健康元 Joincare | Stock Short Name:健康元
Stock Code:600380

Joincare

2023 Annual Report

【Mission】For the Health For the Future

【Vision】Diligently make high-quality and innovative drugs

【Core Values】Putting people first, Valuing workmanship and quality, Pursuing innovation and truth, Promoting cooperation and sharing

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 2023, the Parent Company generated net profit of RMB1,241,411,898.00, 10% of which was contributed to the statutory surplus reserve, namely RMB124,141,189.80, the remainder of which, together with undistributed profits for the last year of RMB1,968,175,713.20 and gain on disposal of other equity investments of RMB1,245,892.23, subtracting cash dividends for the last year of RMB336,792,056.76, is the profits available for distribution to shareholders for the year of RMB2,749,900,256.87. The Company plans to distribute cash dividends for the fiscal year 2023, based on the total number of shares for dividend distribution, which is defined by the total shares of Company 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,

2023 marked the first year of the implementation of the guiding principles of the 20th CPC National Congress. China's health undertakings made new significant achievements and the construction of healthy China accelerated. This year, the pharmaceuticals industry underwent all-sector, full-chain and full-coverage system governance, while industry-friendly policies were introduced frequently amidst challenges and opportunities. Driven by policy support, scientific and technological innovation, and market demand, the pharmaceutical industry system witnessed notable optimization and upgrading, with innovation-led and high-quality development emerging as the prevailing theme.

In retrospect of 2023, Joincare adhered to its dual-drive strategy of innovative medicines and high-barrier complex formulations, focusing on the high-quality development of the principal pharmaceutical business. Overcoming challenges, Joincare not only achieved substantial achievements in research, production, and marketing, but also enhanced its overall R&D capabilities and innovation levels by leveraging business development channels to swiftly expand its R&D and innovation pipeline reserves, which laid a solid foundation for the Group to achieve comprehensive innovative transformation. Facing various challenges such as price reductions in key varieties due to volume-based procurementand intensified competition in the APIs market, all employees of the Group worked diligently and unitedly and made concerted efforts to achieve the Group's annual business objectives.

In 2023, the Group realized total revenues of RMB16.646 billion, representing a year-on-year decrease of 2.90%; realized a net profit attributable to shareholders of the listed company of RMB1.443 billion, representing a year-on-year decrease of 3.99%; and realized a net profit attributable to shareholders of the listed company after deduction of the extraordinary gains and losses of RMB1.374 billion, representing a year-on-year decrease of 3.18%.

We firmly believe that robust performance is the cornerstone of creating value for shareholders and we are committed to providing shareholders with excellent returns. Based on the operating results and overall financial position of the Group in 2023, the Board of Directors proposed that we continue to adopt a stable profit distribution scheme in 2023. 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 on the equity registration date designated by the annual profit distribution plan for 2023. No bonus shares will be distributed and no conversion of capital reserve into share capital will be carried out. The profit distribution scheme for 2023 is yet to be reviewed and approved at the Company's 2023 Annual General Meeting.

In 2023, the Group further carried out and practiced the dual-drive strategy of innovative medicines and high-barrier complex formulations, implemented differentiated R&Dstrategy, and created a diversified product matrix and a rich pipeline. In terms of R&D innovation, the Group adhered to a development philosophy centered on R&D innovation, and differentially deployed innovative medicines and high-barrier complex formulations through self-research and introduction to achieve high-quality development.

We continued to increase our R&D expenditures and made breakthroughs in the construction of several major platforms, including inhalation formulation, antibody, and sustained-release microspheres for injections. In 2023, the Group made great progress on various innovative medicines and high-barrier complex formulations in the R&D pipeline. In terms of innovative medicines, Ilaprazole Sodium for injection (注射用艾普拉唑钠) with new indication and Triptorelin Acetate Microspheres for Injection (注射用醋酸曲普瑞林微球) with prostatic cancer

indication were approved for launching; Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell) (重組新型冠状病毒融合蛋白二价(原型株/Omicron XBB 变异株)疫苗(CHO 细胞)) was approved for EUA; and Aripiprazole Microspheres for Injection (注射用阿立哌唑微球) were applied for marketing launch. TG-1000 capsules and Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection (重组抗人 IL-17A/F 人源化单克隆抗体注射液) had commenced the phase III clinical trials. In terms of high-barrier complex formulations, Formoterol Fumarate Inhalation Solution (富马酸福莫特罗吸入溶液), Long Chain Fat Emulsion Injection (长链脂肪乳注射液) (OO) and Tocilizumab Injection (托珠单抗注射液) were approved for market launch; and Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation (沙美特罗替卡松吸入粉雾剂) completed Phase III clinical trial and was the first to apply for marketing launch after the issuance of new domestic regulations.

We are deeply engaged in the construction of innovative R&D technology platforms for innovative and high-barrier complex formulations, so as to continuously improve our independent R&D capabilities and competitiveness. In December 2023, Meloxicam Nanocrystalline Injection (美洛昔康纳米晶注射液), which was independently developed by the Group, received approval for clinical trials. This success represents a significant breakthrough in the Group's newly established R&D platform for complex injections, injecting fresh energy into the Group's progress in this area. Meanwhile, Joincare Biopharmaceutical Research Institute also made a series of significant breakthroughs in the field of synthetic biology. As of the end of 2023, the Institute had applied for a total of 14 national invention patents (with 4 granted), 8 utility model patents (with 4 granted), Moreover, the Institute obtained 1 software copyright and published 2 high-level academic papers.

In order to further deepen the implementation of the Group's innovative development strategy, we strengthened independent innovation and foreign cooperation to accelerate R&D innovation and upgrading. In 2023, the Group successfully introduced innovative medicines such as TG-1000, a new anti-influenza medicine, and DBM-1152A, a new dual-targeted medicine of LABA+LAMA, further expanding the Group's R&D pipeline in the sector of respiratory diseases. Additionally, the Group actively expanded into new sectors, and obtained the exclusive licensing rights for FZ008-145, an analgesic drug in the Greater China region.

In terms of marketing innovation, in 2023, the Group continuously consolidated its user-centric digital marketing system and promoted steady performance growth with brand building. In the respiratory drug sector, the Group continued to promote the construction of its digital marketing platform through the establishment of a flat management ecosystem and the acceleration of digital marketing and other measures. Leveraging digital tools, the Group expedited its marketing progress. Meanwhile, through analyzing patients' feedback on medicine taking and focusing on public awareness campaigns on respiratory diseases, the Group offered entire-process services from disease awareness to disease treatment, ultimately improving our brand recognition and influence. In the health care productsand OTC segment, the Group accomplished a successful marketing reform, showing robust growth in sales revenue. Through ongoing optimization and enhancement of its marketing strategy, which integrated online and offline channels, the Group established a data-driven DTC brand digital marketing system centered on user engagement. This initiative injected new vitality into the brand, resulting in significant performance-driven outcomes.

In terms of international expansion, the Group steadily accelerated its internationalization strategy. In 2023, the revenues of the Group from overseas operations were RMB2,584 million, representing 15.64% of the Group's revenues from principalbusinesses.

In addition to maintaining its existing strengths in APIs exports, the Group proactively promoted the global planning and strategy for our key formulation products. In 2023, 4 chemical formulations

of the Company were approved for registration in overseas markets, and 14 new registrations were submitted. Among them, Compound Ipratropium Bromide Solution was completed the registration review in Philippines and obtained the registration approval in January 2024, Levosalbutamol Hydrochloride Nebulizer Solution was submitted the registration application in Macao and obtained the registration approval in February 2024, and Cetrorelix Acetate for Injection was submitted the registration application to the United States.

Leveraging the opportunity of the successful issuance of Global Depository Receipts (GDRs) on the Swiss Exchange in 2022, the Group's Investor Relation Team actively engaged in overseas roadshows in countries such as Singapore, the United Arab Emirates, Switzerland. They showcased the Group's business model, financial condition, and development strategy to overseas investors, effectively enhancing the Group's international visibility and influence This initiative received positive responses from a wide range of investors.

In addition to commitment to business development, we actively participated in social welfare undertakings, effectively fulfilled our social responsibilitiesby integrating ESG concepts into our strategic planning and daily operations. As a leading manufacturer of inhalation formulations in China, we consistently upheld our commitment to serving the nation and its people as a pharmaceutical company. Following the inclusion of three inhalation formulation products,雾舒®, 舒坦琳®, and 丽雾安®, in the fifth round of national volume-based procurement, and the inclusion of 特瑞通® in the seventh round of national volume-based procurement, Levosalbutamol Hydrochloride Nebulizer Solution (盐酸左沙丁胺醇雾化吸入溶液) successfully won the bidding in the ninth round of national volume-based procurement. As of the end of 2023, Tobramycin Solution for Inhalation (妥布霉素吸入溶液) (健可妥®), the first independently developed inhaled antibiotics in China, was included in the latest National Reimbursement Drug List. This development is anticipated to enhance the drug's accessibility and offer more convenient and effective treatment options for a large number of patients. In 2023, the inhalation formulation segment of Joincare recorded a revenue of RMB1,741 million, representing a year-on-year increase of 48.35%. This also means that more and more Chinese people are using domestically produced, high-quality and affordable new drugs.

To improve public awareness of chronic disease diagnosis, treatment, and management, the Group orderly conducted public awareness campaigns through academic publications, public welfare actions, and the promotion of science popularization, thereby raising public health awareness and advancing universal healthcare development. As of the end of 2023, "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, has collaborated with over 5,000 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), asthma, bronchiectasis and other respiratory diseases with high morbidity but low awareness and rate of standardized treatment, so as to support the "Healthy China 2030" initiative.

Over the years, we have always kept in mind our responsibilities as a corporate citizen, actively responded to national call, and continued to devote ourselves to the construction of healthy China and the rural revitalization plan. Leveraging our industrial strengths, we consistently launched the "Access to Public Welfare for Chronic Diseases Prevention and Treatment (普惠慢病防治公益项目)" program. This program currently covers 8 provinces and 4 autonomous regions in China, effectively easing the financial burdens of low-income households and solidifying the gains made in poverty alleviation efforts. In 2023, the Group's public welfare donations amounted to approximately RMB25.9846 million.

As we look forward to 2024, the international situation will be complex and unpredictable,

presenting various challenges to the development of China's pharmaceutical industry alongside new opportunities for growth. This year, for the first time "innovative medicines, bio-manufacturing, and life sciences" were collectively mentioned in the government work report during the National People's Congress and the Chinese People's Political Consultative Conference indicating potential breakthroughs for the industry. The Group will stay true to its original aspiration, be poised to seize opportunities, and steadfastly commit to achieving high-quality growth objectives by anchoring to the two pillars of "innovation" and "internationalization", so as to promote the Group's all-around innovation and transformation.

