Make continuous efforts in commerce, production, end-users and other links, rapidly increase market share and raise brand awareness in all aspects; 4. Continue to advance construction of digital marketing platform and support for end-user market activities, effectively combine online and offline methods, and enhance in-depth brand recognition among doctors and patients; 5. Follow up in real time national medical reform-related policies, strengthen clinical and pharmacoeconomic research of launched products, and actively respond to medical insurance policy adjustments and volume-based procurement.

In terms of marketing and promotion of APIs and intermediates, the Company will further strengthen construction of sales team, make full use of OKR and strengthen management by objectives, to build a vigorous and highly efficient sales team; continue to deepen cooperation with global strategic customers, pursue further development in segments, actively develop customer resources, maintain partnership, give full play to the strength of the company brand, and establish a long-term, stable and win-win cooperation model with strategic partners. Moreover, the Company will build good brand reputation in global market through close cooperation with world-class enterprises. In addition, the Company will pay close attention to changes in exchange rates and market conditions and promptly adjust sales strategies. The Company's pet formulation product, imidacloprid moxidectin drops, was launched in 2022. Considering the characteristics and promising development prospects of animal health products-related business, the Company and our controlled subsidiary Livzon Group jointly invested in the establishment of a joint venture, aiming at integrating the advantages of both sides in the fields of R&D, production, brand promotion, online and offline omni-channel marketing, and further accelerating the business plannings and enhancing efforts of promotion in the field of animal health care. It is conducive to reinforce and enhance the Company's inherent advantages in the field of animal health care APIs and comprehensive competitiveness of business, and enter the rapidly developing consumer market of animal health care formulations.

Health care products, as the Company's first business segment developed, are attached great importance to the Company's entire marketing strategies. In the future, the Group will implement digital marketing system for increasing the on-line sale; meanwhile, strengthening the "online + offline" synergy to upgrade the offline marketing model. We will continue to promote organizational structure reform of offline channels, channel in-depth distribution and integration of key chains, and strengthen the sales empowerment of offline channels through market resources empowerment, "Menopause Experts' Views" and chain live-streaming. We will continue to promote digital marketing system, attract off-site drainage and enhance on-site linkage, while we deeply conduct big sales events and deliver festival gift boxes to drive online sales. In terms of content marketing, we expand the KOL cooperation, continue to break through audience boundaries from vertical KOL

to non-vertical KOL, constantly expanding brand exposure. In terms of brand marketing and building, we will continue to deepen the cooperation with industry associations and professional forums, strengthen the professional building of brands, and carry out corresponding joint cooperation in platform promotion and festival marketing to expand brand exposure and enhance brand sales. In addition, we will continue to increase investment in user operations, and have established a special user operation team to attract, activate and operate users with Wecom as the carrier, improve the WeChat digital mall, loyalty points and content operation system, cultivate original users through user operation, and develop loyal fans belonging to the brand.

### **3. Production Center**

On the production side, the Company will continue to strengthen internal operation management, enhance the linkage of production, supply and sales plans and improve the operational efficiency of the supply chain; continue to strengthen quality management throughout the life cycle, attach great importance to the quality control of products and the effective operation of the quality system to prevent major quality and safety incidents; further deepen the promotion of lean production, promote the construction of green energy projects and continue to enhance production efficiency and the domestic driver of energy saving, emission reduction and green environment protection; actively adopt intelligent technology to optimize the production process, achieve cost reduction and efficiency enhancement, and further enhance the competitive edge of core products.

### **4. Functions and strategies**

In 2023, in respect of function management, the major tasks are as follows: firstly, we will further improve the Company's organizational structure and its set-up, and comprehensively promote lean management to reduce costs and improve efficiency; secondly, we will continue to promote the construction of corporate culture, strengthen the publicizing and following of the corporate culture among the Group and its subsidiaries, and enhance corporate cohesion and centripetal force; thirdly, we will continue to strengthen the construction of talents and systems, and improve the objective management system of OKR and KPI in parallel; fourthly, we will actively practice corporate social responsibility, strive to improve corporate governance and promote high-quality and sustainable development of the Company; fifthly, we will actively leverage on our the advantages of internal and external resources to enhance the Group's brand influence.

## **(IV) Potential risks**

Applicable    N/A

### **1. Risks of changes in industrial policies**

The pharmaceutical manufacturing industry is significantly affected by changes in industrial policies. The pharmaceutical industry will face great challenge in development in the future with continuous deepening of medical reform, advancement of supply-side structural reform in the industry, revision of Drug Administration Law, acceleration of consistency evaluation of generic drugs, adjustment of the new edition of Medical Insurance Catalogue, expansion of volume-based procurement, and other industrial policies that have been successively launched. In July 2022, the Company's key product Meropenem for Injection (注射用美罗培南) was selected in the seventh batch of volume-based procurement organized by the PRC Government. This volume-based procurement was implemented in November 2022 and will have a great impact on the sales price and market share of this product.

**Response measures:** The Company will pay close attention to industry dynamics and reform, cope with major changes in policies of the pharmaceutical industry through early layout, transformation, and compliance, and actively strengthen new product R&D and innovation and constantly improve its core competitive strengths. Meanwhile, the Company is actively engaged in the access to the national

reimbursement drug list and negotiation and continue to increase the coverage of hospitals and sales, to realize the objective of “price for quantity”, so as to reduce the impact of price adjustment on the Company’s steady growth. Moreover, the volume-based drug procurement is becoming a regular practice. In the face of the seventh batch of volume-based drug procurement and the possible impact on the business performance of the Company, the Company will continue to strengthen innovation and improve its competitiveness, to ensure sound operation. With the Company’s new high-barrier complex formulation, represented by inhalation formulations appearing on the market one after another, commercialization will gradually enter a stable contribution period. The Company’s product structure will be further optimized, and the reliance on a single product will also gradually reduce. The Company will make continued efforts to innovate and develop innovative medicines and high-barrier complex formulation with high added value that are urgently needed for clinical research, explore the types of existing products with market potential and technical barriers, actively reevaluate key medicines after their marketing and assess the consistency of relevant medicines, continuously optimize the product structure, and actively explore and expand overseas markets.

## 2. Market risk

With advancement of supply-side structural reform in the pharmaceutical manufacturing industry and two invoice policy in circulation domain, pharmaceutical market structure is deeply changed. With the gradual standardization and centralization of the market, competition in the pharmaceutical industry becomes increasingly fierce. Affected by increasingly stricter drug regulation, policy-based drug price reduction, price cutting during bidding, medical insurance premium control, and minimum procurement commitment of the pharmaceutical industry in current stage, bid winning price of drugs will be further lowered, competition among enterprises in the industry will be intensified, and price war will occur frequently, thus the Company will be at the risk of drug price reduction.

**Response measures:** The Company will establish a more reasonable market system through strict compliance operation so as to maintain its dominant position and core competitive strengths, and ensure that it can achieve sustainable and steady development and improve its profitability by reinforcing marketing. Meanwhile, the Company will offset the impact of product price reduction by means of price supplement based on quantity, and optimize technical process and reduce production costs through internal exploration and transformation. Moreover, the Company will speed up the R&D and marketing of new products, spread risks of the Company while expanding the range of existing products in segment markets, improve sales and form new profit growth point by increasing product varieties in the future.

## 3. Risk of safety and environmental protection

The Company is an integrated pharmaceutical manufacturing enterprise. During production, it implements relevant chemical synthesis process and uses a large number of acid and alkali and other chemical components, which are inflammable, explosive, toxic, irritant and corrosive, and have hidden hazards of fire, explosion and poisoning, posing certain risks to the production and operation of the Company. As environmental protection policies and regulations have been constantly issued in recent years, environmental protection standards have become more stringent, and the state has strengthened its control over pollutants, risks of environmental protection of the Company are increasing.

**Response measures:** The Company has always obeyed the safety work concept of “Putting People First” and the guideline of “Safety First, Precaution Crucial and Comprehensive Treatment”. It will strengthen the construction of safe production infrastructure and ensure a sound environment for safe production of the Company through regular internal audit of safety and environment systems as well as employee safety education and training. The Company will carry out discharge after treatment and reaching standards in accordance with environmental protection provisions, actively accept supervision and inspection of environmental protection authorities, and try to reduce emission and increase expenditures in

environmental protection by improving production process and promptly updating environmental protection technology.

#### **4. Risk in price and supply of raw materials**

There is a larger fluctuation in the supply price of some raw materials of the Company due to changes in material prices, especially the materials of traditional Chinese medicine, causing greater volatility or rise in production costs of the Company. Meanwhile, the quantity and category of raw material suppliers of the Company are various, thus quality of final products of the Company will be directly affected by the selection of raw material suppliers and the guarantee and control of quality of raw materials.

**Response measures:** In terms of selection of suppliers, the Company will conduct an open tendering and bidding based on the principle of selecting qualified suppliers, strengthen audit of suppliers, and eliminate the adulteration of adverse suppliers. The Quality Assurance Department and Supply Department of the Company will directly conduct process control of products provided by suppliers of key raw materials and carry out quality inspection and control of final products

#### **5. Risk of R&D for new drugs**

New drug R&D is characterized by high input, high risk and long period. The State has frequently issued drug R&D related policies in recent years to further enhance approval work requirements of new drugs for marketing, thus bringing certain risks for new drug R&D of the Company. Meanwhile, promotion of drugs after marketing is affected by national regulations, industry policies, market environment and competitive intensity, causing that income obtained after marketing of new drugs cannot reach the expected income, making the Company at risk of product R&D.

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

#### **(V) Others**

Applicable N/A

#### **VII. Information not disclosed according to guidelines due to inapplicability of the standard, involving state secrets or trade secrets or other reasons, and notes on relevant reasons**

Applicable N/A

## Chapter 4 Corporate Governance

### I. Corporate Governance

√Applicable □N/A

The Company is in compliance with the corporate governance requirements applicable to it as a PRC public company listed on the Shanghai Stock Exchange in all material aspects, including but not limited to the Company Law, the Securities Law, the Guidelines for Corporate Governance of Listed Companies, and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. During the Reporting Period, the Company continued to improve its corporate governance structure, strengthen information disclosure management and enhance investor relations management and internal control to standardize the operation of the Company.

#### 1. Shareholders and General Meetings

During the Reporting Period, 1 annual general meeting and 4 extraordinary general meetings were held by the Company. The Company convened and held general meetings in strict compliance with the Articles of Association, Rules of Procedure for the General Meetings and other relevant regulations to ensure that resolutions can be made at general meetings based on fairness and openness, thereby safeguarding the rights and interests of shareholders. In addition, the Company made full use of modern information technology such as online voting to ensure that all shareholders, particularly minority shareholders, can attend general meetings and exercise their rights to know and participate in decision making in the most convenient and fastest way.

#### 2. Controlling shareholders and the listed company

The Company is able to carry on its business and operations independently. In terms of business, personnel, assets, organizations and finance, the Company performed management and accounting independently from the controlling shareholders of the Company. The controlling shareholders of the Company have exercised their rights and assumed their obligations in strict compliance with the laws and regulations, and have never directly or indirectly interfered with the decision-making or business activities of the Company without authorization of the general meeting. The Company has formulated the Management Policy of Joincare Pharmaceutical Group Industry Co., Ltd. for Preventing the Controlling Shareholders or De Facto Controller and Other Related Parties from Appropriating Funds of the Company, and has established a long-term mechanism to prevent the controlling shareholders or de facto controller and their related parties from using funds of the listed company or damaging the interests of the listed company. During the Reporting Period, there was no circumstance where the Company's controlling shareholders, de facto controller, and their related parties embezzled assets of the Company or damaged the interests of the Company and minority shareholders.

#### 3. Directors and the Board

During the Reporting Period, the Company held 14 Board meetings in multiple ways, including on-site meeting, voting through electronic means and the combination of on-site meeting and electronic means, providing convenience for the attending directors. During the Reporting Period, the Board of the Company performed its duties actively and effectively in strict compliance with the relevant regulations, including the Company Law, the Articles of Association, and the Rules of Procedure for the Board Meetings.

The Board of the Company comprises a total of 9 directors, including 4 independent directors who are legal and financial professionals and provide constructive advice for the effective, standard governance and decision-making on major policies of the Company. Besides, five special committees are set up under the Board of the Company, namely the Audit Committee, the Remuneration Committee, the Strategy Committee, the Nomination Committee, and the Corporate Social Responsibility Committee. These committees assist the Board in performing its decision-making and supervision functions and give full

play to their expertise, so as to ensure the legality, scientificity, and correctness of decisions made by the Board.

During the Reporting Period, the Company convened, held and voted at the board meetings in accordance with the Rules of Procedure for the Board Meetings, and all directors of the Company have attended meetings including the board meetings and general meetings in a conscientious, responsible and honest manner, actively participated in relevant business training, familiarized themselves with relevant laws and regulations, and clarified the rights, obligations and responsibilities of directors.

#### **4. Supervisors and the Supervisory Committee**

During the Reporting Period, the Company held 12 meetings of the Supervisory Committee for review of the periodic report, option exercise, special report on fund raising, and other matters of the Company. The Supervisory Committee of the Company is comprised of three supervisors, including one employee's representative. During the Reporting Period, the Supervisory Committee of the Company performed its duties in accordance with the law, supervised the duty performance of directors and senior management of the Company, carried out regular inspections on the financial position of the Company, and focused on significant investments of the Company, fully protecting the interests of the Company and all shareholders.

#### **5. Performance evaluation and incentive restraint mechanism for senior management**

The appointment and dismissal of and reward and punishment for senior management of the Company are performed in strict accordance with the relevant laws, regulations, and the Articles of Association. The Company has established the selection, appointment and performance assessment criteria and the remuneration decision-making procedure for the senior management. The Nomination Committee of the Company provided appropriate candidates for directors and senior management in accordance with the law, and submitted the list of candidates to the Board of the Company for review. The Remuneration Committee of the Company, pursuant to the regulations such as the Management Policy on the Remuneration and Performance Assessment of Senior Management, determined the result of performance assessment of senior management based on the completion of business objectives of the Company and work objectives of the senior management in 2022. Based on the result of performance assessment, the performance bonus and remuneration of senior management in 2022 were determined and submitted to the Board of the Company for review and resolution.

#### **6. Investor relations**

The Company has always attached great importance to communication and exchange with investors. The Board designated departments and personnel to manage information disclosure and investor relations, enhance communication with minority shareholders, answer questions from shareholders on the production, management and operation of the Company, and listen earnestly to the suggestions and advice of shareholders on the strategy and development of the Company. Without violating regulations, the Company satisfied to the maximum extent the information needs of investors for the sustainable and healthy development of the Company.

#### **7. Information disclosure and transparency**

The Company disclosed information in a timely, accurate, authentic and complete manner in strict compliance with the relevant regulations, including the Company Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Articles of Association, and the Information Disclosure Management Bylaws. The Company designated the Board Secretary to manage information disclosure, receive visitors, answer questions consulted, contact shareholders, and provide investors with the information publicly disclosed by the Company. The Company is able to disclose information in an authentic, accurate, complete and timely manner in accordance with the laws, regulations, and the Articles of Association, and is able to ensure equal access to information for all shareholders.

## 8. Stakeholders

The Company has fully respected the legitimate rights and interests of stakeholders, including banks, other creditors, employees, consumers, suppliers and communities, and has extended communication and cooperation with such stakeholders based on mutual benefit, so as to jointly promote the sustained and healthy development of the Company and protect the interests of public shareholders.

During the Reporting Period, the Company did not provide undisclosed information to its substantial shareholders or de facto controller, and the substantial shareholders and de facto controller of the Company did not interfere with the production, operation and management of the listed company. Overall, no corporate governance irregularities were found.

The corporate governance of the Company complies with the Company Law and relevant regulations issued by the CSRC. Achieving good corporate governance is a long journey, which requires continuous improvement. The Company will continue to timely update and improve its internal governance system in accordance with relevant regulations, discover and solve problems in a timely manner, and strengthen internal management, so as to promote standard operation and corporate governance as well as advance the steady and healthy development of the Company.

## 9. Establishment and implementation of insider registration management system for insider information

The Resolution relating to Amendment of the Insider Registration Management System for Inside Information of Joincare Pharmaceutical Group Industry Co., Ltd. was revised and approved at the 8th meeting of the 8th session of the Board of the Company, with a view to strengthening the confidentiality of inside information, maintaining the principles of openness, fairness and justice for the Company's information disclosure, and protecting the legitimate rights and interests of investors. During the Reporting Period, the Board Office of the Company was responsible for the management of inside information of the Company. It is stipulated that the documents and data reported and transmitted externally and other information involving inside information and information disclosure shall be reviewed and approved by the Board or the Board Secretary. When preparing periodic reports and planning significant matters, the Company performed inside information registration timely, and reminded the insiders by mail or phone not to deal with shares of the Company during the sensitive period. Through self-inspection, it was found that there was no circumstance where the insiders dealt with shares and derivatives using inside information of the Company during the Reporting Period.

**Whether there are any material deviations of the Company's corporate governance from laws, administrative regulations and CSRC regulations on the governance of listed companies; If any, give the reasons.**

Applicable N/A

**II. Measures taken by the controlling shareholder and de facto controllers to ensure the independence of the Company's assets, personnel, finance, organization, business, in addition to solutions, work schedules and follow-up work plans adopted to enhance the independence of the Company**

Applicable N/A

Engagement in the same or similar business as the Company by controlling shareholders, de facto controllers and other units under their control, and the influence of horizontal competition or major changes in horizontal competition on the Company, countermeasures taken, progress and follow-up plan

Applicable N/A

## III. Introduction of General Meetings



Meeting session	Date of meeting	Query index of the designated website for publishing the resolution	Disclosure date	Meeting resolution
2022 First Extraordinary General Meeting	11 February 2022	www.sse.com.cn	12 February 2022	Eight (8) resolutions were considered and approved, including the Resolution on Changing Certain Projects Invested with Proceeds, the Resolution on Revision of Certain Clauses of Articles of Association and the Resolution on Revision of Certain Clauses of the Rules of Procedure for the Board Meetings. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 First Extraordinary General Meeting (Lin 2022-014) for details
2021 Annual General Meeting	18 May 2022	www.sse.com.cn	19 May 2022	Fourteen (14) resolutions were considered and approved, including the 2021 Annual Work Report of the Supervisory Committee, the Resolution on Election of Mr. Xing Zhiwei as Supervisor of the Company and 2021 Annual Work Report of the Board of Directors. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2021 Annual General Meeting (Lin 2022-051) for details
2022 Second Extraordinary General Meeting	8 July 2022	www.sse.com.cn	9 July 2022	Ten (10) resolutions were considered and approved, including the Resolution on the Company's Issuance of GDRs, listing on the SIX Swiss Exchange and Conversion into a Joint Stock Limited Company Offering Shares Overseas, the Resolution on the Plan for the Company's Issuance of GDRs and Listing on the SIX Swiss Exchange and the Resolution on Report on the Utilization of the Proceeds Previously Raised by the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 Second Extraordinary General Meeting (Lin 2022-077) for details
2022 Third Extraordinary General Meeting	29 August 2022	www.sse.com.cn	30 August 2022	The Resolution on 2022 Share Options Incentive Scheme (Draft) and its Summary, the Resolution on the Administrative Measures for Appraisal System of the 2022 Share Options Incentive Scheme of the Company and the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the Share Options Incentive Scheme were considered and approved. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 Third Extraordinary General Meeting (Lin 2022-095) for details
2022 Fourth Extraordinary General Meeting	18 November 2022	www.sse.com.cn	19 November 2022	Four (4) resolutions were considered and approved, including the Resolution on Repurchase of Shares of the Company through Centralized Bidding Transactions, the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the Repurchase and the Resolution on Change in Registered Capital of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 Fourth Extraordinary General Meeting (Lin 2022-134) for details

**Holders of preferred shares with resumed voting rights requesting to hold extraordinary general meeting**

□ Applicable √ N/A

**Explanations of General Meetings**

□ Applicable √ N/A

**IV. Information on directors, supervisors and senior management****(I) Changes in shareholding and remuneration of current directors, supervisors, and senior management and those left the Company during the Reporting Period**

√Applicable □N/A

Unit: shares

Name	Position (Note)	Gender	Age	Start date of the tenure	End date of the tenure	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in shareholding during the year	Reason for change	Total pre-tax remuneration received from the Company during the Reporting Period (RMB Ten thousand)	Receive any remuneration from any related party of the Company or not
Zhu Baoguo	Chairman	Male	61	28 August 2021	27 August 2024					334.09	No
Liu Guangxia	Vice Chairman	Female	54	28 August 2021	27 August 2024					347.98	No
Yu Xiong	Director, President	Male	62	28 August 2021	27 August 2024	660,000	800,000	140,000	Equity incentive	360.00	No
Qiu Qingfeng	Director, Vice President, Chief Financial Officer	Male	52	28 August 2021	27 August 2024	537,409	717,409	180,000	Equity incentive	224.93	Yes
Lin Nanqi	Director, Vice President	Male	41	28 August 2021	27 August 2024	1,051,040	1,291,040	240,000	Equity incentive	224.93	Yes
Cui Ligu	Independent Director	Male	53	28 August 2021	27 August 2024					11.54	No
Huo Jing	Independent Director	Female	47	28 August 2021	27 August 2024					11.54	No
Qin Yezhi	Independent Director	Male	49	28 August 2021	27 August 2024					11.54	No
Peng Juan	Independent Director	Female	59	28 August 2021	27 August 2024					11.54	No
Yu Xiaoyun	Chairman of the Supervisory Committee	Male	55	28 August 2021	27 August 2024					70.13	No
Peng Jinhua	Supervisor	Female	61	28 August 2021	27 August 2024	38,043	38,043	0		4.80	No
Xing Zhiwei	Supervisor	Male	37	18 May 2022	27 August 2024	61,100	0	-61,100	Purchase from the secondary market	168.88	No
Xie Youguo	Supervisor(resigned)	Male	66	28 August 2021	18 May 2022	75,442	75,442	0		38.75	No
Zhao Fengguang	Vice President, Secretary to the Board	Male	48	28 August 2021	27 August 2024	588,000	768,000	180,000	Equity incentive	2,010.58	No
Total	/	/	/	/	/	2,949,934	3,689,934	740,000	/		/

Notes: 1. Mr. Zhu Baoguo serves as the chairman of Livzon Group, a controlled subsidiary of the Company; and Mr. Yu Xiong and Mr. Qiu Qingfeng serve as non-executive directors of Livzon Group. The remuneration listed above does not include the part paid by Livzon Group. Please refer to Livzon Group's 2022 Annual Report for details.

2. Upon the consideration and approval at the 2021 annual general meeting of the Company, Mr. Xing Zhiwei has been a Supervisor of the Company with effect from 18 May 2022, after that there was not any change in shareholding.

Name	Main work experience
Zhu Baoguo	Male, born in 1962, with a bachelor's degree. He was the director of Henan Xinxiang Waterborne Resin Research Institute, vice chairman and general manager of Henan Feilong Fine Chemical Products Co., Ltd., and had been the general manager and vice chairman of the Company since 1992. He is currently the chairman of the Company and the chairman of Livzon Pharmaceutical Group Inc. Mr. Zhu Baoguo

	is a shareholder of Shenzhen Baiyeyuan Investment Co., Ltd., a controlling shareholder of the Company, and is the de facto controller of the Company.
Liu Guangxia	Female, born in 1969, with a college degree. She was the manager of the Advertising Department of CCTV International Corporation Shenzhen, deputy general manager and director of the Company, and the vice chairman of Livzon Group. She is currently the vice chairman of the Company. Ms. Liu Guangxia is a shareholder of Shenzhen Baiyeyuan Investment Co., Ltd., a controlling shareholder of the Company, and is the spouse of Mr. Zhu Baoguo, the de facto controller of the Company.
Yu Xiong	Male, born in 1961, researcher. He graduated from the Department of Chemistry of Fudan University with a bachelor of science degree in July 1984. In 1999, he received the special government allowance from the State Council. In 2004, he studied at KU Leuven in Modern Enterprise Management. From July 2005 to January 2006, he worked as a senior visiting scholar at California State University, Northridge. Since 2016, he had been the vice president of the Company. He serves currently as director and president of the Company, director of Livzon Group, chairman of Shanghai Frontier and Haibin Pharma, independent director of Tianjin Tianyao Pharmaceuticals Co., Ltd. and Sichuan Biokin Pharmaceutical Co., Ltd., director of Shanghai Huatai Investment Development Co., Ltd., honorary director of Chinese Pharmaceutical Association, honorary chairman of Pharmaceutical Engineering Specialized Committee, honorary director of Shanghai Society of Chemistry and Chemical Industry, and adjunct professor of East China University of Science and Technology. He was formerly the vice president of China State Institute of Pharmaceutical Industry, chemistry department director and vice president of Shanghai Institute of Pharmaceutical Industry, chairman of Shanghai Techwell Biopharmaceutical Co., Ltd., legal person of National Shanghai Center for New Drug Safety Evaluation and Research, and general manager and chairman of Sinopharm Yangzhou VAC Biological Engineering Co., Ltd. He was also the person in charge of the comprehensive new drug research and development platform under the national key project of “new drug creation”(Shanghai Institute of Pharmaceutical Industry) and the technical chief of rolling projects under the 12th Five-Year Plan.
Qiu Qingfeng	Male, born in 1971, with an executive master of business administration degree from China Europe International Business School, member of Chinese Institute of Certified Public Accountants (non-practicing). He worked at Tianjin No.1 Machine Tool Works. Since 1996, he had served successively as the finance personnel, finance supervisor, finance manager, deputy general manager of the Company, and the general manager, board secretary, and president of the Company. He is currently the director, vice president and chief financial officer of the Company and a non-executive director of Livzon Pharmaceutical Group Inc.
Lin Nanqi	Male, born in 1982, with a bachelor of engineering degree. He was formerly the workshop supervisor of Chongqing Daxin Pharmaceutical Co., Ltd., the workshop manager, production director and deputy general manager of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc., and the general manager of Jiaozuo Joincare Bio Technological Co., Ltd., a wholly-owned subsidiary of the Company. He is currently the director and vice president of the Company.
Cui Liguó	Male, born in 1970, with a master of laws degree. He is the founding partner and director of Management Committee of Beijing Guantao Law Firm. He is currently an independent director of the Company, APT Satellite Holdings Limited (security code: 01045), CNNC International Ltd. (security code: 02302), Frontier Services Group Ltd. (security code: 00500), China Coal Xinji Energy Co., Ltd. (security code: 601918) and Beijing Life Insurance Co., Ltd.
Huo Jing	Female, born in 1976, with a bachelor's degree. She is a member of All China Lawyers Association and Tencent Guangdong Real Estate Think Tank. She was a specially invited lawyer by chinacourt.org, 9ask. cn, 66law.cn, Southern Metropolis Daily, and Shenzhen Evening News. Since 2007, she has been the lawyer and partner of Guangdong Sun Law Firm. She was a member of Real Estate Specialized Committee of Shenzhen Lawyers Association, and served successively as permanent legal adviser to many companies, fully responsible for the review of corporate legal affairs, drafting and amendment of economic contracts, and issuance of legal opinions, with extensive litigation experience for various types of cases. She is currently an independent director of the Company.
Qin Yezhi	Male, born in 1974, with a bachelor's degree, a practicing member of Chinese Institute of Certified Public Accountants and China Certified Tax Agents Association, and a non-practicing member of China Certified Public Valuers Association. He successively served as auditor of Shenzhen Zhengfeng Lifu Accounting Firm, partner of Shenzhen Jinzheng Accounting Firm, and partner of Asia Pacific (Group) CPAs (Special General Partnership). From 2014 to date, he has served as partner of China Shu Lun Pan Certified Public Accountants LLP. He is currently an independent director of the Company.
Peng Juan	Female, born in 1964, doctor and doctoral supervisor. From 1997 to date, she has been an associate professor at the Department of Accounting of Antai College of Economics and Management in Shanghai Jiao Tong University, covering research areas of digital finance, green finance, marketing audit, and corporate governance. She is currently an independent director of the Company. She successively served as instructor at the Department of Accounting of School of Economics and Management in Shanghai Maritime University, and director of Executive Education Center of Antai College of Economics and Management in Shanghai Jiao Tong University. She is currently the president and training supervisor of Shanghai Cost Research Society of Shanghai Jiao Tong University, adviser of China Financial Cloud Institute, a member of Behavioral Science Council, a member of Finance and Accounting Association of Shanghai Jiao Tong University, and a member of Green Finance Center of

	Shanghai Environment and Energy Exchange. She served concurrently as independent director of Shanghai Sunglow Packaging Technology Co., Ltd. (stock code: 603499), Dynamiker Biotechnology (Tianjin) Co., Ltd. and Shanghai Sunmi Technology Co., Ltd.
Yu Xiaoyun	Male, born in 1968, with a bachelor's degree, and an MBA degree from University of Greenwich. He is a senior engineer and high-level professional talent of Shenzhen. He worked for Henan Institute of Traditional Chinese Medicine. From December 1992 to date, he has served successively as technical manager of the Company, government affairs manager of Institute of Traditional Chinese Medicine, and vice president of the Institute. He is currently the adviser of the Institute and chairman of the Supervisory Committee of the Company, and also a standing member of China Healthcare Association.
Peng Jinhua	Female, born in 1962, with a college degree. She served as technical data processor at State-owned 272nd Plant of Ministry of Nuclear Industry and accountant of the staff hospital of the Plant, teacher of Hengyang Radio & TV University, and finance manager of Shenzhen New Era Industrial City Industrial Co., Ltd. She joined the Company in March 1994, and served successively as finance supervisor, manager of planning and finance department, manager of finance department, manager of tax department, administration manager, and general manager assistant. She is currently a supervisor of the Company.
Xing Zhiwei	Male, born in 1986. He graduated from Sichuan University majoring in light industry biotechnology with a bachelor's degree. He currently serves as the deputy director of the Center of the Production Management and a supervisor of the Company, the general manager and vice president of the Company's subsidiary Jiaozuo Joincare Bio Technological Co., Ltd. and a director and the general manager of the Company's subsidiary Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd. He served successively as workshop supervisor and workshop manager of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc., and workshop manager, production director and deputy general manager of Jiaozuo Joincare Bio Technological Co., Ltd.
Zhao Fengguang	Male, born in 1975, with a bachelor of economics degree and master of science degree, member of Jiusan Society. He was formerly the secretary to president of Shenyang Pharmaceutical University, council secretary and office director of Shenzhen Research Center of Traditional Chinese Medicine and Natural Products, and assistant to director of Chinese Medicine Laboratory of Research Institute of Tsinghua University in Shenzhen. Since August 2011, he served successively as manager of project research and management department of the institute of the Company, deputy head and project research director of the institute of the Group, and director of the controlling subsidiary Shanghai Frontier. He is currently the vice president and board secretary of the Company

### Explanations of other relevant information

√Applicable □N/A

On 22 April 2022, the Company held the ninth meeting of the eighth session of the Supervisory Committee to consider and approve the Resolution on Nominating Mr. Xing Zhiwei as a Candidate for Supervisor of the Supervisory Committee, and the Supervisory Committee agreed to nominate Mr. Xing Zhiwei as a candidate for Supervisor of the eighth session of the Supervisory Committee of the Company, and submitted this resolution to the general meeting for consideration. On 18 May 2022, the Resolution on Election of Mr. Xing Zhiwei as Supervisor of the Company was considered and approved at the 2021 Annual General Meeting of the Company, pursuant to which Xing Zhiwei serves as the supervisor of the Company for a term commencing from the date of consideration and approval at the General Meeting to the date of expiry of the term of the eighth session of the Supervisory Committee.

## (II) Posts held by current directors, supervisors, and senior management and those resigned during the Reporting Period

### 1. Posts held at corporate shareholders of the Company

√Applicable □N/A

Name	Corporate shareholder	Posts held	Start date of the tenure	End date of the tenure
Zhu Baoguo	Baiyeyuan	Chairman, General Manager	11 March 2014	/
Liu Guangxia	Baiyeyuan	Director	21 January 1999	/
Note	Mr. Zhu Baoguo, Chairman of the Company, directly holds 90% of shares in Baiyeyuan, and Ms. Liu Guangxia, Vice Chairman of the Company, directly holds 10% of shares in Baiyeyuan. Both of them are directors of Baiyeyuan, and Mr. Zhu Baoguo is the spouse of Ms. Liu Guangxia.			

## 2. Posts held at other entities

√Applicable □N/A

Name	Other entities	Posts held	Start date of the tenure	End date of the tenure
Zhu Baoguo	Shenzhen Federation of Industry and Commerce	Honorary Vice President	November 2014	/
	Federation of Shenzhen Commerce	Director	April 2015	/
	TNC Greater China Council of Advisors	Council Member, Secretary General	December 2012	/
	The Paradise International Foundation	Director	April 2015	/
	China Entrepreneur Club	Council Member	April 2017	/
	Central China Management Company Limited	Independent Director	May 2021	/
Yu Xiong	Shanghai Society of Chemistry and Chemical Industry	Honorary Director	October 2016	/
	Tianjin Tianyao Pharmaceuticals Co., Ltd.	Independent Director	December 2016	/
	Shanghai Huatai Investment Development Co., Ltd.	Director	May 2018	/
	East China University of Science and Technology	Adjunct Professor	July 2019	/
	Sichuan Biokin Pharmaceutical Co., Ltd.	Independent Director	September 2019	/
	Pharmaceutical Engineering Specialized Committee of Chinese Pharmaceutical Association	Honorary Chairman	November 2019	/
	Chinese Pharmaceutical Association	Honorary Director	January 2022	/
Qiu Qingfeng	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd.	Director	November 2015	/
	Jiangsu Baining Yingchuang Medical Technology Co., Ltd.	Director	November 2020	/
Lin Nanqi	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd.	Director	January 2022	/
Cui Liguo	Beijing Guantao Law Firm	Founding Partner, Director of Management Committee	February 1994	/
	APT Satellite Holdings Limited (listed overseas)	Independent non-executive director	July 2007	/
	CNNC International Ltd. (listed overseas)	Independent non-executive director	November 2008	/
	Frontier Services Group Ltd.(listed overseas)	Independent non-executive director	June 2020	/
	China Electronics Information Service Co., Ltd.	External Director	July 2016	/
	Essence Securities Co., Ltd.	Independent Director	November 2016	December 2022
	Beijing Life Insurance Co., Ltd.	Independent Director	March 2018	/
	CEC Xinze (Beijing) Investment Management Co., Ltd.	External Director	May 2018	/
China Coal Xinji Energy Co., Ltd.	Independent Director	May 2019	/	
Huo Jing	Guangdong Sun Law Firm	Lawyer, Partner	June 2007	/
Qin Yezhi	China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	Partner	July 2014	/
	Shenzhen Yongpeng CTA Firm (Special General Partnership)	Partner	September 2013	/
Peng Juan	Antai College of Economics and Management of Shanghai Jiao Tong University	Associate Professor of Department of Accounting, Doctoral Supervisor	September 1997	/

	Kexin Development Co., Ltd., Shanxi	Independent Director	July 2016	June 2022
	Zhejiang Dibay Electric Co., Ltd.	Independent Director	August 2016	August 2022
	Jiangsu Pizhou Rural Commercial Bank	Independent Director	September 2016	July 2022
	Dynamiker Biotechnology (Tianjin) Co., Ltd.	Independent Director	July 2020	/
	Shanghai Sunglow Packaging Technology Co., Ltd.	Independent Director	March 2022	/
	Shanghai Sunmi Technology Co., Ltd.	Independent Director	May 2022	/
	Shanghai Jiaopeng Technology Co., Ltd.	Supervisor	July 2019	/
	Shanghai Jiaoshang Digital Technology Co., Ltd.	General Manager	December 2022	/
Yu Xiaoyun	Shenzhen Science and Technology Innovation Commission	Review Expert	November 2022	/
Peng Jinhua	Shenzhen Nanbei Shengying Industrial Development Co., Ltd.	Director	July 2017	
	Shenzhen Xinfengfan Technology Development Co., Ltd.	Supervisor	August 2005	
Note	Not applicable			

### (III) Remuneration of directors, supervisors and senior management

√Applicable □N/A

Decision-making procedure regarding remuneration of directors, supervisors and senior management	<p>The emolument of chairman and vice chairman of the Company shall follow the Resolutions of the 2018 Second Extraordinary General Meeting of the Company, which is RMB3.25 million per year, with the individual income tax withheld and remitted by the Company in accordance with the relevant provisions of the tax laws. On 29 March 2022 and 18 May 2022, the Company convened the ninth meeting of the eighth session of the Board of Directors and the 2021 Annual General Meeting, respectively, at which the Resolution on Adjusting the Emolument of Independent Directors of the Company(《关于调整公司独立董事津贴的议案》) was considered and approved, the emolument of each independent director shall be adjusted to RMB10,000 (before tax) from RMB9,000 (before tax) per month, with the individual income tax withheld and remitted by the Company in accordance with the relevant provisions of the tax laws.</p> <p>On 10 August 2021 and 28 August 2021, the Company convened the 39th meeting of the seventh session of the Supervisory Committee and the 2021 Third Extraordinary General Meeting, respectively, at which Resolution on Adjusting the Emolument of the Supervisors of the Company(《关于调整公司监事津贴的议案》) was considered and approved, the emolument of each supervisor shall be adjusted to RMB4,000 (before tax) per month from RMB3,000 (before tax) per month, with the individual income tax withheld and remitted by the Company in accordance with the relevant provisions of the tax laws. During the Reporting Period, the remuneration received by supervisors is the wage based on the wage system of the Company plus the emolument paid to them.</p> <p>The remuneration of senior management of the Company shall follow the resolution of the 52th meeting of the 6th session of the Board of the Company. The annual basic remuneration of the president, vice president and other senior management members during the term of office is RMB2.60 million, RMB1.35 million and RMB1.20 million, respectively. In addition to the basic remuneration, pursuant to the regulations such as the Management Policy on the Remuneration and Performance Assessment of Senior Management (《高级管理人员薪酬及绩效考核管理制度》), individual assessment shall be performed and performance-based bonuses shall be paid according to the assessment result. In case of holding concurrent positions, the highest remuneration among all positions shall prevail.</p> <p>For the Company's directors who serve concurrently as a senior management member of the Company, the remuneration received by them is equal to the wage paid according to their position as a senior management member, and no directors' emoluments are paid by the Company.</p> <p>On 16 January 2023, the Remuneration Committee under the Board of the Company convened the 8th meeting of the 8th session of the Board, at which the Resolution on the 2022 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company (《关于公司高级管理人员 2022 年度绩效考核结果及薪酬分配的议案》) was</p>
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	<p>considered and approved. It was agreed that the Company, pursuant to the regulations such as the Management Policy on the Remuneration and Performance Assessment of Senior Management, determined the 2022 annual performance assessment result and annual remuneration of senior management based on the completion of business objectives of the Company and work objectives of the senior management in 2022. On 16 January 2023, the Board of the Company convened the 22th meeting of the 8th session of the Board, at which the Resolution on Remuneration Distribution of Senior Management for the year 2022 was considered and approved.</p> <p>Except for fulfilling the job responsibilities of being directors, supervisors and senior management of the Company, other remuneration paid for positions held in subsidiaries shall be implemented according to the relevant remuneration system of the corresponding subsidiaries.</p>
Basis for determining remuneration of directors, supervisors and senior management	Pursuant to the regulations such as the Management Policy on the Remuneration and Performance Assessment of Senior Management, the result of performance assessment of senior management is determined based on the completion of business objectives of the Company and work objectives of the senior management in 2022. Based on the result of performance assessment, the performance bonus and remuneration of senior management in 2022 were determined and submitted to be reviewed by the Remuneration Committee under the Board who shall then submit it to the Board for review and resolution.
Remuneration actually paid to directors, supervisors and senior management	As at the date of the Report, remuneration of directors, supervisors and senior management has been fully paid.
Total remuneration paid to all directors, supervisors and senior management as of the end of the Reporting Period	RMB20.1058 million.

#### (IV) Changes in directors, supervisors and senior management

Applicable N/A

Name	Position	Change	Reason for change
Xie Youguo	Supervisor	Resigned	Resigned
Xing Zhiwei	Supervisor	Elected	Nominated by the Supervisory Committee and elected at the general meeting

#### (V) Statement on punishments imposed by securities regulatory authorities in the last three years

Applicable N/A

#### (VI) Others

Applicable N/A

#### V. Board meetings held during the Reporting Period

Meeting session	Date of meeting	Meeting resolution
8th meeting of the 8th session of the Board	2022-01-24	Eighteen (18) resolutions were considered and approved, including the Resolution on Changing Certain Projects Invested with Proceeds, the Resolution on the Opening a New Special Account Designated for Proceeds and Proposed Signing the Proceeds Escrow Agreement by the Company and the Resolution on the 2021 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 8th meeting of the 8th session of the Board (Lin 2022-006) for details
9th meeting of the 8th session of the Board	2022-03-29	Nineteen (19) resolutions were considered and approved, including the 2021 Annual Work Report of the President, 2021 Annual Work Report of the Board of Directors, 2021 Final Account Report, 2021 Annual Profit Distribution Plan and 2021 Annual Report of Joincare Pharmaceutical Group Industry Co., Ltd. (Full Text and Abstract). See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 9th Meeting the 8th Session of the Board of (Lin 2022-026) disclosed on 31 March 2022 for details

10th meeting of the 8th session of the Board	2022-04-22	The 2022 Q1 Report of Joincare Pharmaceutical Group Industry Co., Ltd., the Resolution on the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary, the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Related to the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company and the Resolution on Convening the 2021 Annual General Meeting of the Company were considered and approved. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 10th Meeting of the 8th Session of the Board (Lin 2022-047) disclosed on 25 April 2022 for details
11th meeting of the 8th session of the Board	2022-05-31	The Resolution on the Amendment to the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary was considered and approved. See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Amendment to the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary (Lin 2022-053) disclosed on 1 June 2022 for details
12th meeting of the 8th session of the Board	2022-06-15	The Resolution on Planning to Issue Global Depository Receipts Overseas and Listing on the SIX Stock Exchange was considered and approved. See the Indicative Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Planning to Issue Global Depository Receipts Overseas and List on the SIX Stock Exchange (Lin 2022-061) disclosed on 16 June 2022 for details
13th meeting of the 8th session of the Board	2022-06-22	Twenty (12) resolutions were considered and approved, including the Resolution on the Company's Issuance of GDRs and Listing on the SIX Stock Exchange and Conversion into a Joint Stock Limited Company Offering Shares Overseas, the Resolution on the Plan for the Company's Issuance of GDRs and Listing on the SIX Swiss Exchange and the Resolution on Report on the Utilization of the Proceeds Previously Raised by the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 13th Meeting of the 8th Session of the Board (Lin 2022-063) disclosed on 23 June 2022 for details
14th meeting of the 8th session of the Board	2022-06-30	The Resolution on Adjusting the Exercise Price of the 2018 Share Options Incentive Scheme of the Company was considered and approved. See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Adjusting the Exercise Price of the 2018 Share Options Incentive Scheme of the Company (Lin 2022-069) disclosed on 1 July 2022 for details
15th meeting of the 8th session of the Board	2022-08-10	Six (6) resolutions were considered and approved, including the 2022 Interim Report of Joincare Pharmaceutical Group Industry Co., Ltd. and its Summary, the Special Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Deposit and Actual Use of Proceeds for the half year of 2022 and the Resolution on the 2022 Share Options Incentive Scheme (Draft) and its Summary. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 15th Meeting of the 8th Session of the Board (Lin 2022-083) disclosed on 11 August 2022 for details
16th meeting of the 8th session of the Board	2022-09-05	The Resolution on Matters Related to the Adjustment of the 2022 Share Options Incentive Scheme and the Resolution on the First Grant of Share Options to Incentive Participants were considered and approved. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 16th Meeting of the 8th Session of the Board (Lin 2022-100) disclosed on 6 September 2022 for details
17th meeting of the 8th session of the Board	2022-10-14	The Resolution on the Cancellation of Certain Share Options Granted but Not Yet Exercised under the 2018 Share Options Incentive Scheme, the Resolution on Repurchase of Shares through Centralized Bidding Transactions and the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Regarding the Repurchase. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 17th Meeting of the 8th Session of the Board (Lin 2022-119) disclosed on 17 October 2022 for details
18th meeting of the 8th session of the Board	2022-10-26	The 2022 Q3 Report of Joincare Pharmaceutical Group Industry Co., Ltd., the Resolution on Change in Registered Capital of the Company, the Resolution on the Amendment to Certain Clauses of the Articles of Association and the Resolution on Convening the 2022 Fourth Extraordinary General Meeting of the Company were considered and approved. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 18th Meeting of the 8th Session of the Board (Lin 2022-124) disclosed on 17 October 2022 for details
19th meeting of the 8th session of the Board	2022-11-28	The Resolution on Co-investment with Controlling Subsidiary Livzon Group was considered and approved. See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Co-investment with Controlling Subsidiary Livzon Group (Lin 2022-136) disclosed on 29 November 2022 for details
20th meeting of the 8th session of the Board	2022-12-12	The Resolution on the Establishment of a Joint Venture with Controlling Subsidiary Livzon Group and the Resolution relating to the Adjustment to Projected Daily Connected Transactions between Controlling Subsidiaries Jiaozuo Joincare and Jinguan Electric Power



		were considered and approved. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 20th Meeting of the 8th Session of the Board (Lin 2022-141) disclosed on 13 December 2022 for details
21th meeting of the 8th session of the Board	2022-12-29	The Resolution on the Temporary Replenishment of Working Capital with Idle Proceeds was considered and approved. See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Temporary Replenishment of Working Capital with Idle Proceeds (Lin 2022-146) disclosed on 30 December 2022 for details

## VI. Performance of duties by directors

### (1) Attendance by directors of the Board meetings and general meetings

Name	Whether independent director	Attendance of the Board meetings						Attendance at general meetings
		Number of meetings the director should attend for the year	Number of meetings attended in person	Number of meetings attended through electronic means	Number of meetings attended by proxy	Number of Absences	Whether the director has been absent from two consecutive meetings	Number of attendances at the general meetings
Zhu Baoguo	No	14	14	8	0	0	No	4
Liu Guangxia	No	14	14	8	0	0	No	3
Yu Xiong	No	14	14	8	0	0	No	5
Qiu Qingfeng	No	14	14	8	0	0	No	5
Lin Nanqi	No	14	14	8	0	0	No	5
Cui Ligu	Yes	14	14	8	0	0	No	5
Huo Jing	Yes	14	14	8	0	0	No	5
Qin Yezhi	Yes	14	14	8	0	0	No	5
Peng Juan	Yes	14	14	8	0	0	No	4

### Statement on absence from two consecutive meetings

Applicable N/A

Board meetings held during the year	14
In which: On-site meetings	6
Meetings held through electronic means	8
Meetings held both in the form of on-site meeting and through electronic means	0

### (2) Objections raised by directors to affairs of the Company

Applicable N/A

### (3) Others

Applicable N/A

## VII. Board committees

Applicable N/A

### (1). Members of the Board committees

Committee name	Member
Audit Committee	Qin Yezhi, Huo Jing, Peng Juan
Nomination Committee	Cui Ligu, Qiu Qingfeng, Huo Jing
Remuneration Committee	Huo Jing, Qin Yezhi, Peng Juan
Strategy Committee	Zhu Baoguo, Yu Xiong, Qin Yezhi, Cui Ligu, Peng Juan
Corporate Social Responsibility (CSR) Committee	Zhu Baoguo, Lin Nanqi, Cui Ligu

**(2). 7 meetings were held by the Audit Committee during the Reporting Period**

<b>Date of meeting</b>	<b>Content</b>	<b>Important opinion and suggestion</b>
21 January 2022	Review of the 2021 Annual Financial Statements of Joincare Pharmaceutical Group Industry Co., Ltd. (Unaudited)	Approved
21 March 2022	Review of the Draft Audit Opinions for the 2021 Annual Financial Statements of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
29 March 2022	Review of the Audit Report for the 2021 Annual Financial Statements of the Company (Final)	Approved
	Review of the Audit Report for the 2021 Annual Internal Control of the Company (Final)	Approved
	Review of the Summary Report on Audit Work for the Year 2021 from Grant Thornton (Special General Partnership)	Approved
	Review of the Self-Assessment Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Risk Management and Internal Control for the Year 2021	Approved
	Review of the Resolution on Appointment of Grant Thornton (Special General Partnership) as the Auditor of the Company for the Year 2022	Approved
	Review of the Resolution on Daily Connected Transactions between the Controlling Subsidiaries Jiaozuo Joincare and Jinguan Electric Power	Approved
	Review of the Resolution on Providing Loan Guarantee for Jinguan Electric Power by the Company and its Controlling Subsidiary Jiaozuo Joincare	Approved
22 April 2022	Review of the 2022 Q1 Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
26 October 2022	Review of the 2022 Q3 Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
28 November 2022	Review of the 2022 Financial Statements and Internal Control Audit Proposal of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
12 December 2022	the Resolution relating to the Adjustment to Projected Daily Connected Transactions between Controlling Subsidiaries Jiaozuo Joincare and Jinguan Electric Power	Approved

**(3). 4 meetings were held by the Remuneration Committee during the Reporting Period**

<b>Date of meeting</b>	<b>Content</b>	<b>Important opinion and suggestion</b>
24 January 2022	Review of the Resolution on the 2021 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company	Approved
10 August 2022	Review of the Review of the Resolution on the 2022 Share Options Incentive Scheme (Draft) and its Summary	Approved
	Resolution on the Administrative Measures for Appraisal System of the 2022 Share Options Incentive Scheme of the Company	Approved
5 September 2022	Review of the Resolution on Matters Related to the Adjustment of the 2022 Share Options Incentive Scheme	Approved
	Review of the Resolution on the First Grant of Share Options to Incentive Participants	Approved
14 October 2022	Review of the Resolution relating to Cancellation of Certain Share Options of the Company Granted but Not Yet Exercised under the 2018 Share Options Incentive Scheme	Approved

**(4). 4 meetings were held by the Strategy Committee during the Reporting Period**

<b>Date of meeting</b>	<b>Content</b>	<b>Important opinion and suggestion</b>
15 June 2022	Review of the Resolution on Planning to Issue Global Depository Receipts Overseas and Listing on the SIX Stock Exchange	Approved
22 June 2022	Review of the Resolution on the Company's Issuance of GDRs and Listing on the SIX Stock Exchange and Conversion into a Joint Stock Limited Company Offering Shares Overseas	Approved
	Review of the Resolution on the Plan for the Company's Issuance of GDRs and Listing on the SIX Swiss Exchange	Approved
	Review of the Resolution on the Plan for the Use of Proceeds Raised by the Issuance of GDRs	Approved
28 November 2022	Review of the Resolution on Co-investment with Controlling Subsidiary Livzon Group	Approved

12 December 2022	Review of the Resolution on the Establishment of a Joint Venture with Controlling Subsidiary Livzon Group	Approved
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### (5). 2 meetings were held by the Corporate Responsibility Committee during the Reporting Period

Date of meeting	Content	Important opinion and suggestion
29 March 2022	Review of the 2021 Corporate Social Responsibility Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Review of the Resolution on the Set-up of Environmental Management Targets for Carbon Emissions of Joincare Group	Approved
	Review of the Resolution on the Introduction of ESG Indicator Assessment Mechanism into Individual Performance of the Corporate Responsibility Work Group of Joincare Pharmaceutical Group	Approved
23 November 2022	Review of the Resolution on the Establishment of 2022 Corporate Responsibility Work Group of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved

### (6). Affairs subject to objection

Applicable N/A

### VIII. Statement on risks of the Company identified by the Board of Supervisors

Applicable N/A

The Supervisory Committee had no objection to the matters under their supervision within the reporting period.

### IX. Employees of the parent company and major subsidiaries

#### (I) Employees

Number of active employees of the parent company	517
Number of active employees of major subsidiaries	13,599
Total number of employees	14,116
Number of retired employees for whom the parent company and major subsidiaries need to pay certain expenses	669
Profession	
Category	Number
Production staff	8,312
Sales staff	2,635
Technical staff	2,181
Financial staff	258
Administrative staff	730
Total	14,116
Education background	
Education background	Number
PhD	64
Postgraduate	620
Undergraduate	3,730
Junior college diploma	4,021
Others	5,681
Total	14,116

#### (II) Compensation policy

Applicable N/A

The Company implements scientific, reasonable and incentive-based compensation strategies. Based on scientific analysis and assessment of the organizational structure and job responsibilities, the Company determines the relative value of each position, and by combining the external market compensation data and the ability of the Company to pay, the Company provides a reasonable employee compensation package. Employee compensation consists of two parts: fixed income and variable income. Variable income is linked to business results of the Company and individual performance of employees. In this

way, employees are encouraged to increase their enthusiasm and motivation at work. Competitive compensation policies are adopted for talents in key positions and those urgently needed in the market, so as to prevent loss of key talents and provide a talent pool for the development of the Company.

### **(III) Training programs**

Applicable N/A

In 2022, the Company continued to attach great importance to internal talent training. With multi-level, diversified training systems and a combination of online and offline learning, the Company organized and carried out new employee orientation training, employee on-the-job training, career-based study for a master's or doctor's degree, training and team building. Meanwhile, the Company encouraged employees to actively participate in external learning activities related to work, facilitated the improvement of employee competence and team cohesion, and built talent teams.

### **(IV) Outsourced workers**

Applicable N/A

## **X. Profit distribution proposal or proposal for capitalization of capital reserve**

### **(I) Formulation, implementation or adjustment of cash dividend distribution policy**

Applicable N/A

#### **1. Cash dividend distribution policy and its formulation**

To establish a scientific, consistent and stable decision-making and supervision mechanism for dividends, and fully protect and safeguard the rights and interests of the majority of shareholders, the Company formulated this cash dividend policy in accordance with the Regulatory Guidelines for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies released by the CSRC (CSRC announcement [2022] No. 3) and the Regulatory Guideline for Self-regulation of Listed Companies No. 1 - Standardized Operation released by Shanghai Stock Exchange and other relevant documents and requirements, and in light of the reality of the Company, clarified the formulation, decision-making and adjustment procedures for the policy in the Articles of Association: If the Company is in a sound operating condition and its cash flow can meet the needs of normal operation and long-term development, the Company shall actively implement the profit distribution policy to provide reasonable returns to investors while taking into account the sustainable development of the Company, in order to maintain the continuity and stability of the policy. The profits may be distributed in cash, stocks, or combination thereof or in any other way permitted by laws and regulations. Cash dividends are superior to stock dividends in the distribution of profits, and shall be adopted whenever the conditions are met. Unless otherwise provided for in the Articles of Association, the profits distributed in cash shall not be less than 10% of the distributable profits realized in the current year. The specific amount and proportion of cash dividends for each year shall be determined by the Board of Directors of the Company in accordance with relevant provisions and in light of the Company's current operating situation, and shall be reported to the annual general meeting for deliberation and decision.

#### **2. Implementation of cash dividend distribution policy in 2022**

On 18 May 2022, the Company convened the 2021 Annual General Meeting, at which the Company's Profit Distribution Plan for 2021 was considered and approved: a cash dividend of RMB1.50 (tax inclusive) will be distributed to all shareholders for every 10 shares, based on the total share capital of the Company on the equity registration date as determined for implementation of the Company's profit distribution plan for 2021, minus the total number of shares in the Company's special securities account for repurchase, with the remaining undistributed profits to be carried forward to the following year. As of the end of this Reporting Period, the above cash dividends have been fully distributed.

### 3. Profit distribution scheme for 2022

Based on the audit conducted by Grant Thornton (Special General Partnership), in 2022, the Parent Company generated net profit of RMB849,731,957.95, 10% of which was contributed to the statutory surplus reserve, namely RMB84,973,195.80, the remainder of which, together with undistributed profits for the last year of RMB1,400,174,178.18 and gain on disposal of other equity investments of RMB80,749,859.60, subtracting cash dividends for the last year of RMB277,557,631.65, is the profits available for distribution to shareholders for the year of RMB1,968,125,168.28. The Company plans to distribute cash dividends for the fiscal year 2022, based on the total number of shares for dividend distribution, which is defined by the total shares of Company, minus the shares in the Share Repurchase Account, on the equity registration date designated by the annual profit distribution plan. The Company plans to distribute cash dividend of RMB1.80 (tax inclusive) for every 10 shares of to all shareholders of the Company, and the remaining undistributed profits will be carried forward to the following year.

### 4. Modification and adjustment of the cash dividend distribution policy during the Reporting Period

The Company's cash dividend policy was not modified or adjusted during the Reporting Period.

#### (II) Special statement on cash dividend distribution policy

Applicable N/A

Whether it meets the requirements of the articles of association or the resolution of the general meeting	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there defined and clear distribution qualifications and proportions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there well-designed decision-making procedures and system	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Have independent directors performed their duties and role properly	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the minority shareholders have the chance to fully express their opinions and demands and whether their legitimate rights and interests have been well protected	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

#### (III) If the Company made a profit during the Reporting Period and there's profit distributable by the parent company to shareholders, but the Company does not propose to distribute profits in cash, the Company shall explain the reason in detail, usage of the undistributed profit and usage plan

Applicable N/A

#### (IV) Profit distribution and conversion of capital reserve into share capital for the Reporting Period

Applicable N/A

Unit: Yuan Currency: RMB

Number of bonus shares to be distributed for every ten shares (share)	0
Amount to be distributed for every ten shares (RMB) (tax inclusive)	1.80
Number of shares to be converted into share capital for every ten shares (share)	0
Amount of cash dividend (tax inclusive)	342,139,018.68
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement during the year of distribution	1,502,595,840.48
Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	22.77
Amount of repurchase of shares under cash offer included in cash dividend	724,513,822.62
Total amount of dividend (tax inclusive)	1,066,652,841.30
Total amount of dividend as a percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	70.99

Note: The Company proposes to distribute cash dividend of RMB1.80 (tax inclusive) for every 10 shares to all shareholders of the Company (except for those in the Share Repurchase Account of the Company). The cash dividends proposed to be distributed for 2022 will be RMB342,139,018.68 (tax inclusive) based on the total share capital of 1,929,189,374 shares less the 28,417,048 shares in the Share Repurchase Account of the Company as of 31 December 2022. The final and actual total distribution amount is calculated based on the total shares entitled to participate in the equity distribution on the equity registration date for the implementation of equity distribution.

## XI Share incentive plan, employee share ownership scheme and other employee incentives of the Company and their effect

### (1) Matters related to equity incentive scheme have been disclosed have been disclosed in the provisional announcements without progress or change in subsequent implementation

√Applicable □N/A

Overview	Query index
The number of share options exercised was 4,005,170 from 1 January 2022 to 31 March 2022. As of 31 March 2022, the number of options cumulatively exercised and completing share transfer registration during the exercise period of the first grant and reserved grant under the 2018 Share Options Incentive Scheme of the Company was 28,835,036.	See the Announcement on 2022 Q1 Independent Exercise Results of the 2018 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. & Changes in Shares (Lin 2022-038) disclosed by the Company on 2 April 2022 for details.
The Resolution on the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary and the Resolution on the General Meeting for Granting Mandate to the Board to Deal with Matters Related to the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company were considered and approved at the Congress of Workers and Staff, the 10th Meeting of the 8th Session of the Board, and the 9th Meeting of the 8th Session of the Supervisory Committee on 22 April 2022. The said resolutions were considered and approved at the 2021 Annual General Meeting on 18 May 2022.	See the relevant Announcements on the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Draft) and its Summary disclosed by the Company on 25 April 2022 for details; See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2021 Annual General Meeting (Lin 2022-051) disclosed by the Company on 19 May 2022 for details.
The Resolution on Revision of the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Draft) and its Summary was considered and approved at the 11th Meeting of the 8th Session of the Board and at the 10th Meeting of the 8th Session of the Supervisory Committee on 31 May 2022.	See the Announcement on Resolution in Relation to Revision of the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Draft) and its Summary (Lin 2022-053), and the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Revised Draft) and its Summary disclosed by the Company on 1 June 2022 for details.
On 1 June 2022, the First Holders' Meeting of the Second Phase Share Ownership Scheme of Medium to Long-term Business Partners was held by the Company, at which the Resolution on Establishing the Management Committee of the Second Phase Share Ownership Scheme of the Company, the Resolution on Electing Members of the Management Committee of the Second Phase Share Ownership Scheme and the Resolution on Authorizing the Management Committee of the Second Phase Share Ownership Scheme of the Company to Handle Matters Related to the Employee Share Ownership Scheme were considered and approved.	See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the First Holders' Meeting of the Second Phase Share Ownership Scheme of Medium to Long-term Business Partners (Lin 2022-056) disclosed by the Company on 2 June 2022 for details.
As of 7 June 2022, the Second Phase Share Ownership Scheme of the Company has purchased a total of 6,275,372 shares by way of secondary market centralized bidding trading, representing 0.33% of the total share capital of the Company at that time, with a total turnover of RMB75,740,661.60 and an average transaction price of approximately RMB12.07 per share. Then the Company has completed the purchase of the underlying shares for the Second Phase Share Ownership Scheme.	See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Completing the Purchase of Shares for the Second Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme (Lin 2022-059) disclosed by the Company on 8 June 2022 for details.
The Resolution on Adjusting the Exercise Price of the 2018 Share Options Incentive Scheme of the Company was considered and approved at the 14th Meeting of the 8th Session of the Board and at the 12th Meeting of the 8th Session of the Supervisory Committee on 30 June 2022. Due to profit distribution, the exercise price under the first grant was adjusted to RMB7.59 per share, while that under the reserved grant was adjusted to RMB10.01 per share.	See the Announcement on Adjusting the Exercise Price of the 2018 Share Options Incentive Scheme of the Company by Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2022-069) disclosed by the Company on 1 July 2022 for details.

<p>The number of options exercised in total was 807,589 from 1 April 2022 to 30 June 2022. As at 30 June 2022, the number of options cumulatively exercised and completing share transfer registration under the first grant and reserved grant of the 2018 Share Options Incentive Scheme of the Company was 29,642,625.</p>	<p>See the Announcement on 2022 Q2 Independent Exercise Results of the 2018 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. &amp; Changes in Shares (Lin 2022-071) disclosed by the Company on 2 July 2022 for details.</p>
<p>The Resolution on the 2022 Share Options Incentive Scheme (Draft) and its Summary of the Company and other relevant resolutions were considered and approved at the 15th Meeting of the 8th Session of the Board and at the 13th Meeting of the 8th Session of the Supervisory Committee on 10 August 2022. The above resolutions were considered and approved at the 2022 third extraordinary general meeting on 29 August 2022.</p>	<p>See the Announcement on the 2022 Share Options Incentive Scheme (Draft) and its Summary of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2022-087) and relevant announcements disclosed by the Company on 11 August 2022 for details; See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 third extraordinary general meeting (Lin 2022-095) disclosed by the Company on 30 August 2022 for details.</p>
<p>The Resolution on the Matters Related to the Adjustment of the 2022 Share Options Incentive Scheme and the Resolution on the First Grant of Share Options to Incentive Participants were considered and approved at the 16th Meeting of the 8th Session of the Board and at the 14th Meeting of the 8th Session of the Supervisory Committee on 5 September 2022. The number of incentive participants under this incentive scheme was adjusted from 430 to 423, while the number of share options granted was adjusted from 55,000,000 to 54,950,000. The first grant date was 5 September 2022, and 49,450,000 share options were granted to 423 incentive participants.</p>	<p>See the Announcement on the Matters Related to the Adjustment of the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2022-101), the Announcement on the First Grant of Share Options to Incentive Participants of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2022-102) and other relevant announcements disclosed by the Company on 6 September 2022 for details.</p>
<p>The number of options exercised was 2,249,270 from 1 July 2022 to 30 September 2022. As at 30 September 2022, the number of options cumulatively exercised and completing share transfer registration under the first grant and reserved grant of the 2018 Share Options Incentive Scheme of the Company was 31,891,895.</p>	<p>See the Announcement on 2022 Q3 Independent Exercise Results of the 2018 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. &amp; Changes in Shares (Lin 2022-115) disclosed by the Company on 11 October 2022 for details.</p>
<p>The Resolution relating to the Cancellation of Certain Share Options of the Company Granted but Not Yet Exercised under the 2018 Share Option Incentive Plan was considered and approved at the 17th meeting of the 8th session of the Board and the 15th meeting of the 8th session of the Supervisory Committee of the Company on 14 October 2022, 26,000 share options under the reserved grant that have been granted but not yet exercised by certain incentive participants were cancelled due to not being exercised by them within the validity period of the options. Upon review and confirmation by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, the said cancellation of 26,000 share options was completed on 24 October 2022.</p>	<p>See the Announcement on the Cancellation of Certain Share Options of the Company Granted but Not Yet Exercised under the 2018 Share Option Incentive Plan of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2022-120) disclosed by the Company on 17 October 2022 for details.</p>
<p>The number of options exercised was 1,534,105 from 1 October 2022 to 31 December 2022. As at 31 December 2022, the number of options cumulatively exercised and completing share transfer registration under the first grant and reserved grant of the 2018 Share Options Incentive Scheme of the Company was 33,426,000.</p>	<p>See the Announcement on 2022 Q4 Independent Exercise Results of the 2018 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. &amp; Changes in Shares (Lin 2023-001) disclosed by the Company on 4 January 2023 for details</p>

## (2) Incentives not disclosed in the provisional announcements or with subsequent progress

### Equity incentives

Applicable N/A

### Others

Applicable N/A

### Employee share ownership scheme

Applicable N/A

**Other incentive program**

□Applicable √N/A

**(3) Equity incentives granted to directors and senior management during the Reporting Period**

√Applicable □N/A

Unit: 10,000 shares

Name	Title	Number of share options held at the beginning of the year	Number of newly granted share options during the Reporting Period	Number of exercisable options during the Reporting Period	Number of exercised options during the Reporting Period	Exercise price of share options(RMB)	Number of share options held at the end of the period	Market price at the end of the Reporting Period (RMB)
Yu Xiong	Director, President	14	80	14	14	7.74	80	11.29
Lin Nanqi	Director, Vice President	24	80	24	24	7.74	80	11.29
Qiu Qingfeng	Director, Vice President, Chief Financial Officer	18	60	18	18	7.74	60	11.29
Zhao Fengguang	Vice President, Board Secretary	18	60	18	18	7.59	60	11.29
Total	/	74	280	74	74	/	280	/

**(4) Performance assessment mechanism for senior management during the Reporting Period, and the development and implementation of incentive scheme**

√Applicable □N/A

According to the relevant provisions of the Company such as the Remuneration and Performance Appraisal Management System for Senior Management, the plans on performance appraisal results and remuneration of senior management for the year 2022 are set based on the completion of the operation targets of the Company and the corresponding personal performance of each senior management for the year 2022. The plans shall be submitted to the Board for review and approval. During the Reporting Period, senior management of the Company faithfully performed their duties in strict accordance with the Company Law, the Articles of Association and other relevant regulations, actively implemented the relevant resolutions of the Company's General meetings and the Board meetings, actively adjusted business plans under the guidance of the Board, continuously strengthened internal control management, and strived to improve the Company's core competitiveness.

**XII. Development and implementation of internal controls during the Reporting Period**

√Applicable □N/A

During the Reporting Period, the Company carried out standard operation and risk control in strict accordance with the laws and regulations in China and the internal control system of the Company. The Company established a rigorous internal control management system, continued to optimize and improve the internal control system by combining the industry characteristics and the actual operation of the Company, enhanced its decision-making efficiency, and ensured the legal compliance of business management and the security of corporate assets, facilitating the steady implementation of strategies of the Company. Thanks to an effective internal control mechanism, the Company can prevent, timely identify and correct any deviation in the operation and management, and can reasonably ensure the security and integrity of corporate assets, as well as the authenticity, accuracy and completeness of accounting information, safeguarding the interests of the Company and all shareholders.



Based on the identification of material deficiencies of internal control of the Company, there was no material deficiency or significant deficiency of internal control over financial reporting and non-financial reporting in the Company for the year 2022. Through operation, analysis and evaluation of the internal control system, the Company effectively prevented business management risks, and promoted the achievement of internal control objectives. Looking ahead, the Company will continue to improve the internal control system, standardize its implementation, strengthen the supervision and inspection over internal control, and promote the healthy and sustainable development of the Company. See the Risk Management and Internal Control Self-Assessment Report 2022 of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on 11 April 2023 for details.

**Statement on material loopholes in internal controls during the Reporting Period**

Applicable N/A

**XIII. Management and control of subsidiaries during the Reporting Period**

Applicable N/A

The Company formulated relevant subsidiary management rules, such as the Detailed Rules for Standardized Operation and Management of Subsidiaries, to strengthen internal control of wholly-owned and majority-owned subsidiaries by specifying their governance structure, the management of the Board, the general meetings and the Supervisory Committee, special transactions, legal person's authorization and relevant issues, to improve the Company's overall operating efficiency and risk control capability. During the Reporting Period, the Company exercised management and control over its subsidiaries in accordance with the Company Law, the Articles of Association and other relevant laws and regulations. First, it provided guidance for the subsidiaries as to how to improve the corporate governance structure, and how to revise and improve the Articles of Association and other relevant systems in accordance with relevant laws and regulations; second, through internal training such as training on connected transactions, the Company urged subsidiaries to report to the Company on connected transactions, external guarantee and other major matters in advance; third, the Company updated the internal control manual and related materials, to improve the internal control system, and strengthen implementation and enhance the effectiveness of internal control.

**XIV. Related information on internal control audit report**

Applicable N/A

In accordance with relevant standards, guidelines and regulatory documents, and upon the approval by the audit committee of the Board of Directors, the Board of Directors and the general meeting, the Company engaged Grant Thornton China (special general partnership) to conduct internal control audit in 2022. In accordance with the Basic Standards for Enterprise Internal Control and the Application Guidelines for Enterprise Internal Control, Grant Thornton China conducted audit of the effectiveness of internal control over financial reporting of the Company and its subsidiaries as of 31 December 2022, and issued a standard internal control audit report with unqualified opinion. See the Internal Control Audit Report 2022 of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on 11 April 2023 for details.

**Disclosure of internal control auditor's report:** Yes

**Types of internal control auditor's opinion:** Standard unqualified opinion

**XV. Rectification of self-examined deviations in the Special Action for Governance of Listed Companies**

**1. Optimization of the meeting convening methods of the Board of Directors and Special Committees of the Board**

Description: At present, the Board of Directors and the special committees mostly hold meetings through electric means which is not conducive to full expression of opinions by directors.

Rectification measures: In order to ensure that directors can fully express their opinions, the Company will increase the number of on-site meetings of the Board of Directors and its special committees. In particular, on-site meetings or on-site + virtual means will be held for matters related to major asset purchase or sale or major connected transactions in the future. In 2022, the Company held 6 meeting through a combination of on-site + virtual means, accounted for 42.86% of the number of all meetings, representing an increase of 38.51% over 2021

## **2. Improvement of the audit institution selection and engagement review process**

Description: The special self-inspection found that the Company engaged the audit institution based on inquiry into public available information on its professional competence and integrity, without consulting the record of integrity of the audit institution in the securities and futures market through the China Securities Regulatory Commission in advance.

Rectification measures: From 2021, in addition to the inquiry into public available information, the Company would, before selecting and engaging an audit institution, consult the records of integrity of the audit institution and relevant certified public accountants to be engaged in the securities and futures market as maintained by Shenzhen Securities Regulatory Bureau, to fully learn about its practicing experience, professional competence and integrity

## **XVI. Others**

Applicable N/A

## Chapter 5 Environmental and Social Responsibility

### I. Environmental information

If the environment protection mechanism was established	Yes
Amount of funds invested in environment protection during the Reporting Period (Unit: RMB0'000)	12,273.48

### (I) Environmental issues of companies and their major subsidiaries belonging to key pollutant discharging units as announced by the environmental protection department

√ Applicable □ N/A

#### 1. Pollution discharge information

√ Applicable □ N/A

##### iJiaozuo Joincare

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t/a)	Total amount of discharge approved (t/a)	Excessive discharge
Jiaozuo Joincare	Chemical oxygen demand	Continuous	1	Master outlet in sewage treatment workshop	119	220	757	942.1	Nil
	Ammonia nitrogen	Continuous			14	35	91	105.3	Nil

##### iiTaitai Pharmaceutical

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t/a)	Total amount of discharge approved (t/a)	Excessive discharge
Taitai Pharmaceutical	Chemical oxygen demand	Intermittent	1	Master outlet in sewage treatment workshop	39.44	345	0.35	19.34	Nil
	Biochemical oxygen demand				3.05	150	0.021	/	Nil
	Suspended solids				4	250	0.034	/	Nil
	pH value				7.66	6~9	/	/	Nil
	Sulfur dioxide	Intermittent	1	Discharge outlet of boiler exhaust gas	1.69	50	0.20	/	Nil
	Nitrogen oxide				13.92	150	0.16	/	Nil
	Particulate matter				14.26	20	0.15	/	Nil

##### iii Haibin Pharma

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t/a)	Total amount of discharge approved (t/a)	Excessive discharge
Haibin Pharma	Chemical oxygen demand	Intermittent	1	Master outlet in sewage treatment workshop	54.8	500	3.2	41.65	Nil
	Ammonia nitrogen				0.99	45	0.06	3.75	Nil
	Total nitrogen				6.09	70	0.3374	5.83	Nil
	Total volatile organic compounds	1	Discharge outlet of process exhaust gas	0.42	100	0.0013	0.50	Nil	
	Non-methane hydrocarbon	1	Discharge outlet of exhaust gas in sewage station	11.27	60	0.87	5.04	Nil	

**iv Xinxiang Haibin**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t/a)	Total amount of discharge approved (t/a)	Excessive discharge
Xinxiang Haibin	Chemical oxygen demand	Continuous	1	Master outlet in sewage treatment workshop	66.01	220	9.8	14.81	Nil
	Ammonia nitrogen				5.22	35	0.78	1.66	Nil

**v Fuzhou Fuxing**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Fuzhou Fuxing	Chemical oxygen demand (COD)	Intermittent	1	The northwest side of the factory	16.59	100	19.41	102.19	Nil
	Ammonia nitrogen				0.22	15	0.255	10.22	Nil

Note: The discharge concentration represents the actual discharge concentration. The standards implemented represent the standards for discharge to the environment by Jiangyin sewage plant (江阴污水处理厂) (i.e. COD  $\leq 100\text{mg/L}$ , ammonia nitrogen  $\leq 15\text{mg/L}$ ), and the agreed standard for discharge of COD and ammonia nitrogen from the company to Jiangyin sewage plant shall be  $\leq 500\text{mg/L}$  and  $\leq 60\text{mg/L}$ , respectively. The data was obtained from Fuqing Environmental Protection Bureau.

**vi Livzon Xinbeijiang**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon Xinbeijiang	Chemical oxygen demand	Intermittent	1	Sewage treatment workshop	88.3	240	70.95	213.6	Nil
	Ammonia nitrogen				3.3	70	2.69	24.5	Nil

Note: The discharge concentration represents the concentration of discharge into Qingyuan Henghe Sewage Treatment Plant (清远横荷污水处理厂), while the standard adopted for discharge represents the standard stipulated in the pollutant discharge license of the company, i.e. COD  $\leq 240\text{mg/L}$ , ammonia nitrogen  $\leq 70\text{mg/L}$ . The data was obtained from Qingyuan Environmental Protection Bureau.

**vii Livzon Hecheng**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)/(mg/m <sup>3</sup> )	Pollutant discharge standards implemented (mg/L)/(mg/m <sup>3</sup> )	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon Hecheng	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	120	192	15.37	26.68	Nil
	Ammonia nitrogen (NH <sub>3</sub> -N)				1.78	40	1.38	5.48	Nil
	Sulfur dioxide	Organized continuous emission	3	Boiler room	3	50	0.125	/	Nil
	Nitrogen oxide				74.85	150	2.051	/	Nil
	Particulate matter				1.43	20	0.034	/	Nil
	Hydrogen chloride				2.29	100	0.829	/	Nil
	Non-methane hydrocarbon				11.41	60	7.551	77.76	Nil

	Non-methane hydrocarbon		1	RTO	5.25	60	0.815		Nil
	Nitrogen oxide		1	RTO	30	200	2.278	/	Nil
	Sulfur dioxide		1	RTO	3	200	0.467	/	Nil

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

2. The discharge concentration of pollutants in the discharge outlet of waste gas represents the average concentration detected by a qualified third party engaged, of which the boiler exhaust adopted the Emission Standard for Boiler Atmospheric Pollutants in Guangdong Province (DB 44/765-2019) (《广东省锅炉大气污染物排放标准》(DB 44/765-2019)). The workshop and wastewater treatment station emission complied with the “Air Pollutant Discharge Standards for Pharmaceutical Industry” (《制药工业大气污染物排放标准》) (GB 37823-2019).

### viii Gutian Fuxing

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Gutian Fuxing	Chemical oxygen demand	Continuous	1	Southeastern part of the factory zone	46.37	120	11.274	108	Nil
	Ammonia nitrogen				9.80	35	2.381	31.5	Nil

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

### ix Livzon Limin

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon Limin	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	19.00	110	4.86	Nil	Nil
	Ammonia nitrogen				0.51	15	0.14	Nil	Nil

Note: The wastewater of Livzon Limin was discharged into Shaoguan Second Sewage Treatment Plant (韶关市第二污水处理厂) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD  $\leq$ 110mg/L, ammonia nitrogen  $\leq$ 15mg/L, while the data detected by third party inspection was adopted as the discharge concentration.

### x Livzon Pharmaceutical Factory

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon Pharmaceutical Factory	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	17.65	120	2.22	Nil	Nil
	Ammonia nitrogen				1	Wastewater treatment station	0.10	20	0.012

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企业水污染物排放浓度限值) of the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混装制剂类制药工业水污染物排放标准》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企业水污染物排放浓度限值) of “Discharge Standards for Biopharmaceutical Industrial Wastewater” (《生物工程类制药工业水污染物排放标准》) (GB 21907-2008), and

the level 1 of phase II standard of “Guangdong Provincial Capping on Polluted Effluents Discharge” (《广东省水污染物排放限值》) (DB44/26-2001).

### xi Ningxia Pharmaceutical

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)/(mg/m <sup>3</sup> )	Pollutant discharge standards implemented (mg/L)/(mg/m <sup>3</sup> )	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharmaceutical	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on the north side of the factory zone	108	200	110.47	Nil	Nil
	Ammonia nitrogen				0.6	25	0.74	Nil	Nil
	Sulfur dioxide		1	Boiler workshop on north side of factory zone	92	200	24.46	156.816	Nil
	Nitrogen oxide				138	200	72.72	156.816	Nil
	Particulate matter				14	30	6.11	23.522	Nil
	Volatile organic compounds		9	4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage	2.2	100	5.38	79.535	Nil

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

2. The emission concentration of boiler exhaust gas represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the standard stipulated in the pollutant discharge license of the company and the amount of discharge was calculated by the amount indicated by online monitoring. The concentration of volatile organic compounds (VOCs) represents the concentration of ultimate discharge to the environment (self-monitoring concentration). The adopted standard was the standard limits stipulated in Schedule I of the “Air Pollutant Discharge Standards for Pharmaceutical Industry” (《制药工业大气污染物排放标准》) (GB37823-2019) and the amount of discharge was calculated by the amount of exhaust gas emissions and the discharge concentration recorded by the monitoring report.

### xii Jiaozuo Hecheng

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Jiaozuo Hecheng	Chemical oxygen demand	Continuous	1	Master outlet in industrial wastewater workshop	99.213	220	8.037	60.8	Nil
	Ammonia nitrogen				3.483	35	0.281	8.8	Nil

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

### xiii Shanghai Livzon

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)/(mg/m <sup>3</sup> )	Pollutant discharge standards implemented (mg/L)/(mg/m <sup>3</sup> )	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Shanghai Livzon	Chemical oxygen demand	Intermittent	1	Master outlet in the park	39.92	50	3.30	6.291	Nil

	Ammonia nitrogen				4.72	5-8	0.38	0.923	Nil
	Particulate matter	Organized intermittent discharge	2	No. 5 and 6 outlets on the roof	-	-	0.008	0.054	Nil
	Volatile organic compounds		8	No.1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	1.35	60	0.03	0.82	Nil

Note: The discharge concentration was the average of monthly third-party monitoring data, and the amount of discharge was the cumulative sum of monthly discharge. The discharge of VOCs and particulate were in accordance with the “Air Pollutant Discharge Standards for Pharmaceutical Industry” (《制药工业大气污染物排放标准》) (GB37823-2019), and the discharge of COD and Ammonia nitrogen were implemented in accordance with the comprehensive sewage discharge standard DB31/199-2018. Shanghai Livzon was among other key pollutant discharge units, but not among the key pollutant discharge units of water environment and atmospheric environment.

**xiv Livzon MAB**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon MAB	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	17.65	120	2.88	Nil	Nil
	Ammonia nitrogen		1	Wastewater treatment station	0.10	20	0.016	Nil	Nil

Note: The discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged, by implementing the strictest of Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企业水污染物排放浓度限值) of the “Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category” (《混装制剂类制药工业水污染物排放标准》) (GB 21908-2008), Schedule 2 Water Pollutant Discharge Concentration Limits for Newly-Built Enterprises (表 2 新建企业水污染物排放浓度限值) of “Discharge Standards for Biopharmaceutical Industrial Wastewater” (《生物工程类制药工业水污染物排放标准》) (GB 21907-2008), and the level 1 of phase II standard of “Guangdong Provincial Capping on Polluted Effluents Discharge” (《广东省水污染物排放限值》) (DB44/26-2001).

**xv Sichuan Guangda**

Name of company or subsidiary	Name of major pollutants and specific pollutants	Mode of discharge	Number of discharge outlets	Number of discharge outlets	Discharge concentration (mg/L)	Pollutant discharge standards implemented (mg/L)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Sichuan Guangda	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	35.85	500	3.26	Nil	Nil
	Ammonia nitrogen				1.61	45	0.15	Nil	Nil

Note: The wastewater of Sichuan Guangda was discharged into Pengzhou First Sewage Treatment Plant (彭州市第一污水处理厂) and the standard adopted for pollutant discharge represented the standard stipulated in the pollutant discharge license of the company, i.e. COD ≤500mg/L, ammonia nitrogen ≤45mg/L, while the discharge concentration of pollutants in the wastewater discharge outlet represents the average concentration detected by a qualified third party engaged.

**2. Construction and operation of pollution preventive facilities**

√ Applicable □ N/A

Name of company or subsidiary	Construction and operation of pollution preventive facilities
Jiaozuo Joincare	Exhaust gas: The treatment process of “water spray + acid spray + alkali spray + mist eliminator + dry filter + adsorption concentrator + RCO” + “secondary alkali spray” was adopted for fermentation exhaust gas. The treatment process of “bag type dust collector” was adopted for proportioning process dust-laden exhaust gas. The treatment process of “secondary alkali spray” was adopted for exhaust gas treatment

	<p>facilities in wastewater treatment station. The treatment process of “alkali adsorption” was adopted for process acid waste gas. The treatment process of “tertiary finned condenser + bag type dust collector + secondary alkali spray + RTO”/“-20 °C condensation + activated carbon adsorption device (including regenerating device) + RTO”/“adsorption device (including regenerating device) Jiaozuo Joincare + secondary alkali spray + biological uptake + secondary alkali spray”/“secondary alkali spray + biological uptake + secondary alkali spray” was adopted for process organic exhaust gas. 15 discharge outlets were constructed. All of them enable stable and up-to-standard discharge through self-monitoring in 2022.</p> <p>Wastewater: The treatment process of “regulating pool + hydrolysis acidification pool + UASB + (CASS + air flotation) / modified A/O + secondary settling tank + coagulating sedimentation” was primarily adopted. Standard wastewater outlets were set; online automatic monitoring control system was installed at outlets for real-time monitoring of COD, ammonia nitrogen, total nitrogen, pH, fluorion and flow. Wastewater treatment process sections can be stably operated. Moreover, wastewater control factors can be stably emitted in compliance with the required standard.</p>
Taitai Pharmaceutical	Pollution preventive facilities functioned properly and ensured up-to-standard discharge.
Haibin Pharma	A set of laboratory exhaust gas treatment system was set up and functioned properly. Pollution preventive facilities functioned properly and ensured up-to-standard discharge.
Xinxiang Haibin	<p>Wastewater: The wastewater treatment system with daily processing capacity of 600 tonnes through patented H/O process designed by East China University of Science and Technology started operation in April 2016 and functioned properly in 2022. In March 2022, a set of lift aerator system and a set of magnetic levitation blower were added in the biochemical system, and they have been put into operation and functioning properly at present. A new sewage anaerobic treatment system had been building and is under debugging. The H/O biochemical system increased two nitrification reflux pumps of 100m<sup>3</sup>/h through upgrading and constantly functioned properly.</p> <p>Exhaust gas: The 40000m<sup>3</sup>/h regenerative oxidation exhaust gas treatment system designed by Jiangsu Ruiding started operation on 2 November 2019, functioned properly throughout 2022 and was emitted in compliance with the required standard. After reconstruction of dry tail gas self-circulating process, the activated carbon adsorption device designed by Beijing Rixin Daneng Technology Co., Ltd. functioned properly in 2022. After UV photolysis+two-level alkali spray and one-level water spray treatment, the waste gas from biochemical aerobic process of wastewater treatment was emitted in compliance with the required standard. The organic waste gas from the workshop process was recycled by membrane and then by resin, and finally delivered into the RTO waste gas treatment system, it ran normally in 2022. The resin recovery organic waste gas pretreatment facilities were completed and run normally.</p>
Fuzhou Fuxing	The company strictly complies with the “Three-Simultaneous” system of environmental protection by collecting and treating “Three Wastes (waste water, exhaust gas and solid waste)” according to requirements, and employs an advanced wastewater treatment process known as “Regulating pool + Hydrolysis acidification tank + Sequencing Batch Reactor Activated Sludge Process (SBR) + Air float”. After the wastewater from production has gone through the above treatment process, all indicators are stable and satisfy the discharge standard. After meeting the discharge standards, the wastewater is discharged to Jiangyin sewage treatment plant operated by Fujian Huadong Water Treatment Co., Ltd. (福建华东水务有限公司) via sewage pipe network at the industrial park area for further treatment. In 2022, the waste gas treatment facilities for Fenton pool and regulating pool have been added, and the waste gas was treated by secondary spraying.
Livzon Xinbeijiang	The “Three Wastes” were collected and treated effectively in strict compliance with the “Three Simultaneous” system. The sewage treatment facilities with an investment amount of over RMB30 million have a designed processing capacity of 3,000t/d and adopt the treatment process of “Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float”. In the first half of 2022, the third round of environmental protection improvement has been carried out, including replacing biological deodorization boxes of the sewage station, adding spray towers and reinstalling pretreatment waste gas collection pipeline to reduce the fugitive emission of waste gas, which has greatly eliminated the peculiar smell around the sewage station. Mufflers were installed at the air emission outlets of the sewage station and the second fermentation division to reduce the airflow sound of air emissions. Sound-absorbing cotton panels have been used to surround the circulating



	<p>pump and steam compressor of the MVR, which have greatly reduced the noise transmitted by the MVR. Meanwhile, equipment with loud noises has been surrounded by sound-absorbing cotton panels to reduce noise and control the generation and transmission of noise from the source.</p>
Livzon Hecheng	<p>The “Three Wastes” were treated in a centralized and effective manner in strict compliance with the “Three Simultaneous” system and the maintenance and management of pollution preventive facilities were enhanced to ensure that pollutant discharge was stable and in compliance with the required standard. The treatment process of “pre-treatment of drainage from the production process + hydrolytic acidification + Upflow Anaerobic Sludge Bed (UASB) + advanced oxidation + Cyclic Activated Sludge System (CASS) process + air floatation/ozonation advanced treatment” was adopted. Treated sewage was discharged through the municipal sewage pipeline network into Zhuhai Leaguer Environmental Protection Co., Ltd. (珠海力合环保有限公司) (water purification plant in the South District).</p>
Gutian Fuxing	<p>At the same time when the enterprise started production, the “Three Wastes” were collected and treated effectively in accordance with the requirements of the “Three Simultaneous” system of environmental protection. This involves a designed sewage treatment capacity of 1,200 t/d, adoption of the advanced “Anarerobic-Oxic activated sludge process (A/O) + SBR + nitrogen removal by denitrification + Fenton decolorizing + air floatation” wastewater treatment process, 6,000 m<sup>3</sup> of effective reservoir capacity of the treatment system and more than 20 sets of treatment equipment with 350 KW installed capacity to improve the water treatment process, thus ensuring that all wastewater treatment indicators are stable and satisfy the discharge standard. Treated sewage that reaches the grade II discharge standard is directly discharged into Minjiang River. The hazardous waste of the company is entrusted to qualified companies for compliant disposal according to the requirements of environmental impact assessment and acceptance inspection opinions. In 2022, boiler air pollutant treatment facilities were upgraded and reconstructed.</p>
Livzon Limin	<p>The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. The original sewage treatment plant with an investment amount of over RMB13 million has a designed processing capacity of 1,500t/d and adopts the treatment process of “Pre-treatment + Hydrolysis acidification tank + Facultative tank + Aerobic pool + Secondary sedimentation”, and the sewage after treatment was discharged through the municipal pipeline network into Shaoguan Second Sewage Treatment Plant (韶关市第二污水处理厂). In respect of waste gas treatment, biomass boilers were all replaced by gas boilers. The technical transformation project of the R&amp;D center has installed waste gas treatment facilities such as activated carbon adsorption and acid mist spray tower. In respect of control of noise pollution, investment was made to construct noise segregation wall to reduce noise pollution.</p>
Livzon Pharmaceutical Factory	<p>The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater: an investment of over RMB10 million was made for phase I and phase II sewage treatment station with a designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, the company uses purchased steam and takes the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.</p>
Ningxia Pharmaceutical	<p>Through strict enforcement of the “Three Simultaneous” system, the “Three Wastes” were collected and treated effectively. The designed total processing capacity of sewage treatment was 7,500 m<sup>3</sup>/d (including one plant with capacity of 5,000 m<sup>3</sup>/d and one plant with capacity of 2,500 m<sup>3</sup>/d), and the actual total treatment amount was 3,100 m<sup>3</sup>/d. Treated sewage that reaches the standard stipulated in the pollutant discharge license is discharged to Xin’an Company through the sewage pipeline network in the industrial park. In 2021, the installation and use of waste gas collection and treatment facilities for hazardous waste stations were completed, and doramectin fermentation waste gas of fermentation workshop 101 was introduced into the specific waste gas treatment facilities for doramectin fermentation waste gas of fermentation workshop 102, and a primary sedimentation tank was added to the sewage treatment station to lead out waste gas for treatment. In 2022, the construction of the following pollution prevention and control facilities was mainly completed: 1. Construction of the exhaust sampling port and sampling platform of the waste gas collection and treatment facility in the hazardous waste storage vault; 2. Renovation of the fresh air supply facility in the bacteria residue crushing room. The original fresh air supply fan installed in the</p>

	<p>middle of the wall was moved to the bottom of the wall, and installation of a new fresh air supply fan; 3. Upgrade and improvement of the original waste gas treatment facilities in 103-2 fermentation workshop, mainly including a new set of "sodium hypochlorite spray absorption + water spray absorption + biphasic superoxide water + micro-nano bubbles" process treatment facilities; 4. Construction of anti-leakage facilities in the emergency pool of hazardous chemicals warehouse; 5. Replacement of damaged cover plate of sludge storage tank; 6. reseal the cover plate of the sewage treatment pre-aeration tank and seal and repair of the water-sealing groove of the cover plate of the sedimentation tank, sealing the original cover plate of the pre-aeration tank integrally with glass fiber cloth and epoxy resin, applying paint on the rusted pipeline, and welding and plugging the damaged part of the water-seal groove of the cover plates of original sedimentation tank; 7. the construction of rainwater and sewage diversion facilities in the plant area, and laying and installing rainwater collection pipe network facilities with a total length of about 1,000 meters.</p>
<p>Jiaozuo Hecheng</p>	<p>The “Three Wastes” were collected and treated effectively in strict compliance with the “Three Simultaneous” system. The designed sewage treatment capacity was 3,000t/d, the treatment process of “hydrolytic acidification tank + UASB + aerobic pool + materialized treatment” was adopted, the treated wastewater would be discharged through the municipal pipeline network into the sewage treatment plant of Xiuwu Branch of Kangda Water Co., Ltd. (康达水务有限公司修武分公司). The sewage treatment facilities were under normal operation with compliant discharge. For waste gas: in 2021, the three-stage sewage spraying was replaced, and a set of waste gas treatment facilities was added in the UV photolysis sewage station. Waste gas would be discharged after standard was met. Waste gas generated from technical process in the production zone would be collected and treated by adopting two sets of processes of “water spray + activated carbon and -20°C condensation + water spray + activated carbon” and then discharged after reaching the required standard. Solid waste and hazardous waste would be stored in the hazardous waste station constructed in compliance with the requirements of “Three Protections” (protection against leaks, erosion and rain) according to the requirements under the (Pilot) Guidelines for Standardized Management of Hazardous Waste in Henan Province (《河南省危险废物规范化管理工作指南(试行)》) for hazardous waste. In January 2022, a self-monitoring and automatic monitoring equipment comparison contract was signed with Henan Zhongfang Quality Inspection Technology Co., Ltd. (河南中方质量检测技术有限公司) to monitor the company’s discharge outlets on a regular basis; in January 2022, an operation and maintenance contract in relation to online continuous monitoring system for water quality was signed with Jiaozuo Lansheng Environmental Technology Service Co., Ltd. (焦作市蓝晟环保技术服务有限公司) to maintain the water quality by the company’s online continuous monitoring system. In April 2022, the company entered into a hazardous waste disposal agreement with Henan Zhonghuanxin Environmental Technology Co., Ltd. (河南中环信环保科技有限公司) for disposal of hazardous waste on regular basis. Other general solid waste would be disposed of in compliance with the relevant requirements. In March 2022, we signed a wastewater discharge water quality standard agreement with Kangda Environmental Protection Water Co., Ltd. (康达环保水务有限公司) Xiuwu Branch, and in the same month, we signed an LDAR test agreement with Shandong Xianglong Environmental Testing Co., Ltd. In July 2022, we signed a gas online operation and maintenance contract with Jiaozuo City Kailin Environmental Protection Technology Co., Ltd. (焦作市凯霖环保科技有限公司).</p>
<p>Shanghai Livzon</p>	<p>The company designed and built a sewage treatment station with a processing capacity of 200 m<sup>3</sup>/d in 2018. The company’s wastewater was treated by such sewage treatment station and then entered the park’s sewage treatment station for secondary treatment, and finally discharged into the municipal pipeline network. The company had the hazardous waste station in compliance with the requirements of “Three Preventions” to store hazardous waste and appointed a qualified company for compliant disposal. The company’s main discharge outlets were treated with activated carbon adsorption and filtration, and the activated carbon was replaced every half a year to ensure that the air emissions met the standards. In January 2022, the company demolished the solid preparation workshop on the third floor and transformed it into a microsphere workshop, and there is no particulate matter emission from the No. 5 and No.6 discharge outlets accordingly.</p>
<p>Livzon MAB</p>	<p>The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater (relying on the wastewater treatment of Pharmaceutical Factory in the park): an investment of over RMB10 million was made for phase I and phase II sewage</p>

	treatment station with designed processing capacity of 1,000t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged through the municipal pipeline network into sewage treatment plants. For waste gas: currently, the company uses purchased steam and takes the boilers as backups, greatly reducing air emissions. The waste gas of the wastewater treatment stations is treated by a combination of first-level spray towers, Ultra Violet (UV) photoion equipment and second-level spray towers.
Sichuan Guangda	The “Three Simultaneous” system was strictly implemented by the company for the treatment of “Three Wastes” by collecting and treating the “Three Wastes” effectively. For wastewater (relying on the wastewater treatment station with an investment of over RMB5 million and designed processing capacity of 400t/d, which adopted the process of “Regulating pool+Anaerobic pool+Aerobic pool+Air float” for sewage treatment, the sewage after treatment was discharged through the municipal pipeline network into Pengzhou No.1 Sewage Treatment Plant (彭州市第一污水处理厂). For waste gas: currently, the company adopts biomass boiler with "cyclone + cloth bag +SNCR+SCR" to treat the waste gas produced. The waste gas of sewage station is treated by alkali washing spray.

### 3. Environmental impact assessment of construction projects and other environmental protection administrative licensing

√Applicable □N/A

Name of company or subsidiary	Environmental impact assessment of construction projects and other environmental protection administrative licensing
Jiaozuo Joincare	The Approval of Environmental Impact Report on New 12T Natural Gas Boiler Project for Jiaozuo Joincare Pharmaceutical Industry Co., Ltd. (Jiao Huan Shen Ma [2022] No. 2) was granted on 11 May 2022. The environmental protection inspection for the new boiler project was carried out on 26 October 2022.
Taitai Pharmaceutical	The environmental impact assessment report of new products was under the stage of preparation and approval.
Haibin Pharma	No environmental impact assessment project was required in 2022; with strict enforcement of the “Three Simultaneous” system in the production process and implementation of the environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly; the change of pollutant discharge license was applied for and obtained approval in November 2022.
Xinxiang Haibin	Approval of Environmental Impact Report on 20 Tonnes/Year Meropenem Pharmaceutical Intermediate Project (Yu Huan Jian [2005] No. 84), Opinions on Environmental Protection Inspection and Acceptance for 20 Tonnes/Year Meropenem Pharmaceutical Intermediate F9 Project (Yu Huan Bao Yan [2008] No. 89), Approval of Environmental Impact Report on 100 Tonnes/Year Meropenem Pharmaceutical Intermediate Expansion Project (Yu Huan Shen [2014] No. 564), Independent acceptance of Approval of Environmental Impact Report on 100 Tonnes/Year Meropenem Pharmaceutical Intermediate Expansion Project on 24 March 2019, and Opinions of Comprehensive Supervision and Enforcement Bureau of High-tech Zone on Approval of Environmental Impact Report on Technical Center Expansion Project of Xinxiang Haibin Pharmaceutical Co., Ltd. (Xin Gao Zong Jian Zi [2020] No. 26). The reply to the Environmental Impact Assessment Report for the Peinan Series API Development Project of Xinxiang Haibin Pharmaceutical Co., Ltd (Xin Huan Shu Shen [2021] No. 24) was received.
Fuzhou Fuxing	The Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. was approved on 23 August 2021. The company strictly implements the “Three Simultaneous” system and takes environmental protection measures required for environmental assessment, with the environmental protection facilities under normal operation. Approval was granted for the application of a new national pollutant discharge license on 27 December 2017 and the renewal of the national pollutant discharge license was completed in December 2020. The company has been discharging pollutants in strict compliance with the licensing and administrative requirements. The Environmental Impact Report on the Phase IV High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. was approved on 12 October 2022.
Livzon Xinbeijiang	The “Environmental Impact Report on Current Status of Projects of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.” (《(丽珠集团新北江制药股份有限公司项目现状环境影响报告书》) was approved and filed on 6 December 2016. With strict enforcement of the “Three Simultaneous” system and implementation of the

	<p>environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly. On 29 December 2017, an approval was granted for the application of a new national pollutant discharge license. The environmental protection policies were strictly enforced. On 28 April 2022, the company completed the application for the pollutant discharge license for Shijiao New Factory. On 16 June 2022, the company completed the environmental impact assessment of the new plant for the addition of mixed compound veterinary drugs and obtained the environmental assessment approval (Qingcheng Shen Pi Huan Biao [2022] No. 12). The work for changing and renewing the pollutant discharge license was completed in December 2022.</p>
<p>Livzon Hecheng</p>	<p>The “Environmental Impact Assessment Report on Current Status of the Product Structure and Production Capacity Adjustment Project of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《珠海保税区丽珠合成制药有限公司产品结构及产能调整项目现状环境影响评价报告》) was approved in December 2016. In 2021, the environmental impact assessment of 14 new products including paliperidone palmitate (棕榈酸帕利哌酮), aripiprazole (阿立哌唑), bismuth potassium citrate (枸橼酸铋钾), i.e. the “Environmental Impact Assessment Report on Technological Renovation and Expansion Project of Livzon Synthetic Pharmaceutical Co., Ltd. in Zhuhai Free Trade Zone” (《珠海保税区丽珠合成制药有限公司技改扩建项目环境影响评价报告》), passed expert review and was approved on 20 January 2022. The company strictly enforced the “Three Simultaneous” system and implemented environmental protection measures as required under environmental impact assessment with normal operation of the environmental protection facilities. In 2022, it was awarded the green card enterprise of environmental credit rating by Zhuhai Municipal Ecology and Environment Bureau. In March 2022, the company completed the filing of the revised environmental emergency contingency plan.</p>
<p>Gutian Fuxing</p>	<p>The company passed the environmental impact assessment on 30 June 1999 and the inspection and acceptance upon completion of construction carried out by Environmental Protection Bureau of Fujian Province on 5 June 2000. The company re-prepared its post-environmental impact assessment report in 2019 and passed the inspection and acceptance carried out by experts on 11 June 2019. The company strictly enforced the “Three Simultaneous” system and implemented environmental protection measures as required under environmental impact assessment with normal operation of the environmental protection facilities. The clean production passed the on-site audit and acceptance by the Bureau of Ecology and Environment in September 2022, and the audit and inspection opinion of the Ningde Environmental Science Institute was obtained in October 2022.</p>
<p>Livzon Limin</p>	<p>The “Environmental Impact Report on the Technological Reform Project for the R&amp;D Center of Livzon Group Limin Pharmaceutical Manufacturing Factory” (《丽珠集团利民制药厂研发中心技改项目环境影响报告表》) was approved on 6 December 2019. The expert meeting of acceptance was held on 24 April 2021, in which the independent acceptance was completed. The “Environmental Impact Report for Workshop II of Small capacity Injection” (《小容量注射剂二车间项目环境影响报告表》) was approved on 23 November 2020. On 15 September 2021, the expert meeting of acceptance was held, in which the independent review was completed. The National Sewage Permit was updated on 22 October 2021. The “Three Simultaneous” system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, and the environmental protection facilities were under normal operation. In September 2022, Limin Pharmaceutical Manufacturing Factory passed the on-site audit of cleaner production by the expert group. In the future, it will continue to tap the potential of energy conservation and emission reduction, establish and improve the cleaner production mechanism, and continuously improve the level of cleaner production. From 2019 to 2022, it was consecutively rated as a green card enterprise by Shaoguan Ecology and Environment Bureau.</p>
<p>Livzon Pharmaceutical Factory</p>	<p>The Environmental Impact Assessment Report on Expansion Project for Production Line of Recombinant Human Chorionic Gonadotropin for Injection of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂) was approved in March 2018. The Environmental Impact Assessment Report on Expansion Project for Sewage Treatment Stations of Livzon Group Livzon Pharmaceutical Factory was approved in April 2019. The Environmental Impact Assessment Report on Expansion Project for Production Line of lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory was approved in November 2020. The Environmental Impact Report Form of P07 New Wet Granulation Line Project of Livzon Group Livzon Pharmaceutical Factory was approved on 18 May 2022. The pharmaceutical factory obtained an updated sewage permit in June 2022. The Environmental Impact Report on</p>

	the Project of New Boiler and Low Nitrogen Transformation of Boiler was approved on 19 August 2022. The company will strictly enforce the “Three-simultaneous” system to implement the environmental protection measures as required by environmental assessment.
Ningxia Pharmaceutical	The environmental protection inspection for completion of doramectin expansion project was completed in March 2021. In September 2021, expert review and government filing were completed for the environmental impact evaluation of project work upon optimized disposal of the company’s solid waste. The company applied to change its pollutant discharge permit and passed the review of the Pingluo Branch of Shizuishan Municipal Ecology and Environment Bureau in December 2021. In December 2022, the company passed the certification of Shizuishan municipal green plant and prepared the environmental impact assessment report on the increase in production capacity of phenylalanine (currently under review by experts). The company reported to the national pollution discharge license management information platform (pollution discharge implementation report) and the ecological environment statistics business system (enterprise environment statistics report) quarterly. In 2022, the second round of rectification of central environmental protection supervision issues, independent acceptance by enterprises and government acceptance were also completed. The company strictly enforced the “Three Simultaneous” system to implement the environmental protection measures as required by environmental assessment, while the environmental protection facilities were under normal operation.
Jiaozuo Hecheng	The “Environmental Impact Assessment Report on Current Status of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《焦作丽珠合成制药有限公司现状环境影响评估报告》) was approved and filed on 15 December 2016. The “Three Simultaneous” system was strictly enforced, the environmental protection measures as required by environmental assessment were implemented and the environmental protection facilities were under normal operation. The application for the national pollutant discharge license was completed in December 2020, the environmental protection policies were strictly enforced and various management measures were implemented. According to the spirit of the document “Notice of the Office of the Leading Group of Jiaozuo City’s Pollution Prevention and Control Battle on Doing a Good Job in the Key Work of Air Pollution Prevention and Control in May 2022”, the company formulated the “one policy for one enterprise” plan for Jiaozuo Hecheng VOCs emission enterprise in 2022. In May 2022, the letter of commitment for environmental protection and law-abiding operation of enterprises for 2022 was formulated.
Shanghai Livzon	The company passed the environmental assessment review of the “Leuprorelin Acetate Microspheres for Injection Industrialization Project” (《注射用醋酸亮丙瑞林微球产业化项目》) on 11 October 2010, obtained the approval for the “Environmental Impact Report on Supporting Engineering and Laboratory Projects of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.” (《上海丽珠制药有限公司配套工程及实验室项目环境影响报告》) on 10 January 2020, and completed the construction and passed the acceptance inspection in September 2020. The company strictly implemented the “Three Simultaneous” system and took environmental protection measures required for environmental assessment, while the environmental protection facilities were under normal operation.
Livzon MAB	The “Environmental Impact Assessment Report on V-01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory” (《关于丽珠集团丽珠制药厂 V-01 产业化项目环境影响报告书》) was approved in April 2021. The Third Line Environmental Impact Report of the Expanded Preparation of the Large-scale Production Capacity Construction Project of Recombinant SARS-CoV-2 Fusion Protein Vaccine (V-01) was approved in March 2022. The company obtained an updated sewage permit in November 2022. The company strictly implemented the “Three Simultaneous” system and took environmental protection measures required for environmental assessment.
Sichuan Guangda	The “Filing Report of Environmental Impact on the Technical Upgrading Project of Production Line for Chinese Patent Medicine of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd.” (《四川光大制药有限公司中成药生产线技术改造项目环境影响备案报告》) was approved and filed on 27 May 2016, and was granted a national pollutant discharge license on 23 July 2020. The company strictly implemented the “Three Simultaneous” system and took environmental protection measures required for environmental assessment, and the environmental protection facilities were under normal operation.

#### 4. Environmental emergency contingency plan

√ Applicable □ N/A

Name of company or subsidiary	Environmental emergency contingency plan
Jiaozuo Joincare	Revision of the environmental emergency contingency plan of Jiaozuo Joincare was completed in May 2022 and was filed in the Macun Branch of Ecology and Environment Bureau of Jiaozuo City on 19 May 2022. Revision of the environmental emergency contingency plan for hazardous waste pollution accident of Jiaozuo Joincare was completed in December 2020, which currently is in effect.
Taitai Pharmaceutical	Review and filing was completed in July 2020, which currently is in effect.
Haibin Pharma	The Environmental Emergency Contingency Plan was filed (File No. 440308-2020-0029M). Trainings and drills on emergency responses were provided for employees to improve the capability of the Company for dealing with environmental emergencies. In 2022, four emergency drills for environmental emergencies were held.
Xinxiang Haibin	Environmental Emergency Contingency Plan of Xinxiang Haibin Pharmaceutical Co., Ltd. was filed with the Ecology and Environment Bureau on 23 August 2022 with the file reference number 410771-2022-006-M.
Fuzhou Fuxing	Pursuant to relevant provisions and requirements, the “Environmental Emergency Contingency Plan of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.” (《(丽珠集团福州福兴医药有限公司突发环境事件应急预案)》) was prepared based on the principles of “prevention-oriented, self-help-oriented, unified command, and division of responsibility”, which has been filed on 15 April 2022 (File No. 350181-2022-024-M). After environmental emergencies occur, immediate, quick, effective and orderly emergency rescue actions shall be taken to control and prevent the spread of accident and contamination, protect the surrounding environment and safeguard life and property of all employees, the company and nearby communities. In accordance with the contents and requirements of the plan, the company provides trainings and drills for its employees to get them well-prepared for environmental emergencies, so that timely rescue can be taken and the accident can be controlled in a short period of time in case of any environmental emergencies. In May 2022, the second comprehensive emergency drill for four leakage accidents in the workshop was conducted.
Livzon Xinbeijiang	Based on the principles of “prevention-oriented, on-alert all the time; classified management, level-by-level response; cross-department cooperation, responsibility by levels; scientific prevention and efficient handling”, Livzon Xinbeijiang re-signed and issued the “Environmental Emergency Contingency Plan of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc.” (《(丽珠集团新北江制药股份有限公司突发环境事件应急预案)》) (File No. 441802-2021-0162-H) on 30 September 2021, which has been approved and filed by Qingyuan Municipal Ecology and Environment Bureau on 22 October 2021. Livzon Xinbeijiang conducted exercises regularly to identify environmental factors and sources of hazards, as well as drills on the emergency contingency plan. An environmental emergency contingency drill was conducted in June 2022 to improve the operability thereof, and enhance the performance of the emergency rescue staff and the responsiveness and coordination ability of the rescue team.
Livzon Hecheng	Pursuant to relevant provisions and requirements, the “Environmental Emergency Contingency Plan of Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《(珠海保税区丽珠合成制药有限公司突发环境事件应急预案)》) was prepared based on the principles of “Focus on Prevention, Aim at Self-rescue, Centralized Command, and Division of Responsibility”, which has been approved, filed and issued (File No. 440462-2019-001-M). Trainings on emergency response and handling measures were held regularly for employees to enable implementation of safety measures in a timely, fast, effective and orderly manner to control and prevent the spread of accident and contamination when encountering any environmental emergencies, so as to alleviate or eliminate the impact of the accident and resume production as soon as possible.
Gutian Fuxing	Pursuant to relevant provisions and requirements, the “Environmental Emergency Contingency Plan of Gutian Fuxing Pharmaceutical Co., Ltd.” (《(古田福兴医药有限公司突发环境事件应急预案)》) was prepared based on the principles of “Focus on Prevention, Aim at Self-rescue, Centralized Command, and Division of Responsibility”. The contingency plan was approved in May 2017 (File No. 352200-2017-005-L) and amended in June 2020, and has passed expert review and completed filing (File No. 350922-2020-002-M). According to the plan, the company conducted emergency drill for sudden hydrochloric acid leakage in September 2022. After environmental emergencies occur, immediate, quick, effective and orderly emergency rescue actions shall be taken to control and prevent

	<p>the spread of accident and contamination, and to protect the surrounding environment and safeguard life and property of all employees, the company and nearby communities. In accordance with the content and requirements of the plan, the company provides trainings for its employees to get them well-prepared for environmental emergencies, so that timely rescue can be taken and the accident can be controlled in a short period of time in case of any environmental emergencies.</p>
Livzon Limin	<p>The principles of occupational health and safe environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the “Three Wastes” was strengthened to enhance the ability of control over the “Three Wastes” and ensure that the discharge of the “Three Wastes” had reached the discharge standards. The “Environmental Emergency Contingency Plan of Livzon Group Limin Pharmaceutical Manufacturing Factory” (《丽珠集团利民制药厂突发环境事件应急预案》) was prepared in accordance with the criteria of the environmental management system and the occupational health and safety administrative system. The plan was issued in May 2021 (File No. 440203-2021-009-L). According to the contingency plan, an environmental accident emergency drill was conducted on 24 September 2021, and a specific drill summary was made. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a regular basis to improve the operability of the contingency plan, and enhance the performance of the emergency rescue staff and the responsiveness and coordination ability of the rescue team.</p>
Livzon Pharmaceutical Factory	<p>Pursuant to relevant provisions, the “Environmental Emergency Contingency Plan of Livzon Group Livzon Pharmaceutical Factory” (《丽珠集团丽珠制药厂突发环境事件应急预案》) was reformulated by the company in 2021, and has been approved, filed and issued (File No. 440404-2021-0212-L). The company conducted a fire emergency evacuation drill in the P10 workshop in April 2022 to improve employees’ emergency handling ability and to alleviate or eliminate the impact of the accident. On 21 October 2022, the special emergency drill for alcohol leakage (causing fire and explosion) was carried out to provide training to the emergency response team, thus enhancing the emergency execution and disposal ability of the emergency drill participants, further clarifying the responsibilities and tasks of relevant personnel, and improving the emergency linkage mechanism. The company improved the awareness of risk prevention and the ability of self-rescue and mutual-rescue.</p>
Ningxia Pharmaceutical	<p>The “Environmental Emergency Contingency Plan of Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd.” (《丽珠集团(宁夏)制药有限公司突发环境事件应急预案》) was approved filed and issued in May 2019 (File No. 640221-2019-005-II). Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a regular basis to improve the operability of the contingency plan, and enhance the performance of the emergency rescue staff and the responsiveness and comprehensive coordination ability of the rescue team. The Environmental Emergency Contingency Plan was amended in May 2021, and has passed expert review and the review by and the filing with government environmental department in August 2021.</p>
Jiaozuo Hecheng	<p>The “Environmental Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《焦作丽珠合成制药有限公司突发环境事件应急预案》) was prepared in accordance with the relevant provisions and requirements and based on the principles of “prevention-oriented, on-alert all the time; classified management, level-by-level response; cross-department cooperation, responsibility by levels; scientific prevention and efficient handling”. The contingency plan was approved, issued and filed in April 2021 (File No. 4108042018005L). The “Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd.” (《焦作丽珠合成制药有限公司危险废物环境污染事故应急预案》) was prepared under the above provisions, requirements and principles as well, which was approved and filed in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a regular basis to improve the operability of the contingency plan, and enhance the performance of the emergency rescue staff and the responsiveness and coordination ability of the rescue team. The company carried out trainings on the Standard Operating Procedure for Acid Mist Purification Towers and the Standard Operating Procedure for Hazardous Waste Storage Pollutants in April 2021 and June 2021, respectively. According to the relevant requirements of the Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng</p>

	Pharmaceutical Manufacturing Co., Ltd. In November 2021, the “Operation Regulations for Exhaust Gas UV Photolysis Equipment” was added and the “Spray Towers Operation Regulations” was amended, and relevant trainings were conducted to increase the environmental protection knowledge of staff. In March 2022, the company amended some environmental protection documents, including the “Enterprise Environmental Information Disclosure System”, “Discharge Permit System” and “Operating Procedures for Sewage Treatment”.
Shanghai Livzon	In March 2022, the company issued and filed the “Environmental Emergency Contingency Plan of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd.” (《上海丽珠制药有限公司突发环境事件应急预案》) (File No. 02-310115-2022-108-L). The company conducts drills and reviews of the plan every year to improve its emergency response capabilities through such regular trainings.
Livzon MAB	Pursuant to relevant provisions, the “Environmental Emergency Contingency Plan of Livzon MAB” (《丽珠单抗突发环境事件应急预案》) was prepared by the company in 2022. The company conducted an emergency response drill for hazardous chemical leakage in the dangerous goods warehouse in June 2022 to improve employees’ emergency handling ability and alleviate or eliminate the impact of the accident.
Sichuan Guangda	The principles of occupational health and safe environment administrative system were followed, including occupational protection to ensure health, risk control to ensure safety, prevention and control of pollution to protect the environment, and compliance with discipline and law for continuous improvement. Identification of environmental factors was performed seriously and preventive measures were adopted for significant environmental factors, while the governance of the “Three Wastes” was strengthened to enhance the ability of control over the “Three Wastes” and ensure that the discharge of the “Three Wastes” had reached the discharge standards. The “Environmental Emergency Contingency Plan of Livzon Group Limin Pharmaceutical Manufacturing Factory” (《四川光大製藥有限公司突发环境事件应急预案》) was prepared and issued on 23 December 2022. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a regular basis.

### 5. Environmental self-monitoring program

√ Applicable □N/A

Name of company or subsidiary	Environmental self-monitoring program
Jiaozuo Joincare	As required by the self-monitoring program for pollutant discharge licenses, Jiaozuo Joincare developed the 2022 self-monitoring program for wastewater and waste gas and carried out self-monitoring according to the program. Up to the end of December, Jiaozuo Joincare has completed the self-monitoring for wastewater and waste gas for the year of 2022. The company is a key enterprise in terms of soil monitoring, and should carry out self-monitoring of soil once a year as required. In August 2022, the company has completed the preparation, on-site sampling and review of self-monitoring program and published on the website of the Group on 26 August 2022.
Taitai Pharmaceutical	Wastewater was monitored once a quarter; boiler exhaust gas and plant boundary noise were monitored once a year; exhaust gases generated from technical process was monitored once half a year; online monitoring facilities of wastewater and boiler exhaust gas were additionally installed and functioning well.
Haibin Pharma	A third party is entrusted to conduct regular monitoring strictly in compliance with the relevant national laws and regulations and local requirements and ensure the accuracy, validity and authenticity of the monitoring data. Online wastewater monitoring equipment was installed and connected to environmental monitoring stations at municipal and district levels in accordance with environmental monitoring technical standards. Data was promptly uploaded on the national monitoring platform.
Xinxiang Haibin	A self-monitoring program was prepared, the annual self-monitoring of exhaust gas, wastewater and soil has been completed throughout the year in accordance with the pollutant discharge license.
Fuzhou Fuxing	According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)” (《国家重点监控企业自行监测及信息公开办法(试行)》) and the “Technical Guidelines for Self-Monitoring by Pollution Discharge Enterprises in the Fermentation Pharmaceutical Industry (HJ882-2017)” (《排污单位自行监测技术指南发酵类制药工业(HJ882-2017)》), the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program



	<p>available to the public after being examined by and filed with Fuqing Environment Protection Bureau and Fuzhou Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirements of environmental assessment technical standards, connected to the network of competent environmental protection authorities and passed the acceptance inspection conducted by the competent environmental protection authorities. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. In June 2022, the volatile organic matters (VOCs) leak detection and repair (LDAR) work in the first half of the year was finished. In November 2022, the volatile organic matters (VOCs) leak detection and repair (LDAR) work in the second half of the year was finished. Information publicity website: <a href="http://wryfb.fjmc.org.cn">http://wryfb.fjmc.org.cn</a></p>
Livzon Xinbeijiang	<p>According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)” (《国家重点监控企业自行监测及信息公开办法(试行)》), the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Qingyuan Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The automated monitoring equipment for wastewater (COD, ammonia nitrogen, pH, flow) and waste gas (non-methane hydrocarbons) has been installed in accordance with the requirement of environmental assessment technical standards, while online monitoring equipment has passed the inspection and acceptance of the relevant environmental protection authorities and the connection between online information and national development platform and Qingyuan municipal platform has been completed. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. A third party is entrusted to conduct LDAR detection and repair every half year in the workshop using VOCs in compliance with the specification requirements. The fugitive volatile organic compounds around the workshop of the first refinery division were monitored every half year, and the monitoring results met the standard in 2022.</p>
Livzon Hecheng	<p>Through self-monitoring, the requirements under the “Technical Standards for Application and Issuance of Pollutant Discharge License for the Pharmaceutical Industry – Active Pharmaceutical Ingredient Manufacturing (HJ858.1-2017)” (《排污许可证申请与核发技术规范制药工业-原料药制造 (HJ858.1-2017)》) were strictly implemented, and the verification and calibration of monitoring analyzing devices were carried out in strict compliance with relevant provisions and connected with the national development platform as required. In 2022, a third party was entrusted to carry out regular LDAR testing, emission port testing, boundary noise monitoring and soil testing, and the test results were in line with the requirements.</p>
Gutian Fuxing	<p>According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)” (《国家重点监控企业自行监测及信息公开办法(试行)》), the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Ningde Bureau of Ecology and Environment and Ningde Gutian Bureau of Ecology and Environment. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirements of environmental assessment technical standards, connected to the network of competent environmental protection authorities and passed the acceptance inspection conducted by the competent environmental protection authorities. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic. In June and December 2022, a qualified third party was engaged to complete volatile organic matter leak detection and repair (LDAR) and a report was obtained. Information publicity website: <a href="http://wryfb.fjmc.org.cn">http://wryfb.fjmc.org.cn</a></p>
Livzon Limin	<p>An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. In view of its own specific conditions, the company appointed the inspection party to carry out water pollutant detection monitoring every quarter, boiler exhaust gas monitoring every month and VOCs exhaust gas monitoring in R&amp;D center every half year, with every monitoring strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The inspection acceptance of the online monitoring equipment for COD, ammonia nitrogen water quality was completed and it was put into use in</p>

	<p>January 2021, and the equipment was monitored every 2 hours. The pollution source sharing data were completed and filed to the Shaoguan Ecology and Environment Bureau on a timely basis, and the relevant data were announced to the public after being reviewed by Shaoguan Municipal Bureau Ecology and Environment.</p>
Livzon Pharmaceutical Factory	<p>An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. In view of its own specific conditions, the company appointed the inspection party to carry out monitoring on sewage and waste gas every month, with every monitoring strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The installation and commissioning of the online sewage monitoring equipment was completed and it was put into use at the beginning of 2021.</p>
Ningxia Pharmaceutical	<p>The company formulated the self-monitoring program for 2022, which was reviewed by and filed with the Ecology and Environment Bureau of Shizuishan City. Monthly and quarterly monitoring was carried out strictly in accordance with the requirements of the program, which focused primarily on organized exhaust gas emission, exhaust gas emission from boiler, waste water discharge, underground water, soil, unorganized environmental air monitoring above plant boundary, noise and recycled water TOC. The monitoring results would be announced to the public through the “System of National Pollution Sources Monitoring Information Management and Sharing Platform” (《全国污染源监测信息管理与共享平台系统》) and the “System of Self-monitoring Information Open Platform for Enterprises in Shizuishan” (《石嘴山市企业自行监测信息公开平台系统》). Volatile organic matter leak detection and repair (LDAR) work was carried out. The automated monitoring equipment passed the inspection conducted by the competent environmental protection authority and was connected to the network of the competent environmental protection authority. The automated monitoring equipment was sound, and the monitoring information was accurate, valid and authentic.</p>
Jiaozuo Hecheng	<p>According to the relevant requirements of the “Measures for Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (Trial Implementation)” (《国家重点监控企业自行监测及信息公开办法(试行)》), the company implemented and completed the self-monitoring program based on its own specific conditions in a timely manner and made the program available to the public after being examined by and filed with relevant competent environmental protection authorities. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. Volatile organic matter leakage detection and repair (LDAR) was completed in June 2022. Equipment and facilities such as solvent pipelines and flanges in the workshop were detected, and places with leakage were repaired and rectified. The automated monitoring equipment for sewage has been installed online in accordance with the requirement of environmental assessment technical standards. The online monitoring equipment of COD, ammonia nitrogen, pH, flow and total nitrogen was installed, which has been connected to the national development platform as required. Monthly and quarterly monitoring was carried out strictly in accordance with the requirements of the self-monitoring program, which focused primarily on organized exhaust gas emission, waste water discharge, plant boundary unorganized environmental air and noise.</p>
Shanghai Livzon	<p>In accordance with the “General Rules for the Self-Monitoring Technical Guidelines for Pollutant Discharge Units” (《排污单位自行监测技术指南总则》) (HJ819-2017) and the relevant requirements (including those on pollution discharge license), the company organized self-monitoring and information disclosure of the pollutants it has discharged, and formulated the Self-monitoring Program. In 2022, the company monitored main exhaust gas outlets once a month, common discharge outlets once half year, noise once every quarter and sewage once a month. The monitoring items and frequency meet the requirements of the pollutant discharge license.</p>
Livzon MAB	<p>Entities with national qualification on inspection were engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the Company appointed the inspection party to carry out regular monitoring on sewage and waste gas according to the requirements of the implementation plan of the pollutant discharge permit, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data.</p>
Sichuan Guangda	<p>Entities with national qualification on inspection were engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the Company appointed the third-party inspection party to carry out regular monitoring on sewage and waste gas according to the requirements of the implementation plan of the pollutant discharge permit. COD water quality online monitoring equipment was installed at the main sewage outlet of the company, which was monitored every</p>

	2 hours, and the data were automatically uploaded to the platform of the government regulatory department.
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## 6. Administrative penalties imposed for environmental issues during the Reporting Period

Applicable  N/A

## 7. Other environmental information to be disclosed

Applicable  N/A

### (II) Statement on environmental protection measures of companies except for key pollutant discharge units

Applicable  N/A

The rest subsidiaries of the Company strictly implemented and obeyed the Environmental Protection Law of the People's Republic of China, Cleaner Production Law of the People's Republic of China and other environmental protection and safe production laws and regulations. They constantly increased investment in environmental protection, continuously invested in energy conservation and consumption reduction projects, actively promoted cleaner production, improved comprehensive utilization efficiency of resources, and reduced and avoided pollutants so as to ensure mental and physical health of employees and the coordinated and sustainable development of economic, environmental and social benefits.