Firstly, we will continue to increase investment in innovation to improve R&D and business development capabilities, boost the Group's R&D employment across various segments, and continuously enrich and consolidate the Group's innovative product pipelines. Secondly, we will transform and upgrade our intelligent manufacturing to comprehensively enhance product competitiveness through quality improvements, cost reductions and efficiency enhancements. Thirdly, we will deepen digital marketing reforms to reshape brand positioning with a user-centric driver, thereby expanding product market shares. Fourthly, we will strengthen our partnership with global strategic customers, accelerate international product registrations and certifications, enhance the market development of our superior products, so as to further increase our overseas market shares, and propel the Group towards sustainable high-quality growth.

In 2023, we faced challenges head-on and moved forward with courage. In 2024, we embrace our original aspirations, ready to embark on the journey with renewed vigor and determination.

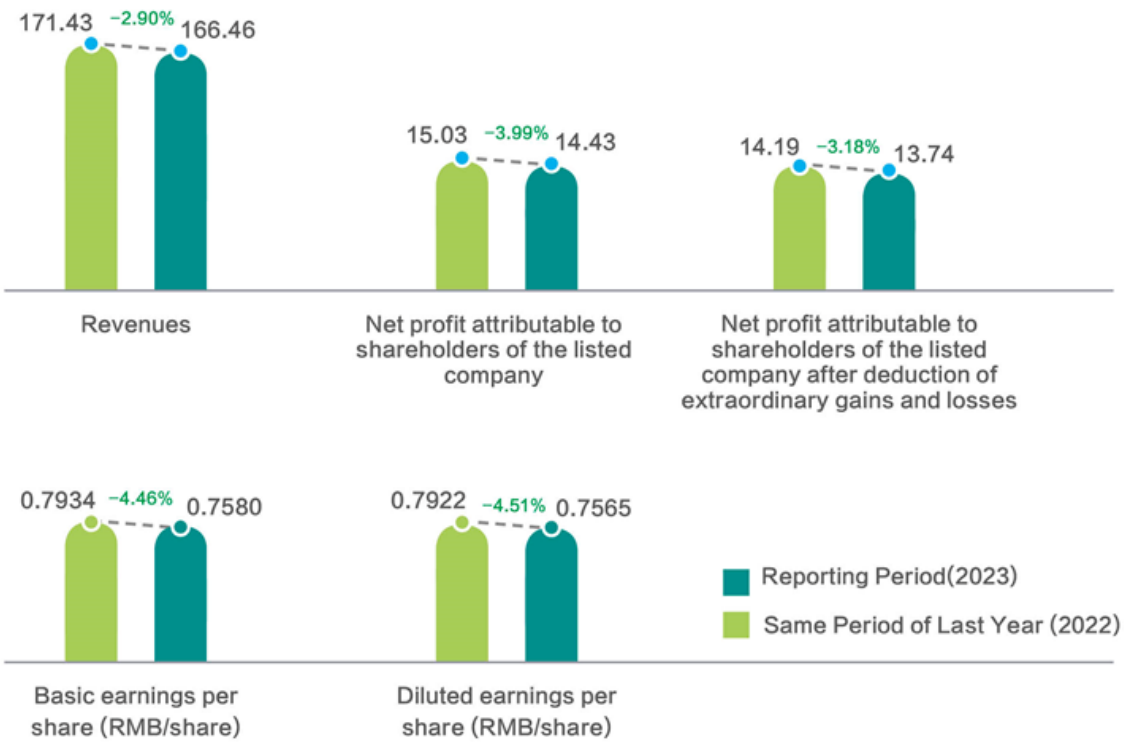
In the new year, we will continue to deepen the dual-drive strategy of innovative medicines and high-barrier complex formulations, deeply integrate the overall situation of "introduction" and "going global", fully accelerate the progress of innovative research and development and the commercialization of new products, further enhance our competitive edges in the future, and continue to struggle for the Group's all-around innovation, transformation and high-quality development. On behalf of the Board of the Company, I would like to take this opportunity to express my sincere gratitude to all Shareholders, employees and business partners of Joincare for your long-lasting care, companionship and support!

Chairman: Zhu Baoguo

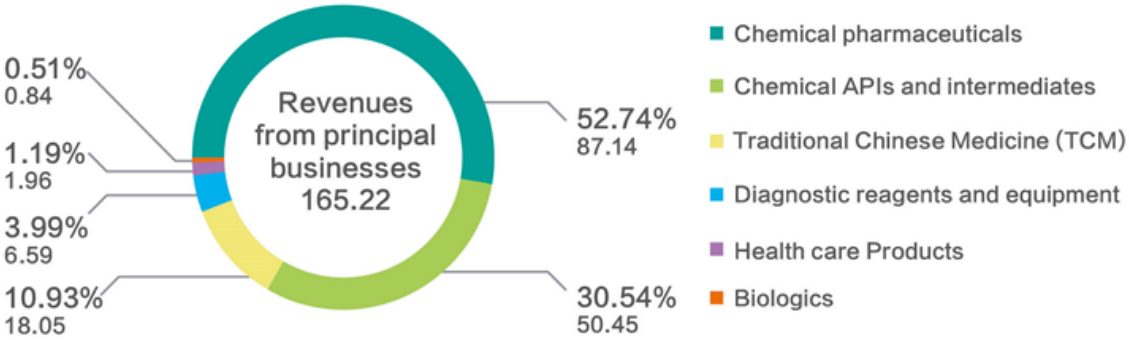
2 April 2024

Financial Highlights

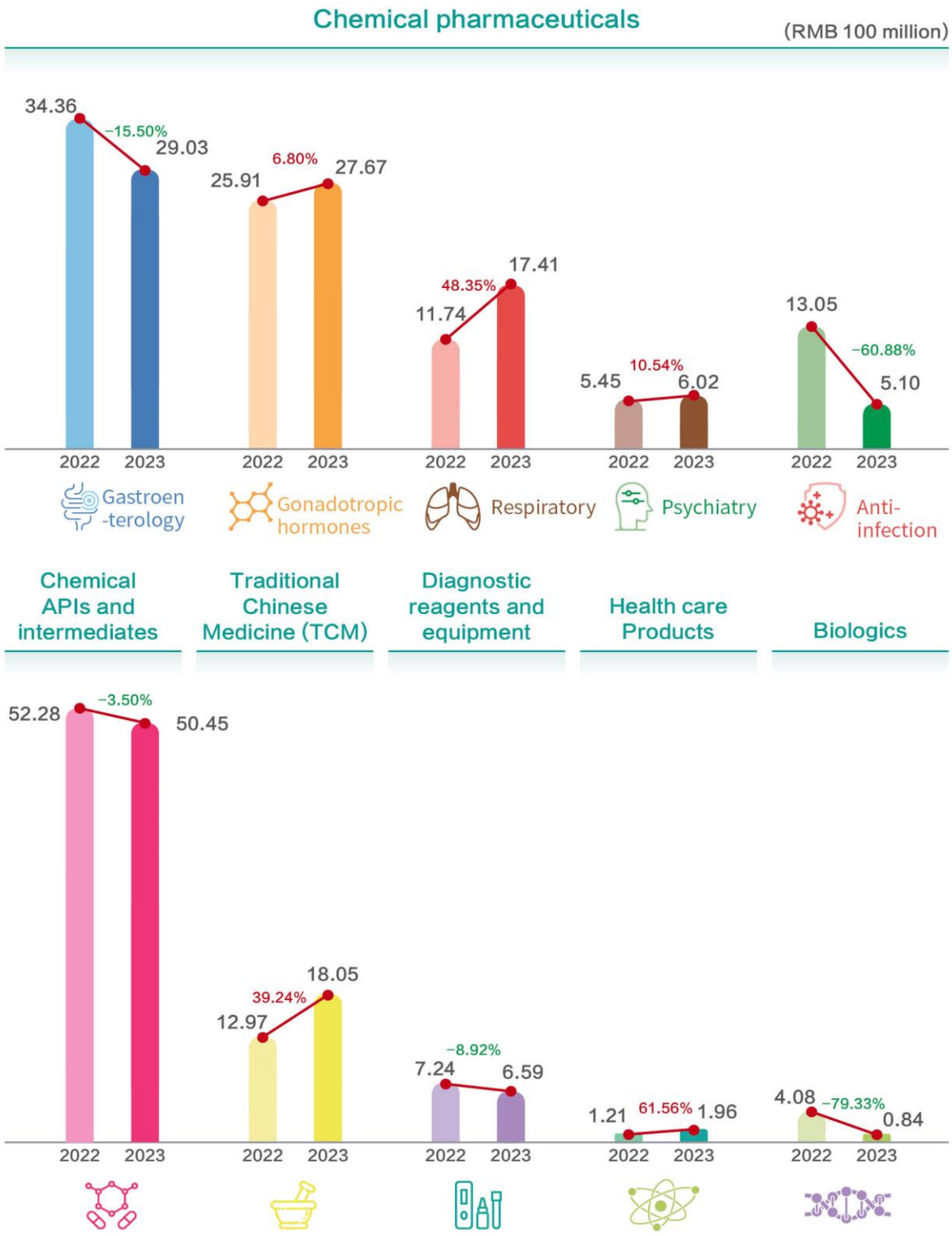
Major Financial indicators (RMB100 Million)



Principal Businesses (RMB 100 million)



Financial Highlights



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
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)
BD	Refers to	Business Development
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
NRDL	Refers to	National Reimbursement Drug List
BE	Refers to	Bioequivalence
EUA	Refers to	Emergency Use Authorization
CPC	Refers to	Cephalosporin C
DTC	Refers to	Direct-to-Consumers
KOL	Refers to	Key Opinion Leader
AIPL	Refers to	Awareness, Interest, Purchase, Loyalty
ANDA	Refers to	Abbreviated New Drug Application
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
RTO	Refers to	Regenerative Thermal Oxidizer
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)
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)
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)
LivzonBio	Refers to	Zhuhai Livzon Biotechnology Co., Ltd.*(珠海市丽珠生物医药科技有限公司)
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 2023 to 31 December 2023
End of the Reporting Period	Refers to	31 December 2023
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 (赵凤光)	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	Registered at B5, Hengfeng Industrial City, Hezhou Community, Huangtian Village, Xin'an Town, Bao'an County on 18 December 1992 Changed its registered address to 4-5/F, Dongpeng Building, Shangmeilin Industrial Area, Futian District, Shenzhen on 25 May 1994 Changed its registered address to 24/F, Block B, Fujian Building, Caitian South Road, Futian District, Shenzhen on 4 July 1995 Changed its registered address to 23/F, Diwang Building, Shun Hing Square, No .333, Shennan East Road, Shenzhen on 20 June 1997 Changed its registered address to Taitai Pharmaceutical Industrial Building, the 5th Industrial Area, Nanshan District, Shenzhen on 22 September 2000 Changed its registered address to 23/F, Diwang Building, Shun Hing Square, No .5002, Shennan East Road, Luohu District, Shenzhen on 4 June 2003 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 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
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	8 Puming Road, China (Shanghai) Pilot Free Trade Zone
	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 12.2.2 of "the Rules Governing the Listing of Stocks on Shanghai Stock Exchange", for offering of new stocks or convertible corporate bonds by a listed company, 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	2023	2022		YoY Change (%)	2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Revenues	16,646,350,349.72	17,142,753,068.82	17,142,753,068.82	-2.90	15,903,688,266.59	15,903,688,266.59
Net profit attributable to shareholders of the listed	1,442,779,722.23	1,502,777,133.76	1,502,595,840.48	-3.99	1,328,453,099.44	1,328,499,432.05

company						
Net profit attributable to shareholders of the listed company after deduction of extraordinary gains and losses	1,374,136,730.41	1,419,232,205.54	1,419,050,912.26	-3.18	1,224,951,038.96	1,224,997,371.57
Net cash flow from operating activities	3,928,909,609.73	3,977,705,139.29	3,977,705,139.29	-1.23	2,563,089,045.24	2,563,089,045.24
	End of 2023	End of 2022		Increase or decrease at the end of the period over the same period of last year(%)	End of 2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Net assets attributable to shareholders of the listed company	13,755,901,924.06	13,121,955,371.22	13,121,820,410.55	4.83	11,820,247,324.08	11,820,293,656.69
Total assets	36,358,126,258.82	35,735,429,731.71	35,729,253,651.41	1.74	31,112,098,179.40	31,103,900,389.29

Note: Retroactive adjustments to accounting data for the previous years due to changes in accounting policies.

(2) Major financial indicators

Major financial indicators	2023	2022		YoY Change (%)	2021	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share (RMB/share)	0.7580	0.7934	0.7933	-4.46	0.6863	0.6864
Diluted earnings per share (RMB/share)	0.7565	0.7922	0.7921	-4.51	0.6858	0.6858
Basic earnings per share after deduction of extraordinary gains and losses (RMB/share)	0.7219	0.7493	0.7492	-3.66	0.6329	0.6329
Weighted average return on net assets (%)	11.00	12.23	12.23	Decreased by 1.23 percentage points	11.50	11.50
Weighted average return on net assets after deduction of extraordinary gains and losses (%)	10.47	11.55	11.55	Decreased by 1.08 percentage points	10.60	10.60

Note: Retroactive adjustments to accounting data for the previous years due to changes in accounting policies.

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

□Applicable √N/A

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 financial reporting 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 2023 by quarter

Unit: Yuan Currency: RMB

	1st quarter (Jan. - Mar.)	2nd quarter (Apr.- Jun.)	3rd quarter (Jul. - Sept.)	4th quarter (Oct. - Dec.)
Revenues	4,559,049,786.82	4,160,691,812.41	3,931,515,787.21	3,995,092,963.28
Net profit attributable to shareholders of the listed company	462,746,183.03	352,688,551.87	268,214,419.85	359,130,567.48
Net profit attributable to Shareholders of the listed company after deducting the extraordinary gains or losses	446,772,473.94	334,971,668.24	267,477,595.49	324,914,992.74
Net cash flow from operating activities	248,084,750.71	1,009,122,934.83	1,202,644,059.16	1,469,057,865.03

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	2023	2022	2021
Gain or loss on disposal of non-current assets	-169,901.01	-705,357.30	14,492,047.24
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 polices and standards of the country)	233,058,407.11	286,842,932.33	245,335,140.69
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	-48,440,235.41	-109,887,696.11	8,110,644.25
Reversal of impairment loss on accounts receivable and contract assets tested for impairment individually	1,013,650.67	158,470.77	1,013,650.67
Other non-operating income and expenses apart from the above items	-41,010,372.38	-23,830,838.49	-30,737,442.83
Less: Effect of income tax	21,086,934.90	31,919,034.26	39,580,260.30
Effect of minority equity (after tax)	54,721,622.26	37,113,548.72	95,131,719.24
Total	68,642,991.82	83,544,928.22	103,502,060.48

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	109,015,664.98	82,899,154.24	-26,116,510.74	-48,752,886.09
Financial liabilities held for trading	755,634.43	86,817.12	-668,817.31	668,817.31
Other equity instrument investments	1,193,958,879.05	1,155,283,408.36	-38,675,470.69	29,344,854.27
Total	1,303,730,178.46	1,238,269,379.72	-65,460,798.74	-18,739,214.51

XII. Others

□ Applicable √ N/A

Chapter 3 Management Discussion and Analysis

I. Discussion and analysis of business operation

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and also the key year for economic recovery after three years of pandemic prevention and control in COVID-19. The pharmaceutical industry has ushered in a systematic governance in all fields, chains and coverages. Facing the slow global economic recovery, as well as market challenges such as price reduction in centralized procurement in Meropenem for Injection and intensified competition in the API market, the Company adhered to the mission of "For the health, For the future" and the vision to "Diligently make high-quality and innovative drugs", focused on high-quality development of the pharmaceutical industry, increased R&D investment, enhanced R&D innovation capabilities as well as promoted differentiated product pipeline upgrading, so as to achieve long-term sustainable development.

(1) Dual-driver strategy of "innovative drugs + high-barrier complex formulations" and accelerating the transformation to innovative pharmaceutical enterprises

The Company deeply implemented the dual-driver strategy of "innovative drugs + high-barrier complex formulations", focused on unmet clinical needs, accelerated product projects initiation and development, optimized R&D pipelines as well as improved the technical contents and levels of products. In terms of innovative drugs, the new indications of Ilaprazole Sodium for injection and the prostate cancer indications of Triptorelin Acetate Microspheres for Injection were approved for launching, Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell) was approved for EUA, Lipustobart for Injection was submitted for conditional launchapproval, Aripiprazole Microspheres for Injection and Triptorelin Acetate Microspheres for Injection were submitted for launching application for endometriosis indication, and Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection was initiated Phase III clinical trials. In terms of high-barrier complex formulations, Formoterol Fumarate Inhalation Solution, Long Chain Fat Emulsion Injection (OO) and Tocilizumab Solution for Injection were approved for launching, Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation completed Phase III clinical trials, which the first company submitted for registration application in China following the publication of the Guideline for Bioequivalence Study on Genetic Drugs of Orally Inhaled Drug Products. And Meloxicam Nanocrystal Injection and other products had obtained clinical approval and conducted Phase III clinical trails. The Company is actively expanding the research and development of pharmaceutical and medical device combinations, its mesh nebulizer was approved as a Class II medical device, its airway stent was submitted a Class III medical device registration application, and the smear drug dispenser was completed the registration of Class I medical device.

While continuously strengthening independent innovation, the Company continued to deepen the cooperative development and licensing introduction of varieties in core fields, docked with global superior resources and cutting-edge technologies, and strengthened its own commercialization and integration capabilities. During the Reporting Period, the Company made significant progress in Business Development (BD), successfully introduced several innovative pharmaceutical products in the respiratory, digestive, nervous, cardiovascular and analgesia systems accelerating its transformation into an innovative pharmaceutical enterprise. TG-1000 capsules, a new influenza drug, entered Phase III clinical trails andcompleted the enrolment plan. DBM-1152A, a double-target innovative drug, could act on both M receptor and β receptor (MABA) at the same time to play a synergistic role in bronchiectasis, and successfully entered Phase I clinical trials. N91115, an oral innovative drug for asthma treatment, a small molecular inhibitor of GSNOR, could reduce the inflammatory response of asthma patients has entered Phase I clinical trails. Potassium Ion Competitive Acid Blocker (P-CAB), an innovative medicine of digestive system, obtained clinical approval in February 2024. FZ008-145, a highly selective second-generation Nav1.8 inhibitor, providing potent, non-addictive analgesia, obtained clinical approval in January 2024, and is poised to enter clinical trials. Meanwhile, both the thrombin inhibitor HHT120 and the innovative antidepressant LS21031 have been carried out Phase I clinical trials.

(2) Establishing a sound marketing management system and enhancing the brand value of Joincare

During the Reporting Period, the Company's sales of prescription drugs faced challenges due to price reduction in centralized procurement, industry regulation and other factors. Combining with national policies, the Company continued to build and improve the marketing system by taking various measures, and actively implemented the sales deployment: paid attention to the construction of a sales team, enhanced the terminal coverage of core products, implemented refined management and precise coverage of terminals, formulated scientific and personalized performance appraisal indicators, optimized salary system, and enhanced self-driving force and team vitality of the sales team; centered on core varieties, continued to deepen evidence-based construction, advocated cooperation among the medical department, the marketing department and the sales team, actively participated in national or regional academic conferences, pushed forward post-marketing research of key products in an orderly manner; as well as continued to promote the construction of a digital marketing platform, focused on popular science of diseases, linked doctors with patients, offered refined services for patients, and gave full-process services for patients from "knowing diseases" to "treating diseases"; Increased patients' awareness of diseases and products, and enhanced brand awareness; as well as actively followed up the implementation of national medical reform policy. During the Reporting Period, Tobramycin Inhalation Solution and Triptorelin Acetate Microspheres for Injection were included in the China's National Reimbursement Drug List and Ilaprazole Sodium for injection was successfully renewed its qualification for NRDL and expended the reimbursement scope. Meanwhile, 2 products were included in the eighth batch of national volume-

basedprocurement and 1 product was included in the ninth batch of national volume-based procurement, reducing the economic burden of patients and improving the accessibility of drugs.

In 2023, the global trade environment was complicated and changeable. Facing the challenging external situations and fierce competitions, the Company's API sales team actively sought a breakthrough. The export business of high-end antibiotics, pet deworming medications and intermediate products continued to deepen the market segment. In the second half of the year, the Company seized the opportunity of market recovery, and had several products maintained their leading positions in terms of global market share: High-end antibiotic products such as teicoplanin and daptomycin maintained good growth as a result of benefiting from the volume of downstream formulation products; Pet deworming medication series products including Milbeoxime, Moxikedin and Doramectin were cooperated with internationally renowned animal protection companies, making the market share further rose. The export of intermediate mycophenolic acid deepened customer cooperation, and the ceftriaxone industry chain was linked up and down, achieving steady growth. And in terms of domestic sales, the domestic market share of meropenem API, ceftriaxone sodium and cefuroxime sodium continued to rise, while the sales of other products such as lovastatin and acarbose kept growing.

(3) Deepening the international strategies and steadily advancing the internationalization process

The Company's products have been exported to over 80 countries and regions in Asia, Europe, North America, Africa, etc. In order to continuously intensify the overseas market layout, the Company has carried out business visits to Southeast Asia, and made strategic deployments to establish international production bases and accelerate product exports in the future. The Company is actively promoting international registration and certification; and currently, the registration and application process for Meropenem APIs is underway in Japan. High-end pet drugs like Fluralaner and Afoxolaner, antibiotic products like Dalbavancin Hydrochloride as well as Meropenem Crude have completed industrial validation and batch production and are currently undergoing registration and application in the United States; and Sulfate Polymyxin B has also completed industrial validation and batch production and is currently undergoing registration and application in China, the United States and Europe simultaneously. As at the end of 2023, 18 varieties have passed the on-site inspection of international certification, and 35 international certificates were obtained within the validity period.