#### 1. Administrative penalties imposed for environmental issues

Applicable  N/A

#### 2. Refer to other environmental information disclosed by key pollutant discharge units

Applicable  N/A

#### 3. Reason for non-disclosure of other relevant environmental information

Applicable  N/A

### (III) Relevant information contributing to ecological protection, pollution prevention and control, and fulfillment of environmental responsibilities

Applicable  N/A

Name of company or subsidiary	Relevant information contributing to ecological protection, pollution prevention and control, and fulfillment of environmental responsibilities
Jiaozuo Joincare	LDAR leak detection and repair was conducted twice in 2022.
Taitai Pharmaceutical	Creation of environmental safety standardization, management of hazardous waste standardization, onsite inspection, cooperation with the Department of Ecology and Environment or its entrusted third-party evaluation agency to carry out the safety evaluation and inspection of corporate environmental facilities, operating systems and online inspection systems, prompt rectification of hidden hazards proposed were carried out as required by the Municipal Department of Ecology and Environment.
Haibin Pharma	The company completed LDAR detection in 2022, to timely repair leakage points and reduce unorganized emission of VOCs. Laboratory exhaust gas treatment system was newly built to reduce emission of VOCs.
Xinxiang Haibin	The company completed LDAR detection in 2022, submit environmental protection commitment to the management department and purchased environmental pollution liability insurance for the company.
Joincare Haibin	All waste water from production was collected and sent to the waste water treatment station for treatment, and then sent back to the cooling tower for reuse, so as to realize "zero" discharge of waste water.
Fuzhou Fuxing	LDAR leak detection and repair was completed; the amendment and filing of the Environmental Emergency Contingency Plan was completed; preparation and inspection of "one policy for one enterprise 2.0" was completed; the preparation of the "Environmental Impact Assessment Report

	<p>on the Phase IV High-end Antibiotics” was in process; in the environmental credit evaluation completed, the company was rated as an environmentally credible enterprise. The monthly and quarterly self-monitoring on waste water, waste gas and noise was completed as required. Self-monitoring of soil and groundwater in 2022 was completed. The construction of 3000m<sup>3</sup>/d sewage treatment facilities was completed. The installation of waste gas collection and treatment pipeline between the sludge and bacterial residue plate and frame workshop was completed to improve the air quality of the plate and frame workshop.</p>
Livzon Xinbeijiang	<p>Two rounds of LDAR leak detection and repair was completed as required; unorganized emission of VOCs was reduced; a series of exhaust gas and noise control and improvement measures, such as connecting the exhaust gas fan of Workshop II of Refining I to the exhaust gas treatment equipment, were made to reduce unorganized emission of VOCs; the old biological deodorization tank in the sewage treatment station was replaced, and 2 new exhaust gas spray towers were introduced; exhaust gas collection and treatment in the sewage treatment station was upgraded; pollutants in exhaust gas were degraded efficiently; silencers were installed in the sewage treatment station and on the exhaust gas vent of Fermentation II to reduce air-flow noise; fermentation II and the first floor of power freezer room were enclosed with brick wall to diminish the impact of noise on the surrounding environment; 3 energy-saving silent cooling towers newly purchased were installed on the south side of the freezer to reduce noise generation and effectively use the freezer building to block noise transmission to the community. Other equipment with much noise in the plant was enclosed with sound-absorbing cotton board to reduce noise. The self-monitoring plan of the year was completed and the results of wastewater, exhaust gas and noise met the emission standards. A qualified third party is entrusted to dispose of the waste in compliance with laws and regulations.</p>
Livzon Hecheng	<p>LDAR leak detection and repair was completed in the year with a reduction of 1.11 tonnes as compared with that before repair; the equipment for RTO exhaust was maintained regularly to ensure its safe operation and the emission of exhaust gas within the emission standards; items were washed after the completion of RTO process to reduce sulfur dioxide emissions and smell; the trichloromethane liquid nitrogen cryogenic equipment in Workshop 102 was put into use to increase the reuse of trichloromethane to reduce emissions. Qualified units were entrusted to treat hazardous waste with a compliance treatment rate of 100%; and tail gas treatment facilities were added at gas collection station by the QC Testing and Technical Development Department. The self-monitoring program was completed and environmental responsibilities were fulfilled as required.</p>
Gutian Fuxing	<p>LDAR leak detection and repair was completed; cover and sealing were added to sewage treatment regulating pool; waste gas was collected and treated so as to avoid odor emit; HV frame was replaced in the sewage treatment workshop; water content of sludge was reduced; total volume of sludge was reduced; sludge generated was entrusted to qualified units for treatment; the collection, recovery, treatment of VOCs were completed and online monitoring facilities was installed and put into operation to reduce the random emission of VOCs; and the entrusted testing of waste water, waste gas, soil and groundwater in 2022 was completed, with the results showing they all met standards. the upgrading and reconstruction of boiler tail gas treatment facilities were completed. Hazardous waste was entrusted to qualified companies for compliant treatment to reduce the risk of environmental pollution.</p>
Livzon Limin	<p>Pollutants was discharged according to the standards in the pollution discharge license and the annual self-monitoring of pollution discharge was completed; the measures on energy conservation and emission reduction were formulated according to ESG objectives; solid preparations and steam equipment in high-capacity workshop were renovated; steam usage was reduced effectively; locations of different drugs in the overhead cabin and TCM cabin were adjusted; storage energy consumption of the two cabins was reduced; three idle water pumps of the factory were used; post-treated waste water was used for watering flowers, trees and grass in the factory in three lines.</p>
Livzon Pharmaceutical Factory	<p>Installation and debugging of online monitoring equipment were completed; the monthly and quarterly self-monitoring was completed as required; a qualified third party was entrusted to detect waste water and waste gas; compliant treatment of hazardous wastes was made to reduce the risk of environmental pollution. Environmental impact assessment was conducted for new workshops and acceptance of environmental protection project of the newly-built workshop was completed as required. The facilities at the waste water treatment station were renovated to ensure the sewage treatment meets the national standards, and at the same time, improve the treatment efficiency.</p>
Ningxia Pharmaceutical	<p>In 2022, the exhaust sampling port and sampling platform of the hazardous waste storage and waste gas collection and treatment facility was constructed; the fresh air supply facility of the fungus residue crushing room was reconstructed, the original fresh air supply fan installed in the middle of the wall was moved to the bottom of the wall, and a new fresh air supply fan was installed; the original waste gas treatment facilities of the fermentation workshop of 103-2 were upgraded and improved, and a set of "sodium hypochlorite spray absorption + water spray absorption + dual-phase superoxygen water + micro-nano bubbles" process governance facilities were added; the emergency pool leakage prevention facilities of hazardous chemicals warehouse</p>

	were built; the damaged cover plate of sludge storage tank was replaced; the cover plate of the pre-aeration tank for sewage treatment and the water seal tank of the cover plate of the primary sedimentation tank were repaired and sealed. The original cover plate for the pre-aeration tank was sealed with glass fiber cloth and epoxy resin, and the rusted pipes were painted. The rainwater and sewage collection pipe network facilities with a total length of about 1,000 meters were laid and installed. In December 2022, it was recognized as a city-level green factory in Shizuishan. The monthly and quarterly enterprise self-monitoring work was completed as required.
Jiaozuo Hecheng	Carried out automation construction; completed the repair and inspection of LDAR; completed the green development evaluation of the pharmaceutical industry in Henan Province; replaced the waste gas treatment part to ensure that the treatment effect of hazardous waste was entrusted to a qualified unit for disposal, and the compliance disposal rate reached 100%; entrusted a qualified third party to detect the waste gas; entrusted a qualified third party to provide operation and maintenance services for wastewater system equipment; completed the implementation of "one policy for one plant" for emergency emission reduction in heavily polluted weather by the Municipal Environmental Protection Bureau; the RTO incinerator equipment operated normally this year, and modified the environmental protection documents such as "Enterprise Environmental Information Disclosure System", "Pollutant Discharge Permit System and Sewage Treatment Process Operating Procedures", "Enterprise Environmental Information Disclosure System" (《企业环境信息公开制度》), the "Sewage Discharge Permit System" (《排污许可证制度》) and the "Sewage Treatment Process Operation Regulations" (《污水处理工艺操作规程》).
Shanghai Livzon	The company has completed the Filing and Registration of the Contingency Plan for Emergency Environmental Incidents; completed the VOCs emission reduction milestone of "one plan for one factory" in accordance with the plan; discharged pollutants in strict accordance with the the Sewage Discharge Permit System obtained, formulated the annual emission self-monitoring programme at the beginning of the year and implemented emission self-monitoring according to the programme, and completed the annual implementation report of the emission permits without any violations of laws or regulations. Meanwhile, we strengthened the daily supervision of the operation of the waste gas treatment facilities and sewage treatment stations, and entrusted a third party to test the emissions of waste gas and sewage every month to ensure the effective operation of the equipment and facilities. The safety facilities, occupational disease protection facilities and pollution prevention facilities of the "Preparation Line 3 and Assembly Line 2 Purification Plant and Utility System" project were designed, constructed and put into production and use at the same time as the workshop renovation project.
Livzon MAB	Entrusted a qualified third party CTI to test the waste water and waste gas according to the requirements of the pollutant discharge license, and entrusted a qualified entity, Dongjiang Environmental-protection Doumen Yongxingsheng Environmental-protection, Co., Ltd. of Dongjiang Environmental Protection (东江环保斗门永兴盛环保公司), to dispose of hazardous wastes in accordance with the regulations, so as to reduce the risk of environmental pollution. Carried out the environmental impact assessment of the new workshop according to the requirements of "Three Simultaneities" for construction of workshops newly built, rebuilt and expanded. The production and R&D sewage was uniformly discharged into the sewage station of Livzon Pharmaceutical Factory in Livzon Industrial Park for treatment and discharge up to the standard.
Sichuan Guangda	According to the requirements, the company has formulated an annual self-monitoring plan for sewage discharge, entrusted a qualified third party to carry out regular testing of waste water, waste gas and noise at the factory boundary, and the testing results were all qualified; entrusted a qualified unit to carry out compliance disposal of hazardous wastes to reduce the risk of environmental pollution; completed the preparation and filing of the Contingency Plan for Environmental Emergent Incidents of the Company; the environmental protection credit evaluation has been completed, and the preliminary evaluation result was: the entity with good environmental protection credit; the annual implementation report of pollutant discharge permit has been completed.

**(IV) Measures Taken and Effects on Reducing Carbon Emissions During the Reporting Period**

Whether to take carbon reduction measures	Yes
Equivalent of carbon emission reduction (unit: ton)	2,171
Types of carbon emission reduction measures (e.g. use of clean energy for power generation, use of carbon reduction technologies in production, research and development of new products that contribute to carbon reduction, etc.)	Use of "clean energy for power generation", adopt carbon emission reduction technologies in production" and other measures, as detailed in "Specific descriptions" below.

## Specific descriptions

√ Applicable □ N/A

Name of company or subsidiary	Measures taken and effects on reducing carbon emissions during the Reporting Period
Jiaozuo Joincare	1. by upgrading the preheater of the No. 1 rectification tower in the solvent storage, saved about 2,000 tons of steam and reducing about 600 tons of carbon emissions annually; 2. by changing the structure of isopropyl alcohol distillation tower and the number of distillation, saved about 100 tons of steam annually, reduce carbon emissions about 30 tons; 3. by upgrading and replacing an air suspension aeration fan, saved 120,000 kWh of electricity and reduce carbon emissions by about 60 tons per year.
Taitai Pharmaceutical	1. in response to the call of the municipal government, the lighting in the park was replaced with energy-saving lamps, obtaining remarkable power-saving effect; 2. in accordance with the energy-saving requirements of the municipal government, we organized to replace the high-power motor in the factory with a high-efficiency energy-saving motor and installed a frequency conversion device to maximize energy saving; 3. upgraded 4T boilers with low nitrogen burners; 4. chose public transport for daily traffic, low-carbon travel, and turned off lights and machines.
Haibin Pharma	Carried out carbon verification and energy saving diagnosis, sorted out key energy-use equipment, and implemented targeted energy saving transformation to reduce carbon emissions.
Xinxiang Haibin	1. by using diaphragm pump to replace centrifugal pump, saved 27,000 kWh of electricity per year, reduced carbon emissions about 14 tons; 2. adding preheater for solvent recovery and using steam condensate to preheat mother liquor raw materials can save about 3,600 tons of steam and reduce carbon emissions about 1,080 tons per year; 3. the existing chemical pump was replaced by high efficiency and energy saving pump in the circulating water system, which is expected to save 774,000 kWh of electricity and reduce carbon emissions of about 387 tons per year; 4. chose public transport for daily traffic and low-carbon travel.
Joincare Haibin	Purchased new standard energy-saving equipment, developed the habit and thinking of saving electricity, saved natural gas and carried out multiple maintenance in daily use of boiler, and frequently inspected pipelines, took good insulation measures, and used pure electric cars to save fuel when going out. Adopted solar water heater in the dormitory.
Fuzhou Fuxing	Used photovoltaic power generation to reduce power consumption; renovated high-energy-consuming pumps for energy conservation to effectively reduce energy consumption; replaced with high-efficiency motor water pumps to save energy consumption; vigorously promoted energy conservation and consumption reduction, and called on employees to realize the concept of “turning off lights, air conditioners and computers before leaving office” during their daily work.
Livzon Xinbeijiang	Introduced photovoltaic power generation to reduce power consumption; used water kinetic energy instead of electric motors to drive the cooling tower fans to reduce the electric energy consumption while ensuring the cooling effect; pre-heated the soft water of the boiler by the heat generated from the operation of the air compressor to raise the temperature of the inlet water of the boiler and effectively reduce the consumption of natural gas; regularly cleaned the inner wall of the MVR equipment to increase the evaporation rate of sugar water of the MVR equipment by about 40%, hence effectively reducing the running time of the MVR equipment and greatly reducing electricity consumption; replaced old boilers of high energy consumption and high maintenance cost with new boilers. Accordingly, the average natural gas consumption reduced by 1.06 m <sup>3</sup> per tonne of steam generated.
Livzon Hecheng	Maintained and updated chiller units to make more rational use of energy and saved electricity consumption for production through more reasonable production scheduling by the production department; used natural gas as fuel for canteens and boilers; replaced sewage treatment Roots blowers in the environmental protection center with magnetic levitation blowers with an energy saving rate of about 30%, saving about 107,000 kWh of electricity consumption per year; called on all employees of the factory to respond to electricity conservation, turn off lights and air conditioners before leaving office, and limited the minimum temperature of air conditioners; promoted green travel, encouraged the use of public transportation when going out to work, and set up shuttle buses to transport employees to and from work.
Gutian Fuxing	Installed 4 air compressors with a capacity of 130m <sup>3</sup> /min to replace the original air compressor with high power consumption to reduce power consumption; replaced one chiller unit to reduce electricity consumption; called on all employees to “save every drop of water, save every kilowatt of electricity”, so that the lights are turned off and the equipment is powered off before leaving office.
Livzon Limin	Appropriately adjusted the temperature and humidity settings of the air conditioning system (within the standard range) in the solid workshop to keep it as close to the outside temperature

	and humidity as possible, thus reducing steam consumption; reduced energy consumption by controlling the number of running compressors in the air conditioning units and setting parameters by the Quality Control Department, and by implementing intermittent use mode for the bioassay lab; used hot tailwater from the water distiller in the production workshop to heat the boiler soft water, thus reducing the consumption of natural gas; renovated the air conditioning ventilation system at the R&D Centre to save electricity.
Livzon Pharmaceutical Factory	Reduced electricity consumption by replacing incandescent lamps with LED lamps; refurbished photovoltaic inverter cabinets and roof-mounted photovoltaic modules, improving the photovoltaic power generation efficiency after refurbishment, saving about 600,000 kWh of electricity per year; introduced purchased steam to reduce boiler combustion and save energy; further strengthened the energy conservation management of functional departments, turned off lights during the lunch break, encouraged employees to turn off lights and computers to save electricity before leaving seats or office; set up shuttle buses to transport employees to and from work.
Ningxia Pharmaceutical	Renovated the phenylalanine concentration system and adopted MVR concentration to replace the original triple-effect concentration system, thus reducing energy consumption by about 50%. Regularly overhauled and maintained the boiler system to ensure the efficient operation of the boiler body and the desulfurization and dust removal facilities. Increased the consumption of steam from external supply to cut the use of coal and reduce carbon emissions.
Jiaozuo Hecheng	Collected and reused steam condense to reduce steam consumption, so as to reduce carbon emissions; changed the packaging equipment to automatic packaging to improve production efficiency; vigorously promoted energy saving and consumption reduction internally, called on all employees to “save every drop of water, save every kilowatt of electricity”, and uniformly managed the paint in the workshop to eliminate waste; installed additional mirrors behind the steam pipeline drainage valves to observe whether there is steam loss; led the steam condense to the production auxiliary system of the hot water tank and the crystallization tank to reduce the use of steam; changed the lighting in the common areas of the workshop, corridors, etc. to sound- or light-controlled switches and gradually replaced the workshop lighting with LED lights; gradually replaced high energy consuming equipment and facilities in workshops with low energy consuming or automated interlocking devices.
Shanghai Livzon	Further strengthened the daily energy-saving management according to the established energy-saving plan, effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; optimized the peptide splicing process, increased the peptide splicing yield by more than 10%, thus reducing the power consumption per unit of product; transformed the solid preparation workshop into the powder injection workshop which produces less waste and conserves electricity; while comfortable air conditioning unit (cooling) utilized the chilled water unit in the power room, the multi-expansion air conditioning unit was placed outdoors to use air cooling, saving cooling capacity and reducing energy consumption.
Livzon MAB	Introduced purchased steam to save energy. Effectively improved the energy-saving awareness of employees through inspection, publicity and other means, and cultivated good habit of saving water and electricity among employees; used LED lights to reduce electricity consumption, and encouraged employees to turn off lights and computers to save electricity before leaving office. Set up shuttle buses to transport employees to and from work.
Sichuan Guangda	Clean energy was used, energy use efficiency was improved and outdated equipment was eliminated. For example, Class 1 energy-efficient motors and related power products was used for all new plant construction, and the highly efficient, energy-saving and low-cost MVR concentration technology was used for concentration equipment. In addition, the energy-saving awareness among staff is effectively raised by strengthening daily management.

## II. Work on Corporate Social Responsibility

### (I) Whether to disclose separate corporate social responsibility report, sustainable development report or ESG report

Applicable N/A

The Company has separately disclosed its corporate social responsibility report. For details, please refer to the 2022 Corporate Social Responsibility Report of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 11 April 2023 for details.

### (II) Specific situation of work on corporate social responsibilities

Applicable N/A

External donation, public welfare	Quantity/content	Description
Total investment (RMB'0,000)	1,211.7	Mainly include investment in public welfare projects for chronic diseases, industrial assistance, community health, and nature conservation.
Including: Funds (RMB'0,000)	569.9	Mainly include investment in nature conservation project.
Cash converted from materials (RMB'0,000)	641.8	Mainly include investment in public welfare projects for chronic diseases.
Number of beneficiary (person)	1,485	Mainly include projects of low-income chronic disease patients and industrial revitalization.

### Specific description

Applicable N/A

The Company is striving to be an explorer in the healthcare industry and insisting on creating a healthy life driven by technology. The Group pays great attention to its sustainable development, and actively focuses on the internal regulatory environment and external policy guidance. Considering China's 14th Five-Year Plan and the local government's development plan, the Group has formulated a CSR strategy and goals adapting to its current business situation. Focusing on“ health”, the Group's CSR strategy aims to provide the whole society with high-quality, safe, accessible and affordable medical products and services through the development of its principal businesses, while improving the overall strength of the health industry. Meanwhile, the strategy is committed to empowering employees and communities, emphasizing environmental protection and promoting the overall health development in society.

The development of enterprises relies on society. Over the years, the Company has conscientiously fulfilled its social responsibility, paid taxes according to law, supported social public welfare projects, and actively assumed its social responsibility for building a harmonious society. At the same time, the Group was actively creating social value. It generated tax revenues for the government of RMB1,668 million, paid RMB2,261million in salary to employees, distributed dividends and paid interest worth RMB1,351 million to banks and other creditors, donated funds and goods totaling RMB12.217 million to the society, and achieved a social contribution per share of approximately RMB3.52 for the society in 2022.

For our performance of social responsibility, see the 2022 Corporate Social Responsibility Report of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) on 11 April 2023 for details.

### III.Consolidation and expansion of achievements in poverty alleviation and rural revitalization

Targeted Poverty Alleviation and Rural Revitalization Project	Quantity/content	Description
Total investment (RMB'0,000)	300	Public welfare projects for chronic diseases to help rural revitalization
Including: Funds (RMB'0,000)		
Cash converted from materials (RMB'0,000)	300	Donation of drugs for chronic diseases
Number of beneficiary (person)	1,400	Low-income patients with chronic diseases
Forms of assistance (such as industrial poverty alleviation, vocational poverty alleviation, educational poverty alleviation, etc. )	Poverty alleviation through industrial development	



## Specific description

√Applicable □N/A

### 1. Industrial revitalization

The Company follows important guiding principles of the CPC Central Committee and the General Secretary. In accordance with the relevant requirements, we establish and implement the plan of “Revitalization of Astragalus Root (黄芪) Industry” and adopt the model of “Company + Base” and “Company + Professional Cooperative”, encouraging locals to cultivate and process astragalus root and develop the astragalus root industry based on the local conditions. Making it a pillar industry for local economy in the long-term and a new path to improve the lives of the people, the Company explores the development of the featured astragalus root industry to promote the construction of the “Chinese Medicine Ecological Base”.

The “Revitalization of Astragalus Root Industry” program was initiated in 2017 and is still in operation today. Datong Livzon Qiyuan Medicine Co., Ltd. (大同丽珠芪源药材有限公司) (“Datong Livzon”), a subsidiary of the Company’s controlled subsidiary Livzon Group, built cultivation bases independently in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province. And Datong Livzon cooperated with 12 cooperatives and 3 individuals to jointly build cultivation bases for astragalus root in Tianzhen County of Datong City and Ying County of Shuozhou City in Shanxi Province and Yulin City of Shaanxi Province. The total area of the self-built bases and jointly constructed bases is about 33,000 mu and a total of 265 people have been assisted. This program has effectively boosted the economy of corresponding areas in Shanxi and Shaanxi.

During the Reporting Period, the planting area of the self-built base in Hunyuan County of Datong City in Shanxi Province increased by 300 mu, and the number of newly hired local workers reached 55. In addition, in line with the country's "rural revitalization strategy," Datong Livzon cooperated with the village committee of Mazhuang Village, Guaner Township, Hunyuan County, Datong City, Shanxi Province to initiate the “Joint Construction by Villages and Enterprises” program to construct the initial processing plant for cultivation bases for astragalus root, which has been completed and put into use. In addition, the Company provided training on the new version of "Good Agricultural Practice of Medicinal Plants and Animals" for management staff of joint construction bases and about 30 growers in Zizhou County, Yulin District, Shaanxi Province, and provided technical guidance and practical training on the traceability system of Chinese medicinal materials. At the same time, meteorological observation stations were set up in the joint-built base in Tianzhen County of Datong City, Shanxi Province and the joint-built base in Zizhou County of Yulin City, Shaanxi Province, and environmental inspection was carried out for all the joint-built bases, providing data support for their field operations. This year, Shanxi and Shaanxi joint-built bases employed 85 local workers, harvesting a total of 184.50 tons of fresh astragalus root.

### 2. Access to public welfare for rural revitalization chronic diseases prevention and treatment

In supporting consolidation and expansion of achievements in poverty alleviation and rural revitalization and In order to respond positively to the call of national policy, Joincare have launched “Access to Public Welfare for Chronic Diseases Prevention and Treatment (普惠慢病防治公益项目)” program by combining our own industrial advantages. The program targets at common chronic diseases such as hypertension, hyperlipidemia, cardiovascular and cerebrovascular diseases, and treatment drugs have been donated to remote areas, including Pravastatin Capsules (普伐他汀钠胶囊), Amlodipine Besylate Capsules (苯磺酸氨氯地平胶囊), Valsartan Capsules (缬沙坦胶囊), and Isosorbide Bononitrate Tablets (单硝酸异山梨酯片), which could be worth millions of RMB. These drugs can really help families in remote areas, make it convenient for patients in the regions

to take drugs nearby, help the families with patients to alleviate medical pressures, and provide timely assistance. Based on actual conditions, the project regularly makes continuous drug donations to remote areas and helps the families with patients in such regions. The project also helps to promote local development of rural revitalization and contributes to the state strategic goal of common prosperity.

Since late 2018 onwards, with the support of local government agencies and relevant authorities at all levels, we carried out the “Inclusive Chronic Disease Prevention and Control Public Welfare Project” successively in areas including Chaotian District of Guangyuan City, Songpan County, Jiange County and Pingwu County of the Autonomous Prefecture of Aba Zang and Qiangs in Sichuan Province, Hunyuan County, Guangling County and Lingqiu County of Datong City in Shanxi Province, Dongxiang County, Tianzhu County, Linze County and Shandan County in Gansu Province, Xianghai national nature reserve in Jilin Province, Chayu County in Tibet Autonomous Region, Macun District of Jiaozuo City in Henan Province, Huangshan District of Huangshan City in Anhui Province, Suining County of Hunan Province, and Fenyi County of Jiangxi Province, bringing benefits to many patients. Joincare won the awards of “19th Shenzhen Care Action · Top 100 Projects of Residents Satisfaction (第十九届深圳关爱行动·百佳市民满意项目)” and “Pioneering Enterprise Award in Social Responsibility (社会责任先锋企业奖)” for its excellent projects supporting urban revitalization.

As at 31 December 2022, the project covered 8 provinces and one autonomous region, among which 17 were remote areas in need of help and one was natural reserve at state level, which helped more than 6,400 low-income patients. In 2023, it is expected to donate drugs to areas including Hubei, Gansu, Anhui and Sichuan.

## Chapter 6 Major Events

### I. Fulfillment of undertakings

#### (I) Undertakings fulfilled during the Reporting Period or not yet fulfilled as of the Reporting Period by the parties to the commitment such as de facto controllers, shareholders, related parties, acquirers of the Company and the Company

√Applicable □N/A

Commitment background	Commitment type	Subject	Commitment content	Time and time limit of commitment	Whether there is a time limit for fulfillment	Whether commitment is strictly fulfilled in time	Specific reasons for failure in timely fulfillment shall be given	Next plan should be stated in case of failure in timely fulfillment
Commitment related to initial public offering	Settlement of horizontal competition	Baiyeyuan	Shenzhen Baiyeyuan Investment Co., Ltd., the controlling shareholder of the Company, undertook that it would not be directly or indirectly engaged in or cause subsidiaries and branches under its control to be engaged in any business or activity constituting horizontal competition with the Company after the founding of the Company, including but not limited to the research, production and sales of any products that were the same as or similar to products under research, production and sales of the Company, and was willing to undertake compensation responsibility for economic losses to the Company arising from violation of the said commitment.	30 April 2001, long-term	No	Yes	-	-
	Settlement of horizon competition	Baiyeyuan, de facto controllers and persons acting-in concert, and the Company	Whereas the domestically listed foreign shares of Livzon Group, a controlled subsidiary of the Company, sought listing on the Main Board of the Stock Exchange of Hong Kong Limited, in order to fully ensure smooth completion of the said event and in compliance with relevant requirements of the Stock Exchange of Hong Kong Limited, the controlling shareholders, de facto controller of the Company and the Company entered into relevant undertakings with Livzon Group as follows: 1. The controlling shareholders, de facto controller and persons acting-in-concert of the Company, the Company and its controlled subsidiaries except for Livzon Group did not or would not be, directly or indirectly, engaged in any business that constituted competitive relation or potential competitive relation with drug research, development, production and sale businesses ("Restricted Businesses") of Livzon Group from time to time. For the avoidance of doubt, the scope of Restricted Businesses did not cover products that were researched, developed, manufactured and sold on the date of relevant letter of undertaking by the controlling shareholders and de facto controller of the Company, the Company and its controlled subsidiaries except for Livzon Group; 2. If any new business opportunity was found to constitute competitive relation with Restricted Businesses, the controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and its controlling subsidiaries except for Livzon Group would inform Livzon Group in written form immediately and firstly provide Livzon Group with the business opportunity in	10 January 2014, long-term	No	Yes	-	-

		<p>accordance with reasonable and fair terms and conditions. If Livzon Group gave up the business opportunity, the controlling shareholders and de facto controllers of the Company, the Company and its controlled subsidiaries except for Livzon Group may accept the business opportunity in accordance with the terms and conditions that were not superior to those offered to Livzon Group; 3. If assets and businesses that directly or indirectly constituted competitive relation and potential competitive relation with Restricted Businesses were intended to be transferred, sold, leased, licensed to use or otherwise transferred or allowed to use (these Sales and Transfers), the controlling shareholders and de facto controllers of the Company, the Company and its controlled subsidiaries except for Livzon Group would provide the right of first refusal for Livzon Group under the same condition. If Livzon Group gave up the right of first refusal, the controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and its controlled subsidiaries except for Livzon Group would carry out these Sales and Transfers to a third party in accordance with main terms that were not superior to those offered to Livzon Group; 4. The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and its controlled subsidiaries except for Livzon Group would not be engaged in or involved in any business that might damage the interests of Livzon Group and other shareholders through the relation with shareholders of Livzon Group or the identity of shareholders of Livzon Group; 5. The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and its controlled subsidiaries except for Livzon Group would not or cause its contact persons (except for Livzon Group) to directly or indirectly: (1) induce or attempt to induce any director, senior management or consultant of any member of Livzon Group to terminate his/her employment with or to be an employee or consultant of Livzon Group at any time (whichever is applicable), no matter if relevant acts of the person were against the Employment Contract or Consultancy Agreement (if applicable); (2) Within three years after any person terminated to be the director, senior management or consultant of any member of Livzon Group, employ the person who had or might have any confidentiality information or business secret in relation to Restricted Businesses (except for the director, senior management or consultant of the Company and/or its controlling subsidiaries except for Livzon Group on the date of issuance of relevant letter of undertaking); (3) Recruit or lobby any person carrying out business in any member of Livzon Group, accept orders, or carry out business separately, through any other person or as any person, firm, or manager, advisor, consultant, employee, agent or shareholder of any company (competitor of any member of Livzon Group), or lobby or persuade the person making transaction with Livzon Group or negotiating with Livzon Group on Restricted Businesses to terminate its transaction with Livzon Group or reduce its normal business volume with Livzon Group, or ask for more favorable transaction terms to any member of Livzon Group. 6. The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and its controlled subsidiaries except for Livzon Group further undertook that: (1) They would allow and cause relevant contact persons (except for Livzon Group) to allow independent directors of Livzon Group to review if the Company and its controlled subsidiaries except for Livzon Group obeyed the Letter of Undertaking at least once a year; (2) They would provide all the data required for annual review and implementation of the Letter of</p>					
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			Undertaking for independent directors of Livzon Group; (3) They would allow Livzon Group to disclose the decision on whether the controlling shareholders and de facto controllers of the Company, the Company and its controlled subsidiaries except for Livzon Group obeyed and implemented the Letter of Undertaking reviewed by independent directors of Livzon Group through the annual report or announcement; (4) The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company (and its controlled subsidiaries except for Livzon Group) would provide Livzon Group with the Letter of Confirmation in relation to compliance with clauses of the Letter of Undertaking every year so as to be included in the annual report of Livzon Group. 7. The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, and the Company undertake that they would bear corresponding legal responsibility and consequence arising from violation of any clause relevant letter of undertaking from the date of issuance thereof by the Company (or the Company's controlled subsidiaries except for Livzon Group or its contact persons). 8. The said undertakings would terminate in case of the following circumstances (whichever is earlier): (1) The controlling shareholders, de facto controllers and persons acting-in-concert of the Company, the Company and any of its controlled subsidiaries were not the controlling shareholders of Livzon Group anymore; (2) Livzon Group terminated the listing of its shares on the Hong Kong Stock Exchange and other overseas stock exchanges (except that shares of Livzon Group stopped to be traded temporarily for any reason).					
Commitment related to seasoned offerings	Others	The Company and de facto controllers	Do not interfere in the operation and management activities of Livzon Group or encroach on the interests of Livzon Group	From 8 March 2016 to the date of completion of remedial measures in connection with the non-public offering of Livzon Group	Yes	Yes	-	-
	Others	Baiyeyuan and the de facto controller	Pursuant to the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (Announcement of CSRC [2015] No. 31), the company shall undertake to adopt specific remedial measures relating to dilution of current returns as a result of the company's initial public offering, refinancing of the listed company, or major asset restructuring and shall fulfill such undertaking. Pursuant to relevant provisions of CSRC, Zhu Baoguo, the de facto controller of Shenzhen Baiyeyuan Investment Co., Ltd., a controlling shareholder: 1. Do not intervene in the operation and management activities or encroach on the interests of the company; 2. If CSRC issued other new regulatory provisions on the remedial measures in relation to returns and the relevant undertakings and the aforesaid undertakings did not conform to such provisions from the date of issuance of the undertaking to the completion of IPO share allotment, the Company/the de facto controller would undertake to issue a supplemental undertaking in accordance with the latest provisions of CSRC; 3. The Company/the de facto controller undertook to practically take the remedial	From 11 May 2017 to the date of completion of remedial measures in connection with rights issue of Joincare	Yes	Yes	-	-

			measures in relation to returns formulated by the company and fulfill the undertaking concerning the remedial measures. In case of violation of the undertaking, causing losses to the company or investors, the Company/the de facto controller was willing to assume compensation responsibilities to the company or investors in accordance with law. In case of violation of the said undertakings or rejection to fulfill the said undertakings, as one of the liability subjects relating to the remedial measures concerning returns, it was agreed that relevant punishment shall be imposed on or relevant management measures shall be taken against the Company/the de facto controller by CSRC, the Shanghai Stock Exchange and other securities regulators in accordance with relevant provisions and rules set or issued by them.					
	Others	The Company	After the proceeds for issuance of allotment were in place, the Company would use them according to the disclosure in the announcement, and carry out the policies, including deposit in special account, approval by specially-assigned person, and special use of special funds in accordance with management measures for proceeds of the Company. The Board of the Company would regularly check the progress of projects invested with proceeds, issue a special report on deposit and use of proceeds, engage an accounting firm during the annual audit to issue an verification report on deposit and use of proceeds, would be supervised by regulators and sponsors at any time, and would not make major investment, asset purchase or similar financial investment though proceeds in disguise.	From the date of proceeds for issuance of the Rights issue in place to the date of completion of use of proceeds	No	Yes	-	-
Other commitments made to the medium and small shareholders of the company	Others	The Company	1. While transferring tradable shares subject to selling restrictions held by the company in Livzon Group, the company shall strict obey relevant provisions of Guidelines of Listed Companies on Transfer of Stock Shares Subject to Selling Restrictions ([2008] No. 15); 2. If the Company had shares subject to selling restrictions held by it in Livzon Group that were planned to be sold through the bid trading system of Shenzhen Stock Exchange and reduced more than 5% shares within six months from the first share reduction, the Company would pass the Announcement on Sales disclosed by Livzon Group within two trading days before the first share reduction.	17 December 2008, long-term	No	Yes	-	-

**(II) If the Company has made profit forecast on its assets or projects and the Reporting Period is still within the profit forecast period, the Company shall give an explanation on why its assets or projects achieved its profit forecast**

Realized Unrealized N/A

**(III) Fulfillment of performance covenant and its influence on goodwill impairment test**

Applicable N/A

**II. Information on Non-operating use of funds by controlling shareholders and other related parties during the Reporting Period**

Applicable N/A

**III. Information on illegal guarantees**

Applicable N/A

**IV. The Board's statement on the “non-standard opinion auditor's report” issued by the appointed accounting firm**

Applicable N/A

**V. Analysis and explanation from the Company on the reasons and impact of the change of accounting policies, accounting estimates or correction on material accounting errors**

**(I) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies or accounting estimates**

Applicable N/A

**(II) Analysis and explanation from the Company on the reasons and impact of the correction on material accounting errors**

Applicable N/A

**(III) Communication with former appointed accounting firm**

Applicable N/A

**(IV) Others**

Applicable N/A

**VI. Appointment and termination of appointment of accounting firm**

Unit: 10,000 Yuan Currency: RMB

	<b>Current accounting firm</b>
Name of domestic accounting firm	Grant Thornton (Special General Partnership)
Remuneration for domestic accounting firm	128
Continuous years of auditing services provided by domestic accounting firm	4
Name of certified public accountant (“CPA”) of domestic accounting firm	Wang Yuan(王远) and Wang Qilai (王其来)
Continuous years of CPA audit services of domestic accounting firms	1 and 4

	<b>Name</b>	<b>Fee</b>
Accounting firm for internal control audit	Grant Thornton (Special General Partnership)	32

**Statement on appointment and termination of appointment of accounting firm**Applicable N/A**Statement on re-engagement of accounting firm during the audit period**Applicable N/A**VII. Risk of delisting****(1) Reasons for delisting risk warning**Applicable N/A**(2) Countermeasures to be taken by the Company**Applicable N/A**(3) Risk of delisting and the reasons**Applicable N/A**VIII. Matters related to bankruptcy and reorganization**Applicable N/A**IX. Material litigation and arbitration**The Company was involved in material litigation or arbitration in current yearThe Company was not involved in material litigation or arbitration in current year



## X. Violations committed by the listed company and its directors, supervisors, senior management, controlling shareholders and de facto controllers, punishments imposed and rectifications

Applicable N/A

## XI. Credit standing of the Company and its controlling shareholders and de facto controllers during the Reporting Period

Applicable N/A

## XII. Material related-party transactions

### (I) Related-party transactions in connection with day-to-day operation

#### 1. Matters already disclosed in interim announcements about which no new information is available

Applicable N/A

Overview	Query index
<p>Pursuant to the “Resolution on Connected Transactions in the Ordinary Course of Business of the Majority-owned Subsidiaries of Jiaozuo Joincare and Jinguan Electric Power” considered and approved at the 9th Meeting of the 8th Session of the Board on 29 March 2022, Jiaozuo Joincare intended to purchase no more than RMB270 million (inclusive) of steam and power from Jinguan Electric Power in 2022 so as to satisfy the demands of Jiaozuo Joincare for steam and power in the process of production and operation. The independent directors of the Company gave prior approval opinions on the Resolution and gave opinions on the approval of the independent directors at the Board meeting.</p>	<p>See the “Announcement on Resolutions Considered and Approved at the 9th Meeting of the 8th Session of the Board of Joincare Pharmaceutical Group Industry Co., Ltd.” (Lin 2022-026) and the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Connected Transactions in the Ordinary Course of Business of the Majority-owned Subsidiaries of Jiaozuo Joincare and Jinguan Electric Power” (Lin 2022-032) disclosed by the Company on 31 March 2022 for details.</p>
<p>The “Resolution on the Adjustment of Connected Transactions in the Ordinary Course of Business of the Majority-owned Subsidiary Jiaozuo Joincare and Jinguan Electric Power” was considered and approved at the 20th Meeting of the 8th Session of the Board on 12 December 2022: given that the actual power consumption of Jiaozuo Joincare was higher than forecast at the beginning of the year, the annual transaction amount estimated at the beginning of the year between Jiaozuo Joincare and Jinguan Electric Power is not sufficient to cover Jiaozuo Joincare's actual production requirements in 2022, to satisfy the demands of Jiaozuo Joincare for steam and power in the process of production and operation, purchase from Jinguan Electric Power, was changed from RMB270 million (inclusive) to RMB280 million (inclusive) in 2022. The independent directors of the Company gave prior approval opinions on the Resolution and gave opinions on the approval at the Board meeting. Both parties referred to the market price to fix a price of the said connected transactions.</p> <p>During the Reporting Period, the actual amount of the said connected transactions was RMB268.6670 million.</p>	<p>See the “Announcement on Resolutions Considered and Approved at the 20th Meeting of the 8th Session of the Board of Joincare Pharmaceutical Group Industry Co., Ltd.” (Lin 2022-141) and the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Adjustment of Connected Transactions in the Ordinary Course of Business of the Majority-owned Subsidiaries of Jiaozuo Joincare and Jinguan Electric Power” (Lin 2022-143) disclosed by the Company on 13 December 2022 for details.</p>

#### 2. Matters already disclosed in interim announcements about which new information is available

Applicable N/A

**3. Matters not disclosed in interim announcements**

Applicable N/A

**(II) Related-party transactions involving acquisition or sale of assets or equity**

**1. Matters already disclosed in interim announcements about which no new information is available**

Applicable N/A

**2. Matters already disclosed in interim announcements about which new information is available**

Applicable N/A

**3. Matters not disclosed in interim announcements**

Applicable N/A

**4. Fulfillment of performance covenants (if any) during the Reporting Period**

Applicable N/A

**(III) Material related-party transactions involving joint external investment**

**1. Matters already disclosed in interim announcements about which no new information is available**

Applicable N/A

**2. Matters already disclosed in interim announcements about which new information is available**

Applicable N/A

**3. Matters not disclosed in interim announcements**

Applicable N/A

**(IV) Claims and debts with related parties**

**1. Matters already disclosed in interim announcements about which no new information is available**

Applicable N/A

**2. Matters already disclosed in interim announcements about which new information is available**

Applicable N/A

**3. Matters not disclosed in interim announcements**

Applicable N/A

Unit: Yuan Currency: RMB

Related party	Relationship	Offer funds to related parties			Receive funds from related parties		
		Opening balance	Amount incurred in the current period	Closing balance	Opening balance	Amount incurred in the current period	Closing balance
Guangdong Blue Treasure Pharmaceutical Co., Ltd.* (广东蓝宝制药有限公司)	Others	25,653,956.55	-16,371,152.26	9,282,804.29	379,960.00	-379,960.00	0.00

Zhuhai Sanmed Gene Diagnostics Ltd.* (珠海市圣美基因检测科技有限公司)	Others	229,288.83	-127,761.85	101,526.98			
Subsidiaries of Sichuan Healthy Deer Hospital Management Co., Ltd. (四川健康阿鹿医院管理有限公司之子公司)	Others	337,395.02	160,433.28	497,828.30	8,936.17	12,011.72	20,947.89
Zhuhai Sanmed Biotech Inc.* (珠海圣美生物诊断技术有限公司)	Others	211,200.00	0.00	211,200.00			
Shenzhen Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Others	154,500.00	33,600.00	188,100.00			
Zhongshan Renhe Health Product Co., Ltd. (中山市仁和保健品有限公司)	Others	469,895.78	0.00	469,895.78			
Shenzhen Jiekang Health Care Co., Ltd.* (深圳市捷康保健有限公司)	Others	18,577,246.63	-18,577,246.63	0.00			
Shenzhen Health Deer Technology Co., Ltd. (深圳市健康阿鹿信息科技有限公司)	Others	4,680.00	0.00	4,680.00			
Jiaozuo Jinguang Jiahua Electric Power Co., Ltd.* (焦作金冠嘉华电力有限公司)	Associated company	8,240,517.56	67,484,396.01	75,724,913.57			
Total		53,878,680.37	32,602,268.55	86,480,948.92	388,896.17	-367,948.28	20,947.89
Cause for claims and debts with related parties	During the Reporting Period, the Company had normal operating fund transactions with connected parties.						
Impact of claims and debts with related parties on the Company	The said credits and debts with connected persons are operating fund transactions; there was no non-operating use of funds of the Company by shareholders and connected part.						

**(V) Financial business among the Company, related financial companies, financial companies controlled by the Company, and related parties**

Applicable N/A

**(VI) Others**

Applicable N/A

**XIII. Material contracts and their fulfilments**

**(I) Trusteeship, contracting and lease**

**1. Trusteeship**

Applicable N/A

**2. Contracting**

Applicable N/A

**3. Lease**

Applicable N/A

**(II) Guarantees**

Applicable N/A

Unit: 10,000 Yuan Currency: RMB

Guarantor	Relation-ship between the guarantor and the listed company	Guaranteed party	Guaranteed amount	Date of guarantee (signing date of agreement )	Effective date	Expiration date	Guarantee type	Fulfilled or not	Overdue or not	Overdue amount	Whether there's a counter-guarantee	Guaranteed for a related party or not	Relationship
Joincare	Headquarter of the Company	Jinguan Electric Power	3,840.00	2022/2/14	2022/2/14	2022/11/30	Joint liability guarantee	Yes	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	4,960.00	2022/2/24	2022/2/24	2022/12/26	Joint liability guarantee	Yes	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2022/6/8	2022/6/8	2023/6/8	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2022/6/22	2022/6/22	2023/6/23	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	4,000.00	2022/7/11	2022/7/11	2023/7/11	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2022/7/11	2022/7/11	2023/7/11	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	2,000.00	2022/7/15	2022/7/15	2023/7/15	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2022/8/8	2022/8/8	2023/8/8	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,200.00	2022/9/16	2022/9/16	2023/9/16	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,800.00	2022/10/9	2022/10/9	2023/10/9	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,200.00	2022/10/12	2022/10/12	2023/10/12	Joint liability guarantee	No	No	0	Yes	Yes	Associate

Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2022/11/24	2022/11/24	2023/11/24	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Joincare	Headquarter of the Company	Jinguan Electric Power	4,640.00	2022/12/19	2022/12/19	2023/12/19	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Jiaozuo Joincare	Wholly-owned subsidiary	Jinguan Electric Power	2,000.00	2022/3/28	2022/3/28	2022/12/13	Joint liability guarantee	Yes	No	0	Yes	Yes	Associate
Jiaozuo Joincare	Wholly-owned subsidiary	Jinguan Electric Power	2,000.00	2022/12/14	2022/12/14	2023/12/14	Joint liability guarantee	No	No	0	Yes	Yes	Associate
Total guaranteed amount occurred during the Reporting Period (excluding guarantees to subsidiaries)							48,640.00						
Total guaranteed amount as of the End of the Reporting Period (A) (excluding guarantees to subsidiaries)							37,840.00						
Guarantee provided by the Company and its subsidiaries to subsidiaries													
Total amount of guarantees to subsidiaries during the Reporting Period							346,492.65						
Total amount of guarantees to subsidiaries as of the End of the Reporting Period (B)							250,888.69						
Total guaranteed amount of the Company (including guarantees to subsidiaries)													
Total guaranteed amount (A+B)							288,728.69						
Percentage of total guaranteed amount in the Company's net assets (%)							13.11						
In which:													
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)							0.00						
Amount of debt guarantee directly or indirectly provided to a guaranteed party with an asset-liability ratio exceeding 70% (D)							194,335.71						
Portion of total guaranteed amount exceeding 50% of net assets (E)							0.00						
Total guaranteed amount of the above three items (C+D+E)							194,335.71						
Statement on the contingent joint liability that might be assumed in connection with outstanding guarantee							N/A						
Statement on guarantees							The above connected guarantees are detailed in Note X 5(4) to the Financial Statements of this report.						

### (III) Entrusted cash asset management

#### 1. Entrusted wealth management

##### (1) Overall situation of entrusted wealth management

Applicable N/A

##### Other information

Applicable N/A

##### (2) Single entrusted wealth management

Applicable N/A

**Other information**Applicable N/A**(3) Provision for impairment of entrusted wealth management products**Applicable N/A**2. Entrusted loans****(1) Overall situation of entrusted loans**Applicable N/A**Other information**Applicable N/A**(2) Single entrusted loans**Applicable N/A**Other information**Applicable N/A**(3) Provision for impairment of entrusted loans**Applicable N/A**3. Other information**Applicable N/A**(IV) Other material contracts**Applicable N/A**XIV. Other significant matters having significant influence on the value judgment and decisions of investors**Applicable N/A**1. Use of proceeds**

Pursuant to the Reply to the Approval of Share Allotment of Joincare Pharmaceutical Group Industry Co., Ltd. issued by CSRC (Zheng Jian Xu Ke [2018] No. 1284), the Company allotted 365,105,066 shares to original shareholders. The planned proceeds from the share allotment amounted to RMB2,000 million; the total actual proceeds amounted to RMB1,715.9938 million; after deducting distribution expenses of RMB46.2536 million, the net proceeds amounted to RMB1,669.7402 million. As at 16 October 2018, the said proceeds were in place and validated by the Capital Verification Report of Joincare Pharmaceutical Group Industry Co., Ltd. issued by Ruihua Certified Public Accountants (Rui Hua Yan Zi [2018] No. 40060006).

**(1) Temporary replenishment of working capital by use of proceed**

Pursuant to the Resolution on the Temporary Replenishment of Working Capital with Idle Proceeds considered and approved at the 7th Meeting of the 8th Session of the Board of the Company on 30 December 2021, it was agreed that the Company temporarily replenished the working capital with no more than RMB700 million of idle proceeds from 1 January 2022 to 31 December 2022 so as to improve the use efficiency of proceeds and reduce financial expenses of the Company. For details, please refer to the Announcement on the Temporary Replenishment of Working Capital with Certain Idle Proceeds of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2021-159). On 21 December 2022, the Company returned the temporary replenishment of working capital of RMB700 million to the special account, and the period of use did not exceed 12 months.

Pursuant to the Resolution on the Temporary Replenishment of Working Capital with Idle Proceeds considered and approved at the 21st Meeting of the 8th Session of the Board and the 18th Meeting of the 8th Session of the Supervisory Committee of the Company on 29 December 2022, it was agreed that the Company temporarily replenished the working capital with no more than RMB500 million of idle proceeds from 1 January 2023 to 31 December 2023 so as to improve the use efficiency of proceeds and reduce financial expenses of the Company. For details, please refer to the “Announcement on the Temporary Replenishment of Working Capital with Certain Idle Proceeds of Joincare Pharmaceutical Group Industry Co., Ltd.” (Lin 2022-146).

**(2) Change of projects invested with proceeds**

Pursuant to the Resolution on Change of Certain Projects Invested with Proceeds considered and approved at the 8th Meeting of the 8th Session of the Board of the Company on 24 January 2022, it was agreed that Zhuhai Health Industry Base Construction Project was changed to the New Product R&D Project, Haibin Pharma Pingshan Pharmaceutical Industrialization Base Expansion Project and the Information Platform Construction Project. The resolution was approved at the 2022 1st extraordinary general meeting of the Company on 11 February 2022. For details of the aforesaid change of projects invested with proceeds, see the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Change of Certain Projects Invested with Proceeds” (Lin 2022-007).

Meanwhile, based on the aforesaid change of projects invested with proceeds, the Company, Taitai Pharmaceutical, a wholly-owned subsidiary of the Company, Haibin Pharma and Joincare Haibin, together with Minsheng Securities Co., Ltd., signed the “Three-party Supervision Agreement for Deposit into the Special Account for the Proceeds” (《募集资金专户存储三方监管协议》) with China Merchants Bank Co., Ltd. (Shenzhen Branch), Industrial Bank Co., Ltd. (Shenzhen Bagualing Sub-branch), Industrial and Commercial Bank of China Limited (Shenzhen Hongwei Sub-branch) and China Everbright Bank Co., Ltd. (University Town of Shenzhen Sub-branch), respectively. For details, please refer to the “Announcement on the Signing of the Three-party Supervision Agreement for Deposit into the Special Account for the Proceeds of Joincare Pharmaceutical Group Industry Co., Ltd.” (《健康元

药业集团股份有限公司关于签订募集资金专户存储三方监管协议的公告》) (Lin 2022-015).

For details about deposit and actual use of proceeds in 2022, please refer to the Special Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Deposit and Actual Use of Proceeds in 2022 disclosed by the Company on 11 April 2023.

## **2. Matters about share repurchase**

### **(1) First share repurchases in 2022**

Pursuant to the Resolution on Share Repurchase Scheme by Way of Centralized Bidding Transactions and other resolutions considered and approved at the 6th Meeting of the 8th Session of the Board and the 2021 Fifth Extraordinary General Meeting of the Company on 6 December 2021 and 23 December 2021, it was approved that the Company repurchased company shares by way of centralized bidding transactions with its own funds, and the repurchased shares will be used to reduce the registered capital; the total amount of repurchase funds should be no less than RMB300 million (inclusive) and no more than RMB600 million (inclusive); the repurchase price should be no more than RMB15/share (inclusive); the repurchase term should be no more than 12 months from the date when the repurchase scheme was approved by the General Meeting of the Company. For details, please refer to the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Share Repurchase Scheme by Way of Centralized Bidding Transactions (Lin 2021-145)” and the “Repurchase Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Share Repurchase by Way of Centralized Bidding Transactions” (Lin 2022-002).

On 7 July 2022, the Company completed the repurchase and has repurchased a total of 50,959,668 shares by way of centralized bidding transactions, representing 2.66% of total share capital (1,912,540,667 shares) of the Company. The highest purchase price was RMB13.02/share, the lowest, RMB10.02/share, and the average, RMB11.77/share. The total amount paid was RMB599,981,715.83 (including handling fee), and 50,959,668 shares repurchased were cancelled on 11 July 2022. For details, please refer to the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Implementation Results of Share Repurchase and Share Changes” (Lin 2022-076).

### **(2) Second share repurchases in 2022**

Pursuant to the Resolution on Share Repurchase Scheme by Way of Centralized Bidding Transactions and other resolutions considered and approved at the 17th Meeting of the 8th Session of the Board and the 2022 Fourth Extraordinary General Meeting of the Company on 14 October 2022 and 18 November 2021, it was approved that the Company repurchased company shares by way of centralized bidding transactions with its own funds, and the repurchased shares will be used to reduce the registered capital; the total amount of repurchase funds should be no less than RMB300 million (inclusive) and no more than RMB600 million (inclusive); the repurchase price should be no more than RMB16/share (inclusive); the repurchase term should be from 18 November 2022 to 17 November 2023. For details, please refer to the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Share Repurchase Scheme by Way of Centralized



Bidding Transactions” (Lin 2022- 121) and the “Repurchase Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Share Repurchase by Way of Centralized Bidding Transactions” (Lin 2022-137).

On 14 December 2022, the Company initially repurchased 348,400 shares by way of centralized bidding transactions, representing 0.02% of the total share capital of the Company. For details, please refer to the “Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Initial Share Repurchase by Way of Centralized Bidding Transactions” (Lin 2022-144).

As of 31 March 2023, the Company has repurchased a total number of 40,662,579 shares by way of centralized bidding transactions, representing 2.11% of the total share capital (1,929,189,374) of the Company. The total amount paid was RMB494.4911 million (including handling fee). For details, please refer to the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Progress of Share Repurchase by Way of Centralized Bidding Transactions (Lin 2023-027).

### **3. GDRs of the Company was issued and listed on the SIX Swiss Exchange**

Pursuant to the “Resolution on the Planning of Overseas Issuance of GDRs and Listing on the SIX Swiss Exchange of the Company” (《关于公司筹划境外发行全球存托凭证并在瑞士证券交易所上市的议案》) considered and approved at the 12th Meeting of the 8th Session of the Board of the Company on 15 June 2022. In order to broaden the Company’s international financing channels and enhance its international brand and image, the Company intends to plan to issue Global Depositary Receipts (“GDRs”) overseas and list on the SIX Swiss Exchange. For details, please refer to the “Reminder Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Planning of Overseas Issuance of GDRs and Listing on the SIX Swiss Exchange” (《健康元药业集团股份有限公司关于筹划境外发行全球存托凭证并在瑞士证券交易所上市的提示性公告》) (Lin 2022-061).

Pursuant to the “Resolution on the Issuance of GDRs and Listing on the SIX Swiss Exchange and the Conversion of the Company into a Company Limited by Shares that Issues and Lists Its Shares Abroad” (《关于公司发行 GDR 并在瑞士证券交易所上市及转为境外募集股份有限公司的议案》), the “Resolution on the Company’s Plan of the Issuance of GDRs and Listing on the SIX Swiss Exchange” (《关于公司发行 GDR 并在瑞士证券交易所上市方案的议案》) and other relevant resolutions considered and approved at the 13th Meeting of the 8th Session of the Board of the Company on 22 June 2022, the Company intends to issue GDRs representing newly issued RMB ordinary A Shares as underlying securities. The additional underlying A Shares represented by the GDRs to be issued shall be no more than 191,254,066 Shares (including securities issued upon the exercise of any overallotment option, if any) and shall not account for more than 10% of the Shares capital (1,912,540,667 Shares) of the Company prior to the issuance. The number of the additional underlying A Shares represented by the GDRs to be issued shall be adjusted according to relevant regulations if the share capital of the Company increases or decreases as a result of bonus issue, capitalization issue or rights issue, share repurchase etc. during the period from the date of approval of the issuance by the Board to the issuance date. The Company has simultaneously formulated the “Confidentiality and Records Management System for Overseas Issuance of Securities and

Listing of Joincare Pharmaceutical Group Industry Co., Ltd.” (《健康元药业集团股份有限公司境外发行证券与上市相关保密和档案管理工作制度》) and amended the “Articles of Association”, the “Rules of Procedure for the Shareholders’ General Meetings” and other relevant company rules and regulations in relation to GDRs. For details, please refer to the “Announcement on Resolutions Considered and Approved at the 13th Meeting of the 8th Session of the Board of Joincare Pharmaceutical Group Industry Co., Ltd.” (《健康元药业集团股份有限公司八届董事会十三次会议决议公告》) (Lin 2022-063), the “Confidentiality and Records Management System for Overseas Issuance of Securities and Listing of Joincare Pharmaceutical Group Industry Co., Ltd.” (《健康元药业集团股份有限公司境外发行证券与上市相关保密和档案管理工作制度》) and the “Announcement on the Formulation of the Articles of Association and its Annexes Applicable to the Company upon the Listing of GDRs of Joincare Pharmaceutical Group Industry Co., Ltd.” (《健康元药业集团股份有限公司关于制定公司 GDR 上市后适用的《公司章程》及其附件的公告》) (Lin 2022-064).

On 8 July 2022, the Company held the 2022 Second Extraordinary General Meeting to consider and approve the aforesaid resolutions for the issuance of GDRs and listing in Switzerland and to request the general meeting of the Company to authorize the Board and its authorized persons to deal with matters relating to the issuance of GDRs and listing in full, as detailed in the “Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 2022 Second Extraordinary General Meeting” (Lin 2022-077).

On 19 August 2022, the Company obtained the conditional approval for the issuance and listing of GDRs on the SIX Swiss Exchange from SIX Exchange Regulation AG, and the SIX Swiss Exchange Regulation AG agreed to the listing of the Company’s GDRs on the SIX Swiss Exchange subject to the satisfaction of customary conditions.

On 2 September 2022, the Company received the “Approval for the Initial Public Offering and Listing of Global Depositary Receipts on the SIX Swiss Exchange by Joincare Pharmaceutical Group Industry Co., Ltd.” (《关于核准健康元药业集团股份有限公司首次公开发行全球存托凭证并在瑞士证券交易所上市的批复》) (Zheng Jian Xu Ke [2022] No. 1960) granted by the CSRC.

On 26 September 2022, the Company’s GDRs were listed on the SIX Swiss Exchange in an offering of 6,382,500 GDRs representing 63,825,000 underlying A shares, representing 3.31% of the Company’s total share capital at that time, at an issue price of USD\$14.42 per GDR, with the final gross proceeds of approximately USD\$92.04 million.

The lock-up restriction period for the redemption of the GDRs issued by the Company is from 26 September 2022 (Swiss time) to 23 January 2023 (Swiss time). As 23 January 2023 falls in the Chinese New Year holiday, the transfer and settlement of A shares in relation to the cross-border conversion of GDRs cannot proceed during the period from 23 January to 27 January 2023. In accordance with the relevant regulations on stock connect, the GDRs with the expiry of the lock-up restriction period for the redemption can be converted into A shares of the Company from 30 January 2023 (Beijing time). As of

the closing of the Shanghai Stock Exchange on 30 January 2023, the number of A shares of the Company represented by the outstanding GDRs was less than 50% of the number of underlying A shares represented by the GDRs actually issued by the Company as approved by the CSRC.

The proceeds from the Company's issuance of GDRs, after deducting the issuance fees, are intended for the business development and strategic investment of the Company, aimed at improving the Company's capabilities of global research and development, industrialization and commercialization, thus further deepening the international business presence and replenishing the working capital of the Company. As of the end of this Reporting Period, the proceeds from the Company's issuance of GDRs have not been used.

#### **4. Overall relocation and expansion project of Sichuan Guangda**

On 6 March 2019, the board of directors of Livzon Group, the controlling subsidiary of the Company, considered and approved that Livzon Group entered into the Investment Agreement for the "Overall Relocation and Expansion Project of Sichuan Guangda Pharmaceutical Manufacturing" (《四川光大制药整体搬迁调迁扩建项目投资协议书》) (the "Investment Agreement") and the "Supplemental Agreement I with Sichuan Chengdu Pengzhou Municipal People's Government" (四川省成都市彭州市人民政府). Pursuant to the Investment Agreement, the Company will inject capital of RMB646 million for investment in construction of the overall relocation and expansion project (the "Project") of Sichuan Guangda, a wholly-owned subsidiary of the Company. Pursuant to the Supplemental Agreement I, Pengzhou Municipal People's Government has agreed to pay a compensation for demolition of RMB90 million and grant total incentive of not more than RMB125.8 million for the construction of new plants to the Company.

As at 31 December 2022, the total investment of the Project under specific contracts amounted to RMB542.2556 million, and subsidies received from governments at all levels totaled RMB138.9817 million. After the QC decoration and renovation, equipment installation and warehousing system establishment, the equipment was put into running for commissioning and the storage system was delivered for acceptance; after the decoration, renovation and equipment installation of the extraction workshop and after the pre-treatment workshop were completed, the equipment was put into running for commissioning and the remaining work of local decoration was completed. The construction of the granulation workshop, the integrated preparation workshop and the packaging workshop commenced, the remaining work of the decoration and renovation of the alcohol extraction workshop was completed, and the pipeline equipment had not installed for commissioning. The overall project went smoothly.

#### **5. Progress of the initial public offering and listing of shares of Tianjin Tongrentang, a non-controlling invested company**

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

Considering that ShineWing Certified Public Accountants (Special General Partnership), the auditor appointed by Tianjin Tongrentang, has issued a review report, the Shenzhen Stock Exchange has resumed the review of the listing of Tianjin Tongrentang on 30 March 2022.

In addition to the above disclosure, details of the non-controlling investment in Tianjin Tongrentang are set out in the Company's annual report for 2021.

## **6. Progress of Livzon Group's plan to spin off Livzon Diagnostics for A-share listing**

On 7 August 2020, the board of directors of Livzon Group, a majority-controlled subsidiary of the Company, considered and approved the proposal to spin off its subsidiary Zhuhai Livzon Diagnostics Inc. for A-share listing (hereinafter referred to as spin-off listing). Livzon Diagnostics is mainly engaged in the R&D, production and sale of diagnostic reagents and equipment. As at the End of the Reporting Period, Livzon Group held approximately 39.425% of shares of Livzon Diagnostics. After completion of this spin-off, the shareholding structure of Livzon Group will remain unchanged, and Livzon Group will still maintain control over Livzon Diagnostics. For details, see the "Suggestive Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Livzon Group's Planned Spin-off of Its Subsidiary Livzon Diagnostics for A-share Listing" (Lin 2020-106).

On 16 October 2020, the Stock Exchange of Hong Kong Limited agreed to Livzon Group's spin-off listing, and agreed to exempt the group from the applicable regulations concerning the assured entitlement related to the spin-off listing. For details, see the "Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Progress of Livzon Group's Planned Spin-off of Its Subsidiary Livzon Diagnostics for A-share Listing" (Lin 2020-131).

Livzon Diagnostics would go spin-off listing on the ChiNext Board of Shenzhen Stock Exchange pursuant to the Resolution on the Spin-off of the Subsidiary Zhuhai Livzon Diagnostics Inc. to Go Listing on the ChiNext Board of Shenzhen Stock Exchange considered and approved at the board meeting of Livzon Group on 23 October 2020. For details, see the "Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Progress of Livzon Group's Planned Spin-off of Its Subsidiary Livzon Diagnostics for A-share Listing" (Lin 2020-134).

The spin-off listing of Livzon Diagnostics was approved at the 2020 4th extraordinary general meeting of Livzon Group on 20 November 2020, and was registered with Guangdong Securities Regulatory Bureau for pre-listing tutoring in November 2020. As of the disclosure date of this report, Livzon Diagnostics has submitted the nine issues of reports on progress of the tutoring. As of the disclosure date of this report, Livzon Diagnostics has not submitted any application to or registered with Shenzhen Stock Exchange or any relevant Chinese regulatory authorities other than those progresses listed above.