The Company actively expanded its international business in pharmaceutical products, and continued to sell and register respiratory, assisted reproductive, digestive, psychiatric and anti-infection products in countries such as Pakistan, Indonesia, the Philippines and Vietnam. During the Reporting Period, 4 chemical formulations of the Company were approved for registration in overseas markets, and 14 new registrations were submitted. Among them, Compound Ipratropium

Bromide Solution was completed the registration review in Philippines and obtained the registration approval in January 2024, Levosalbutamol Hydrochloride Nebulizer Solution was submitted the registration application in Macao and obtained the registration approval in February 2024, and Cetrorelix Acetate for Injection was submitted the registration application in the United States.

(4) Emphasizing both to quality and efficiency, prioritizing automation and intelligence to enhance productivity.

The Company actively practiced high-standard and compliant system management, continuously strengthened quality and EHS capacity building, constantly elevated system support capacity, further enhanced core business competitiveness, and better guaranteed sustainable and healthy development. In terms of quality system management, the Company adhered to the basic principles of "risk management, full-process control and social co-governance", and established a risk management system covering R&D, production and operation modules to comprehensively control quality risks throughout the product lifecycle. In the meantime, with a view to improving employee quality awareness and strengthening the quality culture construction, the Company publicized quality knowledge through monthly quality activities, regulatory training, document training and other methods, and created a quality awareness of "emphasizing quality and valuing regulations", thereby providing effective guarantees for the safety and stability of its products in various fields. In terms of EHS system management, the Company established an environmental management system conforming to ISO14001 standard and an occupational health and safety management system conforming to ISO45001 standard, continuously optimized the management system, actively advanced the certification of green factory, and steadily improved its own safety, environment and occupational health levels. The Company continuously strengthened the development and construction of source emission reduction and pretreatment processes for wastewater, waste gas and solid waste, and constantly promoted the construction of and capacity improvement in three-waste facilities.

The Company continuously increased its investment in upgrading equipment and facilities and technically transforming production processes, with its investment amount for technical upgrade and operation maintenance of environmental protection equipment exceeding RMB103 million. All production enterprises inferior to the Company continued to embrace independent innovation to upgrade quality and efficiency, and carried out actions such as automation upgrading, process optimization, energy saving and consumption reduction, so as to help the Company produce safely and efficiently and accelerate production capacity release. Among them, the new factory of Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. has been completed and put into use, realizing the transformation and upgrading of Chinese medicine manufacturing; and Shenzhen Haibin Pharmaceutical Co., Ltd. has completed the construction of electronic management system in some workshops and put it into use.

(5) Deeply engage in practicing the ESG principles, driving the fulfillment of corporate social responsibility

The Company actively practiced the concept of sustainable development, and continuously optimized corporate governance, R&D innovation, employee care, environmental protection and social responsibility, having achieved remarkable results. In 2023, MSCI, an international authoritative index institution, upgraded the Company's rating from "BBB" to "AA", revealing the industry-leading level of the Company, and fully reflecting the recognition and affirmation of the Company's ESG management achievements and sustainable development ability by the international capital market. The Company valued environmental protection, carried forward the environmental management policy of "pollution prevention, compliance with laws and regulations, continuous improvement", actively improved energy efficiency, intensified green investment, as well as formulated and strove to achieve the goal of "carbon emission peaking in 2028 and carbon neutrality in 2055". The Company always kept in mind its corporate citizenship responsibility, actively responded to the call of the state, invested in the healthy China construction and the rural revitalization plan, and carried out the "Access to Public Welfare for Chronic Diseases Prevention and Treatment Program" in combination with its own industrial advantages, which so far has covered 8 provinces and 4 autonomous regions across the country, effectively alleviating the economic burden of low-income families. Meanwhile, the Company fully supported industrial assistance, consolidated the achievements of poverty alleviation and difficulty tackling, carried out public science popularization in an orderly manner, and helped improve public health knowledge. In 2023, the aggregate amount of public welfare donations of the Company was approximately RMB25.9846 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. 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. 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. In 2023, 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

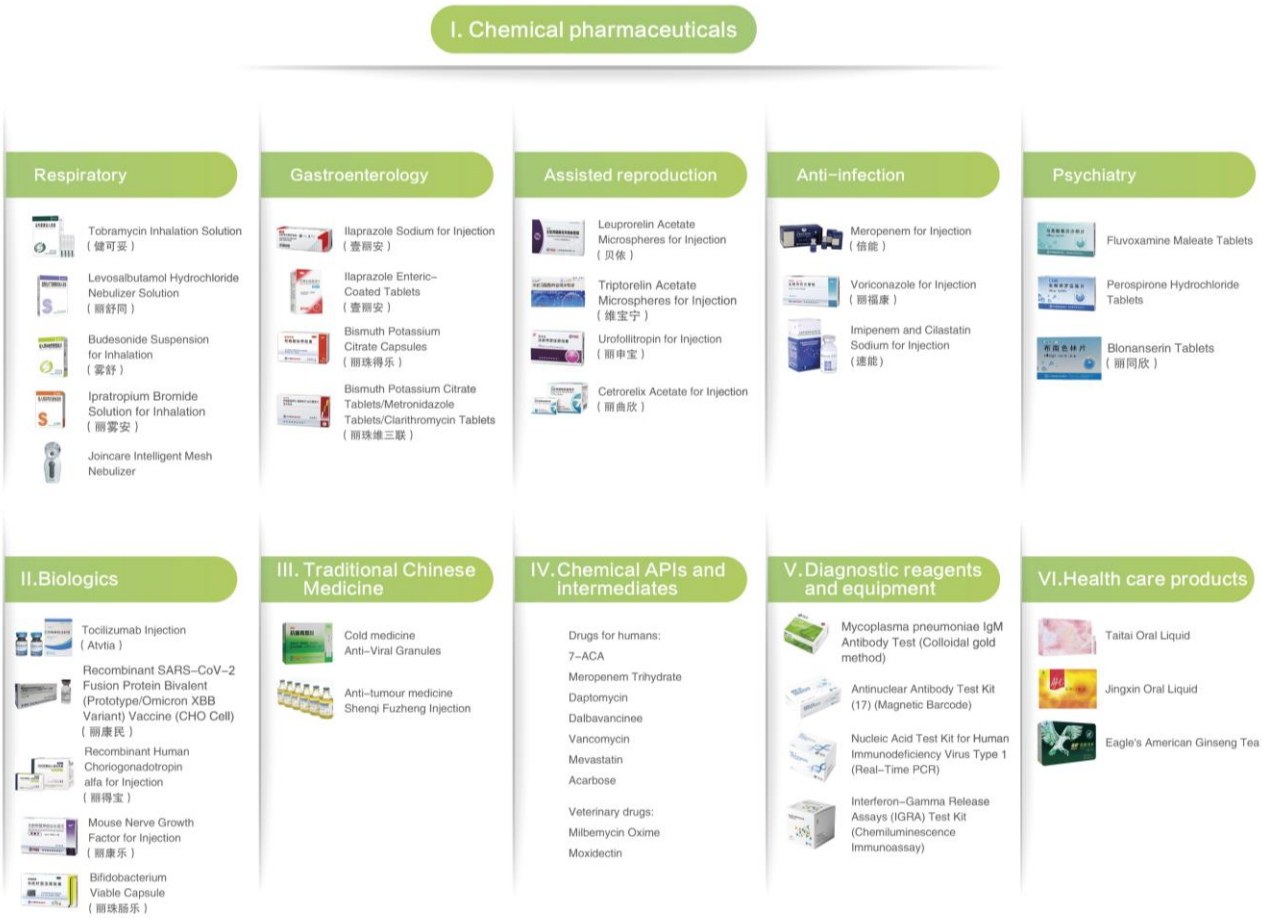
transformation as well as upgrading and encouraging innovation. With the aging population and the increasing urbanization rate in China, from the long-term and holistic perspective, China's pharmaceutical industry will continue to present a promising development trend.

Data of National Bureau of Statistics shows that in 2023, enterprises in the pharmaceutical manufacturing industry above designated scale in China recorded revenues of RMB2,520.57 billion, representing a year-on-year decrease of 3.7%; operating costs of RMB1,440.16 billion, representing a year-on-year decrease of 2.3%; and total profits of RMB347.30 billion, representing a year-on-year decrease of 15.1%.

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 enriched 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

Combining independent R&D, 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 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 82 businesses in drug distribution line and approximately 30 businesses in food distribution line with more than 400,000 subordinate secondary businesses and end user 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）, Kuaishou (快手) and Pinduoduo (拼多多).

(III) Industry status of the Company

Through years of development, the Company has become an integrated pharmaceutical enterprise covering multiple sectors including chemical pharmaceuticals, biologics, chemical APIs and intermediates, traditional Chinese medicine, diagnostic reagents and equipment, health care products. 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.

During the Reporting Period, the Company, leveraging its robust R&D and production capabilities and steady marketing presence, the Company ranked Top 10 in "2022 Annual Ranking of Top 100 Chinese Chemical Drug Enterprises", and top 100 in "China's comprehensive strength in drug R&D in 2023".

(IV) Performance drivers during the Reporting Period

2023 marks a year of China's economic recovery. Despite the tightening macroeconomic environment including tightening industry regulation policy, the company remained focused on its core business. Despite the adverse factors such as a decrease in the volume-based procurement price of its key product Meropenem for injection and intensified competition in the APIs market, we strengthened sales through professional, refined and compliant management. During the Reporting Period, the contribution of sales revenues from key formulation products in key specialist areas, especially in fields of respiratory and psychiatry, to overall revenues was continuously improved. In terms of the health care products segment, the Company continued to upgrade the market strategy of interpenetration and coordination between online and offline channels, and have established a user-centric digital marketing system, leading to rapid growth in sales performance. At the same time, the Company continues to increase its R&D expenditures. While strengthening its independent R&D capabilities, the Company had introduced multiple innovative medicine projects through external introductions and co-development, continuously reinforced its leading position in areas such as respiratory and gastroenterology, and gradually expanded and upgraded its pipelines in areas such as cardiovascular diseases and analgesia to consolidate the foundation for its overall innovation and transformation.

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.

In recent years, the company has continuously enhanced and strengthened its commercial expansion efforts, adhering to our dual-drive strategy of innovative medicines and high-barrier complex formulations. While focusing on independent innovation, we also continued to deepen cooperation in the development and licensing introduction of core varieties, aligning with global advantageous resources and cutting-edge technologies. This strategic initiative strengthens the company's commercial and integration capabilities, accelerating the pace of the company's transformation into an innovative pharmaceutical enterprise.

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 RMB16,646 million, representing a year-on-year decrease of approximately 2.90%; a net profit attributable to shareholders of the listed company of RMB1,443 million, representing a year-on-year decrease of approximately 3.99%, and a net profit attributable to shareholders of the listed company after deducting the extraordinary

gains or loss of RMB1,374 million, representing a year-on-year decrease of approximately 3.18%. 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 45.34% equity interest in Livzon Group (000513.SZ, 01513.HK). During the Reporting Period, Livzon Group (excluding Livzon MAB) realized revenues of RMB12,521 million, representing a year-on-year increase of approximately 0.78%; and realized a net profit of approximately RMB1,130 million attributable to shareholders of the Company.