## Chapter 7 Changes in Equity and Shareholders

### I. Changes in Share Capital

#### (I) Table of changes in shares

##### 1. Table of changes in shares

Unit: shares

	Before the current change		Increase/decrease (+, -) due to the current change					After the current change	
	Number	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Conversion of capital reserve to share capital	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	0	0	0	0	0	0	0
1. Shares held by state government									
2. Shares held by state-owned entities									
3. Shares held by other domestic holders									
Of which: Shares held by domestic non-state-owned entities									
Shares held by domestic natural persons									
4. Shares held by foreign holders									
Including: Shares held by foreign entities									
Shares held by foreign natural persons									
II. Shares without selling restrictions	1,907,727,908	100	72,421,134	0	0	-50,959,668	21,461,466	1,929,189,374	100
1. Ordinary shares denominated in Renminbi	1,907,727,908	100	72,421,134	0	0	-50,959,668	21,461,466	1,929,189,374	100
2. Domestically listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	1,907,727,908	100	72,421,134	0	0	-50,959,668	21,461,466	1,929,189,374	100

#### 2.Explanations on changes in shares

√Applicable □N/A

##### (1) Share repurchase for cancellation

From 24 December 2021 to 23 December 2022, the Company expected to repurchase shares at a price of no more than RMB15 per share (inclusive) and the total amount of repurchase funds shall be not less than

RMB300 million (inclusive) and not more than RMB600 million (inclusive). The repurchased shares will be used to reduce the Company's registered capital. The Company has repurchased a total of 50,959,668 shares as of 7 July 2022, and cancelled such shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 11 July 2022.

## **(2) Issuance of GDRs**

The Company held the 2022 second extraordinary general meeting on 8 July 2022, at which it reviewed and approved the Resolution on the Company's Issuance of GDRs, Listing on the SIX Swiss Exchange and Conversion into a Joint Stock Limited Company Offering Shares Overseas (《关于公司发行 GDR 并在瑞士证券交易所上市及转为境外募集股份有限公司的议案》) and other relevant resolutions. 6,382,500 GDRs were issued by the Company, representing 63,825,000 underlying A shares, with one GDR represents 10 A Shares of the Company, and were listed on the SIX Swiss Exchange on 26 September 2022. The total share capital of the Company increased by 63,825,000 shares as a result of the issuance and listing of the GDRs mentioned above.

## **(3) Exercise of the 2018 share options**

The third exercise period for the options first granted under the Company's 2018 Share Options Incentive Plan commenced on 21 December 2021, namely from 21 December 2021 to 20 December 2022. The second exercise period for the reserve options commenced on 23 September 2021, namely from 23 September 2021 to 22 September 2022. During the Reporting Period, the cumulative number of share options exercised and completing share transfer registration was 8,596,134.

### **3.The influence of changes in shares on financial indicators such as earnings per share and net assets per share in the most recent year and the most recent Reporting Period (if applicable)**

Applicable N/A

### **4.Other information disclosed as the Company deems necessary or required by the securities regulatory authority**

Applicable N/A

## **(II) Changes in shares subject to selling restrictions**

Applicable N/A

## **II. Issuance and Listing of Securities**

### **(I) Securities issued during the Reporting Period**

Applicable N/A

Explanations on securities issuance during the Reporting Period (list separately bonds with different interest rates during the duration):

Applicable N/A

**(II) Changes in total number of shares, shareholding structure, and structure of assets and liabilities of the Company**

□Applicable √N/A

**(III) Outstanding shares granted under the employee share ownership scheme**

□Applicable √N/A

**III. Information on Shareholders and the De Facto Controller**

**(I) Total number of shareholders**

Total number of shareholders of ordinary shares as of the End of the Reporting Period	93,510
Total number of shareholders of ordinary shares as of the end of the month immediately prior to the publish date of this annual report	87,173

**(II) Shares held by top 10 shareholders and top 10 holders of tradable shares (or shares without selling restrictions) as of the End of the Reporting Period**

Unit: shares

Shareholdings of the Top 10 shareholders							
Name of shareholder (Full name)	Change during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to selling restrictions	Pledge, mark or lock-up		Nature of shareholder
					Share status	Number	
Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百业源投资有限公司)	-17,380,900	878,272,753	45.53	0	Pledge	95,679,725	Domestic non-state-owned entity
Hong Kong Securities Clearing Company Limited	21,294,741	113,256,167	5.87	0	Unknown		Unknown
Citibank, National Association	63,825,000	63,825,000	3.31	0	Unknown		Foreign entity
Might Seasons Limited	-14,371,900	57,487,434	2.98	0	Unknown		Foreign entity
Huaxia Life Insurance Co., Ltd. - Equity fund	163,100	9,275,718	0.48	0	Unknown		Unknown
Agricultural Bank of China Limited - CSI 500 Exchange Traded Index Securities Investment Fund	2,663,000	8,060,294	0.42	0	Unknown		Unknown
He Zhong	-50,000	7,800,024	0.40	0	Unknown		Domestic natural person
Joincare Pharmaceutical Group Industry Co., Ltd. — the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	6,275,372	6,275,372	0.33	0	Unknown		Others
Abu Dhabi Investment Authority	4,808,605	5,920,342	0.31	0	Unknown		Foreign entity

Bosera Funds Management Co., Ltd. - 419 portfolio of social security funds	-3,696,377	5,036,569	0.26	0	Unknown		Unknown
Shareholdings of the Top 10 shareholders without selling restrictions							
Name of shareholder	Number of tradable shares held without selling restrictions	Class and number of shares					
		Class	Number				
Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百业源投资有限公司)	878,272,753	Ordinary shares denominated in Renminbi		878,272,753			
Hong Kong Securities Clearing Company Limited	113,256,167	Ordinary shares denominated in Renminbi		113,256,167			
Citibank, National Association	63,825,000	Ordinary shares denominated in Renminbi		63,825,000			
Might Seasons Limited	57,487,434	Ordinary shares denominated in Renminbi		57,487,434			
Huaxia Life Insurance Co., Ltd. - Equity fund	9,275,718	Ordinary shares denominated in Renminbi		9,275,718			
Agricultural Bank of China Limited - CSI 500 Exchange Traded Index Securities Investment Fund	8,060,294	Ordinary shares denominated in Renminbi		8,060,294			
He Zhong	7,800,024	Ordinary shares denominated in Renminbi		7,800,024			
Joincare Pharmaceutical Group Industry Co., Ltd. — the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	6,275,372	Ordinary shares denominated in Renminbi		6,275,372			
Abu Dhabi Investment Authority	5,920,342	Ordinary shares denominated in Renminbi		5,920,342			
Bosera Funds Management Co., Ltd. - 419 portfolio of social security funds	5,036,569	Ordinary shares denominated in Renminbi		5,036,569			
Notes on the special repurchase account among the Top 10 shareholders	As at the End of the Reporting Period, the special repurchase account of the Company (special securities repurchase account of Joincare Pharmaceutical Group Industry Co., Ltd.) owned 28,417,048 shares in total, accounting for 1.47%.						
Description of the above shareholders involved in entrustment/entrusted voting right and waiver of voting right	Not applicable						
Description of connection or acting-in-concert relationship of the above shareholders	There was no connection or acting-in-concert relationship between Shenzhen Baiyeyuan Investment Co., Ltd., a controlling shareholder of the Company, and other shareholders; whether there is connection or acting-in-concert relationship among other shareholders is unknown.						

Notes: 1. As of the End of the Reporting Period, the balance of shares lent by Shenzhen Baiyeyuan Investment Co., Ltd. \* (深圳市百业源投资有限公司), a controlling shareholder of the Company, by participating in the refinancing business was 17,380,900, and the ownership transfer of such shares does not take place.

2. Citibank, National Association is the depository for GDRs of the Company, and the underlying domestic A shares represented by the GDRs are registered in its name according to law. The GDRs issued by the Company may not be converted into A shares from 26 September 2022 (Swiss time) to 23 January 2023 (Swiss time).

### Number of shares held by the Top 10 shareholders with selling restrictions and the description of the selling restrictions

Applicable N/A

### (III) Strategic investors or general legal persons who became top 10 shareholders as a result of allotment of new shares

Applicable N/A



#### IV. Information on the Controlling Shareholder and the De Facto Controller

##### (I) Information on the Controlling shareholder

###### 1. Legal person

Applicable N/A

Name	Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百业源投资有限公司)
Person in charge of the unit or legal representative	Zhu Baoguo
Date of incorporation	21 January 1999
Principal business	Investment in industry, domestic commerce, and material supply and marketing industry
Equity held in other domestic and overseas listed companies during the Reporting Period	Except for the daily trading of securities assets in the secondary market, Baiyeyuan did not hold or participate in the equity of other domestic and overseas listed companies during the Reporting Period.
Others	Not applicable

###### 2. Natural person

Applicable N/A

###### 3. Special statement if the Company does not have a controlling shareholder

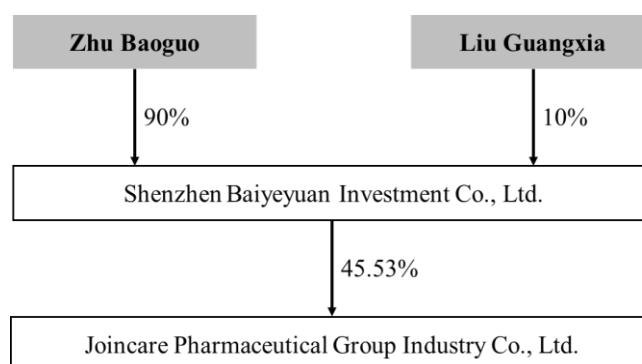
Applicable N/A

###### 4. Statement on changes in controlling shareholders during the Reporting Period

Applicable N/A

###### 5. Block diagram describing controlling shareholders' ownership of and control over the Company

Applicable N/A



Note: As of the End of the Reporting Period, the balance of shares lent by Shenzhen Baiyeyuan Investment Co., Ltd. \* (深圳市百业源投资有限公司), a controlling shareholder of the Company, by participating in the refinancing business was 17,380,900, and the ownership transfer of such shares does not take place.

##### (II) Information on the de facto controller

###### 1. Legal person

Applicable N/A

**2.Natural person**

√Applicable □N/A

Name	Zhu Baoguo
Nationality	China
Hold the right of residence in other countries or regions or not	No
Main occupation and position	Chairman of the Company and Livzon Group
Domestic and overseas listed companies controlled in the past 10 years	Except for the Company and Livzon Group, Mr. Zhu Baoguo has never controlled any other domestic and overseas listed companies

**3.Special statement if the Company does not have a de facto controller**

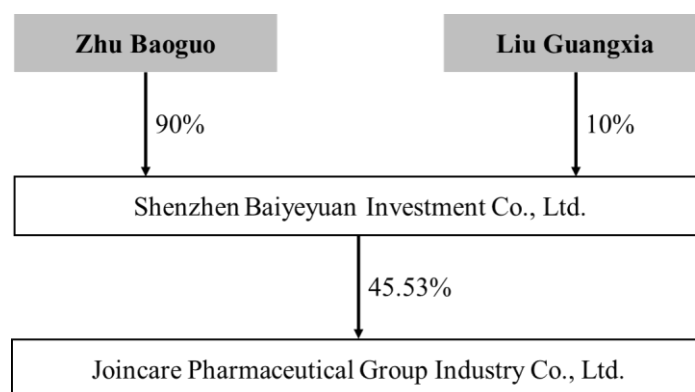
□Applicable √N/A

**4.Statement on change of control of the Company during the Reporting Period**

□Applicable √N/A

**5.Block diagram describing de facto controllers' ownership of and control over the Company**

√Applicable □N/A



Note: As of the End of the Reporting Period, the balance of shares lent by Shenzhen Baiyeyuan Investment Co., Ltd. \* (深圳市百业源投资有限公司), a controlling shareholder of the Company, by participating in the refinancing business was 17,380,900, and the ownership transfer of such shares does not take place.

**6.De facto controller controls the Company through trust or other asset management methods**

□Applicable √N/A

**(III) Other information on the controlling shareholder and the de facto controllers**

□Applicable √N/A

**V. Cumulative Number of Shares Pledged by Controlling Shareholders or the Largest Shareholder of the Company and Their Persons Acting in Concert Accounts for More Than 80% of the Shares Held by Them in the Company**

□Applicable √N/A

**VI. Other Corporate Shareholders Holding More Than 10% Shares**□Applicable N/A**VII. Explanation on Restrictions on Share Selling**□Applicable N/A**VIII. Information on Implementation of Share Repurchases Plans during the Reporting Period**Applicable □N/A

Unit: 10,000 Yuan Currency: RMB

<b>Name of share repurchase plan</b>	<b>Plan on share repurchase by centralized bidding</b>
Disclosure date of share repurchase plan	7 December 2021
Number of shares to be repurchased and its percentage in total share capital (%)	1.05~2.10
Proposed repurchase amount	30,000~60,000
Proposed repurchase period	12 months after the date when the share repurchase plan is approved at the general meeting
Purpose of repurchase	To reduce registered capital of the Company
Repurchased number (shares)	50,959,668
Percentage of repurchased shares in the target shares under share incentive scheme (%) (if any)	Not applicable
The progress of the Company's reduction of repurchased shares by centralized bidding	Not applicable
Remarks	On 11 July 2022, 50,959,668 repurchased shares were cancelled.

<b>Name of share repurchase plan</b>	<b>Plan on share repurchase by centralized bidding</b>
Disclosure date of share repurchase plan	17 October 2022
Number of shares to be repurchased and its percentage in total share capital (%)	0.97~1.95
Proposed repurchase amount	30,000~60,000
Proposed repurchase period	12 months after the date when the share repurchase plan is approved at the general meeting
Purpose of repurchase	To reduce registered capital of the Company
Repurchased number (shares)	10,957,235
Percentage of repurchased shares in the target shares under share incentive scheme (%) (if any)	Not applicable
The progress of the Company's reduction of repurchased shares by centralized bidding	Not applicable

## Chapter 8 Information on Preferred Shares

Applicable N/A

## **Chapter 9 Information on Bonds**

### **I. Corporate Bonds, Debentures and Debt Financing Instruments Issued by Non-Financial Entities**

Applicable N/A

### **II. Convertible Corporate Bonds**

Applicable N/A

## Chapter 10 Financial Statements

### I Auditor's report

√Applicable □N/A

GTCNSZ (2023) NO.442A008607

### To all shareholders of Joincare Pharmaceutical Group Industry Co., Ltd.:

#### I. Auditor's Opinion

We have audited the financial statements of Joincare Pharmaceutical Group Industry Co., Ltd. (健康元药业集团股份有限公司) (the "Group"), which comprise the Consolidated and Company balance sheets as at 31 December 2022, and 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 ended 2022, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and Company financial positions as at 31 December 2022, and their financial performance and their cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

#### II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and have fulfilled our other ethical responsibilities in accordance with the China Code of Ethics for Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### (I) Revenue recognition

For relevant disclosure, please refer to Note III. 28 and Note V. 43 to the financial statements.

##### 1. Description of the matter

The Group generated revenue from primary operation in year ended 31 December 2022 were RMB 17,036.97 million. We identified revenue recognition as a key audit matter due

to the materiality of revenue to the financial statements as a whole and the risk of material misstatement as to the occurrence and accuracy for in the appropriate accounting period.

## 2. Addressed in the context of our audit

(1) We obtained an understanding of and assessed the Company management's design and operating effectiveness of key internal controls over revenue recognition.

(2) We obtained the contracts signed between the Company and its customers and verified the key terms of the contracts, such as shipment and acceptance, payment and settlement, exchange and return policies.

(3) We inquired about the business registration information of the Company's customers and asked relevant personnel of the Company in order to confirm whether there was an affiliated relationship between the Company and its customers; obtained an understanding of the reasons for customer changes and contract performance among others; counted and analyzed end sales of products purchased by selected customers from the Company based on the business system of the Company's directly connected customers.

(4) We obtained records of returns and exchanges in the Company's business system and checked them to confirm whether there were significant abnormalities that affected revenue recognition.

(5) For revenue transactions recorded in the year ended 31 December 2022, we selected samples to check contracts, purchase orders, shipping documents, transportation documents, bookkeeping vouchers, payback documents, periodic reconciliation letters and other supporting documents; and selected samples to perform external confirmation procedures on major customer sales and accounts receivable.

(6) We performed analytical procedures for the reasonableness on changes in revenue by considering the product type and factors such as market trends, industry trends, business expansion plan as well as market data collected by third-party consultants.

(7) We selected samples of revenue transactions around the balance sheet date, reviewed sales contracts, purchase orders, shipping documents, transportation documents, and bookkeeping vouchers, and evaluated whether revenues were recorded in the appropriate accounting period.

## (II) Allowance for bad debts on accounts receivable

For relevant disclosure, please refer to Note III. 10 and Note V. 4 to the financial statements

### 1. Description of the matter

As of 31 December 2022, the Group's closing balance of accounts receivable as reported in the consolidated balance sheet was RMB 3,176.23 million and the allowance for bad debts was RMB 72.48 million which were material to the financial statements as a whole. The management is required to apply significant accounting estimates and judgments in assessing the expected recoverable amount of accounts receivable, which could have a material impact on the financial statements if they were not collected on time or were not recovered resulting in a bad debt loss. Therefore, we identified allowance for bad debts of accounts receivable as a key audit matter.

### 2. Addressed in the context of our audit

- (1) We obtained an understanding of and assessed the management's design and operating effectiveness of key internal controls over the management of accounts receivable
- (2) We obtained an understanding of the methodology and process of recognizing the expected credit loss ratio and the key parameters and assumptions applied in the expected credit loss model, including the method of assessing the customers' credit risk characteristics for the grouping accounts receivable and the historical migration rate data used in the expected loss ratio; evaluated whether the expected credit loss ratio was set by taking into account and was appropriately adjusted for current economic conditions and forward-looking information, and assessed the reasonableness of the estimate of the allowance for bad debts.
- (3) We obtained a schedule of allowance for bad debts on accounts receivable and checked whether the calculation method was implemented in accordance with the policy for bad debts; and recalculated the amount of allowance for bad debts to ensure its accuracy.
- (4) We analysed the ratio of the closing balance of allowance for bad debts to accounts receivable and compared the allowance for bad debts in the previous period to the actual amount, and analyzed whether the allowance for bad debts on accounts receivable was adequate.
- (5) We evaluated the reasonableness of the allowance for bad debts by analyzing the aging of accounts receivable and the reputation of customers, and performing audit procedures such as audit confirmation and subsequent collection of receivables.

#### **IV. Other Information**

Management of the Company is responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the 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 of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **V. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management of the Company is responsible for the preparation of the financial statements to achieve fair presentation in accordance with Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **VI. Auditor'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 auditor's 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention to users of the financial statements in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton (Special General  
Partnership)

Certified Public Accountants Wang Yuan  
(The partner in charge of the auditing service project)

Certified Public Accountants Wang Qilai

Beijing, China

7 April 2023

## II Financial statements

### Consolidated Balance Sheet

December 31, 2022

Prepared by: Joincare Pharmaceutical Group Industry Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2022	December 31, 2021
<b>Current assets:</b>			
Cash and bank balances	V.1	14,808,488,110.96	11,729,230,390.98
Financial assets held for trading	V.2	109,015,664.98	184,638,344.31
Notes receivable	V.3	1,959,985,016.85	1,977,286,022.02
Accounts receivable	V.4	3,103,758,850.15	2,853,655,551.54
Receivables financing			
Prepayments	V.5	364,265,142.57	369,232,546.29
Other receivables	V.6	52,535,740.14	88,053,825.12
In which: Interests receivable			365,873.64
Dividends receivable			
Inventories	V.7	2,561,869,999.57	2,078,944,387.68
Contract assets			
Assets held-for-sale			
Non-current assets due within one year	V.8	54,048,611.11	317,381.23
Other current assets	V.9	163,539,900.32	83,986,214.37
Total current assets		23,177,507,036.65	19,365,344,663.54
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables	V.10		266,904.13
Long-term equity investment	V.11	1,419,882,594.59	1,419,349,454.84
Other equity instrument investment	V.12	1,193,958,879.05	1,408,882,377.42
Other non-current financial assets			
Investment properties	V.13	6,191,475.43	6,191,475.43
Fixed assets	V.14	5,265,200,110.91	4,839,005,169.81
Construction in progress	V.15	811,300,068.96	742,998,743.75
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.16	41,843,133.97	46,774,759.69
Intangible assets	V.17	802,115,125.75	456,782,094.80
Development cost	V.18	428,284,884.17	786,993,435.71
Goodwill	V.19	614,468,698.73	614,468,698.73
Long-term prepaid expenses	V.20	277,867,716.95	200,715,740.93
Deferred tax assets	V.21	533,861,743.26	552,542,866.71
Other non-current assets	V.22	1,156,772,182.99	663,584,003.80
Total non-current assets		12,551,746,614.76	11,738,555,725.75
Total assets		35,729,253,651.41	31,103,900,389.29
<b>Current liabilities:</b>			
Short-term loans	V.23	2,126,050,615.06	2,518,484,835.09
Financial liabilities held for trading	V.24	755,634.43	143,302.24
Notes payable	V.25	1,635,906,989.22	1,582,386,767.93
Accounts payable	V.26	943,905,580.91	871,553,210.51
Receipts in advance			
Contract liabilities	V.27	292,977,730.74	234,140,702.29
Employee benefits payable	V.28	573,010,571.46	475,430,823.20
Taxes payable	V.29	337,702,273.73	270,618,183.41
Other payables	V.30	3,680,334,360.88	3,292,407,989.79

In which: Interests payable			
Dividends payable		12,252,074.84	6,951,984.46
Liabilities held-for-sale			
Non-current liabilities due within one year	V.31	63,077,260.98	91,576,066.33
Other current liabilities	V.32	101,276,714.35	15,626,224.29
Total current liabilities		9,754,997,731.76	9,352,368,105.08
<b>Non-current liabilities:</b>			
Long-term loans	V.33	3,230,844,042.88	826,780,252.78
Bonds payable			
Lease liabilities	V.34	23,482,486.07	25,071,794.32
Long-term payables			
Long-term payroll payable			
Estimated liabilities			
Deferred income	V.35	384,537,267.55	433,543,352.40
Deferred tax liabilities	V.21	231,164,425.48	208,525,905.39
Other non-current liabilities	V.36	84,000,000.00	78,000,000.00
Total non-current liabilities		3,954,028,221.98	1,571,921,304.89
Total liabilities		13,709,025,953.74	10,924,289,409.97
<b>Owner's equity (or shareholder's equity):</b>			
Share capital	V.37	1,929,189,374.00	1,907,727,908.00
Other equity instruments			
In which: Preferred shares			
Perpetual debts			
Capital reserve	V.38	2,343,693,215.99	2,265,357,311.92
Less: Treasury shares	V.39	347,176,561.29	222,644,454.50
Other comprehensive income	V.40	4,704,473.53	5,387,545.97
Special reserve			
Surplus reserve	V.41	734,766,581.50	640,821,179.08
Undistributed profits	V.42	8,456,643,326.82	7,223,644,166.22
Total shareholders' equity attributable to the parent		13,121,820,410.55	11,820,293,656.69
Minority shareholder's equity		8,898,407,287.12	8,359,317,322.63
Total owner's equity (or shareholder's equity)		22,020,227,697.67	20,179,610,979.32
Total liabilities and owner's equity (or shareholder's equity)		35,729,253,651.41	31,103,900,389.29

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng

**Balance Sheet of the Parent Company**

December 31, 2022

Prepared by: Joincare Pharmaceutical Group Industry Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	December 31, 2022	December 31, 2021
<b>Current assets:</b>			
Cash and bank balances		3,148,933,185.29	1,370,906,734.13
Financial assets held for trading			
Notes receivable		249,617,024.89	374,296,302.21
Accounts receivable		291,630,857.74	535,543,070.24
Receivable financing			
Prepayments		542,966,676.99	201,605,530.55
Other receivables		785,307,024.78	1,136,237,811.25
In which: Interest receivable			
Dividends receivable		544,999,500.00	814,041,000.00
Inventories		63,656,837.97	
Contract assets			
Assets held-for-sale			
Non-current assets due within one year		54,048,611.11	
Other current assets			9,379,100.23
Total current assets		5,136,160,218.77	3,627,968,548.61
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment		3,524,184,512.63	3,530,939,152.29
Other equity instrument investment		141,562,064.27	372,609,966.35
Other non-current financial assets			
Investment properties		6,191,475.43	6,191,475.43
Fixed assets		46,410,672.12	45,139,232.27
Construction in progress		15,330,867.65	7,890,737.14
Productive biological assets			
Oil and gas assets			
Right-of-use assets		7,570,096.21	12,470,703.77
Intangible assets		20,154,211.97	15,316,963.24
Development cost		92,797,615.87	21,304,063.68
Goodwill			
Long-term prepaid expenses		552,795.74	900,737.50
Deferred tax assets		88,792,276.83	134,711,371.96
Other non-current assets		815,024,705.98	54,866,150.94
Total non-current assets		4,758,571,294.70	4,202,340,554.57
Total assets		9,894,731,513.47	7,830,309,103.18
<b>Current liabilities:</b>			
Short-term loans		100,091,666.67	450,436,811.38
Financial liabilities held for trading			
Notes payable		924,199,480.81	358,526,972.01
Accounts payable		257,832,649.19	461,763,867.32
Receipts in advance			
Contract liabilities		53,648,681.36	31,637,971.91
Employee benefits payable		139,895,738.09	95,624,280.17
Taxes payable		10,549,309.54	17,190,533.60
Other payables		1,303,649,356.48	810,207,330.35

In which: Interests payable			
Dividends payable			
Liabilities held-for-sale			
Non-current liabilities due within one year		47,152,440.47	44,954,632.42
Other current liabilities		3,007,795.91	2,140,860.88
Total current liabilities		2,840,027,118.52	2,272,483,260.04
<b>Non-current liabilities:</b>			
Long-term loans		1,154,000,000.00	160,000,000.00
Bonds payable			
Lease liabilities		3,729,020.22	7,683,561.03
Long-term payables			
Long-term payroll payable			
Estimated liabilities			
Deferred income		20,534,000.00	40,796,000.00
Deferred tax liabilities		997,675.94	29,371,338.01
Other non-current liabilities			
Total non-current liabilities		1,179,260,696.16	237,850,899.04
Total liabilities		4,019,287,814.68	2,510,334,159.08
<b>Owner's equity (or shareholder's equity):</b>			
Paid-in capital		1,929,189,374.00	1,907,727,908.00
Other equity instruments			
In which: Preferred shares			
Perpetual debts			
Capital reserve		1,678,414,507.96	1,605,482,128.64
Less: Treasury shares		347,176,561.29	222,644,454.50
Other comprehensive income		726,576.72	77,015,953.08
Special reserve			
Surplus reserve		646,164,633.12	552,219,230.70
Undistributed profits		1,968,125,168.28	1,400,174,178.18
Total owner's equity (or shareholder's equity)		5,875,443,698.79	5,319,974,944.10
Total liabilities and owner's equity (or shareholder's equity)		9,894,731,513.47	7,830,309,103.18

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng

**Consolidated Income Statement**

From January to December, 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Total revenues	V.43	17,142,753,068.82	15,903,688,266.59
In which: Operating revenues		17,142,753,068.82	15,903,688,266.59
II. Total operating costs		13,784,938,368.95	13,169,412,648.95
In which: Operating costs	V.43	6,252,265,308.40	5,716,293,887.58
Operating tax and surcharges	V.44	199,746,357.56	182,816,650.02
Selling expenses	V.45	4,950,802,456.16	5,026,812,145.41
Administrative expenses	V.46	992,483,591.51	939,253,444.33
R&D expenses	V.47	1,742,088,079.94	1,397,131,273.33
Financial expenses	V.48	-352,447,424.62	-92,894,751.72
In which: Interest expenses		139,016,104.44	90,278,042.69
Interest income		395,476,309.66	191,964,051.82
Add: Other income	V.49	289,868,006.44	247,346,934.96
Income from investments (loss is indicated by "-")	V.50	55,973,114.29	71,881,264.65
In which: Income from investments in associates and joint ventures		70,577,657.04	10,281,021.59
Gains from derecognition of financial assets at amortized cost			
Gains from net exposure hedges (loss is indicated by "-")			
Gains from changes in fair values (loss is indicated by "-")	V.51	-76,262,989.83	-23,506,126.09
Losses of credit impairment (loss is indicated by "-")	V.52	-4,123,743.37	-8,024,112.20
Impairment loss of assets (loss is indicated by "-")	V.53	-142,627,936.44	-62,950,978.72
Gains from disposal of assets (loss is indicated by "-")	V.54	-705,357.30	24,044,186.55
III. Operating profit (loss is indicated by "-")		3,479,935,793.66	2,983,066,786.79
Add: Non-operating income	V.55	8,229,847.57	8,641,830.86
Less: Non-operating expenses	V.56	32,060,686.06	39,379,273.69
IV. Total profit (loss is indicated by "-")		3,456,104,955.17	2,952,329,343.96
Less: Income tax expenses	V.57	562,008,858.69	339,480,305.29
V. Net profit (loss is indicated by "-")		2,894,096,096.48	2,612,849,038.67
(I) Classified by business continuity			
1. Net profit from ongoing operation (loss is indicated by "-")		2,894,096,096.48	2,612,849,038.67
2. Net profit from discontinuing operation (loss is indicated by "-")			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (loss is indicated by "-")		1,502,595,840.48	1,328,499,432.05
2. Profit and loss of minority shareholders (loss is indicated by "-")		1,391,500,256.00	1,284,349,606.62
VI. Other comprehensive income, net of tax		74,606,735.39	-177,686,201.25

(I) Other comprehensive income attributable to owners of the parent company, net of tax		-683,072.44	-110,913,013.31
1. Other comprehensive income that cannot be reclassified into profit or loss		-85,577,350.31	-78,059,481.21
(1) Changes from remeasurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method		2,116,352.61	6,658,847.65
(3) Changes in fair value of investments in other equity instruments		-87,693,702.91	-84,718,328.85
(4) Changes in fair value of the enterprise's own credit risks			
2. Other comprehensive income that will be reclassified into profit or loss		84,894,277.87	-32,853,532.10
(1) Other comprehensive income that can be reclassified into profit or loss under the equity method		236,421.59	-13,599.80
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Reserve for cash flow hedges			
(6) Exchange differences on translation of financial statements denominated in foreign currencies		84,657,856.28	-32,839,932.30
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		75,289,807.82	-66,773,187.94
VII. Total comprehensive income		2,968,702,831.87	2,435,162,837.42
(I) Total comprehensive income attributable to owners of the parent company		1,501,912,768.04	1,217,586,418.74
(II) Total comprehensive income attributable to minority shareholders		1,466,790,063.82	1,217,576,418.68
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.7933	0.6864
(II) Diluted earnings per share (RMB/share)		0.7921	0.6858

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng



**Income Statement of the Parent Company**

From January to December, 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Operating revenues		2,373,887,564.78	2,021,173,825.62
Less: Operating costs		1,612,899,011.80	1,356,825,036.11
Operating tax and surcharges		14,203,470.53	12,392,762.31
Selling expenses		645,474,076.69	509,217,536.91
Administrative expenses		195,475,435.39	152,344,869.22
R&D expenses		66,705,404.14	99,273,556.14
Financial expenses		-38,112,993.67	-18,244,358.04
In which: Interest expenses		25,257,639.51	4,032,165.84
Interest income		70,313,743.55	22,710,793.68
Add: Other income		23,934,298.39	1,551,111.38
Income from investments (loss is indicated by "-")		991,369,051.76	1,293,747,303.58
In which: Income from investments in associates and joint ventures		1,326,243.55	-2,005,822.14
Gains from derecognition of financial assets at amortized cost			
Gains from net exposure hedges (loss is indicated by "-")			
Gains from changes in fair values (loss is indicated by "-")			
Losses of credit impairment (loss is indicated by "-")		1,856,898.77	-203,993.20
Impairment loss of assets (loss is indicated by "-")		-154,249.81	-41,007.68
Gains from disposal of assets (loss is indicated by "-")			
II. Operating profit (loss is indicated by "-")		894,249,159.01	1,204,417,837.05
Add: Non-operating income		232,093.51	75,665.33
Less: Non-operating expenses		1,660,096.56	13,762,938.68
III. Total profit (loss is indicated by "-")		892,821,155.96	1,190,730,563.70
Less: Income tax expenses		43,089,198.01	-58,066,575.23
IV. Net profit (loss is indicated by "-")		849,731,957.95	1,248,797,138.93
(I) Net profit from ongoing operation (loss is indicated by "-")		849,731,957.95	1,248,797,138.93
(II) Net profit from discontinuing operation (loss is indicated by "-")			
V. Other comprehensive income, net of tax		-76,289,376.36	-33,565,798.21
(I) Other comprehensive income not to be reclassified into profit and loss		-76,289,376.36	-33,565,798.21
1. Changes from remeasurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method			
3. Changes in fair value of investments in other equity instruments		-76,289,376.36	-33,565,798.21
4. Changes in fair value of the enterprise's own credit risks			
(II) Other comprehensive income that will be reclassified into profit and loss			
1. Other comprehensive income that can be reclassified into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Reserve for cash flow hedges			
(6) Exchange differences on translation of financial statements denominated in foreign currencies			

(7) Others			
VI. Total comprehensive income		773,442,581.59	1,215,231,340.72
VII. Earnings per share:			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng

**Consolidated Cash Flow Statement**

From January to December, 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods and rendering of services		18,615,546,255.83	16,302,075,867.93
Tax refunds received		247,896,245.67	142,987,224.70
Other cash received related to operating activities	V.58	683,645,734.39	545,037,436.64
Subtotal of cash inflow from operating activities		19,547,088,235.89	16,990,100,529.27
Cash paid for goods and services		5,728,697,037.48	4,536,979,552.07
Cash paid to and on behalf of employees		2,260,612,483.52	1,950,726,146.40
Payments of all types of taxes		1,668,389,310.43	1,653,421,224.28
Other cash paid related to operating activities	V.58	5,911,684,265.17	6,285,884,561.28
Subtotal of cash outflow in operating activities		15,569,383,096.60	14,427,011,484.03
Net cash flow from operating activities		3,977,705,139.29	2,563,089,045.24
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investment		270,997,751.54	155,208,882.44
Cash received from returns on investments		144,358,825.55	114,833,282.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,096,825.59	9,404,128.73
Net cash received from disposal of subsidiaries and other business units			3,311,220.53
Other cash received related to investing activities	V.58	13,563,902.59	113,574,087.21
Subtotal of cash inflow from investing activities		432,017,305.27	396,331,601.75
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,147,832,255.23	1,521,419,292.51
Cash paid for investment		416,183,775.89	786,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities	V.58	1,120,168,462.77	53,070,040.41
Subtotal of cash outflow in investing activities		2,684,184,493.89	2,360,489,332.92
Net cash flow from investing activities		-2,252,167,188.62	-1,964,157,731.17
<b>III. Cash flow from financing activities:</b>			
Cash received from capital contribution		746,673,937.95	609,358,382.32
In which: Cash received from investment by minority interests of subsidiaries		45,595,924.92	526,782,825.73
Cash received from borrowings		5,339,517,086.47	3,534,880,943.19
Other cash received related to financing activities	V.58	381,066,270.61	37,852,177.42
Subtotal of cash inflow from financing activities		6,467,257,295.03	4,182,091,502.93
Cash repayments of amounts borrowed		3,718,797,777.63	2,593,581,286.53
Cash payments for interest expenses and distribution of dividends or profits		1,350,994,668.54	1,271,374,383.55
In which: Dividend paid to minority interests of subsidiaries		961,951,199.52	888,900,577.12
Other cash payments related to financing activities	V.58	831,342,189.06	1,292,040,186.29
Subtotal of cash outflow in financing activities		5,901,134,635.23	5,156,995,856.37
Net cash flow from financing activities		566,122,659.80	-974,904,353.44
<b>IV. Effect of foreign exchange rate changes on cash</b>		189,286,934.75	-49,290,130.94
<b>V. Net increase in cash and cash equivalents</b>		2,480,947,545.22	-425,263,170.31
Add: Opening balance of cash and cash equivalents		11,697,518,141.18	12,122,781,311.49
<b>VI. Closing balance of cash and cash equivalents</b>		14,178,465,686.40	11,697,518,141.18

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng

**Cash Flow Statement of Parent Company**

From January to December, 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
<b>I. Cash flow from operating activities:</b>			
Cash received from sales of goods and rendering of services		3,146,093,806.02	2,029,373,201.42
Tax refunds		82,831.63	
Other cash received related to operating activities		2,960,613,006.52	606,516,829.33
Subtotal of cash inflow from operating activities		6,106,789,644.17	2,635,890,030.75
Cash paid for goods and services		1,901,562,593.41	983,814,721.63
Cash paid to and on behalf of employees		246,881,656.93	181,261,857.67
Payments of all types of taxes		103,904,304.93	107,046,894.42
Other cash paid related to operating activities		3,109,052,257.96	1,062,779,580.04
Subtotal of cash outflow in operating activities		5,361,400,813.23	2,334,903,053.76
Net cash flow from operating activities		745,388,830.94	300,986,976.99
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investment		270,997,751.54	68,268,656.05
Cash received from returns on investments		1,276,079,344.80	632,000,814.98
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		21,000.00	81,400.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investing activities		158,470.77	101,013,650.67
Subtotal of cash inflow from investing activities		1,547,256,567.11	801,364,521.70
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		11,869,023.45	8,127,874.33
Cash paid for investment		10,000,000.00	319,037,191.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities		1,084,392,104.38	50,000,000.00
Subtotal of cash outflow in investing activities		1,106,261,127.83	377,165,065.33
Net cash flow from investing activities		440,995,439.28	424,199,456.37
<b>III. Cash flow from financing activities:</b>			
Cash received from capital contribution		701,078,013.03	82,575,556.59
Cash received from borrowings		1,500,000,000.00	650,000,000.00
Other cash received related to financing activities			36,583,025.57
Subtotal of cash inflow from financing activities		2,201,078,013.03	769,158,582.16
Cash repayments of amounts borrowed		854,000,000.00	500,000,000.00

Cash payments for interest expenses and distribution of dividends or profits		299,984,479.95	292,289,892.43
Other cash payments related to financing activities		740,517,545.44	701,265,930.75
Subtotal of cash outflow in financing activities		1,894,502,025.39	1,493,555,823.18
Net cash flow from financing activities		306,575,987.64	-724,397,241.02
<b>IV. Effect of foreign exchange rate changes on cash</b>		-5,804,971.77	296,539.18
<b>V. Net increase in cash and cash equivalents</b>		1,487,155,286.09	1,085,731.52
Add: Opening balance of cash and cash equivalents		1,370,906,734.13	1,369,821,002.61
<b>VI. Closing balance of cash and cash equivalents</b>		2,858,062,020.22	1,370,906,734.13

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's  
accounting work: Qiu Qingfeng

Person-in-charge of the accounting  
department: Qiu Qingfeng

## Consolidated Statement of Changes in Owner's Equity

From January to December, 2022

Unit: Yuan Currency: RMB

Item	2022												Minority shareholder's equity	Total owner's equity
	Owner's equity attributable to the parent company													
	Paid-up capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits	Subtotal		
Preferred share		Perpetual debts	Others											
I. Balance at the end of previous year	1,907,727,908.00				2,265,357,311.92	222,644,454.50	5,387,545.97		640,821,179.08		7,223,644,166.22	11,820,293,656.69	8,359,317,322.63	20,179,610,979.32
Add: Change of accounting policies														
Correction to errors of the previous period														
Business combination involving enterprises under common control														
Others														
II. Balance in beginning of year	1,907,727,908.00				2,265,357,311.92	222,644,454.50	5,387,545.97		640,821,179.08		7,223,644,166.22	11,820,293,656.69	8,359,317,322.63	20,179,610,979.32
III. Increase and decrease of the current year (enter "-" for decrease)	21,461,466.00				78,335,904.07	124,532,106.79	-683,072.44		93,945,402.42		1,232,999,160.60	1,301,526,753.86	539,089,964.49	1,840,616,718.35
(I) Total comprehensive income							-683,072.44				1,502,595,840.48	1,501,912,768.04	1,466,790,063.82	2,968,702,831.87
(II). Capital contribution or reduction from shareholders	21,461,466.00				72,932,379.32	124,532,106.79						-30,138,261.47	-9,149,286.66	-39,287,548.13
1. Capital contribution from shareholders	72,421,134.00				612,201,980.48	724,513,822.62						-39,890,708.14	22,487,013.47	-17,403,694.67
2. Capitals invested by other equity instrument holders														
3. Amount of share-based payment included in owner's equity					9,752,446.67							9,752,446.67		9,752,446.67
4. Others	-50,959,668.00				-549,022,047.83	-599,981,715.83							-31,636,300.13	-31,636,300.13

(III). Profit distribution								84,973,195.80		-362,530,827.45	-277,557,631.65	-967,251,289.90	-1,244,808,921.55
1. Accrual of surplus reserve								84,973,195.80		-84,973,195.80			
2. Accrual of general risk provision													
3. Amount distributed to owners (or shareholders)										-277,557,631.65	-277,557,631.65	-967,251,289.90	-1,244,808,921.55
4. Others													
(IV) Internal carrying forward of owner's equity								8,972,206.62		92,934,147.57	101,906,354.19	15,012,358.44	116,918,712.63
1. Capital reserve transferred to increase capital (or share capital)													
2. Surplus reserve transferred to increase capital (or share capital)													
3. Surplus reserve compensating losses													
4. Retained earnings carried over from changes in the defined benefit plan													
5. Retained earnings carried over from other comprehensive income								8,972,206.62		92,934,147.57	101,906,354.19	15,012,358.44	116,918,712.63
6. Others													
(V) . Special reserve													
1. Accrual of the current year													
2. Amount utilized in the current period													
(VI) . Others								5,403,524.75			5,403,524.75	33,688,118.79	39,091,643.54
IV. Balance at end of year	1,929,189,374.00				2,343,693,215.99	347,176,561.29	4,704,473.53	734,766,581.50		8,456,643,326.82	13,121,820,410.55	8,898,407,287.12	22,020,227,697.67

Item	2021													
	Owner's equity attributable to the parent company											Minority shareholder's equity	Total owner's equity	
	Paid-up capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits			Subtotal
	Preferred share	Perpetual debts	Others											
I. Balance at the end of previous year	1,952,780,764.00				2,533,288,674.28	253,637,154.50	116,300,559.28		515,941,465.19		6,231,451,582.26	11,096,125,890.51	8,140,772,186.49	19,236,898,077.00
Add: Change of accounting policies														
Correction to errors of the previous period														
Business combination involving enterprises under common control														
Others														
II. Balance in beginning of year	1,952,780,764.00				2,533,288,674.28	253,637,154.50	116,300,559.28		515,941,465.19		6,231,451,582.26	11,096,125,890.51	8,140,772,186.49	19,236,898,077.00
III. Increase and decrease of the current year (enter "-" for decrease)	-45,052,856.00				-267,931,362.36	-30,992,700.00	-110,913,013.31		124,879,713.89		992,192,583.96	724,167,766.18	218,545,136.13	942,712,902.32
(I). Total comprehensive income							-110,913,013.31				1,328,499,432.05	1,217,586,418.74	1,217,576,418.68	2,435,162,837.42
(II). Capital contribution or reduction from shareholders	-45,052,856.00				-570,478,635.27	-30,992,700.00						-584,538,791.27	-21,931,055.41	-606,469,846.68
1. Capital contribution from shareholders	10,082,440.00				72,493,116.59	699,900,526.87						-617,324,970.28	437,967,405.33	-179,357,564.95
2. Capitals invested by other equity instrument holders														
3. Amount of share-based payment included in owner's equity					1,793,479.01							1,793,479.01		1,793,479.01
4. Others	-55,135,296.00				-644,765,230.87	-730,893,226.87						30,992,700.00	-459,898,460.74	-428,905,760.74
(III). Profit distribution									124,879,713.89		-413,555,101.94	-288,675,388.05	-887,433,971.08	-1,176,109,359.13
1. Accrual of surplus reserve									124,879,713.89		-124,879,713.89			



2. Accrual of general risk provision														
3. Amount distributed to owners (or shareholders)											-288,675,388.05	-288,675,388.05	-887,433,971.08	-1,176,109,359.13
4. Others														
(IV) Internal carrying forward of owner's equity											77,248,253.85	77,248,253.85	94,678,535.62	171,926,789.47
1. Capital reserve transferred to increase capital (or share capital)														
2. Surplus reserve transferred to increase capital (or share capital)														
3. Surplus reserve compensating losses														
4. Retained earnings carried over from changes in the defined benefit plan														
5. Retained earnings carried over from other comprehensive income											77,248,253.85	77,248,253.85	94,678,535.62	171,926,789.47
6. Others														
(V) Special reserve														
1. Accrual of the current year														
2. Amount utilized in the current period														
(VI) Others					302,547,272.91							302,547,272.91	-184,344,791.68	118,202,481.23
IV. Balance at end of year	1,907,727,908.00				2,265,357,311.92	222,644,454.50	5,387,545.97		640,821,179.08		7,223,644,166.22	11,820,293,656.69	8,359,317,322.63	20,179,610,979.32

Person-in-charge of the Company:  
Zhu Baoguo

Person-in-charge of the Company's accounting work:  
Qiu Qingfeng

Person-in-charge of the accounting department:  
Qiu Qingfeng

## Statement of Changes in Owner's Equity of the Parent Company

From January to December, 2022

Unit: Yuan Currency: RMB

Item	2022										
	Paid-up capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
		Preferred share	Perpetual debts	Others							
I. Balance at the end of previous year	1,907,727,908.00				1,605,482,128.64	222,644,454.50	77,015,953.08		552,219,230.70	1,400,174,178.18	5,319,974,944.10
Add: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Balance in beginning of year	1,907,727,908.00				1,605,482,128.64	222,644,454.50	77,015,953.080		552,219,230.70	1,400,174,178.18	5,319,974,944.10
III. Increase and decrease of the current year (enter "-" for decrease)	21,461,466.00				72,932,379.32	124,532,106.79	-76,289,376.362		93,945,402.42	567,950,990.10	555,468,754.69
(I). Total comprehensive income							-76,289,376.362			849,731,957.95	773,442,581.59
(II) Capital contribution or reduction from shareholders	21,461,466.00				72,932,379.32	124,532,106.79					-30,138,261.47
1. Capital contribution from shareholders	72,421,134.00				612,201,980.48	724,513,822.62					-39,890,708.14
2. Capitals invested by other equity instrument holders											
3. Amount of share-based payment included in owner's equity					9,752,446.67						9,752,446.67
4. Others	-50,959,668.00				-549,022,047.83	-599,981,715.83					
(III). Profit distribution									84,973,195.80	-362,530,827.45	-277,557,631.65
1. Accrual of surplus reserve									84,973,195.80	-84,973,195.80	
2. Amount distributed to owners (or shareholders)										-277,557,631.65	-277,557,631.65
3. Others											
(IV) . Internal carrying forward of owner's equity									8,972,206.62	80,749,859.60	89,722,066.22
1. Capital reserve transferred to increase capital (or share capital)											
2. Surplus reserve transferred to increase capital (or share capital)											
3. Surplus reserve compensating losses											
4. Retained earnings carried over from changes in the defined benefit plan											
5. Retained earnings carried over from other comprehensive income									8,972,206.62	80,749,859.60	89,722,066.22
6. Others											
(V) . Special reserve											
1. Accrual of the current year											
2. Amount utilized in the current period											
(VI) . Others											
IV. Balance at end of year	1,929,189,374.00				1,678,414,507.96	347,176,561.29	726,576.72		646,164,633.12	1,968,125,168.28	5,875,443,698.79

Item	2021										
	Paid-up capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
		Preferred share	Perpetual debts	Others							
I. Balance at the end of previous year	1,952,780,764.00				2,169,622,381.22	253,637,154.50	110,581,751.29		427,339,516.81	564,932,141.19	4,971,619,400.01
Add: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Opening balance of the current year	1,952,780,764.00				2,169,622,381.22	253,637,154.50	110,581,751.29		427,339,516.81	564,932,141.19	4,971,619,400.01
III. Increase and decrease of the current year (enter "-" for decrease)	-45,052,856.00				-564,140,252.58	-30,992,700.00	-33,565,798.21		124,879,713.89	835,242,036.99	348,355,544.09
(I). Total comprehensive income							-33,565,798.21			1,248,797,138.93	1,215,231,340.72
(II). Capital contribution or reduction from shareholders	-45,052,856.00				-570,478,635.27	-30,992,700.00					-584,538,791.27
1. Capital contribution from shareholders	10,082,440.00				72,493,116.59	699,900,526.87					-617,324,970.28
2. Capitals invested by other equity instrument holders											
3. Amount of share-based payment included in owner's equity					1,793,479.01						1,793,479.01
4. Others	-55,135,296.00				-644,765,230.87	-730,893,226.87					30,992,700.00
(III). Profit distribution									124,879,713.89	-413,555,101.94	-288,675,388.05
1. Accrual of surplus reserve									124,879,713.89	-124,879,713.89	
2. Amount distributed to owners (or shareholders)										-288,675,388.05	-288,675,388.05
3. Others											
(IV) . Internal carrying forward of owner's equity											
1. Capital reserve transferred to increase capital (or share capital)											
2. Surplus reserve transferred to increase capital (or share capital)											
3. Surplus reserve compensating losses											
4. Retained earnings carried over from changes in the defined benefit plan											
5. Retained earnings carried over from other comprehensive income											
6. Others											
(V) Special reserve											
1. Accrual of the current year											
2. Amount utilized in the current period											
(VI) Others					6,338,382.69						6,338,382.69
IV. Balance at end of year	1,907,727,908.00				1,605,482,128.64	222,644,454.50	77,015,953.08		552,219,230.70	1,400,174,178.18	5,319,974,944.10

Person-in-charge of the Company: Zhu Baoguo

Person-in-charge of the Company's accounting work:  
Qiu QingfengPerson-in-charge of the accounting department:  
Qiu Qingfeng

# Joincare Pharmaceutical Group Industry Co., Ltd

## Notes to the financial statements

(All amounts in RMB Yuan unless otherwise stated)

### I. Company Profile

#### 1. Company Overview

The Company is formerly known as Shenzhen Aimier Food Co., Ltd. (深圳爱迷尔食品有限公司), was a Sino-foreign joint venture officially established on 18 December 1992 with the approval from Shenzhen Administration for Industry and Commerce.

On 24 November 1999, the Company was reorganized as a joint stock limited company.

On 6 February 2001, the Company was approved by the China Securities Regulatory Commission to issue domestically listed shares (A shares) to the public. On 8 June 2001, shares of the Company were listed and traded on Shanghai Stock Exchange.

As of 31 December 2022, the total share capital of the Company was RMB1,929,189,374 for a total number of shares of 1,929,189,374 shares. The controlling shareholder of the Company is Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司), and the ultimate controlling party is Zhu Baoguo (朱保国).

The Company is engaged in the pharmaceutical industry.

The Company and its subsidiaries primarily engaged in the R&D, production and sale of pharmaceutical products and healthcare products, which covered drug preparation products, active pharmaceutical ingredients (“APIs”) and intermediates, diagnostic reagents and equipment as well as healthcare products.

#### 2. Scope of consolidated financial statements

The information of subsidiaries included in the scope of consolidation for the year ended 31 December 2022 refer to Note VII “Equity in other entities” and the information of the changes in scope of consolidation during the period refer to Note VI “Changes in scope of consolidation”.

### II. Basis of Preparation for the Financial Statements

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

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, the financial statements are generally measured at historical cost. Non-current assets held for sale are stated at the lower of fair value less estimated selling costs and their original carrying amount if they qualify as held for sale. In case of asset impairment, the Company shall make provisions for impairment in accordance with applicable provisions.

### III. Significant Accounting Policies and Accounting Estimates

The Company determines the depreciation of fixed assets, amortisation of intangible assets, capitalisation 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.16, Note III.20, Note III.21 and Note III.28.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial positions as at 31 December 2022, and the consolidated and the Company's operating results and the consolidated and the Company's cash flows and other relevant information for the year ended 31 December 2022.

#### 2. Accounting period

The fiscal year of the Company is from 1 January to 31 December in each calendar year.

#### 3. Operating cycle

The Company's operating cycle is 12 months.

#### 4. Functional currency

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

#### 5. 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 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 the carrying amount of the consideration paid for the combination and the net assets acquired is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Business combination involving enterprises under common control and achieved in a number of transactions

In the separate financial statements, the initial investment cost will be recognised at the carrying amount of the Company's share in the combined party's net assets in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment cost and the sum of the carrying amount of the investment held and the carrying amount of consideration paid for the combination at the combination date is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

In the consolidated financial statements, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between sum of the carrying amount of the investment held and the carrying amount of the consideration paid for the combination and the carrying amount of the net assets acquired is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. For long-term equity investment held before the control over the combined party is obtained, profit or loss, other comprehensive income and other changes to equity interest attributable to the owners recognised from the later of the acquisition of the original equity interest and the date when the combining party and the combined party are placed under common control until the date of combination shall be offset against retained profit at the beginning of the period of the comparative financial statements or profit or loss of the period respectively.

##### (2) Business combinations involving enterprises not under common control

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

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

Business combination involving enterprises not under common control and achieved in a number of transactions

In the separate financial statements, the initial cost of the investment is the sum of the carrying amount of the acquiree's equity investment held before the acquisition date and the additional investment cost on the acquisition date. In respect of the equity investment held prior to the acquisition date, other comprehensive income will not be recognised using equity method on the acquisition date, and such investment will be accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the investee at the time of disposal. Shareholder's equity recognised due to the changes of other shareholder's equity other than the changes of net loss and profit, other comprehensive income and profit distribution shall be transferred to profit or loss for current period when disposed. If the equity investment held prior to the acquisition date is measured at fair value, the cumulative changes in fair value recognised in other comprehensive income shall be transferred to retained earnings when accounted for using cost method.

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

### (3) Transaction fees attribution during the combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognised in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

## 6. Preparation of consolidated financial statements

### (1) Scope of consolidation

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

### (2) Method for preparation of the consolidated financial statements

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

A subsidiary or a business acquired through a business combination involving entities under common control

in the reporting period shall be included in the scope of the consolidation of the Company from the date when it is under control of the ultimate controlling party, and then its operating results and cash flows will be included in the consolidated income statement and the consolidated cash flow statement, respectively.

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

The shareholders' equity of the subsidiaries that are not attributable to the Company shall be presented under shareholders' equity in the consolidated balance sheet as minority interests. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the "profit or loss of minority interest". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

### (3) Purchase of the minority stake in the subsidiary

The difference between the long-term equity investments costs acquired by the purchase of minority interests and the share of the net assets that the subsidiaries have to continue to calculate from the date of purchase or the date of consolidation in proportion to the new shareholding ratio, and the difference between the disposal of the equity investment without losing control over its subsidiary and the disposal of the long-term equity investment corresponding to the share of the net assets of the subsidiaries from the date of purchase or the date of consolidation, shall be adjusted to the capital reserve (or share premium), if the capital reserve is not sufficient, any excess will be adjusted to retained earnings.

### (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 ongoing basis from the acquisition date based on the original shareholding proportion is recognised in the investment income for the current period when the control is lost.

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

### (5) Treatment of disposal through several transactions until the loss of control of subsidiaries

Where the Company disposes of the equity interests in the subsidiary through several transactions until it loses control, and the transaction terms, conditions and economic effects satisfy one or several of the following circumstances, such several transactions shall be deemed as a basket of transactions in accounting treatment:

- ① Such transactions are entered into simultaneously or upon the consideration of the mutual impacts;
- ② No complete commercial result will be realised without such transactions as a whole;
- ③ The occurrence of one transaction depends on the occurrence of at least another transaction;
- ④ The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series.

In the separate financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, and such transactions are not regarded as "a basket of

transactions”, the carrying amount of the long-term equity investment involving each disposal will be carried forward, with the difference between the disposal price and the carrying amount of the long-term equity investment involving the disposal being accounted into the investment incomes for the current period; where the transactions constitute “a basket of transactions”, the difference between the consideration of each disposal and the carrying amount of the long-term equity investment involving the disposal before the loss of the control, is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.

In the consolidated financial statements, where the Company disposes of the equity investment in the subsidiary through several transactions until the loss of control, the measurement of the remaining equity interest and the accounting treatment of the losses and gains of the disposal will be made with reference to the “Treatment of loss of control of subsidiaries” as described above. For the difference between the consideration of each disposal before the loss of the control and the carrying amount of the Company's share in the net assets involving the disposal of such subsidiary calculated on an on-going basis from the acquisition date, the treatment will be made as follows:

- ① In case the transactions are “a basket of transactions”, such difference is recognised as the other comprehensive income and will be carried forward to the profit or loss for the current period when the control is lost.
- ② In case the transactions are not “a basket of transactions”, such difference is accounted into the capital reserve (or share premium) as equity, and shall not be carried forward to the profit or loss for the current period when the control is lost.

## 7. Classification of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement jointly controlled by two or more parties. The Company's joint arrangement is classified into the joint operation and the joint venture.

### (1) Joint operation

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

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

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

### (2) Joint ventures

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

The Company's investment in joint ventures is accounted for using the equity method according to the rules of the long-term equity investment.

## 8. Determination of cash and cash equivalents

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



risk of change in value.

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

### (1) Foreign currency transactions

Foreign currency transactions incurred by the Company are translated to the functional currency at the spot exchange rates on the date of the transactions upon initial recognition.

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

### (2) Translation of financial statements in foreign currency

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

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

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

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

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

## 10. Financial instruments

Financial instruments are contracts creating financial assets of a party and financial liabilities or equity instruments of other parties.

### (1) Recognition and Derecognition of financial instruments

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

The financial assets will be derecognised if any of the following conditions is satisfied:

- ① The contractual right to receive the cash flow of the financial assets is terminated;
- ② The financial assets have been transferred and the transferred financial asset satisfies the following conditions of derecognition.

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or that part of the financial liability) will be derecognised. When the Company (as the debtor) and the lender

have signed an agreement which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the original financial liability, the original financial liability shall be de-recognised, and the new financial liability shall be recognised at the same time.

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

## (2) Classification and measurement of financial assets

The 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 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 for the current period as financial assets measured at amortised cost:

The Company's business model for managing the financial assets is to collect contractual cash flow;

The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

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

### **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 measured at fair value through profit or loss for the current period as financial assets measured at fair value through other comprehensive income

The Company's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;

The terms of the financial asset contract stipulate that the cash flow generated on a specific date is only the payment for principal and interest accrued on the outstanding principal.

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

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

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 measured at fair value through profit or loss for the current period. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the 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 for the current period.

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

current period, unless the financial assets are part of the hedging relationship.

However, with respect to non-trading equity instrument investments, the 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 confirmation, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive gains. When derecognised, the accumulated gains or losses previously recognised in other comprehensive gains are transferred from other comprehensive gains 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 contract cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key managers, the Company determines the business model of financial assets management.

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

Only when the 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 confirmation.

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

### (3) Classification and measurement of financial liabilities

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

#### **Financial liabilities at fair value through profit or loss**

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

#### **Financial liabilities at amortised cost**

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

### **Distinction between financial liabilities and equity instruments**

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

- ① Contractual obligation to deliver cash or other financial instruments to another entity.
- ② Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- ③ A contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- ④ A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the Company's own equity instrument, the Company should consider whether the Company's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of the Company after deducting all of its liabilities. If the former, the tool is the Company's financial liability; if the latter, the tool 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, otherwise that 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 hedge shall be recognised as profit or loss for current period.

For the hybrid instrument which includes embedded derivatives, where the host contract is a financial asset, requirements in relation to the classification of financial assets shall apply to the hybrid instrument as a whole. Where the host contract is not a financial asset, and the hybrid instrument is not measured at fair value and its changes are included in the profit and loss for the current period for accounting purposes, there is no close relation between the embedded derivatives and the host contract in terms of economic features and risks, and the instrument that has the same condition with the embedded derivatives and exists independently meets the definition of derivatives, the embedded derivatives shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is unable to separately measure the embedded derivatives upon acquisition or on the subsequent balance sheet date, the hybrid instrument shall be entirely designated as the financial assets or financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period.

#### **(5) Fair value of the financial instrument**

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

#### **(6) Impairment of financial assets**

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

- A. Financial assets measured at amortised cost;

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

### **Measurement of expected credit loss (ECLs)**

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the 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.

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

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

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

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

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

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

If the expected credit losses of one individual financial asset cannot be estimated at a reasonable cost, the Company classifies notes receivable and trade receivables into portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

- A. Notes 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 classified as portfolio, 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 as portfolio, the Company measures expected credit losses through preparing a table of concordance between the aging of trade receivables and lifetime expected credit losses rate with reference to the historical credit loss experience, current situation and forecasts of future economic conditions.

**Other receivables**

The 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: Receivables of consolidated companies

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

**Long-term receivables**

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

The Company classifies finance lease receivables and equity transfer receivables into certain portfolios based on credit risk characteristics, and measures expected credit losses on portfolios basis to determine portfolios by the following basis:

**A. Finance lease receivables**

Portfolio of finance lease receivables: other receivables

**B. Other long-term receivables**

Portfolio of other long-term receivables: equity transfer receivables

For finance lease receivables and equity transfer receivables, the Company measures expected credit losses based on the risk exposures of default and lifetime expected credit losses rate with reference to the historical

credit loss experience, current situation and forecasts of future economic conditions.

For other receivables and long-term receivables other than finance lease receivables and equity transfer receivables that are classified as portfolio, the Company measures expected credit losses based on the risk exposures of default and future 12-month or lifetime expected credit losses rate.

#### **Debt investments and other debt investments**

For debt investments and other debt investments, the Company measures expected credit losses based on the nature of investments, counterparties and various types of risk exposures and the risk exposures of default and future 12-month or lifetime expected credit losses rate.

#### **Assessment of significant increase in credit risk**

By comparing the risk of default of financial instruments occurring on the balance sheet date and on the initial recognition date, the Company determines the relative changes in risk of default over the expected life of financial instruments and assesses whether the credit risk of financial instruments have increased significantly since the initial recognition.

When determine whether credit risks have significantly increased since the initial recognition, the Company considers information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. The information considered by the Company includes:

Failure to make payments of principal or interest on debtors' contractually due dates;

An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);

An actual or expected significant deterioration in the operating results of debtors;

Existing or forecast changes in the technological, market, economic or legal environment that have 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 measured at fair value through other comprehensive income are credit-impaired at balance sheet date. A financial asset is "credit-impaired" when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

Significant financial difficulty of the issuer or debtor;

A breach of contract by debtor, such as a default or delinquency in interest or principal payments;

For economic or contractual reasons relating to the borrower's financial difficulty, the Company having granted to the borrower a concession that would not otherwise consider;

It is probable that the borrower will enter bankruptcy or other financial reorganization;

The disappearance of an active market for that financial asset because of financial difficulties.