During the Reporting Period, the formulation drug sector of Livzon Group was affected by multiple factors such as price reduction in medical insurance and centralized rectification of the pharmaceutical industry, resulting in a slight decline. The proportion and profitability of high-end specialty APIs in the API segment steadily increased. The sales of its products in the key therapeutic areas are as follows: Gastroenterology products realized revenues of RMB2,903 million, representing a year-on-year decrease of approximately 15.50%; gonadotropic hormones products realized revenues of RMB2,767 million, representing a year-on-year increase of approximately 6.80%; and psychiatry products realized revenues of RMB602 million, representing a year-on-year increase of approximately 10.54%.

(2) Livzon MAB

As at the End of the Reporting Period, the equity interest held by the Company in Livzon MAB was 56.19%, and the amount affecting the Company's net profit attributable to the parent company for the current period was approximately RMB-609 million.

Livzon MAB continued to focus on the fields such as autoimmune diseases, vaccines, oncology and assisted reproduction. With the R&D projects gradually enter the production and commercialization stage, the quality system improvement and product commercialization process of Livzon MAB were also continuously accelerating. During the Reporting Period, the progress in R&D of key biological products was set out as below:

Recombinant Human Choriogonadotropin alfa for Injection（注射用重组人绒促性素） was approved for market launch and sales in 2021 as the first generic drug in China’s mainland. Through actively conducting its work related to overseas registration, it has been approved for market launch in Tajikistan and Indonesia and its launching application has been submitted in Uzbekistan, Pakistan, Philippines and Nigeria. Tocilizumab Injection（托珠单抗注射液） has been approved for market launch in early 2023. Its approved indications include rheumatoid arthritis, cytokine release syndrome (CRS) and systemic juvenile idiopathic arthritis (sJIA). Following the emergency use of Recombinant SARS-CoV-2 Fusion Protein Vaccine V-01（重组新型冠状病毒融合蛋白疫苗 V-01), Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO

Cell)（重组新型冠状病毒融合蛋白二价（原型株/Omicron XBB 变异株）疫苗（CHO 细胞））Vaccine was approved for emergency use in December 2023. Recombinant Human Follitropin Alfa Solution for Injection（重组人促卵泡激素注射液）is in the phase III clinical trials, and more than 65% of the subjects have been enrolled as of the end of the Reporting Period; Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection（重组抗人 IL-17A/F 人源化单克隆抗体注射液） officially launched the phase III clinical trial for psoriasis indication in August 2023, which is the first IL-17 drug in China to initiate a head-to-head clinical study with Secukinumab（司库奇尤）. In addition, the indication of ankylosing spondylitis indication declared by Beijing Kanova, our partner, officially launched the phase III clinical trial in September 2023. The launching of pre-BLA for the conditional marketing of Lipustobart for Injection（注射用利普苏拜单抗）(PD-1) has been submitted.

With the successive approvals for market launch of its products, Livzon MAB has enriched relevant teams such as pharmacovigilance, production quality and production-sales connection, gradually improved the GMP system and industrialization capabilities and enhanced the overall operational capabilities.

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

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized revenues of RMB4,556 million, representing a year-on-year decrease of approximately 5.72%, and realized a net profit attributable to shareholders of listed companies of RMB924 million, representing a year-on-year decrease of approximately 0.55%. Joincare realized a net profit attributable to shareholders of the listed company after deducting the extraordinary gains and losses of RMB903 million, representing a year-on-year increase of approximately 4.56%. 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 RMB1,988 million from prescription drug segment, representing a year-on-year decrease of approximately 6.20%. 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 RMB1,741 million, representing a year-on-year increase of 48.35%; the revenues generated from the field of anti-infection totaled RMB2.24 million, representing a year-on-year decrease of 75.64%.

In 2023, the Company implemented the principle of “respecting talents and putting people first”, and continuously expanded the sales team size of the national respiratory line and optimized the team gradient construction by integrating internal and external resources and talents. By seizing the opportunity that Levosalbutamol Hydrochloride Nebulizer Solution was listed in the National Reimbursement Drug List and Tobramycin Inhalation Solution was the only approved inhalation antibiotic in China, the Company further optimized its marketing promotion structure, and had its

operation quality improved steadily. By the end of 2023, the Company's respiratory formulation products had covered more than 4,000 hospitals above grade II. The Company actively supported and participated in regional and national academic conferences, helped to improve the scientific research capabilities of experts, transformed the diagnosis and treatment concepts of clinicians, consolidated the academic promotion foundation around innovative drugs, supported researchers in clinical trials and large-scale post-market research, and assisted in publishing 7 medical papers. Among them, the Phase III results about Tobramycin Inhalation Solution were internationally recognized and published in CHEST, the top journal in the respiratory field. The Company continued to promote the construction of a digital marketing platform and accelerated the marketing process by digital means. With the help of the platform of "Respiratory Experts' Views", the Company carried out corporate communication in all directions to enhance brand awareness and influence. As at the end of the Reporting Period, the platform of "Respiratory Experts' Views" has gathered over 5000 respiratory experts, broadcast over 500 sessions of popular science live streams on respiratory diseases, and received over 25 million views.

② **APIs and intermediates**

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized sale revenues of RMB2,079 million from APIs and intermediates segment, representing a year-on-year decrease of approximately 11.89%.

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, the terminal market demands for 7-ACA, a key product of the Company, was generally stable, and the sales price has declined. The Company maintained its advantage position in market share by strengthening the in-depth cooperation with strategic customers and actively expanding domestic and international markets. Another key product, Meropenem Trihydrate, is facing challenges such as intensified international market competition and pricing pressures. The Company had taken active measures to maintain its existing market share, at the same time, the Company also actively expanded its overseas business to carry out a number of applications for the registration of Meropenem aseptic powder and crude product so as to enhance the Company's profitability. Furthermore, the Company leveraged on its advantages of APIs - formulations vertical integration, actively expanded the domestic API market. And it has established collaborations with several domestic manufacturers to minimize the impacts of volume-based drug procurement.

In terms of the R&D of APIs, the Company continued to conduct in-depth research in the field of synthetic biology and had achieved a series of results. In terms of Escherichia coli, the Company successfully completed the construction of the first set of automatic adaptive continuous evolution

platform in cooperation with Hamburg University of Technology in Germany. In terms of filamentous fungi, the Company broke through the technical bottleneck, significantly improved the positive rate of protoplast transformation and screening of filamentous fungi, and completed the optimization of screening conditions for compound mutagenesis of Acremonium chrysogenum. In terms of Saccharomyces cerevisiae, the Company cooperated with Technical University of Denmark to build a platform for editing technology, gene assembly and large fragment plasmid integration technology, breaking through the bottleneck of easily losing fragments during large plasmid construction, and achieving the phased goal of heterologous synthesis of ACV tripeptides and penicillin N in Saccharomyces cerevisiae. In terms of Streptomycetes, the Company completed the development and accumulation of a series of key research technologies based on Streptomyces protoplast transformation, gene overexpression, gene editing, site-directed mutation of key enzymes, etc., and is currently undergoing the transformation of strains for producing Acarbose and Doramectin. In terms of the construction of biocatalytic platform, the Company is building an independent and controllable knowledge base, adopting the AlphaFold 2 algorithm to predict the structure of key enzyme proteins on the CPC metabolic pathway, and applying the AI method of natural product biosynthesis pathways to predict key genes of aromatic amino acid metabolites. By the end of 2023, Joincare Research Institute had applied for a total of 14 national invention patents (with 4 granted), 8 utility model patents (with 4 granted). Moreover, the Company obtained 1 software copyright and published 2 high-level academic papers.

③ Health care products and OTC drugs

During the Reporting Period, Joincare (excluding Livzon Group and Livzon MAB) realized revenues of RMB453 million from health care products and OTC segment, representing a year-on-year increase of approximately 46.31%.

During the Reporting Period, the Company built a set of DTC brand digital marketing system with user operations as the core data to drive sales growth. In terms of content marketing, the Company made a key layout of social media drivers with Douyin, Little Red Book and WeChat, cooperated with many professional KOLs, and promoted brands and products through images, short videos, live streaming and self-streaming, greatly upgrading brand exposure, continuously exporting health science knowledge, optimizing and upgrading marketing links, and greatly enhancing AIPL circulation efficiency. In terms of brand marketing, the Company conveyed scientific health and wellness concepts and established a professional brand image and reputation by conducting popular science education through authoritative media and industry experts; and based on good reputation of the original brand, the Company's brand renewal efficiency is obvious and higher than that of new brands, and the penetration rate of the brand's target audience is gradually increasing. In terms of channel sales, it mainly strengthened channel transformation, enhanced online channel undertaking, opened such flagship stores as Tmall, JD, Douyin and Little Red Book, reached cooperation and implemented strategic agreements with Top 50 offline chain institutions, as well as

vigorously developed offline food line channels. Under the condition of maintaining the original sales model, online channels Tmall, JD.COM and Douyin are mainly laid out to improve the penetration rate of channels, thus enhancing brand sales. In terms of organizational structure, it set up a content marketing department by brand operation, and formed a team with diversified backgrounds, international vision and rich practical experience in brand marketing so as to strengthen the brand talent capacity.

(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	16,646,350,349.72	17,142,753,068.82	-2.90
Operating costs	6,298,465,671.11	6,252,265,308.40	0.74
Selling expenses	4,434,442,281.05	4,950,802,456.16	-10.43
Administrative expenses	930,481,615.70	992,483,591.51	-6.25
Financial expenses	-404,841,133.45	-352,447,424.62	N/A
R&D expenses	1,661,757,980.90	1,742,088,079.94	-4.61
Net cash flow from operating activities	3,928,909,609.73	3,977,705,139.29	-1.23
Net cash flow from investing activities	-877,424,336.85	-2,252,167,188.62	N/A
Net cash flow from financing activities	-1,927,493,522.28	566,122,659.80	-440.47

Reasons for changes in net cash flow from investing activities: Mainly due to the increase in cash receipts from investment returns and the decrease in expenditures on purchasing large denomination deposits during the reporting period.

Reasons for changes in net cash flow from financing activities: Mainly due to the increase in cash outflows due to loan repayments, distribution of dividends, and share repurchases, as well as the decrease in financing activities 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 RMB16,646 million, representing a year-on-year decrease of 2.90%; the operating costs totaled RMB6,298 million, representing a year-on-year increase of 0.74%.

(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	16,521,723,930.99	6,206,181,318.60	62.44	-2.89	0.74	Decreased by 1.35percentage 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	8,714,333,568.23	1,838,766,252.49	78.90	-5.55	1.37	Decreased by 1.44 percentage points
Chemical APIs and intermediates	5,045,478,897.44	3,348,124,481.16	33.64	-3.50	-1.79	Decreased by 1.15 percentage points
Traditional Chinese medicine	1,805,427,390.05	575,932,282.52	68.10	39.24	34.60	Increased by 1.10 percentage points
Diagnostic reagents and equipment	658,966,438.70	256,124,411.27	61.13	-8.92	-27.37	Increased by 9.87 percentage points
Health care products	195,865,865.05	71,643,900.63	63.42	61.56	55.00	Increased by 1.55 percentage points
Biologics	84,426,083.26	102,589,712.45	-21.51	-79.33	-3.95	Decreased by 95.37 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	13,938,078,133.85	4,471,521,161.40	67.92	-1.64	3.36	Decreased by 1.55 percentage points
Overseas	2,583,645,797.14	1,734,660,157.20	32.86	-9.09	-5.42	Decreased by 2.60 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	11,220,434,988.89	2,722,733,195.38	75.73	0.31	6.10	Decreased by 1.32 percentage points
Direct sales	5,301,288,942.10	3,483,448,123.22	34.29	-9.03	-3.08	Decreased by 4.04 percentage points

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 RMB16,522 million, representing a year-on-year decrease of RMB491 million or 2.89%.

The company was affected by multiple factors such as price reduction in collection and global de-stocking of APIs, and the company's overall revenue from principal businesses declined slightly. Chemical pharmaceuticals achieved revenues of RMB8,714 million, representing a decrease of 5.55% year-on-year. Among them, the sales revenues in the field of gastroenterology reached RMB2903 million, dropping by 15.50% year-on-year; the sales revenues in the field of gonadorelin hormones amounted to RMB27.67 million, increasing by 6.80% year-on-year; the sales revenues in the field of respiratory reached RMB1,741 million, a year-on-year increase of 48.35%; the sales revenues of psychiatry products was RMB602 million, a year-on-year increase of 10.54%; the sales revenues in the field of anti-infection was RMB5.10 million, dropping by 60.88% year-on-year. Chemical APIs and intermediates achieved revenues of RMB5,045 million, a year-on-year decrease of 3.50%. Traditional Chinese Medicine achieved revenues of RMB1,805 million, a year-on-year increase of 39.24%. Diagnostic reagents and equipment achieved revenues of RMB659 million, a year-on-year decrease of 8.92%. Healthcare products achieved revenues of RMB196 million, a year-on-year increase of 61.56%. Biological products achieved revenues of RMB84 million, a year-on-year decrease of 79.33%.

(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 （%）
Leuprorelin Acetate Microspheres for Injection	Ten thousand boxes	186.34	186.22	-	22.61	22.57	-
Ilaprazole sodium for injection	Ten thousand boxes	1,983.56	1,969.44	238.88	6.28	0.68	5.99
Ilaprazole Enteric-Coated Tablets	Ten thousand boxes	1,879.06	1,820.53	540.85	-24.90	-19.35	12.02
7-ACA (including D-7ACA)	Ton	3,011.97	3,108.39	6.08	-1.75	2.96	-94.07
Shenqi Fuzheng Injection	Ten thousand bottles/ Ten thousand bags	1,043.26	1,006.72	76.34	46.13	42.40	13.76

Explanations on production and sales

In 2023, the company continued to strengthen evidence-based research on key products of TCM formulations already launched. There was a focus on cultivating terminal markets including tertiary hospitals, grassroots medical institutions, retail pharmacies, and e-commerce platforms while continuously optimizing traditional distribution channels and structures of the end-user market.

The sales volume of the Shenqi Fuzheng Injection continued to increase in the grassroots market, resulting in an increase in both production and sales volume. The fluctuation in the inventory of 7-ACA (including D-7ACA) was mainly influenced by the supply-demand relationship at the terminal.

(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	3,814,984,465.46	60.57	3,908,782,585.27	62.52	-2.40
	Labor costs	869,230,688.54	13.80	809,277,538.94	12.94	7.41
	Manufacturing costs	1,496,213,350.61	23.76	1,684,532,284.52	26.94	-11.18
	Depreciation	456,623,740.32	7.25	406,107,662.76	6.50	12.44
	Others	-339,777,290.85	-5.39	-559,185,005.37	-8.94	N/A
	Subtotal	6,297,274,954.09	99.98	6,249,515,066.13	99.96	0.76
Service industry	Costs of materials	126,265.53	0.00	512,284.05	0.01	-75.35
	Labor costs	933,523.43	0.01	1,757,712.56	0.03	-46.89
	Manufacturing costs	91,122.96	0.00	327,719.99	0.01	-72.19
	Depreciation	39,805.10	0.00	152,525.67	0.00	-73.90
	Subtotal	1,190,717.02	0.02	2,750,242.27	0.04	-56.71
Total	Costs of materials	3,815,110,730.99	60.57	3,909,294,869.32	62.53	-2.41
	Labor costs	870,164,211.97	13.82	811,035,251.51	12.97	7.29
	Manufacturing costs	1,496,304,473.57	23.76	1,684,860,004.51	26.95	-11.19
	Depreciation	456,663,545.42	7.25	406,260,188.43	6.50	12.41
	Others	-339,777,290.85	-5.39	-559,185,005.37	-8.94	N/A
	Subtotal	6,298,465,671.11	100.00	6,252,265,308.40	100.00	0.74
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	58,832,542.11	0.93	36,089,962.70	0.58	63.02

	Labor costs	10,675,288.60	0.17	11,329,854.63	0.18	-5.78
	Manufacturing costs	10,085,408.48	0.16	9,444,348.04	0.15	6.79
	Depreciation	4,035,742.61	0.06	5,463,682.37	0.09	-26.14
	Others	-11,985,081.17	-0.19	-16,104,826.72	-0.26	N/A
	Subtotal	71,643,900.63	1.14	46,223,021.02	0.74	55.00
Pharmaceutical Products	Costs of materials	3,738,329,801.68	59.35	3,841,254,506.51	61.44	-2.68
	Labor costs	856,996,739.54	13.61	795,400,898.83	12.72	7.74
	Manufacturing costs	1,422,660,060.12	22.59	1,620,338,814.98	25.92	-12.20
	Depreciation	449,880,221.02	7.14	400,238,957.27	6.40	12.40
	Others	-334,520,121.42	-5.31	-546,139,386.60	-8.74	N/A
	Subtotal	6,133,346,700.94	97.38	6,111,093,791.00	97.74	0.36

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 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.	Supplied by Livzon Limin Base and external suppliers	Codonopsis Root: the supply price fall compared with the same period last year due to natural disasters; 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.
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	The overall supply of main raw medicinal herbs used in Anti-Viral Granules was relatively stable in 2023 due to the Company's safety stock strategy and the launch of emergency procurement plans after the assessment of risk trends, which ensured the production and supply. 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 Acori Graminei Rhizome have a certain	Tendering procurement, internally supplied by plantation base and external suppliers	The prices of some medicinal herbs such as Fructus Forsythiae and Indigowoad Root increased significantly due to the surge in market demand for Anti-Viral Granules. In 2023, the increase in prices of main raw medicinal herbs was well controlled compared with the same period of the previous year due to the Company's safety stock strategy and the launch of emergency procurement plans after the

		amount of safety stock to ensure basically stable supply and price.		assessment of risk trends, which ensured the production and supply. The price of Acori graminei Rhizoma stayed relatively the same benefiting from the strategic inventory and the supply from co-built base; purchase price of Rehmanniae Radix fell in 2023 as the plantation area was supplemented stimulated by the high price in the previous year; and price changes of other varieties were within controllable range.

(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 RMB1,503 million, representing 9.03% 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 RMB802 million, representing 16.98% of the total annual purchase cost, of which the purchases from related parties were RMB268 million, representing 5.68% 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	2023	2022	YOY Change(%)	Explanations
Selling expenses	4,434,442,281.05	4,950,802,456.16	-10.43	No material change
Administrative expenses	930,481,615.70	992,483,591.51	-6.25	No material change
Financial expenses	-404,841,133.45	-352,447,424.62	N/A	No material change
R&D expenses	1,661,757,980.90	1,742,088,079.94	-4.61	No material change

4. Investment in R&D

(1). Investment in R&D

√Applicable □ N/A

Unit: Yuan

Current expensed R&D expenditure	1,357,343,510.45
Current capitalized R&D expenditure	274,513,905.45
Total R&D expenditure	1,631,857,415.90
Total amount R&D expenditure as a percentage of Revenues (%)	9.80
Ratio of capitalized R&D expenditure (%)	16.82

(2). R&D Staff

√Applicable □ N/A

Number of R&D staff	1,740
Proportion of R&D staff to the total employees (%)	12.11
Education background of R&D staff	
Education composition	Number
PhD	61
Postgraduate	491
Bachelor	768
Junior college graduate	289
High school and below	131
Age composition of R&D staff	
Age composition	Number
Under 30 years old (exclusive)	767
30-40 years old (including 30 years old, excluding 40 years old)	717
40-50 years old (including 40 years old, excluding 50 years old)	209
50-60 years old (including 50 years old, excluding 60 years old)	47
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

Unit: Yuan

Item	2023	2022	YOY Change (%)	Explanations
Net cash flow from operating activities	3,928,909,609.73	3,977,705,139.29	-1.23	No material change
Net cash flow from investing activities	-877,424,336.85	-2,252,167,188.62	N/A	Mainly due to the increase in cash receipts from investment returns and the decrease in expenditures on purchasing large denomination deposits during the reporting period.
Net cash flow from financing activities	-1,927,493,522.28	566,122,659.80	-440.47	Mainly due to the increase in cash outflows due to loan repayments, distribution of dividends, and share repurchases, as well as the decrease in financing activities 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	79,474,572.01	2.29%	Mainly due to changes in gains or losses of the associates and receipt of dividend payments.	No
Gains or losses from changes in fair value	-25,419,715.12	-0.73%	Mainly due to fluctuations in market value of the securities investment held.	No
Losses of credit impairment	-16,846,468.56	-0.49%	Mainly due to expected credit losses on accounts receivable.	No
Impairment loss of assets	-312,369,926.37	-9.01%	Mainly due to the impairment provision for inventories.	No
Non-operating income	7,980,415.72	0.23%	Mainly due to income on disposal of wastes and the transfer without any payment.	No
Non-operating expenses	48,990,788.10	1.41%	Mainly due to donation expenses.	No
Other income	259,061,799.00	7.48%	Mainly due to government grants.	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
Non-current assets due within one year	406,376,425.44	1.12	54,048,611.11	0.15	651.87	Mainly due to the reclassification of large certificates of deposit and time deposits maturing within one year.
Other current assets	77,402,185.01	0.21	163,539,900.32	0.46	-52.67	Mainly due to the maturity proceeds from cash management operations.
Investment properties	16,958,213.00	0.05	6,191,475.43	0.02	173.90	Mainly due to the new leasing of buildings business by subsidiaries during the Period.
Construction in progress	531,059,118.06	1.46	811,300,068.96	2.27	-34.54	Mainly due to the transfer of the production lines of the new factories and workshops of the subsidiaries which met the conditions for transfer into fixed assets.
Financial liabilities held for trading	86,817.12	0.00	755,634.43	0.00	-88.51	Mainly due to the changes in fair value of forward foreign exchange contracts.
Contract liabilities	159,082,637.65	0.44	292,977,730.74	0.82	-45.70	Mainly due to the fact that part of the contract payments received in advance fulfilled the conditions for revenue recognition and were transferred to revenue during the Period.
Employee benefits payable	399,466,473.91	1.10	573,010,571.46	1.60	-30.29	Mainly due to the payment of Medium to Long-term Business Partner Share Ownership Scheme provisioned in the previous year.