### **Presentation of allowance for ECL**

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

### **Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case the 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 recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## **(7) Transfer of financial assets**

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

The 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.

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

## **(8) Offsetting financial assets and financial liabilities**

When the 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 the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented on the balance sheet after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately on the balance sheet.

## **11. Fair value measurement**

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

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



If there exists an active market for the financial assets or financial liabilities, the Company uses the quotation on the active market as its fair value. For those in the absence of 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 cost represents fair value. Cost may represent the best estimate of fair value of the relevant financial asset within the scope of distribution, and such cost represents the appropriate estimate of fair value within the scope of distribution.

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

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

For the assets and liabilities measured or disclosed at fair value on financial statements, fair value hierarchies are categorized into three levels as the lowest level input that is significant to the entire fair value measurement: Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: inputs are unobservable inputs for the asset or liability.

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

## 12. Inventories

### (1) Classification of inventories

The Company's inventories include raw materials, packaging materials, finished goods, work-in-progress, low-value consumables, subcontracting materials, inventory goods, expendable biological assets and goods in transit.

### (2) Method of costing

The method of costing of the Company's inventories: Cost of finished goods are measured at planned cost, and material cost differences are carried forward at the end of the period to adjust planned cost to actual cost; other inventories are measured at actual cost on acquisition and raw materials received are accounted for by the weighted-average method; low-value consumables and packaging materials are amortised in full upon the use.

### (3) Method in the determination and the basis of provision for diminution in net realisable 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 on an item-by-item basis at the excess of the cost of the inventory over its net realisable value. For large volume inventories with low unit price, the provision for diminution in the value of inventories is made by categories. Inventories that are related to a product line manufactured and sold in the same region, have the same or similar end use or purpose, and are difficult to measure separately from other items are consolidated the provision for diminution in the value of inventories.

### (4) Inventory system

The Company maintains a perpetual inventory system.

### (5) Amortisation methods of consumables and packaging materials

Low-value consumables and packaging materials of the Company are amortised in full when used.

### 13. Held for sale and discontinued operations

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

Non-current assets and disposal groups are classified as held for sale if the Company recovers its book value mainly by selling (including the exchange of nonmonetary assets with commercial substance) rather than continuing to use it.

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

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

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

The difference between carrying amount of non-current assets or disposal groups classified as held for sale and the net amount of fair value less selling costs shall be recognised as impairment loss on assets upon initial measurement or when such non-current assets or disposal groups are remeasured at the balance sheet date. For the amount of impairment loss on assets recognised in disposal groups, the carrying amount of disposal groups' goodwill shall be offset against first, and then offset against the carrying amount of non-current assets according to the proportion of carrying amount of the individual non-current assets in the disposal groups.

If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognised on the noncurrent asset which is applicable to the measurement requirements of Held-For-Sale Standards after the non-current asset is classified into held-for-sale category. The reversed amount is credited to current profit or loss. The carrying value of goodwill which has been offset cannot be reversed.

No depreciation or amortisation is provided for the non-current assets in the held-for-sale and the assets in the disposal group held for sale. The interest on the liabilities and other costs in the disposal group held for sale is recognised continuously. As far as all or part of investment in the associates and joint ventures is concerned, for the part classified into the held-for-sale category, the accounting with equity method shall be stopped, while the remaining part (which is not classified into the held for- sale category) shall still be accounted for using the equity method. When the 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 recognised if it was not classified into the held-for-sale category;
- ② The recoverable amount.

## (2) Discontinued operation

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

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

## (3) Presentation

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

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

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held-for-sale category, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

## 14. Long-term equity investment

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

### (1) Determination of initial investment cost

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

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

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

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

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

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

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. The difference between the fair value of the original equity on the conversion date and its carrying amount, and the accumulated change of fair value recorded into other comprehensive income will be transferred into the profit and loss for the current period, which will be accounted for using equity method.

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

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

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

equity method is used to adjust the investment.

The Company recognises the unrealised profit or loss of intra-transaction between the joint ventures or associates that belongs to itself according to the proportion of the shares and recognises the investment income or loss after offset. However, the loss arising from the unrealised 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. Secondly, and then determine whether the decisions related to the basic operating activities should require the unanimous consent of the parties involved. If the parties involved or the group of the parties involved must act consistently to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement. If two or more parties involve in the collectively control of certain arrangement, it shall not be considered as joint control. Protection of rights shall not be considered in determining whether there is joint control.

Significant influence refers to the power to participate in the decision making process for financial and operational policies of the investees without control or common control over the formulation of such policies. When determining whether it has significant influence over the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into account.

When the Company owns directly or indirectly through its subsidiaries more than 20% (including 20%) but less than 50% of the voting shares of the investee, it is generally considered to have significant influence over the investee, unless there is clear evidence that it cannot participate in the production and operation decisions of the investee and does not have a significant influence under such circumstances. When the Company owns less than 20% (excluding) of the voting shares of the investee, it is generally not considered to have significant influence on the investee unless there is clear evidence that it can participate in the production and operation decisions of the investee and have significant influence under such circumstances.

### (4) Held-for-sale equity investment

Refer to Note III. 13 for the relevant accounting treatment of the equity investment to joint ventures or associates all or partially classified as assets held for sale.

The surplus equity investments that are not classified as assets held for sale shall be accounted for using equity method.

The equity investment to joint ventures or associates already classified as held for sale no longer meets the conditions of assets held for sale shall be adjusted retroactively using equity method from the date of being classified as assets held for sale.

### (5) Impairment test and impairment provision

Refer to note III. 22 for investment to subsidiaries, associates and joint ventures and the impairment provision of assets.

## 15. Investment properties

Investment properties are properties held to earn rental or capital appreciation or both. The investment properties of the Company include land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have 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. 22.

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

## 16. Fixed asset

### (1) Conditions for recognition of fixed assets

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

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

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

### (2) Method of depreciation

The Company adopts the straight-line method to provision for depreciation. Depreciation of fixed assets begins when they reach the status of intended use, and ceases to be depreciated when they are derecognized or classified as non-current assets held for sale. Without taking into account the provision for impairment, the Company determines the annual depreciation rates of various types of fixed assets according to the type of fixed assets, estimated useful life and estimated residual value as follows:

Category	Useful years (year)	Annual depreciation	Residual rate %
Properties and Buildings	20	4.5%-4.75%	5%-10%
Machine and equipment	10	9%-9.5%	5%-10%
Transportation equipment	5	18%-19%	5%-10%
Electric equipment and others	5-10	18%-19%	5%-10%

Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

### (3) Refer to note III. 22 for the impairment testing and the impairment provision of fixed assets.

### (4) Recognition basis, valuation and depreciation method of financial leased fixed assets

When the Company's leased fixed assets meet one or more of the following criteria, it is recognized as finance leased fixed assets:

- ① At the expiration of the lease term, the ownership of the leased assets is transferred to the Company.
- ② The Company has the option to purchase leased assets. The agreed purchase price is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined that the Company will exercise this option on the lease start date.
- ③ Even if the ownership of the asset is not transferred, the lease term occupies most of the useful life of the leased asset.

④ The present value of the Company's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased assets on the lease start date.

⑤ The leased assets are of special nature, and only our company can use them if they don't undergo major transformation.

For fixed assets leased by finance leases, the lower of the fair value of the leased assets on the lease start date and the present value of the minimum lease payment shall be the entry value. The minimum lease payment is taken as the entry value of the long-term payable, and the difference is taken as the unrecognized financing expense. In the process of lease negotiation and signing of the lease contract, the initial direct costs attributable to the lease item, such as handling fees, attorney fees, travel expenses, stamp duty, etc., are included in the value of the leased asset. The unrecognized financing costs shall be amortized by the effective interest method during each period of the lease term.

The fixed assets acquired by finance lease adopt the same policy as self-owned fixed assets to calculate the depreciation of leased assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation shall be accrued on the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, depreciation is accrued in the shorter of the lease period and the useful life of the leased asset.

(5) The Company reviews the useful life and estimated net residual value of fixed asset and the depreciation method applied annually at each of the period end.

The useful lives of fixed asset are adjusted if their expected useful lives are different from the original estimates; the estimated net residual values are adjusted if they are different from the original estimates.

(6) Overhaul costs

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

17. Construction in progress

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

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

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

In the balance sheet, the ending balance of construction materials is presented under "construction in progress".

18. Borrowing costs

(1) Recognition principle of capitalisation of borrowing costs

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

① Expenditures for the asset incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalisation;

- 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) Capitalisation period of borrowing costs

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

Capitalisation 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 capitalise.

## (3) Calculation of the capitalisation 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 capitalised. The capitalisation rate of the general borrowing is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings.

During the capitalisation period, exchange differences on foreign currency special borrowings shall be capitalised; exchange differences on foreign currency special borrowings shall be recognised as current profits or losses.

## 19. Biological assets

### (1) Determination of biological assets

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

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

### (2) Classification of biological assets

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

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

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

### (3) Impairment of biological assets



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

## 20. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. An intangible asset is recognised only when all of the following conditions are satisfied: It is probable that the economic benefits associated with the intangible assets will flow to the enterprise; The cost of the intangible asset can be reliably measured. Intangible assets are initially measured at actual cost.

The Company's intangible assets include land use rights, patents and proprietary technologies, software, trademark rights, etc.

Intangible assets are initially measured at historical cost, and the Company shall make judgement to determine the useful life of intangible assets upon acquisition. Intangible assets with finite useful life are amortised in the profit or loss over the estimated useful life, using the method that reflects the expected realisation of economic benefits associated with the asset, and if the expected realisation cannot be reliably determined, it is amortised using the straight-line method. Intangible assets with indefinite useful life is not amortised.

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

Category	Expected useful life	Amortization method	Note
Land use rights	30-50 years	Straight-line	
Patent and technical know-how	1-10 years	Straight-line	
Software	2-10 years	Straight-line	
Trademark rights	5 years	Straight-line	
Others	10 years	Straight-line	

The useful life for an intangible asset with a finite useful life and the method of amortisation are reviewed at least once at the end of each financial year. If the useful life and amortisation method for the intangible assets are different from the previous estimate, the change of amortisation is recognised prospectively as the change of accounting estimate.

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

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

## 21. Research and development expenditures

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 shall be recognised in profit or loss for the current period when incurred.

Expenditures on the development phase will be capitalised only when all of the following conditions are satisfied: it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Company intends to complete the intangible asset and use or sell it; it can be demonstrated how the

intangible asset will generate economic benefits, including proving that the intangible assets or the products produced by it will have markets, or the intangible assets for internal use will be useful; there are adequate technical, financial and other resources to complete the development and the Company is able to use or sell the intangible assets; and expenditures on the development phase attributable to the intangible assets can be reliably measured. The development expenditures that do not satisfy the above conditions shall be recognised in profit or loss for the current period.

Our research and development projects enter the development stage after meeting the above conditions and forming the project through the technical and economic feasibility studies.

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

Capitalisation conditions for specific research and development projects are as follows:

- ① For research and development projects that are not required to obtain clinical approvals, the period from the beginning of research and development to the pilot phase is treated as the research phase, and all expenditures shall be recognised in profit or loss for the current period when incurred; the period from the pilot phase to the obtaining of production approvals is treated as the development phase, and all expenditures shall be recognised as development expenditures and reclassified as intangible assets after the obtaining of production approvals.
- ② For research and development projects that require clinical approval, the period from the beginning of research and development to the obtaining of clinical approval is treated as the research phase, and all expenditures incurred shall be recognised in profit or loss for the current period when incurred; the period from the obtaining of clinical approval to the obtaining of production approval is treated as the development phase, and the expenditures shall be recognised as development expenditures and reclassified as intangible assets after the obtaining of production approval.
- ③ External technology transfer fees and the cost of purchasing clinical approvals can be recognised directly as development expenditures, and subsequent expenditures are accounted for in accordance with ① and ② above.
- ④ The Company reviews the latest research and development status of each project at the end of each year and if the research and development project no longer qualifies for the development stage, the corresponding development expenditure are recognised in profit or loss for the current period.
- ⑤ Where it is impossible to differentiate the expenditures on the research phase and the expenditures on the development phase, all the research and development expenditures are recognised in profit or loss for the current period.

Please refer to note III.22 for the impairment testing methodology and impairment provision for intangible assets.

## 22. Impairment of assets

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

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

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs

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

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

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

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

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

## 23. Long-term deferred expenses

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

## 24. Employee compensation

### (1) The scope of employee compensation

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

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

### (2) Short-term employee compensation

During the accounting period in which the employees render the related services, wages, bonuses, social security contributions (including medical insurance, injury insurance, maternity insurance, etc.) and house funding are 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 includes defined contribution plans. Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate fund and will have no future obligations to pay the contributions. Defined contribution plans include the basic pension insurance, unemployment insurance, etc.

The Company shall recognise, in the accounting period in which an employee provides service, the

contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

#### (4) Termination benefits

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

#### (5) Other long-term employee benefits

When other long-term employee benefits provided to the employees by the Company are satisfied the conditions of a defined contribution plan, those benefits shall be accounted for in accordance with the relevant provisions of the above defined contribution plans. When the benefits are satisfied the conditions of a defined benefit plan, those benefits shall be accounted for in accordance with the relevant provisions of the above defined benefit plans, except that the “change in remeasurement of the net liability or net assets of the defined benefit plans” in the cost of the related employee compensation shall be included in profit or loss for the current period or related asset costs.

### 25. Provision for liabilities

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 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 at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

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

### 26. Share-based payment and equity instruments

#### (1) Accounting treatment of share-based payment

Share-based payments are transactions in which equity instruments are granted or liabilities are assumed on the basis of equity instruments in order to obtain services from employees or other parties. Share-based payment is classified into equity-settled share-based payment and cash-settled share-based payment.

##### ① Equity-settled share-based payment

Equity-settled share-based payment is measured at the fair value of the equity instruments granted to employees. If vesting is conditional upon completion of services in the pending period or fulfilment of performance conditions, at each balance sheet date during the pending period, based on the best estimates of the number of vested equity instruments, the services received for the period are recognised as the costs or expenses on a straight-line basis. Instruments which are vested immediately upon the grant are included in relevant costs or expenses at the fair value of equity instruments on the date of grant and capital reserves are increased accordingly.

At each balance sheet date during the pending period, the Company makes the best estimate and revises the number of equity instruments expected to be exercisable based on subsequent information such as changes in the number of exercisable employees obtained from the latest available information. The effect of the above estimates is recognised as the relevant cost or expense in the current period, and capital surplus is adjusted accordingly.

For the equity instruments granted under an equity-settled share-based payment for services from other parties, if the fair value of services received from other parties can be measured reliably, the fair value of the equity instruments is measured at the fair value of services from other parties on the grant date; if the fair value of services received from other parties cannot be measured reliably but the fair value of the equity instruments can be measured reliably, the fair value of the equity instruments on the date on which services are received shall be recognised as related costs or expenses, with a corresponding increase in owners' equity.

## ② Cash-settled share-based payment

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 vested 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 vesting is conditional upon completion of services in the pending period or fulfilment of performance conditions, at each balance sheet date during the pending period, based on the best estimates of the vesting situation, the services received for the period are recognised as the costs or expenses and corresponding liabilities at fair value of the liabilities assumed by the Company.

At each balance sheet date and settlement date before the relevant liabilities are settled, the fair value of liabilities is re-measured and the resulting changes are included in the profit and loss for the current period.

## (2) Accounting treatment for amendment and termination of share-based payments

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 service achieved. The increase in fair value of the equity instruments refers to the difference in fair value on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees to modify the terms and conditions of the share-based payment plan, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the 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 vesting conditions), the Company will undertake an accelerated vesting in respect of the cancelled equity instruments that had been granted, include the remaining amount that shall be recognised during the pending period in the current profit and loss immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfil non-vesting conditions but have not fulfilled during the pending period, the Company will treat the granted equity instruments as cancelled.

## (3) Accounting treatment for share-based payments involving the Company and the shareholders or the de facto controller of the Company

For share-based payment transactions involving the Company and the shareholders or the de facto controller of the Company, the settlement enterprise and the enterprise receiving services (one under the Company while another external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

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

For a share-based payment transaction occurring among enterprises under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise by reference to the above principles.

## 27. Preferred shares, perpetual bonds and other financial instruments

### (1) Classification of 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 instrument and the economic substance it reflects, instead of only in legal form, and combine the definition of financial assets, financial liabilities and equity instruments.

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

The financial instruments issued by the Company are initially recognised and measured in accordance with the financial instrument standards; thereafter, interest or dividends are accrued or distributed on each balance sheet date and processed in accordance with relevant specific accounting standards for enterprises. That is, on the basis of the classification of the financial instrument issued, the accounting treatment of interest expenses or dividend distributions of the instrument is determined. For financial instruments classified as equity instruments, interest expenses or dividend distributions are treated as profit distribution of the 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 repurchase or redemption are credited to profit or loss for the current period.

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

## 28. Revenue

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

When the contract contains two or more performance obligations, on the effective date of the contract, the Company 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 and services, the Company will consider the following indications:

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

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 loss allowances for expected credit loss is recognised (see Note III.10(6)). The Company shall present any unconditional (i.e. if only the passage of time is required) rights to consideration separately as a receivable. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

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

The Company enters into sales contracts with customers. Revenue from sales is recognised according to the invoiced amount upon the delivery of goods to the designated carrier or purchaser according to the orders received from customers; revenue from export sales is recognised mainly by adopting FOB mode according

to custom declaration upon making declaration for goods and completing the export procedures.

## 29. Contract costs

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

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

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

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

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

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 amortisation period is more than one year or a normal operating cycle upon the initial recognition, are presented as “Other non-current assets” item.

## 30. Government grants

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

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



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

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

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

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. Other circumstances, it is directly recognised in the profit or loss for the current period.

### 31. Deferred tax assets and deferred tax liabilities

#### (1) Current tax

At the balance sheet date, for the current tax liabilities (or assets) arising from the current period and the previous period, should be measured by the tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the tax payable which is based by the calculation of the current tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of the current period which in accord to the relevant regulations of the tax law.

#### (2) Deferred tax assets and deferred tax liabilities

The difference between the carrying amount of an asset or liability and its tax basis, as well as the temporary differences arising from differences between the carrying amount and tax basis of items that are not recognised as assets and liabilities but in accordance with the tax law, can be recognised as deferred tax assets and deferred tax liabilities by adopting the balance sheet liability method.

No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets will be recognised for the taxable temporary differences related to the investments in subsidiaries, associates and joint ventures, if the Company can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the foreseeable future. Except for the above exceptions, the Company recognises all deferred income tax liabilities arising from other taxable temporary differences.

The deductible temporary differences the initial recognition of assets or liabilities arising from transactions that are neither a business combination, nor do they affect accounting profits and taxable income (or deductible losses), will not be recognised as related deferred income tax assets. In addition, as for the taxable

temporary differences associated with investments in subsidiaries, associates and joint ventures, if the Company is able to control the timing of the reversal of the temporary differences, and the temporary differences may not be reversed in the foreseeable future, the related deferred income tax assets will also not be recognised. Except for the above exceptions, the Company recognises a deferred tax asset arising from other deductible temporary differences, to the extent that it is probable that taxable income will be available against which the deductible temporary differences.

The Company recognises a deferred tax asset for the carry-forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which deductible losses and tax credits can be utilised.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled in accordance with the provisions of the tax law.

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

### (3) Tax expenses

The tax expenses comprise current tax and deferred tax.

The rest current tax and deferred tax expenses or revenue should be included into current gains and losses expect for the current tax and the deferred tax related to the transaction and events that be confirmed as other comprehensive income or be directly included in the shareholders' equity which should be included in other comprehensive income or shareholders' equity as well as the book value for adjusting the goodwill of the deferred income tax occurs from the business combination.

### (4) Offset of tax

The current tax assets and liabilities of the Company should be listed by the written-off net amount which intend to execute the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred tax assets and liabilities of the Company should be listed as written-off net amount when having the legal rights of settling the current tax assets and liabilities by net amount and the deferred tax and liabilities is relevant to the tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

## 32. Leases

### (1) Identification of leases

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

### (2) The Company as the lessee

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

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

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease or the incremental borrowing rate. Lease payment include: fixed payments and in-substance fixed payments, less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option; and amounts expected to be payable under the guaranteed residual value provided by the lessee. The Company shall subsequently calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into the profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

### **Short-term lease**

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

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

### **Leases of low-value assets**

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

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

## **(3) The Company as the lessor**

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

### **Finance leases**

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

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

### **Operating leases**

For the rental of operating leases, the Company recognises it in the profit or loss for the current period on a straight-line basis over each period of the lease term. The initial direct cost incurred in connection with an operating lease shall be capitalised and amortised on the same basis for recognition of rental income during the lease term, and shall be included in instalments 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.

### 33. Right-of-use assets

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

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

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

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

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

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

### 34. Repurchase of shares

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

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

### 35. Restricted shares

If the Company grants the restricted shares to incentive participants under the Share Options Incentive Scheme, the incentive participants subscribe for the shares first. If the unlocking conditions stipulated in the Share Options Incentive Scheme cannot be fulfilled subsequently, the Company repurchases the shares at the predetermined price. If the registration and other capital increase procedures for the restricted shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

### 36. Significant accounting judgements and estimates

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

#### (1) Classification of financial assets

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

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

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

#### (2) Measurement of ECL for accounts receivables

The Company calculates ECL of accounts receivables according to their exposure at default and ECL rate, and determines ECL rate based on probability of default and loss given default. When determining ECL rate, the 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 (other than goodwill)

The Company determines at the balance sheet date whether there are signs of possible impairment of non-current assets other than financial assets. For intangible assets that have not yet reached usable condition, in addition to the annual impairment test, when there are signs of impairment, the impairment test is also carried out. Other non-current assets, other than financial assets, are tested for impairment when there are indications that their carrying amount is not recoverable. An impairment occurs when the carrying amount of an asset or group of assets is higher than the recoverable amount, which is the present value of the fair value net of disposal costs and projected future cash flows. The net amount of fair value less disposal costs, is determined by referencing to the agreed sale price or observable market value of a similar asset in an arm's length transaction, less incremental costs directly attributable to the disposal of that asset. When projecting the present value of future cash flows, management must estimate the projected future cash flows of the asset or group of assets and select an appropriate discount rate to determine the present value of future 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 costs

Determining the amounts to be capitalised requires the management to make assumptions regarding the expected future cash flows generated from the relevant assets, discount rates to be applied and the expected period of benefits.

#### (6) Deferred 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.

#### (7) Revenue recognition

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

#### (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 and correction to accounting errors

#### (1) Changes in significant accounting policies

##### ① Interpretation No. 15 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15") in December 2021.

Interpretation No. 15 stipulates that when the Company sells the products or by-products produced before the fixed assets reach the status of intended use or during the research and development process (hereinafter collectively referred to as "revenue in trial operation"), in accordance with the "Accounting Standards for Business Enterprises No. 14 - Revenue", "Accounting Standards for Business Enterprises No. 1 - Inventories" and other regulations, the revenue and costs relevant to the trial operation shall be accounted for separately and included in the profit or loss for the current period, rather than the net amount of sale revenue after offsetting relevant costs of the trial operation sales write-off against the cost of fixed assets or research and development expenditures. When the relevant products or by-products produced by the trial operation are sold externally, those that meet the requirements of the "Accounting Standards for Business Enterprises No. 1 - Inventory" should be recognized as inventories, and those that meet the relevant asset recognition conditions in other relevant Accounting Standards for Business Enterprises should be recognized as related assets.

The Company implemented Interpretation No. 15 "Accounting treatment for the sale of products or by-products produced by the enterprise before the fixed assets reach the intended usable state or during the research and development process" from 1 January 2022.

Interpretation No. 15 stipulates that in onerous contracts, "costs that will inevitably occur in performing contractual obligations" should reflect the minimum net cost of exiting the contract, i.e. the lower of the cost of performing the contract and the compensation or penalty for failure to perform the contract. The cost for the Company to perform the contract includes the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract, of which the incremental cost of fulfilling the contract includes direct labor, direct materials, etc.; the apportioned amount of other costs directly related to the performance of the contract includes the apportioned amount of the

depreciation expense of the fixed assets used to perform the contract.

The Company implemented Interpretation No. 15 “Judgment on Onerous Contracts” from 1 January 2022.

The adoption of Interpretation No. 15 did not have any significant impact on the financial position and operating results of the Company.

## ② Interpretation No. 16 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31, hereinafter referred to as “Interpretation No. 16”) in November 2022.

Interpretation No. 16 stipulates that for financial instruments such as perpetual bonds classified as equity instruments, the Company shall recognize the income tax impact related to dividends when confirming dividends payable. For the distributed profit comes from the transaction or event that generated profit or loss in the past, the income tax effect of the dividend should be included in the profit or loss for the current period; For the profit distributed from the transactions or event previously recognized in the owner’s equity, the income tax effect of the dividend should be included in the owner’s equity item.

Interpretation No. 16 stipulates that if the Company modifies the terms and conditions of a cash-settled share-based payment agreement to make it an equity-settled share-based payment, on the date of modification, the Company shall measure the equity-settled share-based payment according to the fair value of the equity instrument granted on the day, include the services obtained in the capital reserve, and at the same time derecognize the liabilities of the cash-settled share-based payment recognized on the date of modification, the difference between the two is included in the profit or loss for the current period. If the vesting period is extended or shortened due to the revision, the Company shall perform the above accounting treatment according to the revised vesting period (without considering the relevant accounting treatment provisions of adverse revisions).

The adoption of Interpretation No. 16 did not have any significant impact on the financial position and operating results of the Company.

## (2) Changes in significant accounting estimates

None.

## IV. Taxation

### 1. Major taxes and their tax rates

Tax category	Tax basis	Statutory tax rate %
Value-added tax	Taxable revenue	3, 6, 13
Urban maintenance and construction tax	Turnover tax paid	1, 5, 7
Education surcharge	Turnover tax paid	3
Local education surcharge	Turnover tax paid	Note 1
Enterprise income tax	Taxable profit	Note 2

Note 1. The Company and its subsidiaries that are incorporated in Shenzhen and Zhuhai shall pay local education surcharges that are charged as 2% of the turnover tax payable. 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 payable.

Note 2. Enterprise income tax rate implementation is as follows:

Entity	Income tax rate %
Hong Kong Health Pharmaceutical Industry Company Limited (香港健康药业有限公司), Livzon Pharmaceutical Biotechnology Co., Ltd. (丽珠医药生物科技有限公司), Lian (Hong Kong) Co., Ltd. (丽安香港有限公司), Livzon Biologics Hong Kong Limited (丽珠生物科技香港有限公司)	16.5
Companhia de Macau Carason Limitada (澳门嘉安信有限公司), Li Zhu (Macau) Limitada (丽珠(澳门) 有限公司)	0 or 12 (Tax rate is 12% where the taxable income is MOP600,000 or more; for those with taxable income less than MOP600,000, they are exempted from income taxes.)
The Company and Shenzhen Taitai Pharmaceutical Industry Co., Ltd. (深圳太太药业有限公司), Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海滨制药有限公司), Xinxiang Haibin Pharmaceutical Co., Ltd. (新乡海滨药业有限公司), Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司), Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司), Guangzhou Joincare Respiratory Medicine Engineering Technology Co., Ltd. (广州健康元呼吸药物工程技术有限公司), Joincare Haibin Pharmaceutical Co., Ltd. (健康元海滨药业有限公司); Livzon Group and subsidiaries of Livzon Group, Livzon Group Limin Pharmaceutical Manufacturing Factory (丽珠集团利民制药厂) . Livzon Group Livzon Pharmaceutical Manufacturing Factory (丽珠集团丽珠制药厂) . Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保税区丽珠合成制药有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海丽珠制药有限公司), Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (丽珠集团新北江制药股份有限公司), Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制药有限公司), Zhuhai Livzon Diagnostics Inc. (珠海丽珠试剂股份有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司), Shanghai Livzon Biotechnology Co., Ltd. (上海丽珠生物科技有限公司), Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (丽珠集团(宁夏) 制药有限公司), Livzon MABPharm Inc. (珠海市丽珠单抗生物技术有限公司), Zhuhai Lihe Medical Diagnostic Products Co., Ltd. (珠海丽禾医疗诊断产品有限公司), Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. (珠海市丽珠中药现代化科技有限公司)	15
Livzon MAB Pharm (US) Inc. (丽珠单抗生物技术(美国) 有限公司)	21
LIVZON BIOLOGICS (MALAYSIA) SDN. BHD.	17 or 24 (registered capital of less than MYR 2.5 million, the tax rate is 17% on the first profit less than MYR 600,000; the registered capital exceeds MYR 2.5 million or the profit exceeds MYR 600,000, the tax rate is 24%)
Health Investment Holdings Ltd, Joincare Pharmaceutical Group Industry Co.,Ltd., Livzon International Ventures, Livzon International Ventures I, Livzon International Ventures II	0 (Note1)
Other subsidiaries	25

Note 1. Companies registered in the British Virgin Islands and the Cayman Islands are not subject to enterprise income tax.

## 2. Tax incentives and approval documents

### (1) Preferential value added tax

In accordance with the Announcement on Value Added Tax on Biological Products Sold by Pharmaceutical Operation Enterprises issued by the State Administration of Taxation (Announcement of State Administration of Taxation 2012 No. 20) and the Notice of the Ministry of Finance, the General Administration of Customs,



the State Administration of Taxation and the State Drug Administration on the Value-Added Tax Policies for Anti-Cancer Drugs (Caishui [2018] No. 47), the biological products sold by the Company are subject to value added tax at 3% by the simple approach.

## (2) Preferential enterprise income tax

The Company enjoys the preferential income tax policy for high-tech enterprises for the 3 years from 2022; The Company's subsidiaries, Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太药业有限公司), Shenzhen Haibin Pharmaceutical Co., Ltd (深圳市海滨制药有限公司), Xinxiang Haibin Pharmaceutical Co., Ltd. (新乡海滨药业有限公司) and Shanghai Frontier Health Medicine Technology Co., Ltd. (上海方予健康医药科技有限公司) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises for 3 years with effective from 2020. Joincare Haibin Pharmaceutical Co., Ltd. (健康元海滨药业有限公司) entitled to enjoy preferential income tax policies applicable to high and new technology enterprises for 3 years with effective from 2020. Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司), Guangzhou Joincare Respiratory Drug Engineering Technology Co., Ltd. (广州健康元呼吸药物工程技术有限公司) have re-applied for high-tech enterprise certification in this period. Livzon Group and its subsidiaries— Livzon Group Limin Pharmaceutical Manufacturing Factory (丽珠集团利民制药厂), Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂), Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保税区丽珠合成制药有限公司), Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海丽珠制药有限公司), Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司) and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制药有限公司) are entitled to enjoy preferential income tax policies applicable to high and new technology enterprises for 3 years with effective from 2020. Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (丽珠集团新北江制药股份有限公司), Zhuhai Livzon Diagnostics Inc. (珠海丽珠试剂股份有限公司) and Livzon MABPharm Inc. (珠海市丽珠单抗生物技术有限公司) have re-applied for high-tech enterprise certification in this period, and has been announced to be identified as a high-tech enterprise. Shanghai Livzon Biotechnology Co., Ltd. (上海丽珠生物科技有限公司) are entitled to preferential income tax policies applicable to high and new technology enterprises for 3 years with effective from 2021. Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (丽珠集团(宁夏)制药有限公司) was approved to enjoy the enterprise taxation preference of the Encouraged Industries in Western China. The above companies were subject to 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 Livzon, Datong Livzon Qiyuan Medicine Co., Ltd. (大同丽珠芪源药材有限公司) and Longxi Livzon Shenyuan Medicine Co., Ltd. (陇西丽珠参源药材有限公司) are exempted from enterprise income tax.

According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies for Enterprise Income Tax in the Hengqin Guangdong-Macao Deep Cooperation Zone" (Cai Shui [2022] No. 19), enterprise income tax is levied at a reduced rate of 15% for qualified industrial enterprises located in the Hengqin Guangdong-Macao Deep Cooperation Zone. The Livzon Group's subsidiaries, Zhuhai Lihe Medical Diagnostic Products Co., Ltd. (珠海丽禾医疗诊断产品有限公司) and Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. (珠海市丽珠中药现代化科技有限公司) meet the relevant conditions and are subjected to 15% enterprise income tax rate for the current period.

According to the preferential tax policies for small low-profit enterprises, the portion of annual taxable income of a small low profit enterprise which does not exceed RMB1 million is subject to enterprise income tax at a tax rate of 2.5%; the portion over RMB1 million but not exceeding RMB3 million is subject to enterprise income tax at a tax rate of 5%.

## V. Notes to the items of consolidated financial statements

### 1. Cash and bank balances

Item	2022.12.31	2021.12.31
Cash on hand	231,883.95	225,179.98
Cash at bank	14,792,867,005.08	11,554,754,721.43
Other monetary funds	15,389,221.93	174,250,489.57
<b>Total</b>	<b>14,808,488,110.96</b>	<b>11,729,230,390.98</b>
Including: Total amount of money deposited abroad	1,491,900,539.35	1,309,853,620.27

① Other monetary funds are mainly deposits for investments, deposits under guarantee of letter of guarantee, issuing letters of credit and foreign exchange forward contracts, etc.

② Restricted funds relating to issuing letters of credit, bank acceptance bills and foreign exchange forward contracts, etc. in other monetary funds were deducted from cash and cash equivalents in the cash flow statement. Apart from these restricted funds, there is no other charge, pledge or lock up on the cash at bank balance that may limit its use, is kept outside China and may have probable risks in its collection. Below are the details of the use of restricted monetary funds:

Item	2022.12.31	2021.12.31
Deposits for letter of credit	444,032.37	1,788,607.74
Deposits for bank acceptance bills	947,255.39	6,004,457.37
Deposits for other business	1,120.00	3,949,531.92
<b>Total</b>	<b>1,392,407.76</b>	<b>11,742,597.03</b>

## 2. Financial assets held for trading

### (1) Classification

Item	2022.12.31	2021.12.31
Financial assets held for trading	109,015,664.98	184,638,344.31
Including: Debt instruments investment	934,289.94	940,162.94
Equity instruments investment	102,648,863.47	176,321,853.05
Derivative financial assets	5,432,511.57	7,376,328.32
<b>Total</b>	<b>109,015,664.98</b>	<b>184,638,344.31</b>

① The Company's investments in equity instruments and debt instruments for financial assets held for trading at period end were listed for trading on Shenzhen Stock Exchange, Hong Kong Stock Exchange and NASDAQ. The fair value was determined based on the closing price on the last trading day in the Reporting Period.

② Derivative financial assets represent foreign currency forward contracts, futures contracts and gains from unexpired contracts measured at fair value which were recognised as financial assets as at the balance sheet date.

(2) No restrictive financial asset measured at fair value through profit or loss was included in the closing balance.

(3) No hedging instruments in the closing balance and no hedging transactions have occurred during the period.

## 3. Notes receivable

Category	2022.12.31			2021.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	1,959,985,016.85	0.00	1,959,985,016.85	1,977,767,022.02	481,000.00	1,977,286,022.02

## (1) Notes receivable pledged at year end

Category	Amount pledged at year end
Bank acceptance bills	469,659,266.19

As at 31 December 2022, bank acceptance bills with carrying amount of RMB469,659,266.19 (31 December 2021: RMB870,153,979.75) have been used as pledge for opening of bills.

## (2) Bills endorsed or discounted to other parties but not yet expired at balance sheet date

Category	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance bills not yet mature but already endorsed	542,620,475.62	0.00
Bank acceptance bills not yet mature but already discounted	422,899,944.56	0.00
<b>Total</b>	<b>965,520,420.18</b>	<b>0.00</b>

In the current period, the Company discounted bank acceptance bills of RMB1,089,259,970 (previous year: RMB76,908,320). Since the major risks and rewards such as interest rate risk related to these bank acceptance bills have been transferred to the bank, the Company derecognizes the discounted unexpired bank acceptance bills. Factoring expenses incurred was RMB6,363,470 (previous year: RMB506,780).

## (3) There was no bills transferred into account receivables for non-performance by the issuer at balance sheet date of the period

## (4) Disclosure by method of provision for bad debts

Category	2022.12.31					2021.12.31				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)		Amount	Ratio (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual item	0.00	0.00	0.00	0.00	0.00	481,000.00	0.02	481,000.00	100.00	0.00
Including:										
Bank acceptance bills	0.00	0.00	0.00	0.00	0.00	481,000.00	0.02	481,000.00	100.00	0.00
Provision for bad debts on portfolio basis	1,959,985,016.85	100.00	0.00	0.00	1,959,985,016.85	1,977,286,022.02	99.98	0.00	0.00	1,977,286,022.02
Including:										
Bank acceptance bills	1,959,985,016.85	100.00	0.00	0.00	1,959,985,016.85	1,977,286,022.02	99.98	0.00	0.00	1,977,286,022.02
<b>Total</b>	<b>1,959,985,016.85</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,959,985,016.85</b>	<b>1,977,767,022.02</b>	<b>100.00</b>	<b>481,000.00</b>	<b>0.02</b>	<b>1,977,286,022.02</b>

## (5) Provision for bad debts on individual item:

Name	2022.12.31				2021.12.31			
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason of provision	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason of provision
Henan Jiuzhoutong Pharmaceutical Co., Ltd.	0.00	0.00	0.00		431,000.00	431,000.00	100.00	Expected to be uncollectible
Other customers	0.00	0.00	0.00		50,000.00	50,000.00	100.00	Expected to be uncollectible
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>481,000.00</b>	<b>481,000.00</b>	<b>100.00</b>	

## (6) Accrual, recovery or reversal of bad debt provision during the year

Item	Amount of provision for bad debts
Beginning balance	481,000.00
Provision for the year	0.00
Recovered or reversal in the year	0.00
Write-off in the year	481,000.00
<b>Closing balance</b>	<b>0.00</b>

## (7) Actual write-off of notes receivable during the year

Item	Written-off amount
Actual write-off of notes receivable	481,000.00

## 4. Accounts receivable

## (1) Disclosure by ageing

Ageing	2022.12.31	2021.12.31
Within one year	3,120,189,972.55	2,872,710,981.81
1 to 2 years (inclusive of 2 years)	23,444,432.08	18,541,236.06
2 to 3 years (inclusive of 3 years)	3,734,160.84	12,869,985.75
3 to 4 years (inclusive of 4 years)	12,774,996.94	7,835,031.26
4 to 5 years (inclusive of 5 years)	2,294,804.48	1,332,259.38
Over 5 years	13,796,669.97	12,807,886.92
<b>Subtotal</b>	<b>3,176,235,036.86</b>	<b>2,926,097,381.18</b>
Less: Provision for bad debts	72,476,186.71	72,441,829.64
<b>Total</b>	<b>3,103,758,850.15</b>	<b>2,853,655,551.54</b>

According to the credit policy of the Company, the Company usually grants a credit period ranging from 30 to 90 days to its customers.

## (2) Disclosure by method of provision for bad debts

Category	2022.12.31					2021.12.31				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)	Carrying value	Amount	Ratio (%)	Amount	Expected credit loss rate (%)	Carrying value
Provision for bad debts on	10,454,599.67	0.33	6,257,914.47	59.86	4,196,685.20	9,709,854.02	0.33	5,513,168.82	56.78	4,196,685.20

individual item											
Including:											
Receivables from domestic customers	10,454,599.67	0.33	6,257,914.47	59.86	4,196,685.20	9,709,854.02	0.33	5,513,168.82	56.78	4,196,685.20	
Receivables from overseas customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debts on portfolio basis	3,165,780,437.19	99.67	66,218,272.24	2.09	3,099,562,164.95	2,916,387,527.16	99.67	66,928,660.82	2.29	2,849,458,866.34	
Including:											
Receivables from domestic customers	2,659,276,844.47	83.72	60,180,304.43	2.26	2,599,096,540.04	2,333,938,533.50	79.76	58,705,544.56	2.52	2,275,232,988.94	
Receivables from overseas customers	506,503,592.72	15.95	6,037,967.81	1.19	500,465,624.91	582,448,993.66	19.91	8,223,116.26	1.41	574,225,877.40	
<b>Total</b>	<b>3,176,235,036.86</b>	<b>100.00</b>	<b>72,476,186.71</b>	<b>2.28</b>	<b>3,103,758,850.15</b>	<b>2,926,097,381.18</b>	<b>100.00</b>	<b>72,441,829.64</b>	<b>2.48</b>	<b>2,853,655,551.54</b>	

Provision for bad debts on individual item:

Name	Closing balance			Reason of provision
	Book balance	Provision for bad debts	Expected credit loss rate (%)	
Purchase of goods	10,454,599.67	6,257,914.47	59.86	Full amount is unlikely to be recovered

Provision for bad debts on portfolio basis:

Provision for bad debts on portfolio basis: Receivables from domestic customers

Ageing	2022.12.31			2021.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	2,618,111,979.83	35,631,686.09	1.36	2,290,261,988.15	32,953,674.70	1.44
1 to 2 years (inclusive of 2 years)	18,418,832.08	3,486,917.81	18.93	18,541,236.06	2,450,973.15	13.22
2 to 3 years (inclusive of 3 years)	3,589,415.19	2,144,629.72	59.75	4,476,615.34	2,960,042.15	66.12
3 to 4 years (inclusive of 4 years)	4,381,626.53	4,171,620.14	95.21	7,550,258.06	7,277,583.42	96.39
4 to 5 years (inclusive of 5 years)	1,667,403.89	1,637,863.72	98.23	1,271,992.78	1,226,828.03	96.45
Over 5 years	13,107,586.95	13,107,586.95	100.00	11,836,443.11	11,836,443.11	100.00
<b>Total</b>	<b>2,659,276,844.47</b>	<b>60,180,304.43</b>	<b>2.26</b>	<b>2,333,938,533.50</b>	<b>58,705,544.56</b>	<b>2.52</b>

Provision for bad debts on portfolio basis: Receivables from overseas customers

Ageing	2022.12.31			2021.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	506,503,592.72	6,037,967.81	1.19	582,448,993.66	8,223,116.26	1.41
<b>Total</b>	<b>506,503,592.72</b>	<b>6,037,967.81</b>	<b>1.19</b>	<b>582,448,993.66</b>	<b>8,223,116.26</b>	<b>1.41</b>

(3) Accrual, recovery or reversal of bad debt provision during the year

Item	Amount of provision for bad debts
Beginning balance	72,441,829.64

Provision for the year	2,978,050.82
Recovered or reversal in the year	0.00
Write-off in the year	2,971,670.00
Others	27,976.25
<b>Closing balance</b>	<b>72,476,186.71</b>

At 31 December 2022 and 31 December 2021, the Company had no overdue but not impaired accounts receivable.

(4) Accounts receivable written-off during the year

Item	Written-off amount
Actual written-off of accounts receivable	2,971,670.00

(5) Accounts receivable due from the top five debtors

As of 31 December 2022, the total amount of the top five debtors in closing balance is RMB380,564,636.45, accounting for 11.98% of the total amount of closing balance of accounts receivable, and the corresponding closing balance of provision for bad debts is total RMB3,048,053.17.

(6) There were no accounts receivable derecognized due to the transfer of financial assets in each reporting period.

(7) There were no assets or liabilities formed by the continuing involvement of transferred accounts receivables in each reporting period.

5. Prepayments

(1) Prepayments by ageing

Ageing	2022.12.31		2021.12.31	
	Amount	Ratio %	Amount	Ratio %
Within one year	343,457,382.98	94.29	354,340,559.20	95.97
1 to 2 years	16,867,695.41	4.63	8,031,100.50	2.17
2 to 3 years	948,519.54	0.26	6,323,201.42	1.71
Over 3 years	2,991,544.64	0.82	537,685.17	0.15
<b>Total</b>	<b>364,265,142.57</b>	<b>100.00</b>	<b>369,232,546.29</b>	<b>100.00</b>

(2) Prepayments due from the top five debtors:

As of 31 December 2022, the total amount of the top five prepayments in closing balance is RMB127,433,641.24, accounting for 34.98% of the total amount of closing balance of prepayments.

6. Other receivables

Item	2022.12.31	2021.12.31
Interest receivable	0.00	365,873.64
Other receivables	52,535,740.14	87,687,951.48
<b>Total</b>	<b>52,535,740.14</b>	<b>88,053,825.12</b>

(1) Other receivables

① by ageing

Ageing	2022.12.31	2021.12.31
Within one year	46,704,835.62	53,953,012.32
1 to 2 years	6,086,106.11	33,803,432.35
2 to 3 years	2,206,852.09	1,821,553.83
3 to 4 years	1,821,553.83	2,532,015.23
4 to 5 years	1,816,535.04	807,025.60
Over 5 years	32,171,819.98	50,248,098.81
<b>Subtotal</b>	<b>90,807,702.67</b>	<b>143,165,138.14</b>
Less: Provision for bad debts	38,271,962.53	55,477,186.66
<b>Total</b>	<b>52,535,740.14</b>	<b>87,687,951.48</b>

## ② Disclosure by nature

Item	2022.12.31			2021.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Security deposits, deposits and rental fees	12,668,692.36	3,613,600.49	9,055,091.87	11,003,281.04	2,897,272.69	8,106,008.35
Reserved fund and advances	25,494,468.62	2,952,756.24	22,541,712.38	17,870,245.40	2,259,346.33	15,610,899.07
Related party balances	1,097,855.07	477,066.07	620,789.00	20,328,583.96	19,068,538.71	1,260,045.25
External entities balances	13,226,352.58	11,966,700.69	1,259,651.89	22,417,100.76	11,924,828.60	10,492,272.16
Tax refund on exports	16,539,609.68	290,344.77	16,249,264.91	17,708,111.60	198,927.69	17,509,183.91
Treasury bonds and security deposits	17,968,386.04	17,968,386.04	0.00	17,968,386.04	17,968,386.04	0.00
Capital reduction	0.00	0.00	0.00	24,078,925.22	0.00	24,078,925.22
Amounts of exercised options	0.00	0.00	0.00	8,463,240.98	0.00	8,463,240.98
Others	3,812,338.32	1,003,108.23	2,809,230.09	3,327,263.14	1,159,886.60	2,167,376.54
<b>Total</b>	<b>90,807,702.67</b>	<b>38,271,962.53</b>	<b>52,535,740.14</b>	<b>143,165,138.14</b>	<b>55,477,186.66</b>	<b>87,687,951.48</b>

## ③ Information of provision for bad debts

At 31 December 2022, there is no provision for bad debts on those in first stage.

At year end, provision for bad debts on those in second stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	0.00	0.00	0.00	0.00	--
Provision for bad debts on portfolio basis	62,329,598.16	15.71	9,793,858.02	52,535,740.14	
Export tax refund receivable	16,539,609.68	1.76	290,344.77	16,249,264.91	
Security deposits, deposits	12,668,692.36	28.52	3,613,600.49	9,055,091.87	

and rental receivable				
Other receivables	33,121,296.12	17.78	5,889,912.76	27,231,383.36
<b>Total</b>	<b>62,329,598.16</b>	<b>15.71</b>	<b>9,793,858.02</b>	<b>52,535,740.14</b>

At year end, provision for bad debts on those in third stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	28,478,104.51	100.00	28,478,104.51	0.00	
Other receivables	28,478,104.51	100.00	28,478,104.51	0.00	Not expected to be recoverable
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
<b>Total</b>	<b>28,478,104.51</b>	<b>100.00</b>	<b>28,478,104.51</b>	<b>0.00</b>	

As of 31 December 2021, information of provision for bad debts:

As of 31 December 2021, Provision for bad debts on those in first stage:

Category	Book balance	Expected credit loss rate in the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	32,542,166.20	0.00	0.00	32,542,166.20	
Amounts of exercised options	8,463,240.98	0.00	0.00	8,463,240.98	Expected to be recovered
Capital reduction	24,078,925.22	0.00	0.00	24,078,925.22	Expected to be recovered
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
<b>Total</b>	<b>32,542,166.20</b>	<b>0.00</b>	<b>0.00</b>	<b>32,542,166.20</b>	

As of 31 December 2021, Provision for bad debts on those in second stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	0.00	0.00	0.00	0.00	--
Provision for bad debts on portfolio basis	63,594,020.80	13.28	8,448,235.52	55,145,785.28	
Export tax refund receivable	17,708,111.60	1.12	198,927.69	17,509,183.91	
Security deposits, deposits and rental receivable	11,003,281.04	26.33	2,897,272.69	8,106,008.35	
Other receivables	34,882,628.16	15.34	5,352,035.14	29,530,593.02	
<b>Total</b>	<b>63,594,020.80</b>	<b>13.28</b>	<b>8,448,235.52</b>	<b>55,145,785.28</b>	

As of 31 December 2021, Provision for bad debts on those in third stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	47,028,951.14	100.00	47,028,951.14	0.00	
Other receivables	47,028,951.14	100.00	47,028,951.14	0.00	Not expected to be recoverable



Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
<b>Total</b>	<b>47,028,951.14</b>	<b>100.00</b>	<b>47,028,951.14</b>	<b>0.00</b>	

## ④ Accrual, recovery or reversal of bad debt provision during the year

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss within next 12 months	Expected credit loss for lifetime (no credit impairment occurred)	Expected credit loss for lifetime (credit impairment has occurred)	
Beginning balance	0.00	8,448,235.52	47,028,951.14	55,477,186.66
Movement of beginning balance during the period				
--transfer to second stage	0.00	0.00	0.00	0.00
--transfer to third stage	0.00	-42,585.00	42,585.00	0.00
--Reverse to second stage	0.00	0.00	0.00	0.00
--Reverse to first stage	0.00	0.00	0.00	0.00
Provision for the year	0.00	1,304,163.32	0.00	1,304,163.32
Reversal in the year	0.00	0.00	-158,470.77	-158,470.77
Transfer in the year	0.00	0.00	0.00	0.00
Write-off in the year	0.00	138,045.77	18,434,960.86	18,573,006.63
Other movement	0.00	222,089.95	0.00	222,089.95
<b>Closing balance</b>	<b>0.00</b>	<b>9,793,858.02</b>	<b>28,478,104.51</b>	<b>38,271,962.53</b>

## ⑤ Actual written-off of other receivables in the year

Item	Written-off amount
Actual written-off of other receivables	18,573,006.63

## ⑥ Other receivables due from the top five debtors

Name of entity	Nature	Other receivables Closing balance	Ageing	Proportion to total other receivables (%)	Provision for bad debts Closing balance
Hua Xia Securities Co., Ltd. (华夏证券股份有限公司)	Treasury bonds and security deposits	17,968,386.04	Over 5 years	19.79	17,968,386.04
Tax refund on exports	Export tax rebate	16,539,609.68	Within one year	18.21	290,344.77
Guangzhou Yinhe Sunshine Biological Products Co., Ltd. (广州银河阳光生物制品有限公司)	Loan	5,000,000.00	Over 5 years	5.51	5,000,000.00
People's Republic of China Wanchai Customs (中华人民共和国湾仔海关)	Security deposits	1,271,801.36	Within one year	1.40	12,718.01
Suzhou Sino Promise Import & Export Co., Ltd. (苏州中诺进出口有限公司)	Security deposits	1,200,000.00	1-2 years	1.32	60,000.00
<b>Total</b>		<b>41,979,797.08</b>		<b>46.23</b>	<b>23,331,448.82</b>

⑦ There were no other receivables derecognised due to the transfer of financial assets in each reporting period.

⑧ There were no assets or liabilities formed by the continuing involvement of transferred other receivables in the period.

## 7. Inventories

### (1) Inventories by category

Item	2022.12.31			2021.12.31		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw materials	642,893,858.16	37,543,320.41	605,350,537.75	553,234,567.88	16,068,254.74	537,166,313.14
Packaging materials	137,488,629.87	11,191,692.58	126,296,937.29	125,197,237.91	7,099,883.19	118,097,354.72
Goods in process and Proprietary semi-finished goods	649,362,917.78	65,482,989.52	583,879,928.26	538,151,968.97	2,891,675.04	535,260,293.93
Low-value consumables	80,473,347.95	495,743.41	79,977,604.54	61,806,078.47	217,760.90	61,588,317.57
Finished goods and stock goods	1,138,363,946.23	22,354,857.60	1,116,009,088.63	834,035,538.26	30,182,179.43	803,853,358.83
Sub-contracting materials	2,318,531.50	0.00	2,318,531.50	2,251,074.26	0.00	2,251,074.26
Consumptive biological assets	13,692,837.04	0.00	13,692,837.04	12,342,303.96	0.00	12,342,303.96
Goods in transit	34,344,534.56	0.00	34,344,534.56	8,385,371.27	0.00	8,385,371.27
<b>Total</b>	<b>2,698,938,603.09</b>	<b>137,068,603.52</b>	<b>2,561,869,999.57</b>	<b>2,135,404,140.98</b>	<b>56,459,753.30</b>	<b>2,078,944,387.68</b>

### (2) Provision for decline in value of inventories

Item	2021.12.31	Increase		Decrease		2022.12.31
		Provision	Others	Reversal or written-off	Others	
Raw materials	16,068,254.74	23,631,216.36	0.00	2,156,150.69	0.00	37,543,320.41
Packaging materials	7,099,883.19	8,764,054.20	0.00	4,672,244.81	0.00	11,191,692.58
Goods in process and Proprietary semi-finished goods	2,891,675.04	63,112,373.68	0.00	521,059.20	0.00	65,482,989.52
Low-value consumables	217,760.90	289,387.02	0.00	11,404.51	0.00	495,743.41
Finished goods and stock goods	30,182,179.43	24,913,820.98	0.00	32,741,142.81	0.00	22,354,857.60
<b>Total</b>	<b>56,459,753.30</b>	<b>120,710,852.24</b>	<b>0.00</b>	<b>40,102,002.02</b>	<b>0.00</b>	<b>137,068,603.52</b>

### Provision for decline in value of inventories (Continued)

Item	Basis in determination of net recoverable amount/residual value and cost to be incurred	Reason for reversal or written-off of provision for decline in value of inventories/ Provision for impairment of contract performance cost
Raw materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Goods in process and Proprietary semi-finished goods	The estimated selling price less the estimated costs of completion, selling expenses and related taxes	Processing of finished goods and discard
Low-value consumables	The estimated selling price less the related taxes	Used or discard
Finished goods and stock goods	The estimated selling price less the estimated selling expenses and related taxes	Sale and discard

(3) There was no capitalization of borrowing costs in the balance of inventories at the end of the period.

## 8. Non-current assets due within one year

Item	2022.12.31	2021.12.31
Long-term receivables due within one year	0.00	317,381.23
Fixed deposits due within 1 year	54,048,611.11	0.00
<b>Total</b>	<b>54,048,611.11</b>	<b>317,381.23</b>

## 9. Other current assets

Item	2022.12.31	2021.12.31
Input VAT pending deduction /Input tax pending for verification	35,679,462.66	53,179,328.86
Prepaid income tax	17,665,709.39	30,667,849.83
Cash management	92,815,738.44	0.00
Return cost receivable	12,043,428.52	0.00
Others	5,335,561.31	139,035.68
<b>Total</b>	<b>163,539,900.32</b>	<b>83,986,214.37</b>

## 10. Long-term receivables

## (1) Long-term receivables by nature

Item	2022.12.31			2021.12.31			Range of discount rate
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount	
Financing lease payments	0.00	0.00	0.00	584,285.36	0.00	584,285.36	4.75%
Less: Long-term receivables due within one year	0.00	0.00	0.00	317,381.23	0.00	317,381.23	
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>266,904.13</b>	<b>0.00</b>	<b>266,904.13</b>	

(2) There was no situation of overdue of long-term receivables in the period.

(3) There was no long-term receivables derecognized due to the transfer of financial assets in the period.

(4) There was no assets or liabilities formed by the continuing involvement of transferred long-term receivables in the period.

## 11. Long-term equity investment

Investee	2021.12.31	Movement in the year								2022.12.31	Closing balance of provision for impairment	
		Additions in investment	Decrease in investment	Investment gain or loss under equity method	Adjustment in other comprehensive income	Changes of other equity	Announced distribution of cash dividend or profit	Provision for impairment	Others			
①Subsidiaries												
Zhongshan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司)	6,337,823.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,337,823.35	6,337,823.35
Guangzhou Hiyeah Industry Co., Ltd. (广州市喜悦实业有限公司)	1,949,893.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,949,893.45	1,949,893.45
<b>Subtotal</b>	<b>8,287,716.80</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8,287,716.80</b>	<b>8,287,716.80</b>
②Associates												
Livzon Medical Electronic Equipment (Plant) Co., Ltd. (丽珠集团丽珠医用电子设备有限公司)	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co., Ltd. (广东蓝宝制药有限公司)	78,029,592.18	0.00	0.00	15,055,174.10	0.00	0.00	0.00	0.00	0.00	0.00	93,084,766.28	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	1,222,398.89	0.00	0.00	274,196.51	0.00	0.00	0.00	0.00	0.00	0.00	1,496,595.40	0.00
AbCyte Therapeutics Inc.	15,154,709.96	0.00	0.00	-1,387,449.90	0.00	0.00	0.00	0.00	0.00	0.00	13,767,260.06	0.00
L&L Biopharma, Co. Ltd. (上海健信生物医药科技有限公司)	14,886,838.46	0.00	0.00	-983,161.97	0.00	0.00	0.00	0.00	0.00	0.00	13,903,676.49	0.00
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	83,155,557.16	0.00	0.00	-22,889,193.47	527,718.52	497,687.40	0.00	0.00	0.00	0.00	61,291,769.61	0.00
Aetio Biotherapy, Inc.	16,028,488.48	0.00	0.00	5,826.20	0.00	0.00	0.00	0.00	0.00	0.00	16,034,314.68	0.00
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江苏新元素医药科技有限公司)	67,908,607.98	30,000,000.00	0.00	-5,105,198.56	0.00	0.00	0.00	0.00	0.00	0.00	92,803,409.42	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	751,549,763.92	0.00	0.00	82,286,589.62	4,723,927.54	0.00	111,980,000.00	0.00	0.00	0.00	726,580,281.08	0.00
Infinite Intelligence Pharmaceutical Co., Ltd. (北京英飞智药科技有限公司)	19,937,909.64	0.00	0.00	-1,080,182.56	0.00	0.00	0.00	0.00	0.00	0.00	18,857,727.08	0.00
Shenzhen Kangti Biomedical Technology Co., Ltd. (深圳康体生物医药科技有限公司)(Note 1)	0.00	6,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,000,000.00	0.00
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	284,619,909.01	0.00	0.00	918,586.51	0.00	0.00	0.00	0.00	0.00	0.00	285,538,495.52	0.00

Investee	2021.12.31	Movement in the year								2022.12.31	Closing balance of provision for impairment	
		Additions in investment	Decrease in investment	Investment gain or loss under equity method	Adjustment in other comprehensive income	Changes of other equity	Announced distribution of cash dividend or profit	Provision for impairment	Others			
Ningbo Ningrong Biomedical Co., Ltd. (宁波宁融生物医药有限公司)	27,464,098.71	0.00	0.00	-284,889.20	0.00	0.00	0.00	0.00	0.00	0.00	27,179,209.51	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	12,734,373.22	0.00	0.00	2,569,122.52	0.00	0.00	0.00	0.00	0.00	0.00	15,303,495.74	0.00
Novastage Pharmaceuticals (Shenzhen), Ltd. (新领医药技术(深圳)有限公司)	18,080,883.21	0.00	18,080,883.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jiangsu Baining Yingchuang Medical Technology Co., Ltd. (江苏百宁盈创医疗科技有限公司)	28,576,324.02	0.00	0.00	156,057.09	0.00	0.00	0.00	0.00	0.00	0.00	28,732,381.11	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)(Note 2)	0.00	17,000,000.00	0.00	2,309,212.61	0.00	0.00	0.00	0.00	0.00	0.00	19,309,212.61	0.00
<b>Subtotal</b>	<b>1,420,549,454.84</b>	<b>53,000,000.00</b>	<b>18,080,883.21</b>	<b>71,844,689.50</b>	<b>5,251,646.06</b>	<b>497,687.40</b>	<b>111,980,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,421,082,594.59</b>	<b>1,200,000.00</b>
<b>Total</b>	<b>1,428,837,171.64</b>	<b>53,000,000.00</b>	<b>18,080,883.21</b>	<b>71,844,689.50</b>	<b>5,251,646.06</b>	<b>497,687.40</b>	<b>111,980,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,429,370,311.39</b>	<b>9,487,716.80</b>

Note 1: On 30 September 2022, the Company's subsidiary, Zhuhai Livzon Pharmaceutical Equity Investment Management Co., Ltd. (珠海市丽珠医药股权投资管理有限公司) ("Equity Investment Company") and Shenzhen Kangti Biomedical Technology Co., Ltd. (深圳康体生物医药科技有限公司) ("Kangti Biomedical") signed a shareholder agreement. Equity Investment Company invested RMB10 million to hold a 3.1746% shareholding in Kangti Biomedical (including the first phase of investment of RMB6 million). According to the shareholder agreement and the articles of association, Equity Investment Company appointed a director to Kangti Biomedical. Since Equity Investment Company is able to exercise significant influence over Kangti Biomedical, the investment in Kangti Biomedical is accounted for as a long-term equity investment.

Note 2: On April 22, 2022, Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司) ("Shanghai Frontier") ,a subsidiary of the Company, acquired 20% of the equity of Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司) ("Shanghai Sheo") from the original shareholders for RMB7 million; On October 28, 2022, the Company signed a capital increase agreement with Shanghai Sheo, investing RMB10 million to hold 10% of the equity of Shanghai Sheo. After the company's investment, the stake of the Shanghai Frontier will be reduced to 17.999%.

## 12. Other equity instruments investment

Item	2022.12.31	2021.12.31	Reason for designation
China Galaxy Securities Co., Ltd. (中国银河证券股份有限公司)	0.00	212,384,666.97	Non-trading
Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋新创股权投资中心)	67,935,704.36	94,040,236.88	Non-trading
Shanghai JingYi Investment Center (上海经颐投资中心)	73,616,359.91	66,175,062.50	Non-trading
Qianhai Equity Investment Fund (前海股权投资基金)	243,378,742.17	264,930,500.00	Non-trading
Apricot Forest, Inc (杏树林)	120,788,500.00	137,711,800.01	Non-trading
PANTHEON D ,L.P.	5,954,301.20	3,715,566.69	Non-trading
Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)	158,400,000.00	164,395,200.00	Non-trading
GLOBAL HEALTH SCIENCE	271,980,388.15	235,133,216.46	Non-trading
Nextech V Oncology S.C.S., SICAV-SIF	23,996,121.32	30,667,263.04	Non-trading
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海) 有限公司)	30,513,209.27	59,999,953.41	Non-trading
ELICIO THERAPEUTICS, INC.	34,823,014.36	31,878,510.16	Non-trading
CARIAMA THERAPEUTICS INC.	34,821,295.50	31,876,936.63	Non-trading
Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司)	53,654,738.60	41,944,015.67	Non-trading
Shanghai Keentai Biotechnology Co., Ltd. (上海科恩泰生物医药科技有限公司)	12,000,000.00	12,000,000.00	Non-trading
Others	62,096,504.21	22,029,449.00	Non-trading
<b>Total</b>	<b>1,193,958,879.05</b>	<b>1,408,882,377.42</b>	

Continued:

Item	Dividend income recognised in the year	Cumulative gain	Cumulative loss	Amount transferred from other comprehensive income to retained earnings	Reason of transfer
China Galaxy Securities Co., Ltd. (中国银河证券股份有限公司)	0.00	0.00	0.00	94,089,666.09	Disposal
Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋新创股权投资中心)	0.00	0.00	0.00	-4,367,599.87	Disposal
Shanghai JingYi Investment Center (上海经颐投资中心)	512,350.35	0.00	0.00	0.00	--
Qianhai Equity Investment Fund (前海股权投资基金)	13,160,623.21	0.00	0.00	0.00	--
Apricot Forest, Inc (杏树林)	0.00	0.00	0.00	0.00	--
PANTHEON D ,L.P.	0.00	0.00	0.00	0.00	--
Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)	0.00	0.00	0.00	0.00	--
GLOBAL HEALTH SCIENCE	3,956,817.66	0.00	0.00	0.00	--
Nextech V Oncology S.C.S., SICAV-SIF	1,053,846.01	0.00	0.00	0.00	--

Item	Dividend income recognised in the year	Cumulative gain	Cumulative loss	Amount transferred from other comprehensive income to retained earnings	Reason of transfer
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海)有限公司)	0.00	0.00	0.00	0.00	--
ELICIO THERAPEUTICS, INC.	0.00	0.00	0.00	0.00	--
CARIAMA THERAPEUTICS INC.	0.00	0.00	0.00	0.00	--
Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司)	0.00	0.00	0.00	0.00	--
Shanghai Keentai Biotechnology Co., Ltd. (上海科恩泰生物医药科技有限公司)	0.00	0.00	0.00	0.00	--
Others	30,000.00	0.00	0.00	0.00	--
<b>Total</b>	<b>18,713,637.23</b>	<b>0.00</b>	<b>0.00</b>	<b>89,722,066.22</b>	<b>--</b>

## 13. Investment properties

Item	Housing and buildings	Total
I. Book value		
1. Beginning balance	61,914,754.28	61,914,754.28
2. Increase	0.00	0.00
3. Decrease	0.00	0.00
4. Closing balance	61,914,754.28	61,914,754.28
II. Accumulated depreciation and amortisation		
1. Beginning balance	55,723,278.85	55,723,278.85
2. Increase	0.00	0.00
(1) Amortisation for the year	0.00	0.00
3. Decrease	0.00	0.00
(1) Disposal	0.00	0.00
4. Closing balance	55,723,278.85	55,723,278.85
III. Provision for impairment		
1. Beginning balance	0.00	0.00
2. Increase	0.00	0.00
(1) Provision	0.00	0.00
3. Decrease	0.00	0.00
(1) Disposal	0.00	0.00
4. Closing balance	0.00	0.00
IV. Carrying amount		
1. Carrying value at year end	6,191,475.43	6,191,475.43
2. Carrying value at beginning of year	6,191,475.43	6,191,475.43

## 14. Fixed assets

Item	2022.12.31	2021.12.31
Fixed assets	5,265,200,110.91	4,839,005,169.81
Fixed assets for disposal	0.00	0.00
<b>Total</b>	<b>5,265,200,110.91</b>	<b>4,839,005,169.81</b>

## (1) Fixed assets

## ①Details of fixed assets

Item	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
I. Book value:					
1.Beginning balance	3,976,199,210.91	5,119,816,758.02	108,015,330.21	783,366,162.98	9,987,397,462.12
2.Increase	342,127,376.83	628,876,021.14	6,461,652.11	97,012,190.24	1,074,477,240.32
(1) Purchase	65,441,049.18	147,389,281.70	5,280,741.59	58,931,934.55	277,043,007.02
(2) Transfer from construction in progress	276,686,327.65	481,486,739.44	0.00	15,719,395.68	773,892,462.77
(3) Others	0.00	0.00	1,180,910.52	22,360,860.01	23,541,770.53
3.Decrease	13,272,568.72	111,148,294.43	8,185,405.44	23,825,880.16	156,432,148.75
(1) Disposal or scrap	13,272,568.72	111,148,294.43	8,185,405.44	23,825,880.16	156,432,148.75
4.Closing balance	4,305,054,019.02	5,637,544,484.73	106,291,576.88	856,552,473.06	10,905,442,553.69
II. Accumulated depreciation					
1.Beginning balance	-	-	-	-	-
2.Increase	181,477,081.95	346,324,779.03	10,462,940.46	81,920,529.52	620,185,330.96
(1) Provision	181,477,081.95	346,324,779.03	9,296,030.33	81,920,529.52	619,018,420.83
(2) Other increase	0.00	0.00	1,166,910.13	0.00	1,166,910.13
3.Decrease	7,852,119.16	86,818,439.43	4,791,950.88	21,842,549.49	121,305,058.96
(1) Disposal or scrap	7,852,119.16	86,818,439.43	4,791,950.88	21,842,549.49	121,305,058.96
4.Closing balance	1,806,888,229.17	3,109,967,392.10	82,170,130.55	538,254,242.39	5,537,279,994.21
III. Provision for impairment					
1.Beginning balance	26,564,784.45	64,186,228.26	41,578.65	19,199,978.74	109,992,570.10
2.Increase	0.00	161,670.35	0.00	24,878.03	186,548.38
(1) Provision	0.00	161,670.35	0.00	24,878.03	186,548.38
3.Decrease	90,292.62	6,798,397.52	41,578.65	286,401.12	7,216,669.91
(1) Disposal or scrap	90,292.62	6,798,397.52	41,578.65	286,401.12	7,216,669.91
4.Closing balance	26,474,491.83	57,549,501.09	0.00	18,938,455.65	102,962,448.57
IV. Carrying amount					
1. Carrying value at period end	2,471,691,298.02	2,470,027,591.54	24,121,446.33	299,359,775.02	5,265,200,110.91
2. Carrying value at beginning of year	2,316,371,160.08	2,205,169,477.26	31,474,610.59	285,989,921.88	4,839,005,169.81



## ② Fixed assets with temporary idle

Item	Book value	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Housing and buildings	23,926,279.99	14,490,518.30	5,155,770.80	4,279,990.89	
Machinery and equipment	169,656,887.40	117,171,435.61	35,728,561.41	16,756,890.38	
Electronic equipment and others	3,119,826.93	2,533,159.51	180,534.90	406,132.52	
<b>Total</b>	<b>196,702,994.32</b>	<b>134,195,113.42</b>	<b>41,064,867.11</b>	<b>21,443,013.79</b>	

## ③ Fixed assets held under finance leases

Item	Carrying amount
Housing and buildings	1,753,301.29

## ④ Fixed assets without property certificate

Item	Carrying amount	Reasons for pending title certificate
Housing and buildings	182,318,779.85	Application in progress

## 15. Construction in progress

Item	2022.12.31	2021.12.31
Construction in progress	810,835,273.97	742,533,534.23
Construction materials	464,794.99	465,209.52
<b>Total</b>	<b>811,300,068.96</b>	<b>742,998,743.75</b>

## ① Information of construction in progress

Item	2022.12.31			2021.12.31		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Haibin Pharma Pingshang New Factory (深圳海滨坪山新厂)	133,771,969.05	11,068,266.54	122,703,702.51	144,364,877.42	0.00	144,364,877.42
Guangda New Factory Project	360,963,893.27	0.00	360,963,893.27	179,745,064.48	0.00	179,745,064.48
Fuxing Company Phase I & II Projects and others (福兴公司I、二期项目及其他)	38,842,449.73	0.00	38,842,449.73	36,580,114.83	0.00	36,580,114.83
Project of Shijiao New Factory (石角新厂项目)	12,409,895.73	0.00	12,409,895.73	61,845,397.73	0.00	61,845,397.73
Transformation Project of Pharmaceutical Factory Workshop (药厂车间建设项目)	70,972,186.23	0.00	70,972,186.23	19,579,452.17	0.00	19,579,452.17
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂) 微球车间(含戈舍) 建设项目	39,976,590.91	0.00	39,976,590.91	15,616,651.12	0.00	15,616,651.12
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂) P06建设项目	180,053.79	0.00	180,053.79	83,020,966.01	0.00	83,020,966.01
Project of lyophilized powder injection workshop (冻干粉针车间项目)	1,157,559.47	0.00	1,157,559.47	70,673,332.62	0.00	70,673,332.62
P09 Construction Project of Livzon Group Livzon	0.00	0.00	0.00	54,924,595.61	0.00	54,924,595.61

Item	2022.12.31			2021.12.31		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Pharmaceutical Factory (丽珠制药厂) P09建设项目)						
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂) P04/P05建设项目)	1,560,960.52	0.00	1,560,960.52	257,441.66	0.00	257,441.66
Shanghai Livzon-Microsphere Phase II Technical Transformation Project (上海丽珠-微球二期技改项目)	34,677,843.69	0.00	34,677,843.69	10,123,776.54	0.00	10,123,776.54
Others	127,559,478.58	169,340.46	127,390,138.12	65,971,204.50	169,340.46	65,801,864.04
<b>Total</b>	<b>822,072,880.97</b>	<b>11,237,607.00</b>	<b>810,835,273.97</b>	<b>742,702,874.69</b>	<b>169,340.46</b>	<b>742,533,534.23</b>

②Changes in significant construction in progress

Name of Project	2021.12.31	Increase	Transfer to fixed assets	Other decrease	Cumulative amount of interest capitalised	Including: interest capitalised in the year	Interest capitalisation rate for the year (%)	2022.12.31
Haibin Pharma Pingshang New Factory (深圳海滨坪山新厂)	144,364,877.42	218,228,529.86	164,393,809.16	64,427,629.07	0.00	0.00	0.00	133,771,969.05
Guangda New Factory Project (光大新厂项目)	179,745,064.48	181,218,828.79	0.00	0.00	0.00	0.00	0.00	360,963,893.27
Fuxing Company Phase I & II Projects and others (福兴公司一、二期项目及其他)	36,580,114.83	77,051,711.32	74,789,376.42	0.00	0.00	0.00	0.00	38,842,449.73
Project of Shijiao New Factory (石角新厂项目)	61,845,397.73	30,318,359.71	79,753,861.71	0.00	0.00	0.00	0.00	12,409,895.73
Transformation Project of Pharmaceutical Factory Workshop (药厂车间建设项目)	19,579,452.17	70,984,195.20	19,591,461.14	0.00	0.00	0.00	0.00	70,972,186.23
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂微球车间(含戈舍)建设项目)	15,616,651.12	29,308,744.91	4,948,805.12	0.00	0.00	0.00	0.00	39,976,590.91
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂 P06 建设项目)	83,020,966.01	7,323,839.40	90,164,751.62	0.00	0.00	0.00	0.00	180,053.79
Project of lyophilized powder injection workshop 冻干粉针车间项目)	70,673,332.62	49,803,364.24	119,319,137.39	0.00	0.00	0.00	0.00	1,157,559.47
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂 P09 建设项目)	54,924,595.61	99,318,116.09	154,242,711.70	0.00	0.00	0.00	0.00	0.00
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂 P04/P05 建设项目)	257,441.66	1,303,518.86	0.00	0.00	0.00	0.00	0.00	1,560,960.52
Technology transformation project for Microsphere Phase II of Shanghai Livzon	10,123,776.54	24,554,067.15	0.00	0.00	0.00	0.00	0.00	34,677,843.69

Name of Project	2021.12.31	Increase	Transfer to fixed assets	Other decrease	Cumulative amount of interest capitalised	Including: interest capitalised in the year	Interest capitalisation rate for the year (%)	2022.12.31
(上海丽珠微球二期技改项目)								
Others	65,971,204.50	151,152,406.67	66,688,548.51	22,875,584.08	0.00	0.00	0.00	127,559,478.58
<b>Total</b>	<b>742,702,874.69</b>	<b>940,565,682.20</b>	<b>773,892,462.77</b>	<b>87,303,213.15</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>822,072,880.97</b>

## Changes in significant construction in progress (Continued) :

Name of Project	Budget	Proportion of cumulative input to budget %	Progress %	Source of fund
Haibin Pharma Pingshang New Factory (深圳海滨坪山新厂)	1,037,000,000.00	78.1	Completion of some projects	Self-funding and funds raised
Guangda New Factory Project (光大新厂项目)	646,000,000.00	55.88	Under construction	Self-funding
Fuxing Company Phase I & II Projects and others (福兴公司一、二期项目及其他)	378,090,800.00	87.45	Completion of some projects	Self-funding
Project of Shijiao New Factory (石角新厂项目)	377,005,000.00	89.92	Completion of some projects	Self-funding and funds raised
Transformation Project of Pharmaceutical Factory Workshop (药厂车间建设项目)	306,558,388.48	61.17	Completion of some projects	Self-funding
Construction Project for Microsphere Workshop (including Gose) of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂微球车间(含戈舍) 建设项目)	262,445,000.00	65.12	Completion of some projects	Self-funding and funds raised
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂 P06 建设项目)	117,710,000.00	95.02	Completion of some projects	Self-funding
Project of lyophilized powder injection workshop (冻干粉针车间项目)	143,500,000.00	95.11	Completion of some projects	Self-funding and funds raised
P09 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠丽珠制药厂 P09 建设项目)	296,580,000.00	100.00	Completed	Self-funding
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠集团丽珠制药厂 P04/P05 建设项目)	126,880,000.00	1.23	Under construction	Self-funding
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海丽珠微球二期技改项目)	40,500,000.00	85.62	Under construction	Self-funding
Others	--	--	--	Self-funding
<b>Total</b>	<b>3,732,269,188.48</b>	<b>--</b>	<b>--</b>	<b>--</b>

Other decrease is mainly transferred to long-term deferred expenses.

## 16. Right-of-use assets

Item	Housing and buildings	Total
I. Book value:		

Item	Housing and buildings	Total
1.Beginning balance	69,960,518.27	69,960,518.27
2.Increase	29,002,437.68	29,002,437.68
(1) Leasing	29,002,437.68	29,002,437.68
3.Decrease	20,627,100.42	20,627,100.42
4. Closing balance	78,335,855.53	78,335,855.53
II. Accumulated depreciation		
1.Beginning balance	23,185,758.58	23,185,758.58
2.Increase	32,367,074.98	32,367,074.98
(1) Provision	32,367,074.98	32,367,074.98
3.Decrease	19,060,112.00	19,060,112.00
4.Closing balance	36,492,721.56	36,492,721.56
III. Provision for impairment		
1.Beginning balance	0.00	0.00
2.Increase	0.00	0.00
3.Decrease	0.00	0.00
4.Closing balance	0.00	0.00
IV. Carrying amount		
1.Carrying value at year end	41,843,133.97	41,843,133.97
2.Carrying value at beginning of year	46,774,759.69	46,774,759.69

As of 31 December 2022, the Company recognised lease expenses related to short-term leases and the leases of low value assets of RMB239,280.

## 17. Intangible assets

### (1) Details of intangible assets

Item	Land use rights	Patent and technical know-how	Software	Trademark rights	Others	Total
I. Book value						
1.Beginning balance	413,762,737.87	519,813,876.67	79,232,390.69	62,769,716.98	10,985,294.53	1,086,564,016.74
2.Increase	28,488,823.32	496,141,693.87	14,020,493.45	0.00	0.00	538,651,010.64
(1) Purchase	28,488,823.32	1,100,000.00	14,020,493.45	0.00	0.00	43,609,316.77
(2) Internal R&D	0.00	495,041,693.87	0.00	0.00	0.00	495,041,693.87
3.Decrease	0.00	0.00	0.00	0.00	0.00	0.00
Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4.Closing balance	442,251,561.19	1,015,955,570.54	93,252,884.14	62,769,716.98	10,985,294.53	1,625,215,027.38
II. Accumulated amortisation						
1.Beginning balance	122,997,170.29	369,635,517.03	56,287,892.35	62,765,196.55	5,584,191.37	617,269,967.59
2.Increase	9,122,311.45	172,774,379.26	7,114,468.80	471.72	1,098,529.45	190,110,160.68
Provision	9,122,311.45	172,774,379.26	7,114,468.80	471.72	1,098,529.45	190,110,160.68
3.Decrease	0.00	0.00	0.00	0.00	0.00	0.00

Item	Land use rights	Patent and technical know-how	Software	Trademark rights	Others	Total
Disposal	0.00	0.00	0.00	0.00	0.00	0.00
4.Closing balance	132,119,481.74	542,409,896.29	63,402,361.15	62,765,668.27	6,682,720.82	807,380,128.27
III. Provision for impairment						
1.Beginning balance	981,826.94	11,530,127.41	0.00	0.00	0.00	12,511,954.35
2.Increase	0.00	3,207,819.01	0.00	0.00	0.00	3,207,819.01
Provision	0.00	3,207,819.01	0.00	0.00	0.00	3,207,819.01
3.Decrease	0.00	0.00	0.00	0.00	0.00	0.00
4.Closing balance	981,826.94	14,737,946.42	0.00	0.00	0.00	15,719,773.36
IV. Carrying amount						
1.Carrying value at year end	309,150,252.51	458,807,727.83	29,850,522.99	4,048.71	4,302,573.71	802,115,125.75
2.Carrying value at beginning of year	289,783,740.64	138,648,232.23	22,944,498.34	4,520.43	5,401,103.16	456,782,094.80

As of 31 December 2022, intangible assets formed through internal research and development of the company account for 39.03% of the balance of intangible assets.

At the balance sheet date, the Company engaged an appraiser to test the impairment of biopharmaceutical technologies of the current period carry-over intangible assets, using the biotechnology-related asset group to estimate the present value of future cash flows in anticipation of the recoverable amount of input costs. The asset group was tested as not impaired.

The projected future cash flows of the asset group are determined on the basis of the financial budget for the next five years established by management, and the cash flow for the years beyond which the five-year financial budget is zero.

The main assumptions of discounted future cash flows in the impairment test are as follows:

The calculation of the projected present future cash flow value of the asset group related to this biotechnology uses a gross margin of 84.50%-91.50% and an operating income growth rate of -93%~71%, and a discount cash flow rate of 15.00% as key assumptions. Management determines these assumptions based on historical conditions prior to the budget period and projections of market developments.

## (2) Intangible assets pending for certificates of ownership

Item	Carrying amount	Reasons for pending title certificate
Land use rights	4,012,089.17	Application in progress

## (3) 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

## 18. Development costs

Item	2021.12.31	Increase		Decrease		2022.12.31
		Internal development costs	Other increase	Recognized as intangible assets	Recognised in profit or loss in the year	
Chemical pharmaceuticals	179,411,666.34	99,354,717.46	0.00	75,078,369.10	66,830,198.83	136,857,815.87
Biologics	527,275,067.73	92,785,310.25	0.00	381,832,741.41	0.00	238,227,636.57

APIs and others	80,306,701.64	11,023,313.45	0.00	38,130,583.36	0.00	53,199,431.73
<b>Total</b>	<b>786,993,435.71</b>	<b>203,163,341.16</b>	<b>0.00</b>	<b>495,041,693.87</b>	<b>66,830,198.83</b>	<b>428,284,884.17</b>

Continued:

Item	Time for commencement of capitalisation	Specific basis of capitalisation	Progress of research and development at year end
Chemical pharmaceuticals	Clinical trial	Obtain approval for clinical trial	Clinical stage
Biologics	Clinical trial	Obtain approval for clinical trial	Clinical stage
APIs and others	Pilot stage	Pilot related information	Post-pilot stage

## 19. Goodwill

## (1) Book value of goodwill

Name of investee or matter from which goodwill arose	2021.12.31	Increase		Decrease		2022.12.31
		Formation by business combination	Others	Disposal	Others	
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海丽珠制药有限公司)	2,045,990.12	0.00	0.00	0.00	0.00	2,045,990.12
Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (珠海保税区丽珠合成制药有限公司)	3,492,752.58	0.00	0.00	0.00	0.00	3,492,752.58
Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制药有限公司)	13,863,330.24	0.00	0.00	0.00	0.00	13,863,330.24
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (丽珠集团新北江制药股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司)	46,926,155.25	0.00	0.00	0.00	0.00	46,926,155.25
Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂)	47,912,269.66	0.00	0.00	0.00	0.00	47,912,269.66
Livzon Group	395,306,126.41	0.00	0.00	0.00	0.00	395,306,126.41
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海滨制药有限公司)	91,878,068.72	0.00	0.00	0.00	0.00	91,878,068.72
Joincare Daily-Use & Health Care Co., Ltd. (健康元日用保健品有限公司)	1,610,047.91	0.00	0.00	0.00	0.00	1,610,047.91
Shenzhen Taitai Pharmaceutical Co., Ltd. (深圳太太药业有限公司)	635,417.23	0.00	0.00	0.00	0.00	635,417.23
Health Pharmaceuticals (China) Limited (健康药业(中国)有限公司)	23,516,552.65	0.00	0.00	0.00	0.00	23,516,552.65
Shenzhen Hiyeah Industry Co., Ltd (深圳市喜悦实业有限公司)	6,000,000.00	0.00	0.00	0.00	0.00	6,000,000.00
Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司)	92,035.87	0.00	0.00	0.00	0.00	92,035.87
<b>Total</b>	<b>640,550,053.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>640,550,053.67</b>

## (2) Provision for impairment of goodwill

Name of investee or matter from which goodwill arose	2021.12.31	Increase		Decrease		2022.12.31
		Provision	Others	Disposal	Others	
Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (丽珠集团新北江制药股份有限公司)	7,271,307.03	0.00	0.00	0.00	0.00	7,271,307.03
Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司)	11,200,000.00	0.00	0.00	0.00	0.00	11,200,000.00
Shenzhen Hiyeah Industry Co., Ltd (深圳市喜悦实业有限公司)	6,000,000.00	0.00	0.00	0.00	0.00	6,000,000.00
Joincare Daily-Use & Health Care Co., Ltd. (健康元日用保健品有限公司)	1,610,047.91	0.00	0.00	0.00	0.00	1,610,047.91
<b>Total</b>	<b>26,081,354.94</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>26,081,354.94</b>

Goodwill of the Company arose from its business combination involving enterprises not under common control in previous years.

On the balance sheet date, the Company conducts an impairment test on goodwill. When estimating the recoverable amount of input costs, it uses a assets group related to goodwill to estimate the present value of future cash flows.

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, key assumptions are a gross margin of 63.27%-63.46% and a business revenue growth rate of 0-9.08% as well as a cash flow discount rate of 12.21%. 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 Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海滨制药有限公司), key assumptions are a gross margin of 38.91%-40.11% and a business revenue growth rate of -9.19~2.79% as well as a cash flow discount rate of 11.78%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

The calculation of the estimated future present value of the goodwill-related asset portfolio of Livzon Group Livzon Pharmaceutical Manufacturing Factory uses a gross profit margin of 82.19%-83.33% and an operating income growth rate of 0~7.83%, and a discount cash flow rate of 14.72% as key assumptions. Management determines these assumptions based on historical conditions prior to the budget period and projections of market developments.

The calculation of the expected future present value of goodwill-related asset portfolio of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. uses a gross profit margin of 63.43%-64.44% and an operating income growth rate of 0~11.80%, and a discount cash flow rate of 15.04% as key assumptions. Management determines these assumptions based on historical conditions prior to the budget period and projections of market developments.

As tested, the management of the Company expects that no impairment provision is needed during the period.

## 20. Long-term deferred expenses

Item	2021.12.31	Increase	Decrease		2022.12.31
			Amortization	Other decrease	
Renovation costs of offices	26,940,700.02	9,114,501.74	3,437,654.72	212,648.78	32,404,898.26
Renovation costs of plants	138,705,258.94	70,216,911.41	31,651,658.96	0.00	177,270,511.39
Certification costs of GMP project	311,654.79	0.00	120,640.56	0.00	191,014.23
Others	34,758,127.18	56,097,158.72	22,844,892.83	9,100.00	68,001,293.07
<b>Total</b>	<b>200,715,740.93</b>	<b>135,428,571.87</b>	<b>58,054,847.07</b>	<b>221,748.78</b>	<b>277,867,716.95</b>

## 21. Deferred tax assets and deferred tax liabilities

### (1) Deferred tax assets and deferred tax liabilities before offsetting

Item	2022.12.31		2021.12.31	
	Deductible or taxable timing differences	Deferred tax assets or liabilities	Deductible or taxable timing differences	Deferred tax assets or liabilities
<b>Deferred tax assets:</b>				
Provision for impairment of assets	336,502,793.26	51,790,732.85	323,372,877.26	54,704,601.96
Deductible difference arising from accrued expenses	965,912,234.46	145,014,131.32	945,774,497.50	166,481,490.01
Deductible difference arising from tax loss	399,128,528.63	61,021,514.54	497,850,865.29	84,167,365.69
Deferred income	329,970,021.95	49,511,503.29	375,321,674.10	60,145,851.14
Unrealised gains from intra-company transactions	694,726,037.62	104,182,311.29	560,934,298.63	84,185,529.66
Changes in fair value of other equity instruments	146,540,719.40	36,635,179.85	146,653,568.40	36,663,392.10
Deductible difference arising from share incentive expenses	107,474,309.53	16,149,104.44	77,872,943.63	11,933,224.52
Changes in fair value of financial assets held for trading	7,298,819.37	1,234,418.76	6,918,505.67	1,158,336.82
Other deductible temporary difference	455,485,646.11	68,322,846.92	282,821,670.90	53,103,074.81
<b>Total</b>	<b>3,443,039,110.33</b>	<b>533,861,743.26</b>	<b>3,217,520,901.38</b>	<b>552,542,866.71</b>
<b>Deferred tax liabilities:</b>				
Changes in fair value of financial assets held for trading	20,269,315.67	3,216,065.39	19,970,547.94	3,215,329.05
Accelerated depreciation of fixed assets	1,094,571,545.41	167,757,444.03	752,180,706.08	114,114,492.09
Changes in fair value of other equity instruments	242,925,303.81	39,399,916.06	359,110,036.65	70,405,084.25
Unrealised gains from intra-company transactions	105,940,000.00	20,791,000.00	105,940,000.00	20,791,000.00
<b>Total</b>	<b>1,463,706,164.89</b>	<b>231,164,425.48</b>	<b>1,237,201,290.67</b>	<b>208,525,905.39</b>

## (2) Deductible temporary differences and deductible tax losses of unrecognized deferred tax assets

Item	2022.12.31	2021.12.31
Deductible temporary differences	239,109,485.46	175,707,417.84
Deductible tax loss	2,804,958,759.64	1,365,909,940.62
<b>Total</b>	<b>3,044,068,245.10</b>	<b>1,541,617,358.46</b>

## (3) Expiry of deductible tax losses in subsequent period

Year	2022.12.31	2021.12.31	Note
2022	0.00	129,386,282.40	
2023	182,300,762.40	182,300,761.96	
2024	385,139,111.62	385,138,859.92	
2025	253,044,280.36	254,360,863.53	
2026	390,203,263.39	389,994,598.37	
2027	1,485,158,186.92	0.00	
Non-expiry	109,113,154.95	24,728,574.44	
<b>Total</b>	<b>2,804,958,759.64</b>	<b>1,365,909,940.62</b>	

## 22. Other non-current assets



Item	2022.12.31	2021.12.31
Term deposit and interests	812,562,286.58	52,127,500.00
VAT carry forward	3,338,552.19	56,384,552.60
Prepayment for acquisition of project and equipment	340,456,344.22	491,703,933.59
Prepayment for acquisition of technical know-how	415,000.00	63,368,017.61
<b>Total</b>	<b>1,156,772,182.99</b>	<b>663,584,003.80</b>

## 23. Short-term loans

## (1) Short-term loans by category

Item	2022.12.31	2021.12.31
Unsecured loans	2,089,585,755.20	1,666,838,964.15
Guaranteed loans	36,464,859.86	851,645,870.94
<b>Total</b>	<b>2,126,050,615.06</b>	<b>2,518,484,835.09</b>

(2) The Company has no overdue short-term loans.

## 24. Financial liabilities held for trading

Item	2022.12.31	2021.12.31
Financial liabilities held for trading	755,634.43	143,302.24
Including:		
Derivative financial liabilities	755,634.43	143,302.24
<b>Total</b>	<b>755,634.43</b>	<b>143,302.24</b>

Derivative financial liabilities represent foreign currency forward contracts. The loss from unexpired onerous contracts measured at fair value on balance sheet date was recognised as financial liabilities held for trading.

## 25. Notes payable

Category	2022.12.31	2021.12.31
Bank acceptance bills	1,635,906,989.22	1,582,386,767.93

The Company has no overdue notes payable.

## 26. Accounts payable

Item	2022.12.31	2021.12.31
Within one year	815,158,453.21	809,539,858.35
Over 1 year	128,747,127.70	62,013,352.16
<b>Total</b>	<b>943,905,580.91</b>	<b>871,553,210.51</b>

No significant accounts payable aging over 1 year at the end of the period.

## 27. Contract liabilities

Item	2022.12.31	2021.12.31
Within one year	260,935,024.18	208,025,612.34

Over 1 year	32,042,706.56	26,115,089.95
<b>Total</b>	<b>292,977,730.74</b>	<b>234,140,702.29</b>

No significant contract liabilities with ageing for more than 1 year at the end of the period. The amount of contract liabilities at beginning of the period recognised as revenue during the period is RMB188,045,099.86.

## 28. Employee benefits payables

Item	2021.12.31	Increase	Decrease	2022.12.31
Short-term employee benefits	473,806,357.40	2,179,864,994.17	2,082,528,146.47	571,143,205.10
Post-employment benefits - Defined contribution plans	341,723.80	146,280,117.93	146,037,217.37	584,624.36
Termination benefits	1,282,742.00	1,880,944.59	1,880,944.59	1,282,742.00
<b>Total</b>	<b>475,430,823.20</b>	<b>2,328,026,056.69</b>	<b>2,230,446,308.43</b>	<b>573,010,571.46</b>

### (1) Short-term employee benefits

Item	2021.12.31	Increase	Decrease	2022.12.31
Salaries, bonus and allowances	325,123,978.13	1,788,026,844.16	1,738,082,893.10	375,067,929.19
Staff welfare	5,352,134.66	79,667,401.75	79,225,055.24	5,794,481.17
Social insurances	569,488.75	59,195,181.10	58,520,239.41	1,244,430.44
Including: 1. Medical insurance	467,562.91	54,244,259.70	53,558,791.79	1,153,030.82
2. Work injury insurance	62,711.37	3,046,821.43	3,058,209.96	51,322.84
3. Maternity insurance	39,214.47	1,904,099.97	1,903,237.66	40,076.78
Housing fund	1,493,719.88	60,105,695.76	59,375,841.16	2,223,574.48
Union funds and staff education	541,564.60	6,475,988.92	6,598,647.56	418,905.96
Stock Ownership Plan Special Fund	140,725,471.38	186,393,882.48	140,725,470.00	186,393,883.86
<b>Total</b>	<b>473,806,357.40</b>	<b>2,179,864,994.17</b>	<b>2,082,528,146.47</b>	<b>571,143,205.10</b>

### (2) Defined contribution plans

Item	2021.12.31	Increase	Decrease	2022.12.31
Post-employment benefits	341,723.80	146,280,117.93	146,037,217.37	584,624.36
Including: 1. Basic pension insurance	303,582.07	142,280,070.58	142,038,057.53	545,595.12
2. Unemployment insurance	38,141.73	4,000,047.35	3,999,159.84	39,029.24
<b>Total</b>	<b>341,723.80</b>	<b>146,280,117.93</b>	<b>146,037,217.37</b>	<b>584,624.36</b>

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.

## 29. Taxes payable

Taxation	2022.12.31	2021.12.31
Value-added tax	166,151,353.61	91,860,518.74

Taxation	2022.12.31	2021.12.31
Urban maintenance and construction tax	14,374,197.97	10,047,715.71
Enterprise income tax	124,039,899.44	145,106,168.70
Property tax	7,992,927.81	2,178,644.31
Land use tax	2,847,286.45	1,716,626.70
Individual income Tax	7,524,584.67	9,991,974.56
Stamp duty	2,904,260.39	676,792.62
Education surcharge	9,613,697.69	6,594,414.24
Others	2,254,065.70	2,445,327.83
<b>Total</b>	<b>337,702,273.73</b>	<b>270,618,183.41</b>

## 30. Other payables

Item	2022.12.31	2021.12.31
Dividends payable	12,252,074.84	6,951,984.46
Other payables	3,668,082,286.04	3,285,456,005.33
<b>Total</b>	<b>3,680,334,360.88</b>	<b>3,292,407,989.79</b>

## (1) Dividends payable

Item	2022.12.31	2021.12.31
Common shares dividend	20,174.46	20,174.46
Qingyuan Xinbeijiang Enterprise (Group) Co., Ltd.	1,200,710.00	1,200,710.00
Other legal persons and individual shareholder of subsidiaries	6,682,964.50	3,311,300.00
Internal staff shareholders of subsidiaries	4,348,225.88	2,419,800.00
<b>Total</b>	<b>12,252,074.84</b>	<b>6,951,984.46</b>

## (2) Other payables

Item	2022.12.31	2021.12.31
Office expenses	69,513,003.38	66,603,733.56
Security deposits	89,750,329.22	85,316,947.15
Business promotion expenses	1,722,993,407.82	1,385,121,675.36
Technology transfer fee	10,000,000.00	10,000,000.00
Accrued expenses	1,714,076,189.32	1,696,272,218.54
Others	61,749,356.30	42,141,430.72
<b>Total</b>	<b>3,668,082,286.04</b>	<b>3,285,456,005.33</b>

The obligations of repurchasing restricted shares held by the directors, the senior management and their spouses amounted RMB0.00 at period end.

Including, details of accrued expenses are as follow:

Item	2022.12.31	2021.12.31	Reason of outstanding at year end
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Utility bill	28,378,759.70	23,611,733.95	Unpaid
Research expenses	61,153,064.06	122,637,625.45	Unpaid
Business development and promotion expenses	1,517,084,251.92	1,459,695,485.76	Unpaid
Audit and information disclosure expenses	4,775,560.70	4,893,299.88	Unpaid
Others	102,684,552.94	85,434,073.50	Unpaid
<b>Total</b>	<b>1,714,076,189.32</b>	<b>1,696,272,218.54</b>	

## 31. Non-current liabilities due within one year

Item	2022.12.31	2021.12.31
Lease liabilities due within one year	19,415,779.34	21,295,233.00
Long-term loans and interest due within one year	43,661,481.64	70,280,833.33
<b>Total</b>	<b>63,077,260.98</b>	<b>91,576,066.33</b>

## 32. Other current liabilities

Item	2022.12.31	2021.12.31
Output VAT pending for transfer	17,734,822.42	15,626,224.29
Payables for goods return	83,440,368.95	0.00
Others	101,522.98	0.00
<b>Total</b>	<b>101,276,714.35</b>	<b>15,626,224.29</b>

## 33. Long term loans

Item	2022.12.31	Range of interest rate	2021.12.31	Range of interest rate
Unsecured loans	1,475,974,398.32	2.45%-3.20%	897,061,086.11	3.45%-3.70%
Guaranteed loans	1,798,531,126.20	2.70%-3.60%	0.00	
<b>Subtotal</b>	<b>3,274,505,524.52</b>		<b>897,061,086.11</b>	
Less: Long-term loans due within one year	43,661,481.64		70,280,833.33	
<b>Total</b>	<b>3,230,844,042.88</b>		<b>826,780,252.78</b>	

## 34. Lease liabilities

Item	2022.12.31	2021.12.31
Lease payments payable	42,898,265.42	46,367,027.32
Less: Lease liabilities due within one year	19,415,779.35	21,295,233.00
<b>Total</b>	<b>23,482,486.07</b>	<b>25,071,794.32</b>

Interest expenses accrued on lease liabilities within 2022 was RMB3.54 million, which was recorded in financial expenses-Interest expense.

## 35. Deferred income

Item	2021.12.31	Increase	Decrease	2022.12.31	Reason of formation
Government grants	433,543,352.40	91,591,736.00	140,597,820.85	384,537,267.55	

Government grants recorded as deferred income refer to Note 62. Government grants.

### 36. Other non-current liabilities

Item	2022.12.31	2021.12.31
The overall relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	84,000,000.00	78,000,000.00

### 37. Share capital

In year 2022

Item	2021.12.31	Movement in the year (+ or -)				Subtotal	2022.12.31
		Issue of new shares	Conversion from capital reserve	Others			
<b>I. Tradable shares subject to selling restrictions</b>							
1. Domestic legal person shares	0	0	0	0	0	0	0
2. Domestic natural person shares	0	0	0	0	0	0	0
3. Overseas legal person shares	0	0	0	0	0	0	0
Tradable shares subject to selling restrictions in aggregate	0	0	0	0	0	0	0
<b>II. Tradable shares</b>							
1. Ordinary shares denominated in RMB	1,907,727,908	72,421,134	0	-50,959,668	21,461,466	1,929,189,374	
2. Domestically listed foreign shares	0	0	0	0	0	0	0
Tradable shares in aggregate	1,907,727,908	72,421,134	0	-50,959,668	21,461,466	1,929,189,374	
<b>III. Total number of shares</b>	<b>1,907,727,908</b>	<b>72,421,134</b>	<b>0</b>	<b>-50,959,668</b>	<b>21,461,466</b>	<b>1,929,189,374</b>	

The increase in the year: 1. The company issued 6,382,500 GDRs on the Swiss Stock Exchange, representing 63,825,000 A shares; 2. An increase of 8,596,134 shares due to the exercise of stock options

The reduction of share capital in this period is cancellation of repurchased shares.

In year 2021

Item	2020.12.31	Movement in the year (+ or -)				Subtotal	2021.12.31
		Issue of new shares	Conversion from capital reserve	Others			
<b>I. Tradable shares subject to selling restrictions</b>							
1. Domestic legal person shares	0	0	0	0	0	0	0
2. Domestic natural person shares	0	0	0	0	0	0	0
3. Overseas legal person shares	0	0	0	0	0	0	0
Tradable shares subject to selling restrictions in aggregate	0	0	0	0	0	0	0
<b>II. Tradable shares</b>							
1. Ordinary shares denominated in RMB	1,952,780,764	10,082,440	0	-55,135,296	-45,052,856	1,907,727,908	
2. Domestically listed foreign shares	0	0	0	0	0	0	0
Tradable shares in aggregate	1,952,780,764	10,082,440	0	-55,135,296	-45,052,856	1,907,727,908	
<b>III. Total number of shares</b>	<b>1,952,780,764</b>	<b>10,082,440</b>	<b>0</b>	<b>-55,135,296</b>	<b>-45,052,856</b>	<b>1,907,727,908</b>	

The increase in share capital in this period was due to issue of new shares and the decrease in share capital in this period was due to cancellation of repurchased shares.

## 38. Capital reserve

In year 2022

Item	2021.12.31	Increase	Decrease	2022.12.31
Capital premium	2,152,860,227.84	642,189,404.23	573,367,347.30	2,221,682,284.77
Other capital reserve	112,497,084.08	30,762,735.61	21,248,888.47	122,010,931.22
<b>Total</b>	<b>2,265,357,311.92</b>	<b>672,952,139.84</b>	<b>594,616,235.77</b>	<b>2,343,693,215.99</b>

The increase in capital premium was due to: 1. The Company's stock options were exercised for 8,596,134 shares, increasing the capital premium by RMB62,519,504.79, and correspondingly accrued share incentive expenses of RMB4,975,185 which were transferred from other capital reserve to capital premium. 2. The exercise of share options of the Company's subsidiary, Livzon Group, increasing the capital premium of RMB14,645,670.47 according to shareholding held by the Company, and correspondingly accrued share incentive expenses of RMB9,019,288.61 which were transferred from other capital reserve to capital premium. 3. After the stock options are exercised, the difference between the tax deductible expenses according to tax regulations and the accrued expenses reduces the income tax payable by RMB1,347,279.67, which increased the share premium accordingly. 4. The Company issues GDRs on the Swiss Stock Exchange, increasing the capital reserve by RMB549,682,475.69.

The decrease in capital premium was due to: The Company and its subsidiary, Livzon Group, cancelled the repurchased shares, the capital premium is reduced by RMB573,367,347.30.

The increase in other capital reserve was due to: 1. The Company and its subsidiary, Livzon Group, accrued share incentive expenses RMB24,733,974.70. 2. The Company's subsidiary, Livzon Group, made non-proportional capital contribution to an investee under equity accounting method that led to change in shareholding ratio and other equity, the capital reserve is increased by RMB6,028,760.91.

The decrease in other capital reserve was due to: 1. The exercise of share incentive by the Company's subsidiary, Livzon Group, caused the changes in the shareholding held by the Company and led to the change in other equity, the capital reserve is decreased by RMB7,254,414.86. 2. Transfer of share incentive expenses to capital premium of RMB13,994,473.61.

In year 2021

Item	2020.12.31	Increase	Decrease	2021.12.31
Capital premium	2,531,019,936.35	369,115,622.89	747,275,331.40	2,152,860,227.84
Other capital reserve	2,268,737.93	114,769,391.67	4,541,045.52	112,497,084.08
<b>Total</b>	<b>2,533,288,674.28</b>	<b>483,885,014.56</b>	<b>751,816,376.92</b>	<b>2,265,357,311.92</b>

Reasons for increase in capital premium: 1) 10,082,440 shares of the Company's stock options were exercised, increasing the capital premium by RMB72,493,116.59, and the corresponding accrued share incentive fee of RMB1,457,178.93 was transferred from other capital reserves to the capital premium; 2) The Company's subsidiary Livzon's stock options are exercised, according to the shareholding ratio of the Company, the corresponding increase in the share capital premium of RMB88,109,304.98, and the corresponding accrued equity incentive expenses of RMB3,083,866.59 are transferred from other capital reserves to the share capital premium; 3) After the exercise of stock options, the difference between the tax deductible expenses and the previous accrued expenses resulted in a reduction of income tax payable by RMB13,609,184.27, and the share capital premium was increased accordingly; 4) Since the overseas financing of the subsidiary Livzon is transferred into the Mainland China and thus the reduction of capital of the subsidiaries are not in the same proportion, the difference between the share of net assets of the subsidiaries owned by the Company before and after the reduction of capital caused the increase in capital premium by RMB190,362,971.53.

The decrease in share capital premium of RMB747,275,331.40 for the period was due to the cancellation of shares repurchased by the Company and the subsidiary Livzon Group.

Reasons for increase in other capital reserves: 1) Share incentive expenses accrued by the Company and the subsidiary Livzon Group was RMB11,652,295.42; 2) The subsidiary Livzon Group's equity method accounting investment increased capital in different proportions, resulting in changes in the shareholding ratio held by the Company and changes in other equity instrument investment, so this caused the capital reserve increased by RMB35,846,098.47. 3) The exercise of the stock options of the incentive plan and repurchase of shares of the subsidiary Livzon Group lead to changes in the Company's shareholding ratio and changes in other equity instrument investment, so this caused the capital reserve decreased by RMB55,295,829.27; 4) As the Company disposed of subsidiaries, the capital reserve of RMB11,975,168.51 transferred to profit or loss for this period.

Other capital reserves decreased as the equity incentive expenses of RMB4,541,045.52 was transferred to the capital premium.

### 39. Treasury shares

In year 2022

Item	2021.12.31	Increase	Decrease	2022.12.31
Repurchase of shares due to Share Ownership Scheme and Share Options Incentive Scheme	222,644,454.50	0.00	0.00	222,644,454.50
Repurchase of shares to be cancelled	0.00	724,513,822.62	599,981,715.83	124,532,106.79
<b>Total</b>	<b>222,644,454.50</b>	<b>724,513,822.62</b>	<b>599,981,715.83</b>	<b>347,176,561.29</b>

The increase in treasury shares in the period is the total amount of funds used by the Company to repurchase 61,916,903 shares of the Company through centralized bidding transactions.

The reduction of treasury shares in this period is: Cancellation of repurchased shares.

In year 2021

Item	2020.12.31	Increase	Decrease	2021.12.31
Repurchase of shares due to Share Ownership Scheme and Share Options Incentive Scheme	253,637,154.50	0.00	30,992,700.00	222,644,454.50
Repurchase of shares to be cancelled	0.00	699,900,526.87	699,900,526.87	0.00
<b>Total</b>	<b>253,637,154.50</b>	<b>699,900,526.87</b>	<b>730,893,226.87</b>	<b>222,644,454.50</b>

The decrease was due to the transfer to the stock ownership plan account for the current employee stock ownership plan and shares incentive.

The change of repurchase of shares to be cancelled: The increase in treasury shares in this period is the total amount of funds used by the Company to repurchase 55,135,296 shares of the Company through centralized bidding transactions. The decrease in treasury shares was the cancellation of repurchase shares.

### 40. Other comprehensive income

In year 2022

Item	2021.12.31 (1)	Current year					2022.12.31 (3) = (1) + (2)
		Amount before tax	Less: transferred to profit or loss in current year or retained earnings	Less: Income tax expenses	Amount attributable to parent company after tax(2)	Amount attributable to minority interests after tax	
<b>I. Other comprehensive income not reclassified into profit or loss subsequently</b>	102,556,982.18	37,438,265.00	89,722,066.22	-1,303,488.43	-85,577,350.31	34,597,037.52	16,979,631.87
1. Other comprehensive income not reclassified to profit or loss under equity method	6,658,847.65	4,723,927.54	0.00	0.00	2,116,352.61	2,607,574.93	8,775,200.25

2.Changes in fair value of other equity instrument investments	95,898,134.53	32,714,337.46	89,722,066.22	-1,303,488.43	-87,693,702.91	31,989,462.58	8,204,431.61
<b>II. Other comprehensive income that will be reclassified into profit or loss subsequently</b>	-97,169,436.20	125,587,048.18	0.00	0.00	84,894,277.87	40,692,770.31	-12,275,158.33
1.Other comprehensive income that will be transferred to profit or loss under equity method	37,989.91	527,718.52	0.00	0.00	236,421.59	291,296.93	274,411.50
2.Translation difference of foreign currency financial statements	-97,207,426.12	125,059,329.66	0.00	0.00	84,657,856.28	40,401,473.38	-12,549,569.84
<b>Total other comprehensive income</b>	<b>5,387,545.97</b>	<b>163,025,313.18</b>	<b>89,722,066.22</b>	<b>-1,303,488.43</b>	<b>-683,072.44</b>	<b>75,289,807.82</b>	<b>4,704,473.53</b>

In year 2021

Item	2020.12.31 (1)	Current year					2021.12.31 (3) =(1) +(2)
		Amount before tax	Less: transferred to profit or loss in current year or retained earnings	Less: Income tax expenses	Amount attributable to parent company after tax(2)	Amount attributable to minority interests after tax	
<b>I. Other comprehensive income not reclassified into profit or loss subsequently</b>	180,616,463.38	43,382,751.21	171,926,789.47	2,196,770.08	-78,059,481.21	-52,681,327.13	102,556,982.18
1.Other comprehensive income not reclassified to profit or loss under equity method	0.00	14,820,196.44	0.00	0.00	6,658,847.65	8,161,348.794	6,658,847.65
2.Changes in fair value of other equity instrument investments	180,616,463.38	28,562,554.77	171,926,789.47	2,196,770.08	-84,718,328.85	-60,842,675.92	95,898,134.53
<b>II. Other comprehensive income that will be reclassified into profit or loss subsequently</b>	-64,315,904.10	-46,945,392.92	0.00	0.00	-32,853,532.10	-14,091,860.81	-97,169,436.20
1.Other comprehensive income that will be transferred to profit or loss under equity method	51,589.71	-30,268.270	0.00	0.00	-13,599.80	-16,668.468	37,989.91
2.Translation difference of foreign currency financial statements	-64,367,493.82	46,915,124.650	0.00	0.00	-32,839,932.30	14,075,192.346	-97,207,426.12
<b>Total other comprehensive income</b>	<b>116,300,559.28</b>	<b>-3,562,641.71</b>	<b>171,926,789.47</b>	<b>2,196,770.08</b>	<b>110,913,013.31</b>	<b>66,773,187.941</b>	<b>5,387,545.97</b>

41. Surplus reserve

In year 2022

Item	2021.12.31	Increase	Decrease	2022.12.31
Statutory surplus reserve	599,506,581.71	93,945,402.42	0.00	693,451,984.13
Discretionary surplus reserve	40,210,642.44	0.00	0.00	40,210,642.44
Reserve funds	1,103,954.93	0.00	0.00	1,103,954.93
<b>Total</b>	<b>640,821,179.08</b>	<b>93,945,402.42</b>	<b>0.00</b>	<b>734,766,581.50</b>

In year 2021

Item	2020.12.31	Increase	Decrease	2021.12.31
Statutory surplus reserve	474,626,867.82	124,879,713.89	0.00	599,506,581.71
Discretionary surplus reserve	40,210,642.44	0.00	0.00	40,210,642.44
Reserve funds	1,103,954.93	0.00	0.00	1,103,954.93
<b>Total</b>	<b>515,941,465.19</b>	<b>124,879,713.89</b>	<b>0.00</b>	<b>640,821,179.08</b>

42. Undistributed profits



## (1) Movement of undistributed profits

Item	2022	2021	Appropriation ratio
Retained earnings in previous period before adjustments	7,223,644,166.22	6,231,451,582.26	--
Adjustments to opening balance of retained earnings (increase +, decrease -)	0.00	0.00	--
Opening balance of retained earnings after adjustments	7,223,644,166.22	6,231,451,582.26	
Add: Net profit attributable to parent company for the current year	1,502,595,840.48	1,328,499,432.05	--
Gains from disposal of other equity instruments investment	101,906,354.19	77,248,253.85	--
Less: Appropriation of statutory surplus reserve	93,945,402.42	124,879,713.89	10%
Appropriation of discretionary surplus reserve	0.00	0.00	
Appropriation for dividends to ordinary shares	277,557,631.65	288,675,388.05	
Dividend to ordinary shares converted to share capital	0.00	0.00	
<b>Closing balance of undistributed profits</b>	<b>8,456,643,326.82</b>	<b>7,223,644,166.22</b>	

## (2) Profit distributions

Unit: RMB

Item	2022	2021
Dividends:		
2021 year-end dividend (Note 2)	277,557,631.65	0.00
2020 year-end dividend (Note 3)	--	288,675,388.05
Dividends proposed after the balance sheet date:		
2022 year-end dividend (Note 1)	0.00	0.00
2021 year-end dividend (Note 2)		277,557,631.65

Note 1: On 27 April 2023, the twenty-third meeting of the eighth board of directors of the Company passed the 2022 annual profit distribution plan. A cash dividend of RMB1.80 (tax inclusive) for every 10 shares would be distributed to all shareholders based on the Company's total share capital, deducted by the repurchased shares held in the Company's special securities account, on the equity registration date determined by the implementation of the Company's 2022 annual profit distribution plan. The remaining undistributed profits are carried forward for distribution in future years.

Note 2: On 29 March 2022, the ninth meeting of the eighth board of directors of the Company passed the 2021 annual profit distribution plan. A cash dividend of RMB1.50 (tax inclusive) for every 10 shares would be distributed to all shareholders based on the Company's total share capital, deducted by the repurchased shares held in the Company's special securities account, on the equity registration date determined by the implementation of the Company's 2021 annual profit distribution plan. The remaining undistributed profits are carried forward for distribution in future years.

Note 3: According to the "Profit Distribution Plan for 2020 of the Company" approved by the Company's 2020 Annual General Meeting of Shareholders on 21 May 2021, the Company distributed cash dividends to all shareholders, RMB0.15 per share, based on the 1,924,502,587 shares, which was calculated by the 1,958,593,217 issued shares registered in China Securities Depository and Clearing Corporation Limited (Shenzhen Branch) on 24 June 2020 with deduction of 34,090,630 repurchased shares held in repurchased account, the total amount was RMB288,675,388.05.

## 43. Operating income and operating cost

## (1) Operating income and operating cost

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Primary operations	17,012,733,738.86	6,160,330,584.19	15,746,624,848.53	5,604,702,296.12
Other operations	130,019,329.96	91,934,724.21	157,063,418.06	111,591,591.46
<b>Total</b>	<b>17,142,753,068.82</b>	<b>6,252,265,308.40</b>	<b>15,903,688,266.59</b>	<b>5,716,293,887.58</b>

## (2) Primary Disaggregate information of operating income

## ① Segregation by products

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
chemical active pharmaceutical ingredients (APIs) and intermediates (化学原料药及中间体)	5,229,641,907.04	3,409,781,896.55	4,690,255,375.73	3,184,889,165.53
Chemical pharmaceuticals (化学药物)	9,226,385,569.43	1,813,969,087.68	8,876,919,296.64	1,753,573,833.73
Traditional Chinese medicine (中药制剂)	1,296,583,761.24	427,894,665.07	1,109,344,037.45	295,328,306.33
Biological products (生物制品)	408,488,131.90	106,811,638.64	225,756,503.31	15,987,958.28
Health care products (保健食品)	121,235,545.22	46,223,021.02	115,164,422.30	33,652,500.02
Diagnostic reagents and equipment (诊断试剂及设备)	723,535,115.00	352,636,503.06	723,917,736.81	319,168,131.72
Others	102,352.31	263,529.90	254,849.67	328,336.21
Subtotal of pharmaceutical industry	17,005,972,382.14	6,157,580,341.92	15,741,612,221.92	5,602,928,231.82
Service industry	6,761,356.72	2,750,242.27	5,012,626.61	1,774,064.30
<b>Total</b>	<b>17,012,733,738.86</b>	<b>6,160,330,584.19</b>	<b>15,746,624,848.53</b>	<b>5,604,702,296.12</b>

## ② Segregation by operating location

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Domestic	14,170,771,017.92	4,326,229,111.25	13,175,044,906.28	3,837,751,076.40
Overseas	2,841,962,720.94	1,834,101,472.94	2,571,579,942.25	1,766,951,219.72
<b>Total</b>	<b>17,012,733,738.86</b>	<b>6,160,330,584.19</b>	<b>15,746,624,848.53</b>	<b>5,604,702,296.12</b>

## ③ Segregation by timing of revenue recognition

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Commodities (Recognized at a point in time)	17,012,733,738.86	6,160,330,584.19	15,746,624,848.53	5,604,702,296.12

## ④ Information of top five customers of business revenue

Period	Total operating revenue from top five customers	Proportion to primary operating income in the period (%)
2022	1,524,490,064.48	8.96
2021	1,372,032,796.69	8.71

## ⑤ Segregation by other operations

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Sale of raw materials	47,190,775.25	31,174,586.16	50,440,716.79	40,772,550.07
Processing fee	5,995,904.44	2,546,785.48	6,794,908.37	1,660,944.94
Rental fees	10,731,614.42	405,023.12	9,381,937.42	112,497.34
Power fee	11,028,103.39	10,220,631.76	11,855,332.16	11,464,416.78
Others	55,072,932.46	47,587,697.69	78,590,523.32	57,581,182.33
<b>Total</b>	<b>130,019,329.96</b>	<b>91,934,724.21</b>	<b>157,063,418.06</b>	<b>111,591,591.46</b>

## 44. Taxes and surcharges

Item	2022	2021
Urban construction tax	86,745,317.20	78,915,243.23
Education surcharge	64,105,649.70	57,919,345.89
Land use tax	10,656,172.45	9,853,262.81
Property tax	24,496,501.64	22,448,547.60
Stamp duty and others	13,742,716.57	13,680,250.49
<b>Total</b>	<b>199,746,357.56</b>	<b>182,816,650.02</b>

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. Taxation.

## 45. Selling expenses

Item	2022	2021
Marketing and promotional expenses	4,372,087,623.70	4,477,764,584.15
Staff salaries	456,875,210.86	397,170,070.40
Entertainment and travel expenses	50,363,363.02	65,297,664.11
Conference fees	13,696,783.94	23,554,731.43
Others	57,779,474.64	63,025,095.32
<b>Total</b>	<b>4,950,802,456.16</b>	<b>5,026,812,145.41</b>

## 46. Administrative expenses

Item	2022	2021
Staff salaries	570,458,570.31	458,139,486.90
Depreciation and amortisation	113,223,517.86	118,237,699.36
Loss on suspension of operations	0.00	67,730,993.25

Share incentive expenses	56,241,342.12	27,642,491.39
Advisory, consultancy and information disclosure fees	22,074,505.08	28,176,640.22
Quality project expenses	29,400,960.89	46,075,518.11
Office, entertainment and travelling expenses	59,419,007.80	60,231,705.78
Repair of utilities, transportation and miscellaneous expenses	32,266,815.31	41,571,843.51
Recruitment and staff training expenses	10,962,130.33	10,648,299.29
Others	98,436,741.81	80,798,766.52
<b>Total</b>	<b>992,483,591.51</b>	<b>939,253,444.33</b>

## 47. Research and development expenses

Item	2022	2021
Material costs	290,480,597.96	289,853,404.42
Staff salaries	429,267,039.97	399,459,964.18
Share incentive expenses	835,636.96	6,884,591.21
Testing fees	597,331,039.56	434,694,547.02
Depreciation and amortisation	274,454,884.02	130,493,088.54
Acquired Technology	0.00	7,318,927.47
Others	149,718,881.47	128,426,750.49
<b>Total</b>	<b>1,742,088,079.94</b>	<b>1,397,131,273.33</b>

## 48. Financial expenses

Item	2022	2021
Interest expense	139,016,104.44	90,278,042.69
Less: Interest income	395,476,309.66	191,964,051.82
Exchange gain or loss	-104,462,941.41	2,737,152.59
Bank charges and others	8,475,722.01	6,054,104.82
<b>Total</b>	<b>-352,447,424.62</b>	<b>-92,894,751.72</b>

## 49. Other income

Item	2022	2021	Related to assets/ Related to income
Government grants	132,272,375.37	59,110,913.13	Related to assets
Government grants	154,570,556.96	186,224,227.56	Related to income
Handling fees for tax withholding	3,025,074.11	2,011,794.27	
<b>Total</b>	<b>289,868,006.44</b>	<b>247,346,934.96</b>	

For specific information on government grants, please refer to Note V. 62. Government grants for details.

## 50. Investment income

Item	2022	2021
Long-term equity investments income under equity method	70,577,657.04	10,281,021.59

Investment income from disposal of long-term equity investments	4,242,404.46	-9,552,139.31
Investment income from financial assets held for trading during the holding period	306,526.30	2,421,216.08
Dividend income from other equity instrument investments	18,713,637.23	37,114,395.95
Investment income from disposal of financial assets held for trading	-37,867,110.74	31,616,770.34
<b>Total</b>	<b>55,973,114.29</b>	<b>71,881,264.65</b>

## 51. Gains from changes in fair value

Source of gains from changes in fair value	2022	2021
Financial assets held for trading	-75,650,657.64	-23,363,035.92
Including: Debt instruments investment	-5,873.00	30,410.89
Equity instruments investment	-73,700,967.89	-17,702,179.18
Derivative financial assets	-1,943,816.75	-5,691,267.63
Financial liabilities held for trading	-612,332.19	-143,090.17
Including: Derivative financial liabilities	-612,332.19	-143,090.17
<b>Total</b>	<b>-76,262,989.83</b>	<b>-23,506,126.09</b>

## 52. Credit impairment loss (“-” for loss)

Item	2022	2021
Bad debts of accounts receivable	-2,978,050.82	-9,189,454.14
Bad debts of other receivables	-1,145,692.55	1,165,341.94
<b>Total</b>	<b>-4,123,743.37</b>	<b>-8,024,112.20</b>

## 53. Assets impairment loss (“-” for loss)

Item	2022	2021
Decline in value of inventories	-120,646,933.39	-61,759,256.42
Impairment loss of fixed assets	-186,548.38	-1,191,722.30
Impairment loss of intangible assets	-3,207,819.01	0.00
Impairment loss of construction in progress	-11,068,266.54	0.00
Impairment loss of development costs	-7,518,369.12	0.00
<b>Total</b>	<b>-142,627,936.44</b>	<b>-62,950,978.72</b>

## 54. Gains from disposal of assets

Item	2022	2021
Gain from disposal of fixed assets (“-” for Loss)	-705,357.30	6,780,989.95
Gain from disposal of intangible assets (“-” for Loss)	0.00	17,263,196.60
<b>Total</b>	<b>-705,357.30</b>	<b>24,044,186.55</b>

## 55. Non-operating income

Item	2022	2021	Amount included in non-recurring gains and losses
Gains on destruction or retirement of non-current assets	520,860.40	631,652.20	520,860.40
Income from scraps	2,478,956.98	3,106,514.85	2,478,956.98
Compensation income	542,762.41	890,504.89	542,762.41
Waiver of payables	2,671,703.10	891,816.68	2,671,703.10
Others	2,015,564.68	3,121,342.24	2,015,564.68
<b>Total</b>	<b>8,229,847.57</b>	<b>8,641,830.86</b>	<b>8,229,847.57</b>

## 56. Non-operating expenses

Item	2022	2021	Amount included in non-recurring gains and losses
Donation expenses	12,116,987.32	29,101,247.20	12,116,987.32
Loss on retirement of non-current assets	17,045,450.21	7,057,428.39	17,045,450.21
Others	2,898,248.53	3,220,598.10	2,898,248.53
<b>Total</b>	<b>32,060,686.06</b>	<b>39,379,273.69</b>	<b>32,060,686.06</b>

## 57. Income tax expenses

## (1) Details of income tax expenses

Item	2022	2021
Current income tax	489,730,614.81	375,813,164.01
Deferred income tax	72,278,243.88	-36,332,858.72
<b>Total</b>	<b>562,008,858.69</b>	<b>339,480,305.29</b>

## (2) Reconciliation between income tax expenses and accounting profits:

Item	2022	2021
Profit before tax	3,456,104,955.17	2,952,329,343.96
Income tax expenses calculated at legal/applicable tax rate	864,026,238.79	738,082,335.99
Effect of different tax rates applicable to subsidiaries	7,219,165.25	-157,284.13
Effect of tax reduction and exemption	-608,357,224.56	-461,501,254.72
Effect of non-deductible costs, expenses and losses	-1,338,352.12	11,222,334.85
Effect of deductible tax losses for which no deferred tax assets were recognised in prior periods	-1,400,449.92	-1,262,016.75
Effect of deductible tax losses or deductible temporary differences for which no deferred tax asset was recognised in the current period	237,204,163.65	91,064,540.85
Others	64,655,317.60	-37,968,350.80
<b>Income tax expenses</b>	<b>562,008,858.69</b>	<b>339,480,305.29</b>

## 58. Notes to cash flows statement

## (1) Other cash received relating to operating activities

Item	2022	2021
------	------	------

Government grants	239,196,300.96	231,492,540.63
Interest income	324,250,238.72	177,822,721.68
Recovery of employee loans	7,299,222.31	8,237,323.25
Security deposits	67,623,532.89	75,737,734.89
Compensation received	1,175,630.74	83,043.02
Current accounts and others	44,100,808.77	51,664,073.17
<b>Total</b>	<b>683,645,734.39</b>	<b>545,037,436.64</b>

## (2) Other cash paid relating to operating activities

Item	2022	2021
Office Expenses	97,503,048.97	98,749,129.18
Travel expenses	30,372,654.60	69,905,127.66
Business entertainment expenses	69,811,587.72	84,266,002.56
Freight expenses	50,691,409.60	107,473,996.66
advertising fee	630,941.00	3,789,481.18
Conference fees	17,972,567.21	34,011,851.22
Agency and consulting services fees	35,039,742.74	43,892,772.99
R&D expenses	808,023,085.72	756,535,241.25
Bank charges	7,927,848.89	5,874,566.03
Petty cash	510,948.05	1,008,235.84
Business promotion expenses	4,634,065,689.94	4,832,518,720.60
Letter of credit and bank acceptance deposit	1,676,708.15	33,459,360.54
Other expenses paid and current accounts	157,458,032.58	214,400,075.57
<b>Total</b>	<b>5,911,684,265.17</b>	<b>6,285,884,561.28</b>

## (3) Other cash received relating to investing activities

Item	2022	2021
Structured Deposits and Term Deposits	0.00	100,000,000.00
Security deposits	7,405,431.82	12,557,736.54
Compensation for demolition	6,000,000.00	0.00
Withdrawal of Treasury bonds and margin	158,470.77	1,013,650.67
Others	0.00	2,700.00
<b>Total</b>	<b>13,563,902.59</b>	<b>113,574,087.21</b>

## (4) Other cash paid relating to investing activities

Item	2022	2021
Fixed deposits	1,084,392,104.38	50,000,000.00
Security deposits	5,755,128.00	235,000.00
Foreign exchange forward contract losses	30,021,080.39	2,831,260.72
Others	150.00	3,779.69
<b>Total</b>	<b>1,120,168,462.77</b>	<b>53,070,040.41</b>

## (5) Other cash received relating to financing activities

Item	2022	2021
Equity Transfer fee paid to Guosen Securities Employee Stock Ownership Plan Account	0.00	30,992,700.00
Collection and advance payment of individual income tax	347,182.11	6,859,477.42
Discount of acceptance bills	380,719,088.50	0.00
<b>Total</b>	<b>381,066,270.61</b>	<b>37,852,177.42</b>

## (6) Other cash paid relating to financing activities

Item	2022	2021
Repurchase of shares	780,551,259.85	938,084,088.14
Capital reduction in minority interests in subsidiary	0.00	324,225,000.00
Rental payments	32,925,995.59	27,862,261.10
Collection and advance payment of individual income tax	1,237,210.80	1,716,145.57
Dividend handling fee	0.00	152,691.48
GDRs issuance fees	16,003,722.82	0.00
Others	624,000.00	0.00
<b>Total</b>	<b>831,342,189.06</b>	<b>1,292,040,186.29</b>

## 59. Supplement to cash flow statement

## (1) Supplement to cash flow statement

Supplement information	2022	2021
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	2,894,096,096.48	2,612,849,038.67
Add: Assets impairment loss	142,627,936.44	62,950,978.72
Credit impairment loss	4,123,743.37	8,024,112.20
Depreciation of fixed assets	615,224,869.47	540,627,410.92
Amortisation of right-of-use assets	32,367,074.98	26,000,791.57
Amortization of intangible assets	190,110,160.68	53,826,067.53
Long-term prepaid expenses amortization	58,054,847.07	43,989,121.05
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain as in "-")	705,357.30	-24,044,186.55
Loss on retirement of fixed assets (Gain as in "-")	16,524,589.81	6,425,776.19
Losses on changes in fair value (Gain as in "-")	76,262,989.83	23,506,126.09
Financial expenses (Gain as in "-")	28,611,954.30	100,946,504.76
Investment losses (Gain as in "-")	-55,973,114.29	-71,881,264.65
Decrease in deferred tax assets (Increase as in "-")	18,519,526.08	-75,082,337.68
Increase in deferred tax liabilities (Decrease as in "-")	53,643,688.28	28,755,973.72



Supplement information	2022	2021
Decrease in inventories (Increase as in “-”)	-604,732,283.55	-306,334,662.14
Decrease in operating receivables (Increase as in “-”)	2,380,941,083.00	-1,593,686,129.41
Increase in operating payables (Decrease as in “-”)	-1,924,536,232.01	1,036,581,635.58
Others	51,132,852.05	89,634,088.67
Net cash flows from operating activities	<b>3,977,705,139.29</b>	<b>2,563,089,045.24</b>
<b>2. Significant investment or finance activities not involving cash:</b>		
Conversion of debt into capital	0.00	0.00
Convertible bonds mature within one year	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
<b>3. Net increase / (decrease) in cash and cash equivalents:</b>		
Cash and bank balance as at end of year	14,178,465,686.40	11,697,518,141.18
Less: cash and bank balance at beginning of year	11,697,518,141.18	12,122,781,311.49
Add: cash equivalents at end of year	0.00	0.00
Less: cash equivalents at beginning of year	0.00	0.00
Net increase in cash and cash equivalents	2,480,947,545.22	-425,263,170.31

(2) Net cash paid for acquisition of subsidiaries during the year

None.