Non-current liabilities due within one year	718,564,144.31	1.98	63,077,260.98	0.18	1,039.18	Mainly due to the transfer of long-term borrowings due within one year.
Other current liabilities	51,087,001.83	0.14	101,276,714.35	0.28	-49.56	Mainly due to the decrease in expected refunds payable.
Lease liabilities	15,422,948.41	0.04	23,482,486.07	0.07	-34.32	Mainly due to the transfer to lease payables maturing within one year.
Capital reserve	1,601,720,087.71	4.41	2,343,693,215.99	6.56	-31.66	Mainly due to the reduction in share premium resulting from stock repurchases.
Treasury shares	-	-	347,176,561.29	0.97	N/A	Mainly due to the cancellation of repurchased shares.
Other comprehensive income	-12,246,131.22	-0.03	4,704,473.53	0.01	-360.31	Mainly due to changes in the fair value of other equity instruments investment.

2. Overseas assets

√Applicable □ N/A

(1) Asset size

Of which: Overseas assets were 51.93 (Unit: 100 million Currency: RMB), representing 14.28% 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	6,627,449.66	Letters of credit, bank acceptances and forward exchange settlement deposits, etc.
Notes receivable	519,789,027.16	Notes pool business and pledge of notes receivable
Total	526,416,476.82	

4. Others

□Applicable √ N/A

(IV) Analysis of industry-related business information

√Applicable □N/A

According to the Guidelines for the Industry Statistics and Classification of Listed Companies issued by the China Association for Public Companies, the Company is operating in the pharmaceutical manufacturing industry (C27). 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

1. Influence of industry policies

The year 2023 marks the first year for fully implementing the spirit of the 20th CPC National Congress, a critical year for comprehensively building a modern socialist country and marching towards the second Centenary Goal, and the third year of the 14th Five-Year Plan. China has issued a number of planning documents to make top-level plans for the development of pharmaceutical industry inthe future. The major policies that had a significant impact on the Company are as follows:

① Revitalization and development of traditional Chinese medicine

In February 2023, the State Council issued the Notice on the Implementation Plan of Major Projects for the Revitalization and Development of Traditional Chinese Medicine (《中医药振兴发展重大工程实施方案的通知》), which further increases support for the development of traditional Chinese medicine and strive to promote the revitalization and development of traditional Chinese medicine during the 14th Five-Year Plan period. In April 2023, the National Health Commission issued the Implementation Plan of Programs on Promoting the Culture of Traditional Chinese Medicine During the 14th Five-Year Plan Period (《"十四五"中医药文化弘扬工程实施方案》), which further defines the supporting measures and the division of work under the 14th Five-Year Plan for the Development of Traditional Chinese Medicine (《"十四五"中医药发展规划》).

② Key Work Points of 2023 Healthy China Initiative

In March 2023, the Office for Promoting Healthy China Initiative and its member entities and other relevant entities have formulated the Key Work Points of 2023 Healthy China Initiative (《健康中国行动2023年工作要点》), with an aim to promote the implementation of all actions, ensure the achievement of all tasks and goals as scheduled and protect the all-round and full-cycle health of the public.

③ Adjustment of the catalog of medicines covered by medical insurance

In December 2023, the National Healthcare Security Administration issued the National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2023) (《国家基本医疗保险、工伤保险和生育保险药品目录(2023年)》), effective from 1 January 2024. In this round of adjustment, a total of 126 drugs were added to the Catalog and a drug was removed from the Catalog. A total of 143 drugs not included in the Catalog participated in negotiations or bidding, of which 121 drugs succeeded. The negotiation success rate was 84.6% and the average price reduction was 61.7%, which were basically the same as those in 2022.

④ Routine operation of volume-based procurement

Since 2018, the National Healthcare Security Administration has carried out nine batches of centralized procurement of pharmaceuticals, which covers a total of 374 drugs with an average price reduction of over 50%. China organized the centralized volume-based procurement of pharmaceuticals in a routine and institutionalized manner, and the ninth batch of centralized drug procurement has been conducted. While continuously exploring and optimizing the rules, China has established a sound centralized procurement plan. In the future, the national volume-based procurement will be refined to enhance the quality and efficiency of the whole process, and focus on the refined management of centralized drug procurement especially in early volume reporting, circulation and procurement, and clinical use.

⑤ Centralized rectification campaign of the pharmaceutical industry

In July 2023, the National Health Commission held a joint video conference with the Ministry of Education, the Ministry of Public Security, the National Audit Office, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration for Market Regulation, the National Healthcare Security Administration, the National Administration of Traditional Chinese Medicine, the National Disease Control and Prevention Administration and the National Medical Products Administration, which arranged a one-year nation-wide centralized rectification campaign to address corruption issues in the pharmaceutical industry. The centralized rectification focused on six aspects: (i) the administrative departments in the pharmaceutical sector which use power to seek for benefits; (ii) "key persons" and key positions in medical and health institutions, and kickback-based sales of medicines, equipment and consumables; (iii) social organizations under the management and guidance of the administrative departments in the pharmaceutical sector which use the conveniences of work to seek profits; (iv) issues related to the use of medical insurance funds; (v) pharmaceutical production and operation companies which conduct illegal behaviors in the purchase and sales; and (vi) medical personnel who violate the Nine Principles for Integrity-based Practices of Workers in Medical Institutions (《医疗机构工作人员廉洁从业九项准则》). Through measures such as self-examination and self-correction, centralized rectification, and overall rectification, China has conducted a systematic governance covering all areas, the entire chain and full spectrum against prominent corruption issues in the pharmaceutical industry, and has established and improved a series of long-term mechanisms to secure the effective

results.

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, maintain the competitive sales of large varieties, strengthen the market development of new and potential varieties, and promote sales to lower-tier markets, so as to expand sales scale, and create more competitive advantages of products. The Company will also improve the production quality management, standardize the safe and environmentally friendly production, further refine the compliant management system and mechanism, 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.

Traditional Chinese medicine: In recent years, the traditional Chinese medicine has experienced a sustained influx of favorable policies and refined regulatory frameworks. In terms of policies, China increased its support for traditional Chinese medicine from the top-level design, and shifted its policies from the overall long-term planning in the past to more specific guidance including medical insurance payment, optimization of review and approval rules, and encouragement of traditional Chinese medicine innovation. The 14th Five-Year Plan for the Development of Traditional Chinese Medicine released in 2022 is the first five-year plan for traditional Chinese medicine issued in the name of the State Council, further clarifying China's determination to develop traditional Chinese medicine. Since 2023, the traditional Chinese medicine industry also benefited from a large number of major favorable policies, including the Special Provisions on the Administration of Traditional Chinese Medicine Registration (《中药注册管理专门规定》) and the Several Measures on Further Strengthening the Scientific Supervision of Traditional Chinese Medicine to Promote the Inheritance, Innovation and Development of Traditional Chinese Medicine, which provide a vast space for the development of the traditional Chinese medicine industry. Traditional Chinese medicine stands as a cornerstone of the Company's traditional strengths. Flagship products such as Shenqi Fuzheng Injection and Anti-Viral Granules represent key traditional Chinese medicines of the Company. In the future, the Company will make every effort

to develop an innovative R&D platform for traditional Chinese medicine to further strengthen the research and development of innovative traditional Chinese medicine products and continuously diversify the product pipeline of the Company.

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	Gonadotropic hormones	Leuprorelin Acetate Microspheres for Injection	Chemical drugs Class 6	Endometriosis, hysteromyoma, breast cancer, etc.	Yes	No	2010.12.23-2030.12.23	No	No	Yes
Chemical pharmaceuticals	Gastroenterology	Ilaprazole Sodium for Injection	Chemical drugs Class 2	Peptic ulcer bleeding, and prevention of stress ulcer bleeding in severe patients	Yes	No	2018-08-10-2038-08-10	No	No	Yes
Chemical pharmaceuticals	Gastroenterology	Ilaprazole Enteric-Coated Tablets	Chemical drugs Class 1.1	Duodenal ulcer and reflux esophagitis	Yes	No	2006.03.24-2026.03.24	No	No	Yes
Traditional Chinese medicine	Antitumor	Shenqi Fuzheng Injection	Traditional Chinese medicine Class 2	Enhancing the vital energy and strengthening the body resistance It is used for the treatment of mental fatigue, lacking in strength, weak breath, laziness to speak, spontaneous perspiration and dizziness caused by the deficiency of vital energy in lung and spleen; the auxiliary treatment of patients with lung or gastric cancer who suffer from the above indications.	Yes	No	2005.04.13-2025.04.13	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
Leuprorelin Acetate Microspheres for Injection	Not included	Included
Ilaprazole Sodium for Injection	Not included	Included
Ilaprazole Enteric-Coated Tablets	Not included	Included
Shenqi Fuzheng 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
Leuprorelin Acetate Microspheres for Injection	RMB903.86-1295.9	199.80	Ten thousand boxes
Ilaprazole Sodium for Injection	RMB71.00	2,139.12	Ten thousand boxes
Ilaprazole Enteric-Coated Tablets (6 tablets)	RMB70.51-83.73	1,466.21	Ten thousand boxes
Ilaprazole Enteric-Coated Tablets (10 tablets)	RMB156.30	133.91	Ten thousand boxes
Shenqi Fuzheng Injection	RMB90.63-113.24	506.87	Ten thousand bottles

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.

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	290,319.98	33,307.79	88.53	-15.50	-29.15	2.21	78.70%
Gonadotropic hormones	276,696.11	84,760.16	69.37	6.80	3.13	1.09	-
Respiratory	174,104.21	34,432.63	80.22	48.35	72.04	-2.72	88.66%
Psychiatry	60,226.32	3,344.57	94.45	10.54	17.54	-0.33	83.05%
Anti-infection	51,040.16	19,495.40	61.80	-60.88	-21.28	-19.21	46.46%

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 2022 Annual Report.

② No comparable data on gross profit margin in the field of gonadotropic hormones has been found.

③ The gross profit margin data of products in the field of the respiratory comes from that of “respiratory system category” in 2022 Annual Report of Tianjin Tianyao Pharmaceuticals Co., Ltd.

④ The gross profit margin data of products in the psychiatric field comes from that of “psychiatric category” in Nhwa Pharmaceutical's 2022 Annual Report.

⑤ The gross profit margin data of products in the field of the anti-infection comes from that of “anti-infection category” in 2022 Annual Report of Tianjin Tianyao Pharmaceuticals Co., Ltd.