(3) Net cash received from disposal of subsidiaries during the year

None.

(4) Details of cash and cash equivalents

Item	2022	2021
I. Cash	14,178,465,686.40	11,697,518,141.18
Including: Cash on hand	231,883.95	225,179.98
Cash at bank readily available for payment	14,164,236,988.28	11,554,754,721.43
Other monetary fund readily available for payment	13,996,814.17	142,538,239.77
II. Cash equivalents	0.00	0.00
Including: bonds investment mature within 3 months	0.00	0.00
III. Cash and cash equivalents as at closing balance	14,178,465,686.40	11,697,518,141.18

Cash and cash equivalents do not include any cash and cash equivalents that are restricted in use.

60. Ownership or using rights of assets subject to restriction

Item	Carrying value at year end	Reason of restriction
Other monetary funds	1,392,407.76	Security deposits of letters of credit, bank acceptance bills and forward settlement
Notes receivable	469,659,266.19	Bills pool business, pledge notes receivable
<b>Total</b>	<b>471,051,673.95</b>	

61. Items in foreign currencies

Item	Balance in foreign currency at year end	Conversion rate	Equivalent RMB balance at year end
Cash and bank balances			
Including: HKD	771,333,142.89	0.89327	689,008,756.54
Euro	94,684.76	7.4229	702,835.51
USD	257,758,337.95	6.9646	1,795,183,720.46
MOP	4,921,985.97	0.8681	4,272,776.02
JPY	344,798,878.00	0.052358	18,052,979.65
GBP	1,940.10	8.3941	16,285.40
Accounts receivable			
Including: USD	71,530,369.45	6.9646	498,180,411.07
MOP	1,264,788.45	0.8681	1,097,962.85
Other receivables			
Including: USD	21.21	6.9646	147.72
HKD	3,189,409.63	0.89327	2,849,003.94
MOP	581,188.00	0.8681	504,529.30
Other current assets			
Including: USD	13,326,786.67	6.9646	92,815,738.44
Short-term loans			
Including: USD	1,933,328.53	6.9646	13,464,859.86
Accounts payable			
Including: USD	512,475.01	6.9646	3,569,183.45
Euro	5,665.41	7.4229	42,053.77
JPY	279,370,752.84	0.052358	14,627,293.88
Swiss Franc	18,810.00	7.5432	141,887.59
Other payables			
Including: HKD	2,892,127.05	0.89327	2,583,450.33
USD	4,015,670.14	6.9646	27,967,536.26

## 62. Government grants

### (1) Government grants recorded as deferred income and measured at gross amount method subsequently

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
Laboratory project of respiratory system inhalation preparation engineering laboratory project (呼吸系统吸入制剂工程实验室项目)	Financial allocation	3,501,550.00	0.00	1,616,100.00	0.00	1,885,450.00	Other income	Related to assets
Construction of a recycling production base for carbapenem products (碳青霉烯类系列产品循环化生产基地建设)	Financial allocation	3,625,000.00	0.00	0.00	0.00	3,625,000.00	Other income	Related to assets

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
Construction of an integrated production line for fully automatic blister-type dry powder inhalant micro-filling and winding (全自动泡罩型干粉吸入剂微量灌装与卷绕一体化生产线建设)	Financial allocation	927,666.66	0.00	242,000.04	0.00	685,666.62	Other income	Related to assets
Change in National Science and Technology Major Project* Research funding for lipid injection * Baiyunshan Hanfang transfer (国家重大专项项目变更*注射脂质研究经费*白云山汉方转入)	Financial allocation	150,000.00	0.00	150,000.00	0.00	0.00	Other income	Related to assets
Research on common key technologies for the large-scale development of new inhalation preparations (新型吸入制剂规模化发展共性关键技术研究)	Financial allocation	365,700.00	0.00	365,700.00	0.00	0.00	Other income	Related to assets
2021 Shenzhen Sponge City Construction Fund Award*Shenzhen Water Affairs Bureau (2021 年度深圳市海绵城市建设资金奖励*深圳市水务局)	Financial allocation	0.00	895,232.00	134,284.80	0.00	760,947.20	Other income	Related to assets
Large-scale development subsidy for new inhalation preparations (新型吸入制剂规模化发展补助)	Financial allocation	2,262,600.00	0.00	582,600.00	0.00	1,680,000.00	Other income	Related to assets
Project Subsidy of Marine mollusk kinetic protein (海洋软体动物动能蛋白项目补助)	Financial allocation	23,840,000.00	0.00	19,562,000.00	0.00	4,278,000.00	Other income	Related to assets
New inhalation drug formulation creation project (新型吸入给药制剂创制项目)	Financial allocation	67,248,400.00	6,349,500.00	52,689,525.12	0.00	20,908,374.88	Other income	Related to assets
Zhimu total sapogenin project (知母总皂甙元项目)	Financial allocation	8,900,000.00	0.00	0.00	0.00	8,900,000.00	Other income	Related to assets
Glucocorticoid inhalation suspension project (糖皮质激素混悬液项目)	Financial allocation	3,600,000.00	3,600,000.00	0.00	0.00	7,200,000.00	Other income	Related to assets
Government funding for small molecule peptide project (财政拨款用于小分子肽项目)	Financial allocation	319,999.80	0.00	80,000.04	0.00	239,999.76	Other income	Related to assets
Leulu total sterone project (漏芦总甾酮项目)	Financial allocation	2,500,000.00	0.00	0.00	0.00	2,500,000.00	Other income	Related to assets
R&D of active substances with bone and joint repair and health care functions(具有(骨关节修复与保健) 功能的活性物质研发)	Financial allocation	957,649.92	0.00	119,706.24	0.00	837,943.68	Other income	Related to assets
Key technology research and development of budesonide nebulized inhalation solution (布地奈德雾化吸入溶液关键技术研发)	Financial allocation	2,508,333.33	0.00	350,000.04	0.00	2,158,333.29	Other income	Related to assets
Return of land holding tax (土地使用税返还)	Financial allocation	3,567,661.42	0.00	107,029.80	0.00	3,460,631.62	Other income	Related to assets
Subsidies for the development of pharmaceutical APIs industry (医药原料药行业发展支持资金补助)	Financial allocation	40,741,354.94	0.00	1,219,192.68	0.00	39,522,162.26	Other income	Related to assets
Innovation coupon (Jingjin filter press equipment) (创新券(景津压滤设备))	Financial allocation	233,332.79	0.00	80,000.04	0.00	153,332.75	Other income	Related to assets
Xinxiang High-tech Project Fund Support (新乡高新技术项目资金扶持)	Financial allocation	1,861,111.08	0.00	56,397.36	0.00	1,804,713.72	Other income	Related to assets

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
Research on Common Co-construction Technology of Pharmaceutical Inhalation Preparations (开发区财政局拨款创业领军人才项目: 药品吸入制剂共性共建技术的研究)	Financial allocation	2,800,000.00	2,000,000.00	0.00	0.00	4,800,000.00	Other income	Related to assets
Research and development of respiratory system drug and clinical research technology service platform project talent funding (呼吸系统药物研发和临床研究技术服务平台项目人才经费)	Financial allocation	1,500,000.00	50,000.00	0.00	0.00	1,550,000.00	Other income	Related to assets
Science and technology help the economy key special projects (科技助力经济重点专项)	Financial allocation	500,000.00	0.00	0.00	0.00	500,000.00	Other income	Related to assets
City Service Development Special (市服务发展专项)	Financial allocation	800,000.00	0.00	0.00	0.00	800,000.00	Other income	Related to assets
Patent funding (专利资助)	Financial allocation	200,000.00	0.00	0.00	0.00	200,000.00	Other income	Related to assets
2020 Shanghai Professional Technology Platform Capacity Enhancement Project (2020 年度上海市专业技术平台能力提升项目立项)	Financial allocation	1,000,000.00	0.00	0.00	0.00	1,000,000.00	Other income	Related to assets
High-growth small and micro innovation enterprises (高成长小微科创企业)	Financial allocation	400,000.00	0.00	0.00	0.00	400,000.00	Other income	Related to assets
Technology giant (科技小巨人)	Financial allocation	0.00	1,200,000.00	0.00	0.00	1,200,000.00	Other income	Related to assets
First application for corporate postdoctoral project research funding (首次申请企业博士后项目研究资助)	Financial allocation	0.00	120,000.00	0.00	0.00	120,000.00	Other income	Related to assets
Research and development subsidy for ω-3-Fish Oil Medium and Long Chain Fat Emulsion Injection (ω-3 鱼油中/长链脂肪乳注射液研究开发补助)	Financial allocation	350,000.00	0.00	350,000.00	0.00	0.00	Other income	Related to assets
Atmospheric environmental quality improvement subsidy funds (Atmospheric environmental quality improvement subsidy (大气环境质量提升补贴)资金)	Financial allocation	0.00	161,504.00	3,588.98	0.00	157,915.02	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列创新药物研发及产业化)	Financial allocation	16,078,166.25	0.00	4,910,000.04	0.00	11,168,166.21	Other income	Related to assets
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (I 类治疗用人类源化抗肿瘤坏死因子 α 单克隆抗体新药研制资金)	Financial allocation	8,000,000.00	0.00	5,924,000.00	2,076,000.00	0.00	Other income	Related to income
Strategic emerging industries in 2014 (sustained release microspheres) (2014 年战略性新兴产业 (缓释微球))	Financial allocation	16,700,000.00	0.00	0.00	0.00	16,700,000.00	Other income	Related to assets
Fund for industrialization of prolonged-action microsphere preparation (长效微球制剂的产业化款项)	Financial allocation	12,550,000.00	0.00	0.00	0.00	12,550,000.00	Other income	Related to assets
Construction project for industrialization of	Financial allocation	20,719,505.48	0.00	2,405,309.88	0.00	18,314,195.60	Other income	Related to assets

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
prolonged-action microsphere preparation (phase I) (长效微球制剂产业化建设项目 (一期工程))								
Project subsidy from the Ministry of Industry and Information Technology (工业和信息化部项目补助款)	Financial allocation	2,400,000.00	0.00	0.00	0.00	2,400,000.00	Other income	Related to assets
Project subsidy from the Ministry of Industry and Information Technology (工业和信息化部项目补助款)	Financial allocation	1,366,750.00	0.00	231,000.00	0.00	1,135,750.00	Other income	Related to assets
Construction of Drug Conformity Evaluation Research Center Platform (药物一致性评价研究中心平台建设)	Financial allocation	1,040,000.14	0.00	159,999.96	0.00	880,000.18	Other income	Related to assets
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神经生长因子研发及产业化)	Financial allocation	40,045,946.93	0.00	10,560,089.28	0.00	29,485,857.65	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太阳能光电建筑应用示范项目)	Financial allocation	2,455,499.43	0.00	1,102,000.08	0.00	1,353,499.35	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省财政支持技改招标项目补助金 PVC 软袋)	Financial allocation	2,703,484.56	0.00	403,699.30	0.00	2,299,785.26	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (软袋(参芪扶正注射液) 技改项目)	Financial allocation	15,676,470.62	0.00	3,823,529.40	0.00	11,852,941.22	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技术改造资金拨款及事后补奖)	Financial allocation	5,459,555.72	0.00	1,129,563.36	0.00	4,329,992.36	Other income	Related to assets
Provision for technology transformation funds and subsequent grants (技术改造资金拨款及事后补奖)	Financial allocation	7,359,670.81	0.00	1,783,368.48	0.00	5,576,302.33	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (Energy-saving and emission reduction projects (节能减排项目)) 配电变压器能效提升)	Financial allocation	380,000.00	0.00	48,000.00	0.00	332,000.00	Other income	Related to assets
R&D and industrialization team of chemical drug liquid preparation (化药液体制剂研发与产业化团队)	Financial allocation	1,534,833.44	234,000.00	57,999.84	0.00	1,710,833.60	Other income	Related to assets
Innovation capacity building of technology center (antibody laboratory) (技术中心创新能力建设 (抗体药物实验室))	Financial allocation	4,802,478.80	0.00	514,338.20	0.00	4,288,140.60	Other income	Related to assets
Innovation capacity building of technology center (antibody laboratory) (技术中心创新能力建设 (抗体药物实验室))	Financial allocation	166,439.46	0.00	6,747.52	0.00	159,691.94	Other income	Related to income

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
Achievement transfer of blood screening (BCI) nucleic acid detection testing (血液筛查 (BCI) 核酸检测试剂成果转化)	Financial allocation	3,961,282.44	0.00	631,622.73	0.00	3,329,659.71	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for $\alpha$ -glucosidase inhibitor) ( $\alpha$ -葡萄糖苷酶抑制剂类原料药阿卡波糖生产车间工艺升级技术改造项目)	Financial allocation	464,285.80	0.00	107,142.84	0.00	357,142.96	Other income	Related to assets
R&D and industrialization of Statins (降血脂他汀类药物的研发与产业化)	Financial allocation	30,000.48	0.00	30,000.48	0.00	0.00	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科学技术奖及科技创新项目资助)	Financial allocation	28,566.20	0.00	28,566.20	0.00	0.00	Other income	Related to assets
Scientific technology award and subsidy for technological innovative project (科学技术奖及科技创新项目资助)	Financial allocation	2,200,000.00	0.00	0.00	0.00	2,200,000.00	Other income	Related to income
Zhuhai industrial enterprise "cloud and platform" service coupons supporting funds (珠海市工业企业 "云上平台" 服务券支持资金)	Financial allocation	89,431.86	0.00	25,540.86	0.00	63,891.00	Other income	Related to income
Commissioner workstation (特派员工作站)	Financial allocation	85,000.00	0.00	60,000.00	0.00	25,000.00	Other income	Related to assets
Industrial revitalisation supporting funds (产业振兴扶持资金)	Financial allocation	2,445,500.01	0.00	1,158,000.00	0.00	1,287,500.01	Other income	Related to assets
Phase IV clinical study of innovative drug Ilaprazole (创新药物艾普拉唑 IV 期临床研究)	Financial allocation	8,210,800.00	0.00	8,210,800.00	0.00	0.00	Other income	Related to assets
Government grant for industrial transformation (工业转型政府扶持资金)	Financial allocation	308,333.75	0.00	199,999.92	0.00	108,333.83	Other income	Related to assets
New industrialization development grant (新型工业化发展奖金)	Financial allocation	3,584,066.38	1,801,800.00	350,000.04	0.00	5,035,866.34	Other income	Related to assets
Policy fund for leading industrial enterprises loan Interests (工业龙头企业贷款贴息政策资金)	Financial allocation	366,666.57	0.00	200,000.04	0.00	166,666.53	Other income	Related to assets
Supporting funds for five advantageous industrial clusters and one high-tech industry (五优一新扶持资金)	Financial allocation	300,000.20	0.00	99,999.96	0.00	200,000.24	Other income	Related to assets
Capital project for innovation and entrepreneurship team funding program (创新创业团队资助计划资金项目)	Financial allocation	12,500,000.00	0.00	750,000.00	0.00	11,750,000.00	Other income	Related to assets
2020 Zhuhai City Innovation and Entrepreneurship Team (Nanocrystalline) (2020 年度珠海市创新创业团队 (纳米晶))	Financial allocation	1,500,000.00	3,500,000.00	0.00	0.00	5,000,000.00	Other income	Related to assets
Fund for R&D and industrialization of innovative Ilaprazole series (艾普拉唑系列创新药物研发及产业化) 项目资金)	Financial allocation	5,600,000.00	0.00	5,600,000.00	0.00	0.00	Other income	Related to assets
Key projects of industrial core and key technologies of Zhuhai (Ryanodex) (珠海市	Financial allocation	3,000,000.00	0.00	0.00	0.00	3,000,000.00	Other income	Related to assets

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
产业核心和关键技术攻关方向项目 (丹曲林钠) Data-driven industrial chain collaboration platform demonstration project (数据驱动的产业链协同平台示范项目)	Financial allocation	3,650,000.00	0.00	730,000.00	0.00	2,920,000.00	Other income	Related to assets
Fund for key projects of industrial core and key technologies of Zhuhai (2nd batch) (珠海市产业核心和关键技术攻关方向项目资金 (第二批))	Financial allocation	2,000,000.00	0.00	0.00	0.00	2,000,000.00	Other income	Related to assets
Innovative drug of Ilaprazole sodium for injection (创新药注射用艾普拉唑钠针剂)	Financial allocation	2,400,000.00	0.00	120,000.00	0.00	2,280,000.00	Other income	Related to assets
Technological transformation projects of new Cefuroxime (新型头孢粉针剂技术改造项目)	Financial allocation	1,533,100.00	0.00	0.00	0.00	1,533,100.00	Other income	Related to assets
Advanced Pharmaceutical Manufacturing Internet Benchmarking Project (先进药品制造互联网标杆项目)	Financial allocation	675,000.00	0.00	90,000.00	0.00	585,000.00	Other income	Related to assets
Cleaner Production Audit Project (清洁生产审核项目)	Financial allocation	180,000.08	0.00	9,999.96	0.00	170,000.12	Other income	Related to assets
Green factory (绿色工厂)	Financial allocation	1,131,666.71	0.00	129,999.96	0.00	1,001,666.75	Other income	Related to assets
HCG PROJECT CONSTRUCTION (HCG 项目建设)	Financial allocation	3,387,835.84	0.00	395,649.96	0.00	2,992,185.88	Other income	Related to assets
Sewage treatment system upgrade project (污水处理系统升级改造项目)	Financial allocation	64,239.92	0.00	8,030.04	0.00	56,209.88	Other income	Related to assets
R&D and industrialization of Recombinant Human Chorionic Gonadotropin for Injection (注射用重组人绒毛膜性腺素研发及产业化)	Financial allocation	1,137,500.00	0.00	150,000.00	0.00	987,500.00	Other income	Related to assets
Development and Industrialization of Cyclosporin Self-emulsifying Soft Capsules with High Technology Barriers (高技术屏障的环孢素自乳化软胶囊制剂的开发及产业化研究)	Financial allocation	0.00	800,000.00	14,000.00	0.00	786,000.00	Other income	Related to assets
Guangdong Provincial Key Laboratory of Characteristic Drug R&D Enterprises (广东省特色药物研发企业重点实验室)	Financial allocation	0.00	1,000,000.00	58,333.31	0.00	941,666.69	Other income	Related to assets
Subsidies for online monitoring equipment and installations of coal-fired boilers (燃煤锅炉在线监控设备装置补助) 资金)	Financial allocation	82,500.00	0.00	22,500.00	0.00	60,000.00	Other income	Related to assets
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一体化分子诊断平台的合作研发及产业化) 资金)	Financial allocation	181,632.12	0.00	127,715.81	0.00	53,916.31	Other income	Related to assets
Project supporting fund for the first batch of special funds for scientific and technological innovation in 2019 (2019 年度第一批科技创新专项资金立项配套资助)	Financial allocation	600,000.00	0.00	0.00	0.00	600,000.00	Other income	Related to assets

Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
Provincial industrial innovation (provincial enterprise technology center) project in 2019 (2019 年度省产业创新 (省级企业技术中心) 项目)	Financial allocation	1,046,533.33	0.00	967,303.60	0.00	79,229.73	Other income	Related to assets
China Postdoctoral Science Foundation subsidy funds (中国博士后科学基金会资助经费)	Financial allocation	80,000.00	0.00	6,283.19	73,716.81	0.00	Other income	Related to income
Pre-appropriation of special grants for industrialization of diagnostic reagents for COVID-19 (新型冠状病毒检测试剂产业化项目补助金预拨)	Financial allocation	4,116,415.65	0.00	26,694.08	0.00	4,089,721.57	Other income	Related to assets
Xiangzhou District equipment purchase subsidy supporting funds (Special funds for epidemic prevention and control) (香洲区采购设备补贴扶持资金 (疫情防控专项资金))	Financial allocation	11,467.25	0.00	2,317.04	0.00	9,150.21	Other income	Related to assets
Zhuhai innovation and enterprising team and high-level talent enterprising project Phase I funds (珠海市创新创业团队和高层次人才创业项目首期资金)	Financial allocation	12,000,000.00	0.00	0.00	0.00	12,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整体搬迁调迁扩建项目)	Financial allocation	20,000,000.00	30,000,000.00	0.00	0.00	50,000,000.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (环保局 RTO 项目资金)	Financial allocation	179,999.96	0.00	20,000.04	0.00	159,999.92	Other income	Related to assets
Structure-efficiency optimization of marine microorganisms and evaluation of antitumor activity (海洋微生物构效优化与抗肿瘤活性评价)	Financial allocation	312,366.27	0.00	213,157.10	0.00	99,209.17	Other income	Related to income
R&D and demonstration of key technologies for the development and utilization of swim bladder (golden oyster) marine traditional Chinese medicine resources (鱼鳔(黄金鳔) 海洋中药资源开发与利用关键技术研发与示范)	Financial allocation	0.00	750,000.00	0.00	0.00	750,000.00	Other income	Related to income
2022 Special funds for the reconstruction of the industrial base and the high-quality development of the manufacturing industry from the central finance (2022 年中央财政产业基础再造和制造业高质量发展专项资金) 示范)	Financial allocation	0.00	32,740,000.00	4,774,583.31	0.00	27,965,416.69	Other income	Related to assets
National Science and Technology Major Special Project Subsidy Fund LZM009 (国家科技重大专项项目后补助资金 LZM009)	Financial allocation	0.00	4,744,900.00	2,362,093.09	0.00	2,382,806.91	Other income	Related to assets
Xiangzhou District actively responds to the impact of the epidemic and maintains stability, innovation drives technology industry project	Financial allocation	0.00	1,644,800.00	0.00	0.00	1,644,800.00	Other income	Related to income



Projects with grants	Category	Beginning balance	Additions in the year	Transfer to profit or loss	Other movement	Closing balance	Item presented in income statement	Related to assets/ Related to income
(香洲区积极应对和疫情影响保稳创新驱动科技工业分项)								
<b>Total</b>		<b>433,543,352.40</b>	<b>91,591,736.00</b>	<b>138,448,104.04</b>	<b>2,149,716.81</b>	<b>384,537,267.55</b>		

## (2) Government grants recognized in income for the year by gross method

Projects with grants	Category	Amount recognised in profit or loss in prior year	Amount recognised in profit or loss in the year	Presented in income statement	Related to assets/ Related to income
Social security subsidy (社保补助)	Financial allocation	72,684.89	226,308.66	Other income	Related to income
Patent grant (专利补助)	Financial allocation	300,000.00	2,500.00	Other income	Related to income
Job stabilization subsidy (稳岗补贴)	Financial allocation	122,853.35	1,075,941.53	Other income	Related to income
Electricity subsidy (用电补助)	Financial allocation	1,245,193.22	570,533.30	Other income	Related to income
Maternity benefits (生育津贴)	Financial allocation	298,510.00	404,108.83	Other income	Related to income
Export credit insurance subsidy (出口信保补贴)	Financial allocation	364,900.00	1,126,400.00	Other income	Related to income
New inhalation drug formulation creation project (新型吸入给药制剂创制项目)	Financial allocation	0.00	53,637,825.12	Other income	Related to assets
Budesonide project acceptance transferred to other income (布地奈德项目验收转其他收益)	Financial allocation	1,991,666.67	350,000.04	Other income	Related to assets
Enterprise R&D investment plan (企业研发投入计划)	Financial allocation	2,000,000.00	0.00	Other income	Related to income
Job training subsidy (适岗培训补贴)	Financial allocation	236,835.00	0.00	Other income	Related to income
Construction of an integrated production line for fully automatic blister-type dry powder inhalant micro-filling and winding (全自动泡罩型干粉吸入剂微量灌装与卷绕一体化生产线建设)	Financial allocation	1,492,333.34	0.00	Other income	Related to assets
Study on the technology of antifungal drug caspofungin (抗真菌药卡泊芬净工艺研究)	Financial allocation	1,500,000.00	0.00	Other income	Related to assets
Laboratory project of respiratory system inhalation preparation engineering laboratory project (呼吸系统吸入制剂工程实验室项目)	Financial allocation	1,346,750.00	0.00	Other income	Related to assets
Laboratory project of respiratory system inhalation preparation engineering laboratory project (呼吸系统吸入制剂工程实验室项目)	Financial allocation	0.00	1,616,100.00	Other income	Related to assets
The 9th batch of job training subsidies for enterprises in Yantian District in 2020 (2020年盐田区企业适岗培训补贴第9批次)	Financial allocation	2,880,000.00	0.00	Other income	Related to income
The first batch of funding support for the development of science and technology industries in 2021 (2021年第一批科技类产业发展资金扶持资助)	Financial allocation	3,000,000.00	0.00	Other income	Related to income
2015 Pilot Project of United Development of Emerging Strategic Industrial Regions in Guangdong Province (2015年广东省战略性新兴产业区域集聚发展试点项目)	Financial allocation	9,500,002.00	0.00	Other income	Related to assets
Funds allocated by the Ministry of Finance (财政局拨付补助资金)	Financial allocation	1,219,192.66	1,219,192.68	Other income	Related to assets
Special funds for corporate R&D financial subsidies in 2020 (2020年企业研发财政补助专项资金)	Financial allocation	720,000.00	0.00	Other income	Related to income
The third batch of biopharmaceutical industry leader (第三批生物制药产业领航)	Financial allocation	500,000.00	0.00	Other income	Related to income
Compensation for temporary land occupation at Songping Station of Metro Line 13 (地铁13号线松坪站临时占地补偿款)	Financial allocation	0.00	361,614.00	Other income	Related to income
Quarterly property tax relief (减免一个季度房产税)	Financial allocation	0.00	583,508.46	Other income	Related to income
Amortization of Deferred Earnings*Marine Projects (摊销递延收益*海洋项目)	Financial allocation	0.00	19,562,000.00	Other income	Related to assets
Quality brand double promotion support plan (质量品牌双提升扶持计划)	Financial allocation	400,000.00	0.00	Other income	Related to income

The first batch of funding for the 2020 Enterprise Research and Development Funding Program (2020 年企业研究开发资助计划第一批资助)	Financial allocation	871,000.00	0.00	Other income	Related to income
Deferred income 摊销*国家重大专项项目注射脂质研究经费(已验收)	Financial allocation	0.00	500,000.00	Other income	Related to assets
Industrial value-added growth rate projects (工业增加值增速达标项目)	Financial allocation	0.00	1,145,100.00	Other income	Related to income
2021 Annual Industrial Added Value Growth Standard Award (2021 年度工业增加值增速达标奖励)	Financial allocation	0.00	946,624.88	Other income	Related to income
2022 Industrial Enterprise Expansion and Efficiency Support Program Funding (2022 年工业企业扩产增效扶持计划资助)	Financial allocation	0.00	1,650,000.00	Other income	Related to income
2022 High-tech Enterprise Cultivation Funding First Batch of Grants Shenzhen Science and Technology Innovation No. 202225 (2022 年高新技术企业培育资助第一批拨款深科技创新 202225 号)	Financial allocation	0.00	500,000.00	Other income	Related to income
2022 Industrial "Carbon Peak" Pilot Demonstration Project Funding Fund (2022 年工业“碳达峰”工作试点示范项目资助款)	Financial allocation	0.00	500,000.00	Other income	Related to income
Freeze-dried raw material production line project funding (冻干原料生产线项目资助经费)	Financial allocation	0.00	2,045,300.00	Other income	Related to income
Funds for Encouraging Industrial Enterprises to Expand Production and Increase Efficiency (鼓励工业企业扩产增效项目经费)	Financial allocation	0.00	620,000.00	Other income	Related to income
Preclinical study of targeted anti-tumor innovative drug JK00265 (靶向抗肿瘤创新药物 JK00265 临床前研究)	Financial allocation	500,000.00	0.00	Other income	Related to income
Science and Technology Development Fund for Enterprise R&D Institutions in Pudong New District (浦东新区科技发展基金企业研发机构专项)	Financial allocation	800,000.00	0.00	Other income	Related to income
Special subsidy for research and development expenses of gazelle enterprises (瞪羚企业研发费专项补助)	Financial allocation	550,000.00	100,000.00	Other income	Related to income
2022 The central government guides local science and technology development funds (2022 年中央引导地方科技发展资金 40 万)	Financial allocation	0.00	400,000.00	Other income	Related to income
Funds to support business development (扶持企业发展资金)	Financial allocation	0.00	3,543,000.00	Other income	Related to income
Grant Funding for Science and Technology Projects (科技项目补助资金)	Financial allocation	0.00	1,500,000.00	Other income	Related to income
Government grants	Financial allocation	0.00	1,400,000.00	Other income	Related to income
2022 High-tech Cultivation Fund (22 年高新培育资助款)	Financial allocation	0.00	500,000.00	Other income	Related to income
2022 Shenzhen High-tech Zone Special Fund Municipal Funding (2022 年度深圳高新区专项资金市级资助款)	Financial allocation	0.00	750,000.00	Other income	Related to income
In the first half of 2022, subsidies for industrial assistance projects to help enterprises bail out (2022 年上半年工业助企纾困项目补助)	Financial allocation	0.00	383,300.00	Other income	Related to income
High-tech Zone Finance Bureau's 2021 special funds for enterprise R&D financial subsidies (高新区财政局 2021 年企业研发财政补助专项资金)	Financial allocation	0.00	320,000.00	Other income	Related to income
High-tech Zone Finance Bureau 2022 Central Air Pollution Prevention and Control Fund (高新区财政局 2022 年中央大气污染防治资金)	Financial allocation	0.00	750,000.00	Other income	Related to income
The second batch of funding plans for technological transformation investment projects in 2021 (2021 年技术改造投资项目第二批资助计划)	Financial allocation	1,710,000.00	0.00	Other income	Related to income
2022 Shenzhen High-tech Zone Development Special Plan Science and Technology Enterprise Cultivation Project Subsidy (2022 年度深圳高新区发展专项计划科技企业培育项目补助-深圳市坪山区科技创新局)	Financial allocation	0.00	500,000.00	Other income	Related to income
One-time job training subsidy (一次性留工培训补助)	Financial allocation	0.00	311,875.00	Other income	Related to income
Government Subsidy of Special Fund for Scientific and Technological Innovation-Shenzhen Pingshan District Science and Technology Innovation Bureau (科技创新专项资金政府补助-深圳市坪山区科技创新局)	Financial allocation	1,085,794.00	0.00	Other income	Related to income
Export credit insurance subsidy (出口信保补贴)	Financial allocation	1,991,489.70	2,087,098.80	Other income	Related to income
R&D subsidy (研究开发费补助)	Financial allocation	6,267,222.00	1,200,440.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from	Financial allocation	0.00	5,924,000.00	Other income	Related to income

Human Source (I类治疗用人源化抗人肿瘤坏死因子α单克隆抗体新药的研制资金)					
Government Subsidy for Long-acting Microspheres Major New Drug Creation (长效微球重大新药创制政府补助)	Financial allocation	4,784,320.37	3,155,309.88	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列创新药物研发及产业化)	Financial allocation	4,910,000.04	18,720,800.04	Other income	Related to assets
R&D and industrialization of innovative Ilaprazole Series (艾普拉唑系列创新药物研发及产业化)	Financial allocation	560,000.00	0.00	Other income	Related to income
HCG PROJECT CONSTRUCTION (HCG 项目建设)	Financial allocation	395,649.97	395,649.96	Other income	Related to assets
Fiscal Subsidy and Operating Subsidy (财政补贴及经营运营补贴)	Financial allocation	119,047,484.00	59,063,950.86	Other income	Related to income
R&D and Commercialisation of Mouse Nerve Growth Factor for Injection (注射用鼠神经生长因子研发及产业化)	Financial allocation	10,560,089.27	10,560,089.28	Other income	Related to assets
Provincial Science and Technology Innovation Strategy Special Fund (省科技创新战略专项资金)	Financial allocation	473,166.56	57,999.84	Other income	Related to assets
Import discount and supporting funds (进口贴息及配套资金)	Financial allocation	0.00	500,000.00	Other income	Related to income
Promoting Imports of Foreign Trade Development Special Fund (外贸经济发展专项资金)	Financial allocation	50,352.00	1,809,479.00	Other income	Related to income
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance Departments (省财政支持技改招标项目补助金 PVC 软袋)	Financial allocation	408,365.76	403,699.30	Other income	Related to assets
Technical transformation project of Shenqi Fuzheng Injection with flexible bag (软袋(参芪扶正注射液) 技改项目)	Financial allocation	3,823,529.40	3,823,529.40	Other income	Related to assets
Demonstration project on the application of solar photovoltaic architecture (太阳能光电建筑应用示范项目)	Financial allocation	1,102,000.08	1,102,000.08	Other income	Related to assets
Electricity Incentive Funds (用电奖励资金)	Financial allocation	364,257.43	20,000.00	Other income	Related to income
Subsidies for high and new technology enterprises and high and new technology products (高新技术企业及高新技术产品项目补贴)	Financial allocation	1,071,346.00	250,000.00	Other income	Related to income
Grants to high-growth technology companies from Dazhangjiang project A04 (大张江项目 A04 对高速增长技术企业资助款)	Financial allocation	1,500,000.00	1,500,000.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技术改造资金拨款及事后补奖)	Financial allocation	1,576,000.00	2,300,000.00	Other income	Related to income
Provision for technology transformation funds and subsequent grants (技术改造资金拨款及事后补奖)	Financial allocation	4,131,600.00	2,543,679.56	Other income	Related to assets
Technology transformation of recycling system of Acarbose project (阿卡波糖回收系统技术改造项目)	Financial allocation	397,818.48	397,818.48	Other income	Related to assets
Special Fund and Encouraging funds for Energy Saving and Emission Reduction (节能减排专项资金及奖励金)	Financial allocation	352,000.00	289,500.00	Other income	Related to income
Scientific technology award and subsidy for technological innovative project (科学技术奖及科技创新项目资助)	Financial allocation	7,352,000.00	2,663,400.00	Other income	Related to income
Patent (Intellectual Property) Support Fund (专利(知识产权)资助资金)	Financial allocation	849,370.00	548,500.00	Other income	Related to income
Reward Fund for Industry Growth and Production Expansion (工业保值增长及增产奖励)	Financial allocation	5,050,000.00	667,700.00	Other income	Related to income
New industrialization development funds (新型工业化发展资金)	Financial allocation	350,000.04	350,000.04	Other income	Related to assets
Industrial revitalisation supporting funds (产业振兴扶持资金)	Financial allocation	1,158,000.00	1,158,000.00	Other income	Related to assets
Industrial supporting funds (产业扶持资金)	Financial allocation	13,000.00	944,100.00	Other income	Related to income
Employment Assurance and Re-employment and Attraction to Graduates of Tertiary Academic Institutions Subsidy (企业稳岗及再就业和吸纳高校毕业生补贴款)	Financial allocation	5,024,018.69	5,949,048.90	Other income	Related to income
New Scientific Research Institution Subsidy (新型科研机构补助资金)	Financial allocation	2,000,000.00	0.00	Other income	Related to assets
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企业技术中心创新能力建设(抗体药物实验室))	Financial allocation	445,755.36	514,338.20	Other income	Related to assets

Supporting subsidy for "Talents Plan" and subsidy for talents introduction and cultivation ("人才计划"配套补贴及引才育才补贴)	Financial allocation	646,759.03	583,774.23	Other income	Related to income
Integrating Informatization and Industrialization Rewards (两化融合奖励)	Financial allocation	0.00	500,000.00	Other income	Related to income
Incentive funds for expansion of export scale (扩大出口规模奖励基金)	Financial allocation	519,700.00	456,300.00	Other income	Related to income
Special funds for key leading enterprises in the 13th Five-Year Plan (2019) (十三五重点领军企业专项资金 (2019年))	Financial allocation	0.00	14,133,300.00	Other income	Related to income
Subsidies for work-based training (以工代训补贴)	Financial allocation	848,400.00	395,000.00	Other income	Related to income
Subsidies for insurance fees (保险费用补贴)	Financial allocation	200,000.00	609,243.30	Other income	Related to income
Special Funds for Promoting High-quality Economic Development (促进经济高质量发展专项资金)	Financial allocation	357,200.00	5,741,886.91	Other income	Related to assets
Special Funds for Promoting High-quality Economic Development (促进经济高质量发展专项资金)	Financial allocation	3,540,020.00	11,578,756.00	Other income	Related to income
Funds for joint R&D and industrialization of integrated platform for molecular diagnostics (集成一体化分子诊断平台的合作研发及产业化)	Financial allocation	1,368,367.87	127,715.81	Other income	Related to assets
Funds for industrial volatile organic pollution control projects (工业挥发性有机污染治理项目资金)	Financial allocation	628,000.00	0.00	Other income	Related to income
Achievement transfer of blood screening BCI nucleic acid detection testing (血液筛查 BCI 核酸检测试剂成果转化)	Financial allocation	2,038,717.57	631,622.73	Other income	Related to assets
COVID-19 emergency technology special emergency fund and special grants for industrialization (新冠应急科技攻关专项款及产业化项目补助金)	Financial allocation	1,084,784.35	26,694.08	Other income	Related to assets
"Specialized and new" subsidy ("专精特新"补贴)	Financial allocation	175,000.00	1,200,000.00	Other income	Related to income
Hengqin Guangdong-Macao Deep Cooperation Zone Factory Rental Subsidy (横琴粤澳深度合作区厂房租金补贴)	Financial allocation	0.00	690,024.00	Other income	Related to income
Zhuhai Investment Promotion Award (珠海市招商引资奖)	Financial allocation	0.00	600,000.00	Other income	Related to income
National Science and Technology Major Special Project Subsidy Fund LZM009 (国家科技重大专项项目后补助资金 LZM009)	Financial allocation	0.00	2,362,093.09	Other income	Related to assets
Data-driven industrial chain collaboration platform demonstration project (数据驱动的产业链协同平台示范项目)	Financial allocation	0.00	730,000.00	Other income	Related to assets
Several Measures for Payment Enterprises to Overcome Difficulties in Response to the Novel Coronavirus Pneumonia Epidemic-Financial Support Project Funds (应对新型冠状病毒肺炎疫情支付企业共渡难关的若干措施-金融支持项目资金)	Financial allocation	6,093,000.00	381,000.00	Other income	Related to income
Project funds for promoting the development of the biomedical industry (促进生物医药产业发展用途项目资金)	Financial allocation	0.00	7,665,180.00	Other income	Related to income
Application of artificial intelligence in triptorelin long-acting microsphere preparation (人工智能在曲普瑞林长效微球制剂中的应用)	Financial allocation	0.00	800,000.00	Other income	Related to income
Others	Financial allocation	2,271,603.34	2,584,330.85	Other income	Related to assets
Others	Financial allocation	4,847,038.25	7,044,647.21	Other income	Related to income
<b>Total</b>	<b>Financial allocation</b>	<b>245,335,140.69</b>	<b>286,842,932.33</b>		

## (3) Government grants using the net amount method to offset related costs

None.

## (4) Return of government grants

Item	Amount	Reason
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (I类治疗人源化抗人肿瘤坏死因子 $\alpha$ 单克隆抗体新药研制资金)	2,076,000.00	Return the remaining funds after the project is completed

China Postdoctoral Science Foundation subsidy funds (中国博士后科学基金会资助经费)	73,716.81	Balance returned
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## VI. Changes in the scope of consolidation

### 1. Disposal of subsidiaries

None.

### 2. Set-up of subsidiaries

The Company's subsidiary, Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) together with Fenghuolun (Shanghai) Biotechnology Co., Ltd. (风火轮(上海) 生物科技有限公司) to established Jiaozuo Jianfeng Biotechnology Co., Ltd. on 5 August 2022, with a registered capital of RMB50 million. Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) is holding 66.5% shares.

### 3. Change to scope of consolidation in the subsidiary Livzon Group

The Company's subsidiary, Livzon Group's Subsidiaries Livzon Biotechnology Hong Kong Co., Ltd. established LIVZON BIOLOGICS (MALAYSIA) SDN. BHD. on January 12, 2022, with registered capital of Malaysia Ringgit 100, of which the Livzon Group's investment is Malaysia Ringgit 100 and accounts for its registered capital of 100%.

## VII. Equity in other entities

### 1. Interests in subsidiaries

#### (1) Group structure

Name of subsidiary	Type of subsidiaries	Corporate Category	Main operating location	Place of registration	Business nature	Registered capital	Shareholding %		Acquisition method
							Direct	Indirect	
Topsino Industries Limited (天诚实业有限公司) (Topsino)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Business	HKD896,933,973.00	100		Set-up by investment
Shenzhen Taitai Genomics Inc. Co., Ltd. (深圳太太基因工程有限公司)(Taitai Genomics)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB50,000,000.00	75	25	Set-up by investment
Shenzhen Taitai Pharmaceutical Industry Co., Ltd. (深圳太太药业有限公司) (Taitai Pharmaceutical)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB100,000,000.00	100		Set-up by investment
Health Investment Holdings Ltd. (Health Investment)	Wholly-owned subsidiary	Limited company	The British Virgin Islands	The British Virgin Islands	Investment	USD50,000.00		100	Set-up by investment
Joincare Pharmaceutical Group Industry Co.,Ltd.(BVI) *	Wholly-owned subsidiary	Limited company	The British Virgin Islands	The British Virgin Islands	Investment	USD 50,000.00		100	Set-up by investment
Joincare Pharmaceutical Group Industry Co.,Ltd.(CAYMAN ISLANDS)	Wholly-owned subsidiary	Limited company	Cayman Islands	Cayman Islands	Investment	USD 50,000.00		100	Set-up by investment
Xinxiang Haibin Pharmaceutical Co., Ltd.(Xinxiang Haibin) (新	Wholly-owned subsidiary	Limited company	Henan Xinxiang	Henan Xinxiang	Industry	RMB170,000,000.00		100	Set-up by investment

Name of subsidiary	Type of subsidiaries	Corporate Category	Main operating location	Place of registration	Business nature	Registered capital	Shareholding %		Acquisition method
							Direct	Indirect	
乡海滨药业有限公司(新乡海滨)									
Shenzhen Fenglei Electric Power Investment Co., Ltd. (深圳市风雷电力投资有限公司) (Fenglei Electric Power)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Investment	RMB100,000,000.00	100		Set-up by investment
Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) (Jiaozuo Joincare)	Wholly-owned subsidiary	Limited company	Henan Jiaozuo	Henan Jiaozuo	Industry	RMB500,000,000.00	75	25	Set-up by investment
Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司)(Shanghai Frontier)	Subsidiaries	Limited company	Shanghai	Shanghai	Industry	RMB50,000,000.00	65		Set-up by investment
Shenzhen Taitai Biological Technology Co., Ltd (深圳太太生物科技有限公司) (Taitai Biological)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB5,000,000.00	100		Set-up by investment
Guangzhou Joincare Respiratory Medicine Engineering Technology Co., Ltd. (广州健康元呼吸药物工程技术有限公司) (Joincare Respiratory)	Subsidiaries	Limited company	Guangzhou	Guangzhou	Industry	RMB10,000,000.00		26	Set-up by investment
Guangdong Taitai Forensic Test Institute (广东太太法医物证司法鉴定所(鉴定所))	Wholly-owned subsidiary	Other organization	Shenzhen	Shenzhen	Business	RMB0.00		100	Set-up by investment
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海滨药业有限公司) (Joincare Haibin)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB500,000,000.00	25	75	Set-up by investment
Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海滨制药有限公司) (Haibin Pharma)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB700,000,000.00	97.87	2.13	Business combination not under common control
Joincare Daily-Use & Health Care Co., Ltd. (健康元日用保健品有限公司) (Joincare Daily-Use)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Business	RMB25,000,000.00	80	20	Business combination not under common control
Health Pharmaceuticals (China) Limited (健康药业(中国)有限公司) (Health China)	Wholly-owned subsidiary	Limited company	Zhuhai	Zhuhai	Industry	HKD73,170,000.00		100	Business combination not under common control
Livzon Pharmaceutical Group Inc. (丽珠医药集团股份有限公司) (Livzon Group) * Note 1 & 2	Subsidiaries	Joint-stock company	Zhuhai	Zhuhai	Industry	RMB935,552,687.00	23.66	21.11	Business combination not under common control
Hong Kong Health Pharmaceutical Industry Company Limited (香港健康药业有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD10,000.00		100	Business combination not under common control

Name of subsidiary	Type of subsidiaries	Corporate Category	Main operating location	Place of registration	Business nature	Registered capital	Shareholding %		Acquisition method
							Direct	Indirect	
Health Pharmaceutical Industry Company Limited (健康药业有限公司)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Investment	HKD10,000.00	100		Business combination not under common control
Shenzhen Hiyeah Industry Co., Ltd (深圳市喜悦实业有限公司) (Shenzhen Hiyeah)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Business	RMB178,000,000.00	97.58	2.42	Business combination not under common control
Guangzhou Hiyeah Industry Co., Ltd. (广州市喜悦实业有限公司)	Wholly-owned subsidiary	Limited company	Guangzhou	Guangzhou	Industry	RMB3,000,000.00		100	Business combination not under common control
Zhongsan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司)	Wholly-owned subsidiary	Limited company	Zhongsan	Zhongsan	Industry	RMB500,000.00		100	Business combination not under common control
Shenzhen Jiekang Health Care Co., Ltd. (深圳市捷康保健有限公司)	Wholly-owned subsidiary	Limited company	Shenzhen	Shenzhen	Industry	RMB4,000,000.00		100	Business combination not under common control
Joincare (Guangdong) Special medicine Food Co., Ltd. (健康元(广东)特医食品有限公司) (Joincare Special Food)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Industry	RMB20,000,000.00	100		Set-up by investment
Henan Joincare Biology Medical Research Institute Co., Ltd.* Note 3	Subsidiaries	Limited company	Jiaozuo	Jiaozuo	Industry	RMB100,000,000.0		70.13	Set-up by investment
Jiaozuo Jianfeng Biotechnology Co., Ltd. *Note 4	Subsidiaries	Limited company	Jiaozuo	Jiaozuo	Industry	RMB50,000,000.0		66.5	Set-up by investment

\*Note 1: Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司) and the Company's subsidiary Livzon Group established Shanghai Liyu Biomedical Technology Co., Ltd. (上海丽予生物医药技术有限责任公司) on 30 March 2021. Livzon Group holds 55% of the shares and Shanghai Frontier Health Pharmaceutical Technology Co., Ltd holds 45%.

\*Note 2: Zhuhai Livzon Biotechnology Co., Ltd. (珠海市丽珠生物医药科技有限公司) is a subsidiary within the scope of Livzon Group's consolidation. It was originally 100% indirectly held by Livzon Group. In the current period, due to the restructuring of the shareholding structure of the subsidiary, Livzon Group holds 51% of its shares, the Company holds 33.07% of the shares, YF Pharmab Limited holds 8.43% of the shares, and Hainan Lishengjuyuan Investment Partnership (Limited Partnership) (海南丽生聚源投资合伙企业(有限合伙)) holds 7.50%.

\*Note 3: Henan Joincare Biomedical Research Institute Co., Ltd. (河南省健康元生物医药研究院有限公司) is a joint venture established on 26 October 2020 by Jiaozuo Joincare Biological Products Co., Ltd. (焦作健康元生物制品有限公司), a subsidiary of the Company, and Livzon Group Xinbeijiang Pharmaceutical Co., Ltd. (丽珠集团新北江制药股份有限公司), a subsidiary of the Company's Livzon Group. Jiaozuo Joincare Biological Products Co., Ltd. holds 51% of the shares. The investee completed its industrial and commercial registration on 26 October 2020.

\*Note 4: Jiaozuo Jianfeng Biotechnology Co., Ltd. Is jointed established by the Company's subsidiary, Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) and Fenghuolun (Shanghai) Biotechnology Co., Ltd. (风火轮(上海)生物科技有限公司) on 5 August 2022. Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) holds 66.5% shares.

**Subsidiaries not included in the scope of consolidation in the current period:**

Name of subsidiary	Registered capital	Actual investment	Interest held
Guangzhou Hiyeah Industry Co., Ltd. (广州市喜悦实业有限公司)	3,000,000.00	3,000,000.00	100%
Zhongsan Renhe Health Products Co., Ltd.	500,000.00	500,000.00	100%

(中山市仁和保健品有限公司)

Shenzhen Jiekang Health Care Co., Ltd. (深圳市捷康保健有限公司)	4,000,000.00	4,000,000.00	100%
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Guangzhou Hiyeah Industry Co., Ltd. (广州市喜悦实业有限公司), Zhongshan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司) are wholly-owned subsidiaries of Shenzhen Hiyeah. They entered the liquidation process in 2008, and has been out of business for many years, and completed the tax cancellation procedures, so they were not included in the scope of the consolidated.

Shenzhen Jiekang Health Care Co., Ltd. (深圳市捷康保健有限公司) was wholly-owned subsidiary of Shenzhen Hiyeah. It had entered the liquidation process in 2008, and has been out of business for many years, and completed the tax cancellation procedures, and it was approved and cancelled by Shenzhen Market Supervision and Administration Bureau on May 30, 2022.

## (2) Significant non-wholly owned subsidiaries

Name of subsidiary	Shareholding of minority interest	Profit or loss attributable to minority interest	Dividend paid to minority interest	Balance of minority interests at period end
Livzon Group	55.2266%	1,053,970,833.13	670,811,289.90	7,663,254,428.90

## (3) Principal financial information of significant non-wholly owned subsidiaries

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Livzon Group	16,987,297,040.38	7,877,528,325.85	24,864,825,366.23	7,396,664,920.29	2,531,908,854.22	9,928,573,774.51

Continued (1) :

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Livzon Group	14,673,096,594.67	7,698,818,996.15	22,371,915,590.82	6,925,068,067.24	1,135,822,729.96	8,060,890,797.20

Continued (2) :

Name of subsidiary	Current year				Prior year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Livzon Group	12,629,579,047.66	1,955,540,213.06	2,084,847,720.65	2,772,671,295.03	12,063,863,272.98	1,952,101,168.93	1,834,898,051.39	1,902,328,139.03

## (4) Changes in share of owners' equity in subsidiaries and still controls the subsidiaries

None.



## 2. Interests in joint arrangement or associates

## (1) Significant associates

Joint venture or associate Name of other related parties	Main operating location	Place of registration	Business nature	Shareholding (%)		Accounting treatment of investment
				Direct	Indirect	
Associates						
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	Henan Jiaozuo City	Henan Jiaozuo City	For electricity production	0.00	49	Equity method
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	Tianjin	Tianjin	Pharmaceutical manufacturing	0.00	40	Equity method

## (2) Main financial information of significant associates

## ① Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)

Item	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	
	Closing balance/ Current year	Beginning balance/ Prior year
Current assets	1,034,890,763.04	900,929,930.10
Including: Cash and cash equivalents	193,286,823.41	151,817,021.98
Non-current assets	274,836,800.49	295,290,603.34
<b>Total assets</b>	<b>1,309,727,563.53</b>	<b>1,196,220,533.44</b>
Current liabilities	734,194,376.70	621,231,810.54
Non-current liabilities	12,419,097.25	13,660,568.14
<b>Total liabilities</b>	<b>746,613,473.95</b>	<b>634,892,378.68</b>
Net assets	563,114,089.58	561,328,154.76
Including: Minority interests	0.00	0.00
Owners' equity attributable to parent company	563,114,089.58	561,328,154.76
Net assets share calculated by shareholding	275,925,903.89	275,050,795.83
Adjustments		
Including: Goodwill		
Unrealized profit or loss in internal transactions		
Provision for impairment		
Others	9,612,591.63	9,569,113.18
<b>Carrying value of equity investment in associates</b>	<b>285,538,495.52</b>	<b>284,619,909.02</b>
Fair value of publicly quoted equity investments		

Continued:

Item	Jiaozuo Jinguang Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	
	Closing balance/ Current year	Beginning balance/ Prior year
Operating income	1,100,595,142.50	702,123,322.31
Financial expenses	16,069,876.59	14,968,954.50
Income tax expenses	15,013.60	-1,540,629.99
Net profit	1,785,934.82	-65,176,444.97
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	1,785,934.82	-65,176,444.97
Net cash flows from operating activities	132,858,948.24	-135,982,225.15
Dividends received from joint ventures in the current period		

② Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	
	2022.12.31	
Owners' equity attributable to parent company		570,306,493.51
Net assets share calculated by shareholding		228,122,597.40
Adjustments		
Including: Goodwill		498,457,683.68
Carrying value of equity investment in associates		726,580,281.08
Fair value of publicly quoted equity investments		

Continued:

Item	Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	
	Current year	
Operating income		1,086,062,042.02
Dividends received by the company from associates in the current period		111,980,000.00

The Company calculates the share of assets of associate based on the shareholding for the amount attributable to the parent company in the consolidated financial statements. The amounts in the consolidated financial statements of associates take into account the fair value of identifiable net assets and liabilities of associates at the time of acquisition and the impact of unified accounting policies. the above data is the preliminary results announcement of Tianjin Tongrentang.

(3) Summary of financial information of other insignificant associates

Item	Closing balance/ Current year	Beginning balance/ Prior year
<b>Associates:</b>		
Total carrying amount of investment	407,763,817.99	1,134,729,545.83
The following amount are calculated on the basis of shareholding ratio		
Net profit	-11,360,486.63	42,217,479.63

Other comprehensive income	527,718.52	14,789,928.17
Total comprehensive income	-10,832,768.11	57,007,407.80

(4) Significant limitations on the ability of joint ventures or associates to transfer funds to the Company

None.

### VIII. Risks Management of Financial Instruments

The major financial instruments of the Company include cash, bills receivable and accounts receivable, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other equity instrument investments, bills payable and accounts payable, other payables, short-term borrowings, financial liabilities held for trading, non-current liabilities due within one year, long-term borrowings and long-term payables. The details of these financial instruments are disclosed in the respective notes. The financial risk of these financial instruments and financial management policies used by the Company to minimize the risk are disclosed as below. The management of the Company manages and monitors the exposure of these risks to ensure the above risks are controlled in the limited range.

#### 1. Management objectives and policies of risks

The operation activities of the Company are subject to various financial risks: market risks (mainly including foreign exchange risks and interest rate risks), credit risks and liquidity risks. The Company formulates an overall risk management plan with respect to the unforeseeability of the financial market in order to minimise the potential adverse impacts on the financial performance of the Company.

##### (1) Foreign exchange risks

The Company conducts its operation primarily in China. Substantially all of the transactions were denominated and settled in Renminbi. However, the Company still has certain imports and exports 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, India, Europe) are settled in Hong Kong dollars, U.S. dollar and Eurodollar. In addition, the Company will have foreign currency loans according to the operating needs. In respect of the above, the Company still exposes to certain foreign exchange risks. Taking into account the foreign exchange risks acceptable by the Company, the Company adopted Derivative instruments 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 minimise its risks.

Financial assets and liabilities in foreign currencies held by the Company expressed in Renminbi are stated below:

① As at 31 December 2022

Unit: RMB 1,000

Item	HKD	USD	EUR	JPY	GBP	MOP	CHF
Financial assets in foreign currency -							
Cash and bank balances	689,008.76	1,795,183.72	702.84	18,052.98	16.29	4,272.78	0.00
Financial assets held for trading	87,193.75	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	498,180.41	0.00	0.00	0.00	1,097.96	0.00
Other receivables	2,849.00	0.15	0.00	0.00	0.00	504.53	0.00
Other current assets	0.00	92,815.74	0.00	0.00	0.00	0.00	0.00
Other equity instruments investment	524,464.51	0.00	0.00	0.00	0.00	0.00	0.00

<b>Subtotal:</b>	<b>1,303,516.02</b>	<b>2,386,180.02</b>	<b>702.84</b>	<b>18,052.98</b>	<b>16.29</b>	<b>5,875.27</b>	<b>0.00</b>
Financial liabilities in foreign currency -	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short-term loans	0.00	13,464.86	0.00	0.00	0.00	0.00	
Accounts payable	0.00	3,569.18	42.05	14,627.29	0.00	0.00	141.89
Other payables	2,583.45	27,967.54	0.00	0.00	0.00	0.00	0.00
<b>Subtotal:</b>	<b>2,583.45</b>	<b>45,001.58</b>	<b>42.05</b>	<b>14,627.29</b>	<b>0.00</b>	<b>0.00</b>	<b>141.89</b>

② As at 31 December 2021

Unit: RMB 1,000

Item	HKD	USD	EUR	JPY	GBP	MOP
Financial assets in foreign currency -						
Cash and bank balances	516,034.78	1,296,568.06	559.42	2,406.62	16.70	1,121.33
Financial assets held for trading	163,071.45	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	579,062.08	4,493.18	0.00	0.00	2,824.85
Other receivables	2,712.73	0.00	0.00	0.00	0.00	461.23
Other equity instruments investment	480,531.75	0.00	0.00	0.00	0.00	0.00
<b>Subtotal:</b>	<b>1,162,350.71</b>	<b>1,875,630.14</b>	<b>5,052.60</b>	<b>2,406.62</b>	<b>16.70</b>	<b>4,407.41</b>
Financial liabilities in foreign currency -	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.00	213.29	40.90	0.00	0.00	11.01
Other payables	2,503.18	16,034.63	0.00	0.00	0.00	0.00
<b>Subtotal:</b>	<b>2,503.18</b>	<b>16,247.92</b>	<b>40.90</b>	<b>0.00</b>	<b>0.00</b>	<b>11.01</b>

As at 31 December 2022, in respect of the Company's financial assets and liabilities denominated in foreign currencies such as Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, should the value of RMB appreciate or depreciate by 5% against foreign currencies such as Hong Kong dollar, U.S. dollar, Euro, Japanese Yen and Macau dollar, and other factors remain unchanged, the Company would be subject to an increase or decrease in profit of approximately RMB182,597.36 (31 December 2021: approximately RMB151,553,060).

## (2) Interest rate risk

The Company's exposures to interest rate risk are mainly arising from interest-bearing liabilities such as bank borrowings. The interest rates are affected by the macro monetary policies of China, hence the Company will face the risks arising from fluctuation of interest rates in the future.

The finance department of the head office of the Company continues to monitor the level of interest rate of the Company. 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 impose 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 have no material adverse impact on the operating results of the Company.

## (3) Credit risk

Credit risk is primarily attributable to cash and cash equivalents, restricted funds, accounts receivables and other receivables. In respect of cash at banks, they were placed at several banks with good reputations, for

which the credit risk was limited. In respect of receivables, the Company shall assess the credit limit granted to customers for credit purpose. Moreover, as the customer base of the Company is large, the credit risk on accounts receivables is not concentrated. In terms of bills receivable settlement, external payments are settled with bills receivable with priority and most of the remaining bills are high-quality bills with maturity within three months; thus none expected major credit risk exits. In addition, the provision made on the impairment of accounts receivables and other receivables are adequate to manage the credit risk.

Among the accounts receivables of the Company, the accounts receivable of the top five customers accounted for 11.98% (31 December 2021: 11.60%); among the other receivables of the Company, the other receivables of the top five customers accounted for 46.23% (31 December 2021: 60.63%).

#### (4) Liquidity risk

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 were available, such as direct financing by inter-bank market including short-term financing bills and medium-term financing bills, corporate bonds etc. These instruments can effectively reduce the effects of scale of financing and the macro monetary policies of China on indirect bank financing, which shall secure adequate funds in a flexible manner.

As at the date of the balance sheet, the contractual cash flows of financial assets and financial liabilities are presented below by term of maturity:

##### ① As at 31 December 2022

Item	Within a year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Cash and bank balances	14,808,488,110.96	0.00	0.00	0.00	14,808,488,110.96
Financial assets held for trading	109,015,664.98	0.00	0.00	0.00	109,015,664.98
Notes receivable	1,959,985,016.85	0.00	0.00	0.00	1,959,985,016.85
Accounts receivable	3,103,758,850.15	0.00	0.00	0.00	3,103,758,850.15
Other receivables	52,535,740.14	0.00	0.00	0.00	52,535,740.14
Other current assets	104,859,166.96	0.00	0.00	0.00	104,859,166.96
<b>Subtotal:</b>	<b>20,138,642,550.04</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>20,138,642,550.04</b>
Financial liabilities:					
Short-term loans	2,126,050,615.06	0.00	0.00	0.00	2,126,050,615.06
Financial liabilities held for trading	755,634.43	0.00	0.00	0.00	755,634.43
Notes payable	1,635,906,989.22	0.00	0.00	0.00	1,635,906,989.22
Accounts payable	943,905,580.91	0.00	0.00	0.00	943,905,580.91
Other payables	3,680,334,360.88	0.00	0.00	0.00	3,680,334,360.88
Other current liabilities	83,541,891.93	0.00	0.00	0.00	83,541,891.93
Non-current liabilities due within one year	63,077,260.98	0.00	0.00	0.00	63,077,260.98
Lease liabilities	0.00	14,509,839.81	8,972,646.26	0.00	23,482,486.07
Long term loans	0.00	907,182,927.81	2,323,661,115.07	0.00	3,230,844,042.88
<b>Subtotal:</b>	<b>8,533,572,333.41</b>	<b>921,692,767.62</b>	<b>2,332,633,761.33</b>	<b>0.00</b>	<b>11,787,898,862.36</b>

## ② As at 31 December 2021

Item	Within a year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Cash and bank balances	11,729,230,390.98	0.00	0.00	0.00	11,729,230,390.98
Financial assets held for trading	184,638,344.31	0.00	0.00	0.00	184,638,344.31
Notes receivable	1,977,286,022.02	0.00	0.00	0.00	1,977,286,022.02
Accounts receivable	2,853,655,551.54	0.00	0.00	0.00	2,853,655,551.54
Other receivables	88,053,825.12	0.00	0.00	0.00	88,053,825.12
Non-current assets due within one year	317,381.23	0.00	0.00	0.00	317,381.23
Long-term receivables	0.00	266,904.13	0.00	0.00	266,904.13
<b>Subtotal:</b>	<b>16,833,181,515.20</b>	<b>266,904.13</b>	<b>0.00</b>	<b>0.00</b>	<b>16,833,448,419.33</b>
Financial liabilities:					
Short-term loans	2,518,484,835.09	0.00	0.00	0.00	2,518,484,835.09
Financial liabilities held for trading	143,302.24	0.00	0.00	0.00	143,302.24
Notes payable	1,582,386,767.93	0.00	0.00	0.00	1,582,386,767.93
Accounts payable	871,553,210.51	0.00	0.00	0.00	871,553,210.51
Other payables	3,292,407,989.79	0.00	0.00	0.00	3,292,407,989.79
Non-current liabilities due within one year	91,576,066.33	0.00	0.00	0.00	91,576,066.33
Lease liabilities	0.00	13,186,526.27	11,885,268.05	0.00	25,071,794.32
Long term loans	0.00	466,780,252.78	360,000,000.00	0.00	826,780,252.78
<b>Subtotal:</b>	<b>8,356,552,171.89</b>	<b>479,966,779.05</b>	<b>371,885,268.05</b>	<b>0.00</b>	<b>9,208,404,218.99</b>

## 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 might adjust financing method, the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or make an asset disposal to reduce the liabilities.

The Company monitors the capital structure with gearing ratio (calculated by dividing total liabilities by total assets). On 31 December 2022, the Company's gearing ratio is 38.37% (31 December 2021: 35.12%).

## 3. Transfer of financial assets

## (1) Financial assets which are transferred but have not been derecognised in their entirety

None.

## (2) Financial assets which have been transferred and ceased to be recognised but still have involvement with the transferor

As at 31 December 2022, the Company discounted a banker's acceptance bill to the bank of RMB1,190,002,804.98 (previous period: RMB76,908,320.00). Since the principal risks and rewards, such as

interest rate risks associated with these bankers' acceptances, have been transferred to the banks, the Company derecognizes discounted unmatured bankers' acceptance bills. According to the discount agreement, if the banker's acceptance bill is not accepted when due, the bank has the right to require the Company to pay the outstanding balance. As a result, the Company continued to engage in discounted bankers' acceptances, which amounted to RMB422,899,944.56 (31 December 2021: RMB67,908,033.05) as at 31 December 2022.

As at 31 December 2022, the carrying value of the Company's unexpired bankers' acceptance bills endorsed to suppliers for settlement of accounts payable was RMB542,620,475.62 (31 December 2021: RMB186,290,992.91) and no outstanding commercial acceptance bills endorsed to suppliers for settlement of accounts payable (31 December 2021: Nil). In accordance with the Negotiable Instruments Law, the holders of the bills have a right of recourse against the Company if payment is refused by the bank of acceptance (the "Continuing Involvement"). The maturity date is within 1 to 6 months as at 31 December 2022, in the opinion of the Company, the Company has transferred substantially all risks and rewards. Accordingly, their full carrying amounts and the corresponding account payables have been derecognised. The maximum loss and the undiscounted cash flows from the Continuing Involvement and repurchasing is equal to their carrying amounts. In the opinion of the Company, the fair values of the Continuing Involvement are not significant.

During the year ended 31 December 2022, 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 loss arising from the continuing involvement in financial assets which had been derecognised. The endorsement was incurred evenly throughout the period.

## IX. Fair value

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities.

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

### (1) Items and amounts measured at fair value

As at 31 December 2022, the assets and liabilities measured at fair value are listed as follows according to the above three levels:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
<b>I. Recurring fair value measurement</b>				
(1) Financial assets held for trading	103,583,153.41	5,432,511.57	0.00	109,015,664.98
1. debt instruments investment	934,289.94	0.00	0.00	934,289.94
2. equity instruments investment	102,648,863.47	0.00	0.00	102,648,863.47
3. Derivative financial assets	0.00	5,432,511.57	0.00	5,432,511.57
(2) Other equity instruments investment	9,615,483.94	0.00	1,184,343,395.11	1,193,958,879.05
<b>Total assets measured at fair value on a recurring basis</b>	<b>113,198,637.35</b>	<b>5,432,511.57</b>	<b>1,184,343,395.11</b>	<b>1,302,974,544.03</b>
(3) Financial liabilities held for trading				
Derivative financial liabilities	0.00	755,634.43	0.00	755,634.43
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>0.00</b>	<b>755,634.43</b>	<b>0.00</b>	<b>755,634.43</b>

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
<b>II. Non-recurring fair value measurement</b>				
Assets held-for-sale	0.00	0.00	0.00	0.00
<b>Total assets measured at fair value on a non-recurring basis</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total liabilities measured at fair value on a non-recurring basis</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

During the year ended 31 December 2022, the Company's investment LUNGLIFE AI, INC. was listed on the London Stock Exchange, as a result, the fair value measurement of this investment in other equity instruments transferred from level 3 to level 1; except for this investment in other equity instruments, there were no transfers of the fair value measurements between level 1 and level 2 and no transfers into or out of level 3.

For the items in level 1 fair value measurement which listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange or the United States, their fair value is determined based on the closing price on the last trading day of the reporting period.

For the items in level 2 fair value measurement which uses valuation techniques and qualitative and quantitative information of important parameters to determine the fair value. For derivative financial instruments such as foreign exchange forward contracts, the fair value is determined based on the quoted forward exchange rate corresponding to the expiring contract.

For the items in level 3 fair value measurement uses valuation techniques and qualitative and quantitative information of important parameters to determine the fair value. For some other equity instruments held, the fair value is based on the cost or the present value of the estimated future net cash flow as the best estimate.

(2) Relevant information of level 2 fair value measurement

Content	Fair value as at 2022.12.31	Valuation techniques
Derivative financial assets	5,432,511.57	Calculated and determined based on the quoted forward exchange rate corresponding to the expiring contract
Derivative financial liabilities	755,634.43	Calculated and determined based on the quoted forward exchange rate corresponding to the expiring contract

(3) Quantitative information of important unobservable input values used in level 3 of fair value measurement

Content	Fair value as at 2022.12.31	Valuation techniques
Other equity instrument investments- (Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋众创股权投资中心))	67,935,704.36	Net assets
Other equity instrument investments - Shanghai JingYi Investment Center (上海经颐投资中心) (L.P.)	73,616,359.91	Net assets
Other equity instrument investments-Qianhai Equity Investment Fund (前海股权投资基金) (L.P.)	243,378,742.17	Net assets
Other equity instrument investments -PANTHEOND,L.P.	5,954,301.20	Net assets
Other equity instrument investments –Apricot Forest, Inc	120,788,500.00	Income method
Other equity instrument investments –Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)	158,400,000.00	Market method
Other equity instrument investments - Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海) 有限公司))	30,513,209.27	Market method
Other equity instrument investments - Zhuhai Medpha Biotechnology Co., Ltd. (珠海麦得发生物科技股份有限公司))	32,099,443.70	Recent financing price
Other equity instrument investments- Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司)	53,654,738.60	Recent financing price
Other equity instruments investment- Xiangrong (Shanghai) Biotechnology Co., Ltd. (享融(上海) 生物科技有限公司)	19,613,667.00	Recent financing price



Content	Fair value as at 2022.12.31	Valuation techniques
Other equity instrument investments –GLOBAL HEALTH SCIENCE	271,980,388.15	Net assets
Other equity instrument investments –SCC VENTURE VI 2018-B,L.P.	257,909.57	Net assets
Other equity instrument investments –Nextech V Oncology S.C.S., SICAV-SIF	23,996,121.32	Net assets
Other equity instrument investments -Others	82,154,309.86	Cost

## X. Related party and related party transactions

### 1. Information of parent company

Name of parent company	Place of registration	Business nature	Registered capital	Shareholding ratio by parent company (%)	Voting right by parent company (%)
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	Shenzhen	Investment and establishment of industry, domestic commerce, and material supply and marketing	80,000,000.00	45.53	45.53

The ultimate controller of the Company is Zhu Baoguo (朱保国).

#### (1) Registered capital of parent company and its changes

Name of parent company	2021.12.31	Increase	Decrease	2022.12.31
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	80,000,000.00	0.00	0.00	80,000,000.00

#### (2) Shares of the company held by the parent company and its changes

Name of other related parties	2021.12.31	Ratio	Increase	Decrease	2022.12.31	Ratio
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	895,653,653.00	46.95%	0.00	17,380,900.00	878,272,753.00	45.53%

On 20 September 2022, Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司) lent 17,380,900 shares due to participating in the refinancing securities lending business, and the ownership of this part of the equity has not been transferred in the current period.

### 2. Subsidiaries of the Company

Details of subsidiaries refer to Note VII. 1

### 3. Joint venture and associates of the Company

Details of significant joint ventures or associates refer to Notes V.11 and VII. 2.

Other joint ventures or associates entered into 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
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	Associates

Name of joint ventures and associates	Relationship with the Company
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	Associates
Novastage Pharmaceuticals (Shenzhen), Ltd. (新领医药技术(深圳)有限公司)	Associates
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Associates
AbCyte Therapeutics Inc.	Associates
L&L Biopharma, Co. Ltd. (上海健信生物医药科技有限公司)	Associates
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Associates
Aetio Biotherapy Inc	Associates
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江苏新元素医药科技有限公司)	Associates
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	Associates
Infinite Intelligence Pharmaceutical Co. Ltd. (北京英飞智药科技有限公司)	Associates
Shenzhen Kangti Biomedical Technology Co., Ltd. (深圳康体生物医药科技有限公司)	Associates
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Associates
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Entity controlled by an associate
Zhuhai Hengqin Weisheng Precision Medicine Technology Co., Ltd. (珠海横琴维胜精准医学科技有限公司)	Entity controlled by an associate

#### 4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Shenzhen Taitelxing Investment Development Co., Ltd. (深圳泰特力兴投资发展有限公司)	Subsidiaries of the company's ultimate actual controller
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永乐高尔夫俱乐部有限公司)	A company controlled by the Company's parent company
Shenzhen Healthy Deer Information Technology Co., Ltd. (深圳市健康阿鹿信息科技有限公司)	An associate of the Company's parent company
Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	A subsidiary of an associate of the Company's parent company
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麦得发生物科技股份有限公司)	The supervisor of Livzon Group works as director for his entity
Zhuhai Xianghetai Investment Management Partnership (Limited Partnership) (珠海祥和泰投资管理合伙企业(有限合伙))	The executive of Livzon Group controls this entity
Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中汇源投资合伙企业(有限合伙))	The director of Livzon Group controls this entity
Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海丽英投资管理合伙企业(有限合伙))	The director of Livzon Group controls this entity
Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司)	The director of Livzon Group controls this entity
Zhuhai Pu Xiaoying Enterprise Management Co., Ltd. (Zhuhai Pu Xiaoying Enterprise Management Co., Ltd. (珠海市蒲公英企业管理有限公司))	The close family member of the director of Livzon Group controls this entity
Directors, Supervisors and other senior management personnel	Key management personnel

#### 5. Related party transactions

##### (1) Purchase or sale with related parties

## ①Purchase of goods/receiving of services

Name of other related parties	Nature of transaction	Current year	Prior year
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	Raw materials	2,917,946.91	2,786,053.10
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Finished goods	0.00	28,558.55
Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	Finished goods, Business promotion	0.00	887,872.67
Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司)	Business promotion	3,160,667.40	408,427.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Testing	137,358.49	14,377.36
L&L Biopharma, Co. Ltd. (上海健信生物医药科技有限公司)	Research and development	0.00	943,396.20
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Business promotion	2,083,948.00	1,062,850.00
Zhuozhou Jingnan Yongle Golf Club Co., Ltd. (涿州京南永乐高尔夫俱乐部有限公司)	Member services	0.00	84,037.00
Infinite Intelligence Pharmaceutical Co. Ltd. (北京英飞智药科技有限公司)	Research and development	339,805.83	148,514.85
Zhuhai Pu Xiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企业管理有限公司)	Modern services	249,975.00	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Research and development	18,867,924.60	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	Nebulizer	902,115.48	0.00
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	Electricity, Steam	268,666,999.03	212,585,953.81
<b>Total</b>		<b>297,326,740.74</b>	<b>218,950,040.54</b>

## ②Sales of goods/rendering of services

Name of related parties	Nature of transaction	Current year	Prior year
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	Finished Products, Hydropower and Power	35,703,972.73	63,972,886.45
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Finished Products, Hydropower, Power and others	1,435,666.13	577,453.14
Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	Finished Products	3,036,532.62	4,951,551.99
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Finished Products, Hydropower, Power and others	592,356.49	667,998.89
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Research and development	3,960,000.00	0.00
<b>Total</b>		<b>44,728,527.97</b>	<b>70,169,890.47</b>

## (2) Rental with related party

Name of lessee	Type of assets leased	Rental income in current year	Rental income in prior year
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Buildings	2,226,299.00	2,226,299.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Buildings	240,000.00	240,000.00

Name of lessee	Type of assets leased	Rental income in current year	Rental income in prior year
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	Buildings	18,891.76	18,891.76
Novastage Pharmaceuticals (Shenzhen), Ltd. (新领医药技术(深圳)有限公司)	Buildings & Equipment	468,302.76	315,457.80
Shenzhen Taitelixing Investment Development Co., Ltd. (深圳泰特力兴投资发展有限公司)	Buildings	18,720.00	18,720.00
Shenzhen Healthy Deer Information Technology Co., Ltd. (深圳市健康阿鹿信息科技有限公司)	Buildings	17,174.32	17,174.32
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Buildings	17,174.32	17,174.32
<b>Total</b>		<b>3,006,562.16</b>	<b>2,853,717.20</b>

### (3) Guarantee with related parties

① In order to ensure the stable development of production and operation of Jinguan Electric Power, the Company and its controlling subsidiary Jiaozuo Joincare jointly provided a revolving guarantee facility with balance of no more than RMB350 million (inclusive) for Jinguan Electric Power (specific guarantors shall be specified in the guarantee contracts) according to “the Resolution on Providing Loan Guarantee for Jinguan Electric Power by the Company and Its Controlling Subsidiary Jiaozuo Joincare” considered and approved at the First Extraordinary General Meeting of the Company on 6 July 2016, with the guarantee period starting from the date when the resolution was considered and approved to 31 December 2019. Pursuant to “the Resolution on Providing Loan Guarantee for Jinguan Electric Power by the Company and Its Controlling Subsidiary Jiaozuo Joincare” considered and approved at the 2017 Annual General Meeting of the Company on 22 May 2018, the Company and its controlling subsidiary Jiaozuo Joincare jointly provided a revolving guarantee facility with balance of no more than RMB350 million (inclusive) for Jinguan Electric Power (specific guarantors shall be specified in the guarantee contracts), with the guarantee period starting from the date when the resolution was considered and approved to 31 December 2022. In order to ensure the stable development of production and operation of Jinguan Electric Power, the revolving guarantee facility with balance of no more than RMB350 million (inclusive) for Jinguan Electric Power (specific guarantors shall be specified in the guarantee contracts) considered and approved at the 2017 General Meeting of the Company was changed to the revolving guarantee facility with balance of no more than RMB450 million (inclusive) on 10 May 2019 due to the actual business needs of Jinguan Electric Power, with the guarantee period starting from the date when the resolution was considered and approved to 31 December 2022. On 18 May 2022, the "Proposal on the Company and its subsidiary Jiaozuo Joincare in Providing Loan Guarantee for Jinguan Electric Power" was reviewed and approved by the Company's 2021 annual general meeting, the Company and its subsidiary Jiaozuo Joincare jointly provided a guarantee for Jinguan Electric Power on its revolving loans facility with a balance of not more than RMB450 million (including RMB450 million) (the specific guarantor will be specified in each guarantee contract), and the term is from the date of approval of this guarantee proposal at the Company's annual general meeting to 31 December 2025.

As at 31 December 2022, the Company provided Jinguan Electric Power with guarantees for loans of RMB378.40 million; of which RMB222 million in Shenzhen Branch of China Everbright Bank, RMB90 million in Shenzhen Branch of Zheshang Bank, RMB46.40 million in Shenzhen Branch of Nanyang Commercial Bank and RMB20 million in Jiaozuo Branch of China CITIC Bank.

In order to ensure the safety of secured loans, Jinguan Electric Power provided counter guarantees for the said guarantees provided by the Company and its subsidiary, Jiaozuo Joincare, based on its owned assets, and undertook that it would unconditionally provide mutual guarantees for the Company or its controlling subsidiary designated with total facility of no more than RMB450 million (inclusive) whenever the Company deemed necessary.

② Another shareholder of Livzon MABPharm Inc. (珠海市丽珠单抗生物技术有限公司) – the Company has issued a "Counter Guarantee Commitment", promising that it will share the joint and several guarantee liability to the extent of 33.07% of the scope of guarantee responsibility in relation to the guarantee provided

to Livzon MABPharm Inc. (珠海市丽珠单抗生物技术有限公司), and the counter guarantee period will expire on the date when the Company's guarantee responsibility expiry.

③ Zhuhai Zhong Hui Yuan Investment Partnership (Limited Partnership) (珠海中汇源投资合伙企业(有限合伙)), being another shareholder of Livzon Group Xinbeijiang Pharmaceutical Manufacturing Inc. (丽珠集团新北江制药股份有限公司) has issued a "Counter Guarantee Commitment", promising that it will share the joint and several guarantee liability to the extent of 8.44% of the scope of guarantee responsibility incurred by Livzon Group in relation to the guarantee provided to Livzon MABPharm Inc. (珠海市丽珠单抗生物技术有限公司), and the counter guarantee period will expire on the date when Livzon Group's guarantee responsibility expiry.

(4) Asset transfer and debt restructuring between related parties

None.

(5) Remuneration of key management personnel

Unit: RMB ten thousand

For the year ended 31 December 2022

	Director/ Supervisor Allowance	Wages and allowances	Social security	Housing fund	Bonus	Severance pay	Others	Total
Directors:								
Zhu Baoguo (朱保国)	325.00	0.00	6.44	2.66	0.00	0.00	0.00	334.09
Liu Guangxia (刘广霞)	325.00	18.48	1.85	2.66	0.00	0.00	0.00	347.98
Yu Xiong (俞 雄)	0.00	260.00	0.00	0.00	100.00	0.00	0.00	360.00
Qiu Qingfeng (邱庆丰)	0.00	135.00	7.27	2.66	80.00	0.00	0.00	224.93
Lin Nanqi (林 楠棋)	0.00	135.00	7.27	2.66	80.00	0.00	0.00	224.93
Cui Ligu (崔 利国)	11.54	0.00	0.00	0.00	0.00	0.00	0.00	11.54
Huo Jing (霍 静)	11.54	0.00	0.00	0.00	0.00	0.00	0.00	11.54
Qin Yezhi (覃 业志)	11.54	0.00	0.00	0.00	0.00	0.00	0.00	11.54
Peng Juan (彭 娟)	11.54	0.00	0.00	0.00	0.00	0.00	0.00	11.54
Supervisors:								
Yu Xiaoyun (余 孝云)	4.80	38.31	6.82	2.25	17.95	0.00	0.00	70.13
Peng Jinhua (彭 金花)	4.80	0.00	0.00	0.00	0.00	0.00	0.00	4.80
Xing Zhiwei (幸志伟)	2.97	64.00	6.82	2.09	93.00	0.00	0.00	168.88
Xie Youguo (谢 友国)	1.83	36.92	0.00	0.00	0.00	0.00	0.00	38.75
Other senior management:								
Zhao Fengguang (赵风光)	0.00	135.00	7.27	2.66	45.00	0.00	0.00	189.93
<b>Total</b>	<b>710.57</b>	<b>822.71</b>	<b>43.75</b>	<b>17.61</b>	<b>415.95</b>	<b>0.00</b>	<b>0.00</b>	<b>2,010.58</b>

Note: Mr. Zhu Baoguo (朱保国) serves as the chairman of Livzon Group, a controlled subsidiary of the Company; and Mr. Yu Xiong (俞雄) and Mr. Qiu Qingfeng (邱庆丰) serve as non-executive directors of Livzon Group. Xie Youguo (谢友国) has resigned. The remuneration presented in above does not include the portion paid by Livzon Group.

For the year ended 31 December 2021

	Director/ Supervisor Allowance	Wages and allowances	Social security	Housing fund	Bonus	Severance pay	Others	Total
Directors:								
Zhu Baoguo (朱保国)	330.94	0.00	6.22	2.40	0.00	0.00	0.00	339.56
Liu Guangxia (刘广霞)	330.94	17.91	8.01	2.40	0.00	0.00	0.00	359.27
Yu Xiong (俞雄)	0.00	240.00	0.00	0.00	95.00	0.00	0.00	335.00
Qiu Qingfeng (邱庆丰)	0.00	135.00	6.22	2.40	30.00	0.00	0.00	173.62
Lin Nanqi (林楠棋)	0.00	135.00	6.22	2.40	30.00	0.00	0.00	173.62
Cui Ligu (崔利国)	10.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00
Huo Jing (霍静)	10.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00
Qin Yezhi (覃业志)	10.00	0.00	0.00	0.00	0.00	0.00	0.00	10.00
Peng Juan (彭娟)	3.60	0.00	0.00	0.00	0.00	0.00	0.00	3.60
Supervisors:								
Yu Xiaoyun (余 孝云)	4.00	38.16	6.01	2.18	17.95	0.00	0.00	68.29
Peng Jinhua (彭 金花)	4.00	32.73	0.00	1.36	0.00	0.00	0.00	38.09
Xie Youguo (谢友国)	4.00	36.35	0.00	1.17	2.86	0.00	0.00	44.38
Other senior management:								
Zhao Fenguang (赵风光)	0.00	135.00	6.22	2.40	25.00	0.00	0.00	168.62
<b>Total</b>	<b>707.48</b>	<b>770.14</b>	<b>38.88</b>	<b>16.74</b>	<b>200.81</b>	<b>0.00</b>	<b>0.00</b>	<b>1,734.05</b>

Note: Mr. Zhu Baoguo (朱保国) serves as the chairman of Livzon Group, a controlled subsidiary of the Company; and Mr. Yu Xiong (俞雄) and Mr. Qiu Qingfeng (邱庆丰) serve as non-executive directors of Livzon Group. The remuneration presented in above does not include the portion paid by Livzon Group.

(6) Other related party transactions

None.

6. Receivables and payables with related party

(1) Receivable from related parties

Item	Related party	2022.12.31		2021.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	3,893,820.00	0.00	5,492,960.00	0.00
Accounts receivable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	4,781,500.00	47,336.85	18,889,500.00	490,875.00
Accounts receivable	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	85,731.98	840.17	224,023.83	8,578.07
Accounts receivable	Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	497,828.30	103,325.48	337,395.02	48,933.97
Prepayments	Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	211,200.00	0.00	211,200.00	0.00
Prepayments	Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	188,100.00	0.00	154,500.00	0.00
Prepayments	Jiaozuo Jinguang Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	75,724,913.57	0.00	8,240,517.56	
Other receivables	Zhongshan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司)	469,895.78	469,895.78	469,895.78	469,895.78
Other receivables	Shenzhen Jiekang Health Care Co., Ltd. (深圳市捷康保健有限公司)	0.00	0.00	18,577,246.63	18,577,246.63
Other receivables	Shenzhen Healthy Deer Information Technology Co., Ltd. (深圳市健康阿鹿信息科技有限公司)	4,680.00	74.38	4,680.00	74.38
Other receivables	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	607,484.29	6,925.32	1,271,496.55	21,233.99
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	15,795.00	170.59	5,265.00	87.93

## (2) Payables to related party

Item	Related party	2022.12.31	2021.12.31
Notes payable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	0.00	379,960.00
Contract liabilities	Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	12,011.72	0.00
Other payables	Sichuan Healthy Deer Hospital Management Co., Ltd. and its subsidiaries (四川健康阿鹿医院管理有限公司及其子公司)	8,936.17	8,936.17

## XI. Share-based payments

## 1. Information about share-based payments

## (1) The Company

Item	Related content
Total amount of equity instruments granted during the year (shares)	49,450,000
Total amount of equity instruments exercised during the year (shares)	8,596,134
Total amount of equity instruments forfeited during the year (shares)	26,000
Range of exercise price and residual life of outstanding share options at the end of the year	Note
Range of exercise price and residual life of outstanding other equity instruments at the end of the year	—

Note: Share Option

① On 29 August 2022, the Company held the third extraordinary general meeting of shareholders in 2022, and reviewed and approved the "Proposal on the Company's 2022 Stock Option Incentive Plan (Draft) and its Summary", Proposal on the Company's 2022 Stock Option Incentive Plan Implementation Appraisal Management Measures" and "Proposal on Requesting the Company's Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Related to Shares Incentive". The Company held the 16th meeting of the eighth board of directors on 5 September 2022, and reviewed and passed the "Proposal on First Time Granting Stock Options to Incentive Participants". With 5 September 2022 as the grant date, 49.45 million stock options were granted to 423 incentive participants at a price of RMB11.24 per share. The date of completion and effective date of registration of stock options granted is 16 September 2022.

The exercise period of the options granted this time and the exercise time schedule for each period are shown in the following table:

Vesting period	Vesting date	Vesting ratio
First vesting period	From the first trading day 12 months after the first grant date to the last trading day within 24 months from the first grant date	40%
Second vesting period	From the first trading day 24 months after the first grant date to the last trading day within 36 months from the first grant date	30%
Third vesting period	From the first trading day 36 months after the first grant date to the last trading day within 48 months from the first grant date	30%

Company-level performance appraisal requirements: The stock options granted by this incentive plan are subject to annual performance appraisal and vesting. To achieve the performance appraisal target as the vesting condition for incentive participants, the annual performance appraisal targets for the first-time grant are shown in the table below:

Vesting period	Performance appraisal targets
First vesting period	Based on the net profit in 2021, the compound growth rate of net profit in 2022 shall not be less than 15%;
Second vesting period	Based on the net profit in 2021, the compound growth rate of net profit in 2023 shall not be less than 15%;
Third vesting period	Based on the net profit in 2021, the compound growth rate of net profit in 2024 shall not be less than 15%.

The calculation of the above "net profit" and "net profit growth rate" indicators is based on the net profit attributable to shareholders of listed company after deducting non-recurring gains and losses, and excluding the impact of share-based payments in this incentive plan. If the Company fails to meet the above-mentioned performance appraisal targets, all incentive participants whose stock options are exercisable in the year corresponding to the appraisal shall not be exercised and shall be canceled by the Company.

② On 13 December 2018, the Company held the third extraordinary general meeting of shareholders in 2018, and reviewed and approved the "Proposal on the Company's 2018 Stock Option Incentive Plan (Draft) and its summary". The stock options granted for the first time was granted on 21 December 2018, with a grant price of RMB8.21 per share, and would expire on 20 December 2022. The reserved stock options were granted on 23 September 2019, with a grant price of RMB10.47 per share, and would expire on 22 September 2022.

## (2) The Company's subsidiary, Livzon Group

Total amount of equity instruments granted during the year (shares)	17,973,500
Total amount of equity instruments exercised during the year (shares)	1,091,966
Total amount of equity instruments forfeited during the year (shares)	4,905,012
Range of exercise price and residual life of outstanding share options at the end of the year	Note 1
Range of exercise price and residual life of outstanding other equity instruments at the end of the year	Note 2

### Note 1: Share Option

① On 14 October 2022, Livzon Group's 2022 Second Extraordinary Shareholders' Meeting, 2022 Second



A-Share Class Shareholders' Meeting and 2022 H-Share Class Shareholders' Meeting reviewed and approved the "Proposal on the Company's 2022 Stock Option Incentive Plan (Revised Draft) and Its Summary", "Proposal on the company's 2022 Stock Option Incentive Plan Implementation Appraisal Management Measures", "Proposal on submitting to the company's general meeting of shareholders to authorize the board of directors to handle matters related to the 2022 stock options incentive plan". On 7 November 2022, the 39th meeting of the 10th Board of Directors of Livzon Group reviewed and approved the "Proposal on Matters Related to the First Time Grant of the 2022 Stock Option Incentive Plan". With 7 November 2022 as the grant date, 17,973,500 stock options were granted to 1,026 incentive participants at a price of RMB31.31 per A share. The date of completion and effective date of registration of stock options granted is 23 November 2022.

The exercise period of the options granted this time and the exercise time schedule for each period are shown in the following table:

Vesting period	Vesting date	Vesting ratio
First vesting period of stock options granted for the first time	From the first trading day 12 months after the completion of the first time grant registration to the last trading day within 24 months from the completion of the first time grant registration	40%
Second vesting period of stock options granted for the first time	From the first trading day 24 months after the completion of the first time grant registration to the last trading day within 36 months from the completion of the first time grant registration	30%
Third vesting period of stock options granted for the first time	From the first trading day 36 months after the completion of the first time grant registration to the last trading day within 48 months from the completion of the first time grant registration	30%

Livzon Group performance appraisal requirements: The stock options granted by this incentive plan are subject to annual performance appraisal and vesting during the 3 fiscal years of the vesting period. To achieve the performance appraisal target as the vesting condition for incentive participants, the annual performance appraisal targets for the first-time grant are shown in the table below:

Vesting period	Performance appraisal targets
First vesting period of stock options granted for the first time	Based on the net profit in 2021, the compound growth rate of net profit in 2022 shall not be less than 15%;
Second vesting period of stock options granted for the first time	Based on the net profit in 2021, the compound growth rate of net profit in 2023 shall not be less than 15%;
Third vesting period of stock options granted for the first time	Based on the net profit in 2021, the compound growth rate of net profit in 2024 shall not be less than 15%.

The calculation of the above "net profit" and "net profit compound growth rate" indicators is based on the net profit attributable to shareholders of listed company after deducting non-recurring gains and losses, and excluding the impact of share-based payments in this incentive plan. If the Company fails to meet the above-mentioned performance appraisal targets, all incentive participants whose stock options are exercisable in the year corresponding to the appraisal shall not be exercised and shall be canceled by the Company.

② On 5 September 2018, Livzon Group's 2018 Third Extraordinary Shareholders' Meeting, the 2018 Third A-Share Class Shareholders' Meeting and the 2018 H-Share Class Shareholders' Meeting reviewed and approved the "Proposal on the Company's 2018 Stock Option Incentive Plan (Revised Draft) and its Summary". The stock options granted for the first time was granted on 11 September 2018, with a grant price of RMB47.01 per share, and would expire on 23 September 2022. The reserved stock options were granted on 28 August 2019, with a grant price of RMB28.87 per A-share, and would expire on 26 October 2022.

#### Note 2: Other equity incentive

Pursuant to "the Resolution on the Disposal of Certain Equity of a Holding Subsidiary and Connected Transaction" considered and approved at the 34th Meeting of the 9th Session of the Board of Livzon Group on 8 November 2019, it was agreed that 9.5% equity interests (totally 8,382,100 shares) in Zhuhai Livzon Diagnostics Inc. (珠海丽珠试剂股份有限公司) held by Livzon Group shall be transferred to Zhuhai Liying Investment Management Partnership (Limited Partnership) (珠海丽英投资管理合伙企业(有限合伙)) at the consideration of RMB21,122,892. Pursuant to the Assets Appraisal Report on the Valuation of the Shareholders'. According to "Assets evaluation report of all shareholders' equity value project of Zhuhai

Livzon Diagnostics Inc. (珠海丽珠试剂股份有限公司) involved in the proposed transfer of equity by Livzon Pharmaceutical Group Co., Ltd.” (Huaya Zhengxin Appraisal Report [2019] No. A02-0011), the valuation of all shareholders’ equity of Zhuhai Livzon Diagnostics Inc. as at 30 June 2019 was RMB647.3075 million, and the above equity transfer price was lower than its fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB40.4017 million, which should be amortized within 5 years according to the partnership agreement and share incentive expenses were recognised due to the share-based payment as a result of the change in the shareholding of the shareholders of Zhuhai Liying Investment Management Partnership (Limited Partnership).

Pursuant to “the Resolution on the Implementation of Employee Equity Incentive Scheme by a Holding Subsidiary” considered and approved at the 34th Meeting of the 9th Session of the Board of Livzon Group on 8 November 2019, the total number of shares of new issuance by Zhuhai Livzon Diagnostics Inc. for implementation of employee equity incentive scheme shall not be more than 4,643,839 shares, and the scheme participants shall contribute a total of RMB11,702,474.28 to directly subscribe for the above shares or indirectly subscribe for the such shares through the holding of the limited partnership shares of the employee shareholding platform. In December 2019, pursuant to the Capital Increase Agreement of Zhuhai Livzon Diagnostics Inc., the total shares of Zhuhai Livzon Diagnostics Inc. increased from 88,232,932 shares to 92,876,771 shares with par value of RMB1 per share. The increased number of shares were subscribed for by Zhuhai Haoxun Enterprise Management Consulting Partnership (Limited Partnership) (珠海豪汛企业管理咨询合伙企业（有限合伙）), Zhuhai Yichen Enterprise Management Consulting Partnership (Limited Partnership) (珠海熠臣企业管理咨询合伙企业（有限合伙）) and Zhuhai Qijing Enterprise Management Consulting Partnership (Limited Partnership) (海启靖企业管理咨询合伙企业（有限合伙）) at the consideration of RMB11,702,474. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB20,709,000, which should be amortized within 5 years according to the Partnership Agreement, and share incentive expenses were recognized due to the share-based payment as a result of the change in the shares/shareholding of the shareholders or employee stock ownership platform of Zhuhai Livzon Diagnostics Inc.

On 31 August 2021, the general meeting of Livzon Bio considered and approved the Equity Incentive Scheme of Zhuhai Livzon Biotechnology Co., Ltd. (珠海市麗珠生物醫藥科技有限公司), granting 66,666,667 restricted shares of Livzon Biologics to incentive participants, among which 42 million shares were granted in the first batch and 24,666,667 shares were reserved. Incentive participants indirectly subscribed for the above shares through the holding of the limited partnership shares of the employee shareholding platform. The subscription price is lower than the fair value, therefore it constitutes a share-based payment. The total share-based payment of the transaction is RMB33.6 million, which should be amortized during the lock-up period according to the Equity Incentive Scheme of LivzonBio and the Grant Agreement and RMB16.24 million was amortized in the 6-month period ended 30 June 2022.

## 2. Equity-settled share-based payments

Method in determining the fair value of equity instruments at the date of grant	Black-Scholes Model, market price
Basis in determining the quantity of exercisable equity instruments	—
Reason for significant difference of estimation between current year and prior year	None
Accumulated amount recorded in capital reserve for equity-settled share-based payments	194,032,737.35
Total expenses recognized for equity-settled share-based payments in the year	57,076,979.08

## 3. Information on cash-settled share-based payments

None.

## XII. Commitments and contingencies

### 1. Significant commitments

## (1) Capital commitments

Capital commitments entered into but not recognized in the financial statements	Closing balance	Beginning balance
Commitments in relation to acquisition of long-term assets	455,161,816.72	582,336,168.87
Commitments in relation to external investment	12,000,000.00	8,000,000.00
Commitments in relation to research and development expenditures	0.00	309,313,880.64

## (2) Other commitments

None.

## (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 2022.

## 2. Contingencies

As at 31 December 2022, there was no other significant contingency required to be disclosed by the Company.

**XIII. Event after balance sheet date**

## 1. Profit distribution

On 7 April 2023, the twenty-third meeting of the eighth Board of Directors of the Company passed the 2022 profit distribution plan. Based on the Company's total share capital deducted by the repurchased shares held in the Company's special securities account on the registration date determined by the implementation of the Company's 2022 annual profit distribution plan, a cash bonus of RMB1.80 (tax included) for every 10 shares will be distributed to all shareholders.

The above profit distribution plan needs to be submitted to the company's 2023 annual general meeting of shareholders for consideration and approval.

As of 7 April 2023, the Company has no other events that needed to be disclosed after the balance sheet date.

**XIV. Other significant events**

## 1. Leases

The Company had adopted a simplified approach for short-term leases and leases of low value assets and did not recognize right-of-use assets and lease liabilities. The expense of short-term leases, leases of low value assets and variable lease payments not included in the measurement of lease liabilities are included in the expenses in the current period as follows:

Item	2022
Short-term leases	2,583,258.77

As of the balance sheet date, except for the above matters, the Company does not have other important matter to be disclosed.

**XV. Notes to the significant financial statements item of the Parent Company**

## 1. Notes receivable

Category	2022.12.31			2021.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	249,617,024.89	0.00	249,617,024.89	374,296,302.21	0.00	374,296,302.21
Commercial acceptance bills	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>249,617,024.89</b>	<b>0.00</b>	<b>249,617,024.89</b>	<b>374,296,302.21</b>	<b>0.00</b>	<b>374,296,302.21</b>

## (1) Notes receivable pledged at year end

Category	Amount pledged at year end
Bank acceptance bills	196,148,535.27

## (2) Bills endorsed or discounted to other parties but not yet expired at balance sheet date

Category	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance bills not yet mature but already endorsed	287,052,316.14	--
Bank acceptance bills not yet mature but already discounted	81,834,471.01	--
<b>Total</b>	<b>368,886,787.15</b>	

## (3) There was no bills transferred into account receivables for non-performance by the issuer at balance sheet date of the period.

## (4) Disclosure by method of provision for bad debts

Category	2022.12.31					2021.12.31				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)		Amount	Ratio (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual item										
Provision for bad debts on portfolio basis	249,617,024.89	100.00	0.00	0.00	249,617,024.89	374,296,302.21	100.00	0.00	0.00	374,296,302.21
Including:										
Bank acceptance bills	249,617,024.89	100.00	0.00	0.00	249,617,024.89	374,296,302.21	100.00	0.00	0.00	374,296,302.21
<b>Total</b>	<b>249,617,024.89</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>249,617,024.89</b>	<b>374,296,302.21</b>	<b>100.00</b>	<b>0.00</b>	<b>0.00</b>	<b>374,296,302.21</b>

## (5) There was no accrual, recovery or reversal of bad debt provision during the period

## (6) There was no actual write-off of notes receivable in the period

## 2. Accounts receivable

## (1) Disclosure by ageing

Ageing	2022.12.31	2021.12.31
Within one year	290,962,991.84	538,967,095.90
1 to 2 years (inclusive of 2 years)	2,684,445.48	1,410,787.21
2 to 3 years (inclusive of 3 years)	1,178,173.47	733,293.23

Ageing	2022.12.31	2021.12.31
3 to 4 years (inclusive of 4 years)	641,804.42	388,712.49
4 to 5 years (inclusive of 5 years)	388,712.49	360,879.34
Over 5 years	7,754,530.87	7,723,623.65
<b>Subtotal</b>	<b>303,610,658.57</b>	<b>549,584,391.82</b>
Less: Provision for bad debts	11,979,800.83	14,041,321.58
<b>Total</b>	<b>291,630,857.74</b>	<b>535,543,070.24</b>

## (2) Disclosure by method of provision for bad debts

Category	2022.12.31					2021.12.31				
	Book balance		Provision for bad debts		Carrying value	Book balance		Provision for bad debts		Carrying value
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)		Amount	Ratio (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual item	771,300.68	0.25	771,300.68	100.00	0.00	771,300.68	0.14	771,300.68	100.00	0.00
Including:										
Receivables from domestic customers	771,300.68	0.25	771,300.68	100.00	0.00	771,300.68	0.14	771,300.68	100.00	0.00
Receivables from overseas customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debts on portfolio basis	302,839,357.89	99.75	11,208,500.15	3.70	291,630,857.74	548,813,091.14	99.86	13,270,020.90	2.42	535,543,070.24
Including:										
Receivables from domestic customers	302,839,357.89	99.75	11,208,500.15	3.70	291,630,857.74	548,813,091.14	99.86	13,270,020.90	2.42	535,543,070.24
Receivables from overseas customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>303,610,658.57</b>	<b>100</b>	<b>11,979,800.83</b>	<b>3.95</b>	<b>291,630,857.74</b>	<b>549,584,391.82</b>	<b>100</b>	<b>14,041,321.58</b>	<b>2.55</b>	<b>535,543,070.24</b>

## Provision for bad debts on individual item:

Name	2022.12.31			Reason of provision
	Book balance	Provision for bad debts	Expected credit loss rate (%)	
Purchase of goods	771,300.68	771,300.68	100.00	Not expected to be recoverable
<b>Total</b>	<b>771,300.68</b>	<b>771,300.68</b>	<b>100.00</b>	

## Provision for bad debts on portfolio basis:

## Provision for bad debts on portfolio basis: Receivables from domestic customers

	2022.12.31			2021.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	290,962,991.84	2,721,949.54	0.94	538,967,095.90	5,259,670.96	0.98
1 to 2 years (inclusive of 2 years)	2,684,445.48	282,436.48	10.52	1,410,787.21	150,539.36	10.67

2 to 3 years (inclusive of 3 years)	1,178,173.47	378,821.59	32.15	733,293.23	239,987.97	32.73
3 to 4 years (inclusive of 2 years)	641,804.42	474,608.03	73.95	103,939.29	81,969.65	78.86
4 to 5 years (inclusive of 3 years)	103,939.29	82,681.12	79.55	300,612.74	240,490.19	80.00
Over 5 years	7,268,003.39	7,268,003.39	100.00	7,297,362.77	7,297,362.77	100.00
<b>Subtotal</b>	<b>302,839,357.89</b>	<b>11,208,500.15</b>	<b>3.70</b>	<b>548,813,091.14</b>	<b>13,270,020.90</b>	<b>2.42</b>

## (3) Accrual, recovery or reversal of bad debt provision during the period

	Amount of provision for bad debts
Beginning balance	14,041,321.58
Provision for the year	-2,061,520.75
Recovered or reversal in the year	0.00
Write-off in the year	0.00
<b>Closing balance</b>	<b>11,979,800.83</b>

At 31 December 2022 and 31 December 2021, the Company had no overdue but not impaired accounts receivable.

## (4) No actual written-off of accounts receivable in this period.

## (5) Accounts receivable due from the top five debtors

As of 31 December 2022, the total amount of the top five debtors in closing balance is RMB56,820,132.30, accounting for 18.71% of the total amount of closing balance of accounts receivable, and the corresponding closing balance of provision for bad debts is total RMB528,427.24.

## (6) There were no accounts receivable derecognized due to the transfer of financial assets in each reporting period.

## (7) There were no assets or liabilities formed by the continuing involvement of transferred accounts receivables in each reporting period.

## 3. Other receivables

Item	2022.12.31	2021.12.31
Dividends receivable	544,999,500.00	814,041,000.00
Other receivables	240,307,524.78	322,196,811.25
<b>Total</b>	<b>785,307,024.78</b>	<b>1,136,237,811.25</b>

## (1) Dividends receivable

Item	2022.12.31	2021.12.31
Topsino	524,999,500.00	749,999,500.00
Haibin Pharma	0.00	44,041,500.00
Fenglei Electric Power	20,000,000.00	20,000,000.00
<b>Subtotal:</b>	<b>544,999,500.00</b>	<b>814,041,000.00</b>
Less: Provision for bad debts	0.00	0.00
<b>Total</b>	<b>544,999,500.00</b>	<b>814,041,000.00</b>

## (2) Other receivables

## ① by ageing

Item	2022.12.31	2021.12.31
Within one year	239,838,488.56	321,955,080.06
1 to 2 years	590,397.78	149,812.10
2 to 3 years	149,812.10	206,676.00
3 to 4 years	206,676.00	126,228.36
4 to 5 years	126,228.36	20,000.00
Over 5 years	19,105,586.00	19,085,586.00
<b>Subtotal</b>	<b>260,017,188.80</b>	<b>341,543,382.52</b>
Less: Provision for bad debts	19,709,664.02	19,346,571.27
<b>Total</b>	<b>240,307,524.78</b>	<b>322,196,811.25</b>

## ② Disclosure by nature

Item	2022.12.31			2021.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Other receivables of each company within the scope of combination	238,041,400.41	0.00	238,041,400.41	294,833,504.86	0.00	294,833,504.86
Capital reduction	0.00	0.00	0.00	24,078,925.22	0.00	24,078,925.22
Treasury bonds and security deposits	17,968,386.04	17,968,386.04	0.00	17,968,386.04	17,968,386.04	0.00
External entities balances	1,384,240.83	1,253,731.83	130,509.00	3,763,793.73	1,220,062.29	2,543,731.44
Security deposits	973,098.11	354,429.35	618,668.76	848,272.56	157,320.34	690,952.22
Others	1,650,063.41	133,116.80	1,516,946.61	50,500.11	802.60	49,697.51
<b>Total</b>	<b>260,017,188.80</b>	<b>19,709,664.02</b>	<b>240,307,524.78</b>	<b>341,543,382.52</b>	<b>19,346,571.27</b>	<b>322,196,811.25</b>

## ③ Information of provision for bad debts

At year end, provision for bad debts on those in first stage:

Category	Book balance	Expected credit loss rate in the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	0.00	0.00	0.00	0.00	
Capital reduction	0.00	0.00	0.00	0.00	
Provision for bad debts on portfolio basis	238,041,400.41	0.00	0.00	238,041,400.41	
Other receivables of each company within the scope of combination	238,041,400.41	0.00	0.00	238,041,400.41	Expected to be recovered
<b>Total</b>	<b>238,041,400.41</b>	<b>0.00</b>	<b>0.00</b>	<b>238,041,400.41</b>	

At year end, provision for bad debts on those in second stage:

Category	Book balance	Expected credit loss rate for the lifetime (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item					

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on portfolio basis	4,007,402.35	43.45	1,741,277.98	2,266,124.37	
Security deposits, deposits and rental receivable	973,098.11	36.42	354,429.35	618,668.76	
Other receivables	3,034,304.24	45.71	1,386,848.63	1,647,455.61	
<b>Total</b>	<b>4,007,402.35</b>	<b>43.45</b>	<b>1,741,277.98</b>	<b>2,266,124.37</b>	

At year end, provision for bad debts on those in third stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	17,968,386.04	100.00	17,968,386.04	0.00	
Treasury bonds and security deposits	17,968,386.04	100.00	17,968,386.04	0.00	Not expected to be recoverable
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
<b>Total</b>	<b>17,968,386.04</b>	<b>100.00</b>	<b>17,968,386.04</b>	<b>0.00</b>	

As of 31 December 2021, information of provision for bad debts:

As of 31 December 2021, Provision for bad debts on those in first stage:

Category	Book balance	Expected credit loss rate in the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	24,078,925.22	0.00	0.00	24,078,925.22	
Capital reduction	24,078,925.22	0.00	0.00	24,078,925.22	Expected to be recovered
Provision for bad debts on portfolio basis	294,833,504.86	0.00	0.00	294,833,504.86	
Other receivables of each company within the scope of combination	294,833,504.86	0.00	0.00	294,833,504.86	Expected to be recovered
<b>Total</b>	<b>318,912,430.08</b>	<b>0.00</b>	<b>0.00</b>	<b>318,912,430.08</b>	

As of 31 December 2021, provision for bad debts on those in second stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Provision for bad debts on individual item	0.00	0.00	0.00	0.00	
Provision for bad debts on portfolio basis	4,662,566.40	29.56	1,378,185.23	3,284,381.17	
Security deposits, deposits and rental receivable	877,102.56	17.99	157,778.54	719,324.02	
Other receivables	3,785,463.84	32.24	1,220,406.69	2,565,057.15	
<b>Total</b>	<b>4,662,566.40</b>	<b>29.56</b>	<b>1,378,185.23</b>	<b>3,284,381.17</b>	

As of 31 December 2021, provision for bad debts on those in third stage:

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
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Provision for bad debts on individual item	17,968,386.04	100.00	17,968,386.04	0.00	
Treasury bonds and security deposits	17,968,386.04	100.00	17,968,386.04	0.00	Not expected to be recoverable
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
<b>Total</b>	<b>17,968,386.04</b>	<b>100.00</b>	<b>17,968,386.04</b>	<b>0.00</b>	

## ④ Accrual, recovery or reversal of bad debt provision during the period

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss within next 12 months	Expected credit loss for lifetime (no credit impairment occurred)	Expected credit loss for lifetime (credit impairment has occurred)	
Beginning balance	0.00	1,378,185.23	17,968,386.04	19,346,571.27
Movement of beginning balance during the period				
--transfer to second stage	0.00	0.00	0.00	0.00
--transfer to third stage	0.00	0.00	0.00	0.00
--Reverse to second stage	0.00	0.00	0.00	0.00
--Reverse to first stage	0.00	0.00	0.00	0.00
Provision for the year	0.00	363,092.75	0.00	363,092.75
Reversal in the year	0.00	0.00	-158,470.77	-158,470.77
Transfer in the year	0.00	0.00	0.00	0.00
Write-off in the year	0.00	0.00	-158,470.77	-158,470.77
Other movement	0.00	0.00	0.00	0.00
Closing balance	0.00	1,741,277.98	17,968,386.04	19,709,664.02

## ⑤ No actual written-off of other receivables in this period

## ⑥ Other receivables due from the top five debtors

Name of entity	Nature	Closing balance of other receivables	Ageing	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Shenzhen Fenglei Electric Power Investment Co., Ltd. (深圳市风雷电力投资有限公司)	Other receivables of each company within the scope of combination	129,956,104.29	2-3 years	49.98	0.00
Joincare Haibin Pharmaceutical Co., Ltd. (健康元海滨药业有限公司)	Other receivables of each company within the scope of combination	45,397,838.87	Within one year	17.46	0.00
Hua Xia Securities Co., Ltd. (华夏证券股份有限公司)	Treasury bonds and security deposits	17,968,386.04	Over 5 years	6.91	17,968,386.04
Joincare (Guangdong) Special medicine Food Co., Ltd. (健康元(广东)特医食品有限公司)	Other receivables of each company within the scope of combination	15,751,011.27	Within 2 years	6.06	0.00
Topsino Industries Limited (天诚实业有限公司)	Other receivables of each company within the scope of combination	15,736,384.51	2-3 years	6.05	0.00

Name of entity	Nature	Closing balance of other receivables	Ageing	Proportion to total other receivables (%)	Closing balance of provision for bad debts
<b>Total</b>		<b>224,809,724.98</b>		<b>86.46</b>	<b>17,968,386.04</b>

⑦ There were no other receivables derecognised due to the transfer of financial assets in each reporting period.

⑧ There were no assets or liabilities formed by the continuing involvement of transferred other receivables in the period.

#### 4. Long-term equity investment

Item	2022.12.31			2021.12.31		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	3,453,138,312.11	7,010,047.91	3,446,128,264.20	3,453,138,312.11	7,010,047.91	3,446,128,264.20
Investment in associates	78,056,248.43	0.00	78,056,248.43	84,810,888.09	0.00	84,810,888.09
<b>Total</b>	<b>3,531,194,560.54</b>	<b>7,010,047.91</b>	<b>3,524,184,512.63</b>	<b>3,537,949,200.20</b>	<b>7,010,047.91</b>	<b>3,530,939,152.29</b>

##### (1) Investment in subsidiaries

Investee	2021.12.31			2022.12.31		
	2021.12.31	Increase	Decrease	2022.12.31	Provision for impairment in the year	Closing balance of provision for impairment
Livzon Group	608,741,654.08	0.00	0.00	608,741,654.08	0.00	0.00
Haibin Pharma	783,054,186.38	0.00	0.00	783,054,186.38	0.00	0.00
Joincare Daily-Use	24,116,498.56	0.00	0.00	24,116,498.56	0.00	1,610,047.91
Topsino	813,552,689.31	0.00	0.00	813,552,689.31	0.00	0.00
Taitai Genomics	37,500,000.00	0.00	0.00	37,500,000.00	0.00	0.00
Taitai Pharmaceutical	105,939,709.72	0.00	0.00	105,939,709.72	0.00	0.00
Shenzhen Hiyeah	170,100,000.00	0.00	0.00	170,100,000.00	0.00	5,400,000.00
Fenglei Electric Power	100,763,433.06	0.00	0.00	100,763,433.06	0.00	0.00
Jiaozuo Joincare	375,000,000.00	0.00	0.00	375,000,000.00	0.00	0.00
Shanghai Frontier	32,500,000.00	0.00	0.00	32,500,000.00	0.00	0.00
Taitai Biological	4,832,950.00	0.00	0.00	4,832,950.00	0.00	0.00
Joincare Haibin	100,000,000.00	0.00	0.00	100,000,000.00	0.00	0.00
Joincare Special Food	3,000,000.00	0.00	0.00	3,000,000.00	0.00	0.00
Livzon Biologics	294,037,191.00	0.00	0.00	294,037,191.00	0.00	0.00
<b>Total</b>	<b>3,453,138,312.11</b>	<b>0.00</b>	<b>0.00</b>	<b>3,453,138,312.11</b>	<b>0.00</b>	<b>7,010,047.91</b>

## (2) Investment in associates and joint ventures

Investee	2021.12.31	Movement in the year								2022.12.31	Closing balance of provision for impairment	
		Additions in investment	Decrease in investment	Investment income/loss recognized under the equity method	Adjustment in other comprehensive income	Changes of other equity	Announced distribution of cash dividend or profit	Provision for impairment	Others			
<b>Associates</b>												
Ningbo Ningrong Biomedical Co., Ltd. (宁波宁融生物医药有限公司)	27,464,098.71	0.00	0.00	-284,889.20	0.00	0.00	0.00	0.00	0.00	0.00	27,179,209.51	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	10,689,582.15	0.00	0.00	1,712,742.07	0.00	0.00	0.00	0.00	0.00	0.00	12,402,324.22	0.00
Novastage Pharmaceuticals (Shenzhen), Ltd. (新领医药技术(深圳)有限公司)	18,080,883.21	0.00	18,080,883.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jiangsu Baining Yingchuang Medical Technology Co., Ltd. (江苏百宁盈创医疗科技有限公司)	28,576,324.02	0.00	0.00	156,057.09	0.00	0.00	0.00	0.00	0.00	0.00	28,732,381.11	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	0.00	10,000,000.00		-257,666.41	0.00	0.00	0.00	0.00	0.00	0.00	9,742,333.59	
<b>Subtotal</b>	<b>84,810,888.09</b>	<b>10,000,000.00</b>	<b>18,080,883.21</b>	<b>1,326,243.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>78,056,248.43</b>	<b>0.00</b>

## 5. Operating income and operating cost

## (1) Operating income and operating cost

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Primary operations	2,318,838,433.60	1,570,518,398.66	1,997,946,818.28	1,345,944,915.00
Other operations	55,049,131.18	42,380,613.14	23,227,007.34	10,880,121.11
<b>Total</b>	<b>2,373,887,564.78</b>	<b>1,612,899,011.80</b>	<b>2,021,173,825.62</b>	<b>1,356,825,036.11</b>

## (2) Primary Disaggregate information of operating income

## ① Segregation by products

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Chemical pharmaceuticals (化学药物)	2,156,627,002.13	1,467,215,984.98	1,844,258,573.30	1,249,873,341.86
Traditional Chinese medicine (中药制剂)	42,843,606.38	24,726,803.46	38,481,963.54	22,519,595.22
Health care products (保健食品)	119,285,823.66	78,384,343.41	115,187,552.33	73,483,571.30
Others	82,001.43	191,266.81	18,729.10	68,406.62
<b>Total</b>	<b>2,318,838,433.60</b>	<b>1,570,518,398.66</b>	<b>1,997,946,818.28</b>	<b>1,345,944,915.00</b>

## ② Segregation by operating location

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Domestic	2,318,555,876.08	1,570,367,026.33	1,997,946,818.28	1,345,944,915.00
Overseas	282,557.52	151,372.33	0.00	0.00
<b>Total</b>	<b>2,318,838,433.60</b>	<b>1,570,518,398.66</b>	<b>1,997,946,818.28</b>	<b>1,345,944,915.00</b>

## ③ Segregation by timing of revenue recognition

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Commodities (Recognized at a point in time) a point in time)	2,318,838,433.60	1,570,518,398.66	1,997,946,818.28	1,345,944,915.00
<b>Total</b>	<b>2,318,838,433.60</b>	<b>1,570,518,398.66</b>	<b>1,997,946,818.28</b>	<b>1,345,944,915.00</b>

## (3) Disaggregate information of other operations

Item	2022		2021	
	Revenue	Cost	Revenue	Cost

Processing fees	4,837,029.47	4,329,387.37	1,403,169.59	1,712,962.53
Rental fees	9,861,266.50	1,445,184.13	13,104,696.50	1,989,089.05
Technical services	27,233,207.55	23,946,403.27	0.00	0.00
Others	13,117,627.66	12,659,638.37	8,719,141.25	7,178,069.53
<b>Total</b>	<b>55,049,131.18</b>	<b>42,380,613.14</b>	<b>23,227,007.34</b>	<b>10,880,121.11</b>

## 6. Investment income

<b>Item</b>	<b>2022</b>	<b>2021</b>
Gain from disposal of long-term equity investment	985,288,053.40	1,351,395,397.50
Investment income from long-term equity investments under equity method	1,326,243.55	-2,005,822.14
Investment income from disposal of long-term equity investments	4,242,404.46	-59,868,800.00
Dividend income from other equity instrument investments	512,350.35	4,175,569.86
Investment income from disposal of financial assets held for trading	0.00	50,958.36
<b>Total</b>	<b>991,369,051.76</b>	<b>1,293,747,303.58</b>

## XVI. Supplement information

## 1. Statement of non-recurring profit or loss

<b>Item</b>	<b>2022</b>	<b>2021</b>
Gain or loss on disposal of non-current assets	-705,357.30	14,492,047.24
Unauthorized approval, or no formal approval documents, or occasional tax refunds, reductions and exemptions	0.00	0.00
Government grants that are included in the profit and loss(except for government grants that are closely related to the company's normal business operations and that meet the national policy requirements and continue to enjoy a certain amount or quantitative basis according to certain standards)	286,842,932.33	245,335,140.69
Capital occupation fees from non-financial enterprises	0.00	0.00
Gains resulting from the investment cost of the enterprise for the purpose of acquisition of the subsidiaries, joint operation and joint ventures is lower than the fair value of net identifiable assets of the investee as entitled at the time of receipt of the investment	0.00	0.00
Profit or loss from exchange of non-monetary assets	0.00	0.00
Gain or loss from entrusting others to invest or manage assets	0.00	0.00
Provision for impairment of assets accrued due to force majeure factors, such as natural disasters	0.00	0.00
Gain or loss arising from debt restructuring	0.00	0.00
Enterprise restructuring fees, such as the expenses for employees' settlement and the integration fees	0.00	0.00
Profit or loss exceeding the fair value and generated from the transaction of which the transaction price is obviously unfair	0.00	0.00
Net profit or loss over the current period of the subsidiaries as a result of business combination under common control from the beginning of the year to the date of consolidation	0.00	0.00
Gain or loss arising from contingencies unrelated to the company's normal operation	0.00	0.00
Except for the efficient hedging related to the Company's normal business, profit or loss from changes in fair value as generated from financial assets and financial liabilities held for trading and gains from investment as a result of the disposal of financial assets and financial liabilities held for trading and debt investments	-109,887,696.11	8,110,644.25
Reversals of provision for impairment of accounts receivable with individual impairment test	158,470.77	1,013,650.67

Item	2022	2021
Profit or loss from entrusted loans	0.00	0.00
Gain or loss from fluctuation in fair value of investment property which is measured at fair value	0.00	0.00
Impact of a one-time adjustment on current profit and loss according to the requirements of tax and accounting, laws and regulations	0.00	0.00
Custody fees of entrusted operation	0.00	0.00
Other non-operating income and expenses other than the above	-23,830,838.49	-30,737,442.83
Other gain or loss items met the definition of non-recurring item	0.00	0.00
Total amount of non-recurring items	152,577,511.20	238,214,040.02
Less: effects of income tax on non-recurring items	31,919,034.26	39,580,260.30
Less: Non-recurring items attributable to the minority shareholders (after tax)	37,113,548.72	95,131,719.24
Non-recurring items attributable to the shareholders of the Company	83,544,928.22	103,502,060.48

## 2. Rate of return on net assets and earnings per share

### For the year ended 31 December 2022

Profit in reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of the Company	12.23	0.7933	0.7921
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	11.55	0.7492	0.7481

### For the year ended 31 December 2021

Profit in reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the shareholders of the Company	11.50	0.6864	0.6858
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	10.60	0.6329	0.6324

Joincare Pharmaceutical Group Industry Co., Ltd.

7 April 2023