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

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

√Applicable □N/A

During the Reporting Period, the total R&D investment of the Company was up to RMB1,632 million, accounting for 9.80% of its total revenues. The Company adhered to the two-wheel drive strategy of “innovative drugs + high-barrier complex formulations”, and promoted the development and commercialization of innovative technologies and products through independent research and development, cooperative development and licensing introduction. As at the disclosure date of this Report, the Company introduced a variety of innovative drugs to consolidate its existing competitive advantages and enrich its product pipelines, among which the progress of main products are as follows:

No.	Disease Field	Major R&D Project	Registration Classification	Indication(Tentative)	R&D Progress
1	Respiratory system disease	TG-1000	Chemical drugs Class 1	Used for patients aged 12 years and above with simple acute influenza A and B infection but without complications	Phase III Clinical trails, completed enrollment in January 2024
2	Respiratory system disease	DBM-1152A	Chemical drugs Class 1	Used for relief (emergency) and maintenance treatment of bronchospasm caused by chronic obstructive pulmonary disease, including chronic bronchitis and emphysema	Phase I clinical trials
3	Respiratory system disease	N91115	Chemical drugs Class 1	Asthma	Phase I clinical trials
4	Respiratory system disease	QX008N	Therapeutic biological products Class 1	1. Asthma; 2. Moderate and severe COPD	Phase Ib clinical trials
5	Respiratory system disease	BA2101	Therapeutic biological	Used for treating respiratory diseases such as asthma and COPD	Phase II clinical trials

			products Class 1		
6	Pain	FZ008-145	Chemical drugs Class 1	Analgesia	Obtained approval for clinical trials in January 2024
7	Digestive system disease	JP-1366	Chemical drugs Class 1	Reflux esophagitis	Obtained approval for clinical trials in February 2024
8	Cardiovascular disease	HHT120	Chemical drugs Class 1	Used for preventing venous thromboembolism after a major orthopedic surgery	Phase I clinical trials
9	Mental disease	LS21031	Chemical drugs Class 1	Depression	Phase I clinical trials

By the end of the Reporting Period, the Company had formed multi-location R&D institutions in Shenzhen, Zhuhai, Shanghai, Guangzhou, etc. to achieve synergistic development of R&D centers. And the Company had 1,740 R&D personnel, including 552 with a master's degree or above. The overall picture of R&D in various fields is as follows:

1) Chemical pharmaceuticals

①High-barrier complex formulations

No.	Major R&D Project	Registration Classification	Dosage Form	Project Progress
1	Formoterol Fumarate Inhalation Solution	Chemical drugs Class 3	Inhalation formulations	Launched
2	Indacaterol Maleate Powder for Inhalation	Chemical drugs Class 4	Inhalation formulations	Filed application for launching and completed submission of required supplementary materials
3	Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation	Chemical drugs Class 4	Inhalation formulations	Filed application for launching and completed submission of required supplementary materials in January 2024
4	Fluticasone Propionate Inhalation Suspension	Chemical drugs Class 4	Inhalation formulations	Filed application for launching
5	XYP-001	Chemical drugs Class 2	Inhalation formulations	Phase I clinical trials completed
6	Triptorelin Acetate Microspheres for Injection	Chemical drugs Classes 2.2 and 2.4	Sustained-release microspheres	1. Indications for prostate cancer launched; and 2. Endometriosis indication: Phase III clinical trials completed and application for launching filed
7	Aripiprazole Microspheres for Injection	Chemical drugs Class 2.2	Sustained-release microspheres	Filed application for launching
8	Octreotide Acetate Microspheres for Injection	Chemical drugs Class 4	Sustained-release microspheres	BE Study
9	Leuprorelin Acetate	Chemical drugs Class 4	Sustained-release	BE Study

	Microspheres for Injection (3-month sustained-release)		microspheres	
10	Alarelin Microspheres for Injection	Chemical drugs Classes 2.2 and 2.4	Sustained-release microspheres	1. Prostate cancer: Phase I clinical trials completed; and 2. Breast cancer and endometriosis: Clinical trials approval obtained.
11	Triptorelin Pamoate Microspheres for Injection	Chemical drugs Class 2.2	Sustained-release microspheres	Preclinical
12	Long Chain Fat Emulsion Injection (OO)	Chemical drugs Class 4	Fat emulsion	Launched
13	Meloxicam Nanocrystal Injection	Chemical drugs Class 3	Nanocrystal	Completed PK-BE and obtained clinical approval
14	Goserelin Acetate Sustained-release Implant	Chemical drugs Class 4	Sustained-release implant	Preclinical
15	Ilaprazole Enteric-coated Pellets	Chemical drugs Class 2	Pellet	Phase I clinical trails

②Other key R&D projects in development

No.	Major R&D Project	Registration Classification	Therapeutic Field	Project Progress
1	Biapenem for Injection	Chemical drugs Class 4	Anti-infection	Launched
2	Voriconazole for Injection (0.2g)	Chemical drugs Class 4	Anti-infection	Launched
3	Ilaprazole Sodium for injection (new indication)	Chemical drugs Class 2.4	Gastroenterology	Launched
4	Blonanserin Tablets	Chemical drugs Class 4	Psychiatry	Launched
5	Quetiapine Hemifumarate Sustained-release Tablets	Chemical drugs Class 4	Psychiatry	Launched
6	Cetrorelix Acetate for Injection (USA)	ANDA	Assisted reproduction	Submitted an application for registration
7	Voriconazole for Oral Suspension	Chemical drugs Class 4	Anti-infection	Filed application for launching
8	Rabeprazole Sodium Enteric-coated Tablets	Chemical drugs Class 4	Gastroenterology	Filed application for launching
9	Progesterone Injection	Chemical drugs Class 3	Assisted reproduction	Filed application for launching
10	Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution	Chemical drugs Class 4	Gastroenterology	Filed application for launching
11	Tedizolid Phosphate for Injection	Chemical drugs Class 4	Anti-infection	Filed application for launching
12	Vonoprazan Fumarate Tablets	Chemical drugs Class 4	Gastroenterology	Process validation
13	Paliperidone Palmitate Injection	Chemical drugs Class 4	Mentality	BE Study

14	Asenapine Transdermal Patch	Chemical drugs Class 2.2	Mentality	Phase I clinical trails
15	Ilaprazole Oral Suspension	Chemical drugs Class 2.2	Gastroenterology	Preclinical
16	Special project of the Joint Research Center	Chemical drugs Class 1	Anti-tumor	Preclinical
17	GWT1 inhibitor project	Chemical drugs Class 1	Anti-infection	Preclinical

2) Biologics

No.	Major R&D Project	Registration Classification	Project Progress
1	Tocilizumab Solution for Injection	Therapeutic biological products Class 3.3	Launched
2	Recombinant SARS-COV-2 Bivalent (Original/Omicron XBB) Fusion Protein Vaccine (CHO Cell)	Preventive biological products Class 1.1	Approved for emergency use
3	Lipustobart for Injection	Therapeutic biological products Class 1	Declared for conditional market launch (Pre-BLA)
4	Semaglutide Injection	Therapeutic biological products Class 3.3	1. Type II diabetes mellitus: Phase III clinical trails; 2. Weight loss: Approved for clinical trials in February 2024
5	Recombinant Anti-human IL-17A/F Humanized Monoclonal Antibody Injection	Therapeutic biological products Class 1	Phase III clinical trails
6	Recombinant Human Follitropin Alfa Solution for Injection	Therapeutic biological products Class 3.3	Phase III clinical trails

3) APIs and intermediates

No.	Major R&D Project	Project Purpose	Project Progress
1	Establishment of genetic and screening technology platform for Cephalosporium acremonium and breeding of high-yield Cephalosporin C strains	Technical transformation of existing products	Steadily increased in yield of Cephalosporin C in industrial scale fermentation
2	Breeding of high-yield strain of Demeclocycline	Technical transformation of existing products	Completed production scale validation
3	Development and breeding of a novel high-yield strain of L-phenylalanine based on IBT technology	Technical transformation of existing products	Entered pilot and small-scale study validation
4	Breeding of high-producing strains of Acarbose based on system metabolic engineering	Technical transformation of existing products	Completed production scale validation
5	Development and application of algorithms for mining biosynthetic gene clusters (BGCs) based on deep learning	Technical transformation of existing products	Cooperated with Tencent Quantum Laboratory to complete cooperative patent application
6	Construction of a computational biology/bioinformatics platform for predicting the structure and function of macromolecules	Technical transformation of existing products	Technology platform construction in progress
7	Biapenem APIs	New product R&D	Launched

8	Caspofungin Acetate APIs	New product R&D	Completed submission of required supplementary materials, and under professional review
9	Formoterol Fumarate APIs	New product R&D	Completed submission of required supplementary materials, and under professional review
10	Meloxicam APIs	New product R&D	Under professional review
11	Cilastatin intermediates	New product R&D	Completed the pilot test

4) Traditional Chinese medicine

As at the end of the Reporting Period, there were 10 projects in development, among which four products under "Class 3.1 of Ancient Classic Traditional Chinese Medicine Compound Formulations" were undergoing compound formulation study, and the main progress was as follows:

No.	Major R&D Project	Project Purpose	Project Progress
1	JDMF01	Used for treating the patients with rheumatoid arthritis, rheumatoid arthritis, hyperosteogeny, ankylosing spondylitis and other rheumatic diseases	Study on classic prescription compound formulations
2	JDMF02	Used for treating the patients with vaginitis, cervical erosion and pelvic inflammation but with spleen deficiency, liver depression and damp turbidity	Study on classic prescription compound formulations
3	JDMF03	Used for treating the patients with otogenic vertigo, hypertension, neurogenic vertigo epilepsy and facial paralysis, showing syndrome of wind-phlegm invading upward	Study on classic prescription compound formulations
4	JDMF04	Used for treating the patients with pulmonary heart disease, arrhythmia, coronary heart disease, angina pectoris, rheumatic heart disease, etc.	Study on classic prescription compound formulations

(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
Indacaterol Maleate Powder for Inhalation	Indacaterol Maleate Powder for Inhalation	Chemical drugs Class 4	It is indicated 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
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	Application for registration

TG-1000	TG-1000	Chemical drugs Class 1	For patients 12 years of age and older with uncomplicated acute infection of simple influenza A or B.	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
DBM-1152A	DBM-1152A	Chemical drugs Class 1	For chronic obstructive pulmonary disease (COPD), including relief (emergency treatment) and maintenance therapy for bronchospasm caused by chronic bronchitis and emphysema.	Yes	No	Clinical trial
N91115	N91115	Chemical drugs Class 1	Asthma	Yes	No	Clinical trial
JP-1366	JP-1366 Tablets	Chemical drugs Class 1	Treatment of reflux esophagitis.	Yes	No	Application for Clinical trials
Semaglutide Injection	Semaglutide Injection	Therapeutic biological product (Class 3.3)	1. Type II Diabetes 2. It is used for the chronic weight management in adult patients with an initial body mass index value of 30kg/m^2 or above (obesity) or 27kg/m^2 or above (overweight) and the presence of at least one weight-related complication (such as hypertension, dyslipidemia, fatty liver and obstructive sleep apnea syndrome).	Yes	No	1.Clinical trials; 2. Approved for clinical trials.
Recombinant Novel Coronavirus Fusion Protein Bivalent (Lintotype strain/Omicron strain) Vaccine (CHO cells)	Recombinant Novel Coronavirus Fusion Protein Bivalent (Lintotype strain/Omicron strain) Vaccine (CHO cells)	Preventive Biological products Class 1.1	Used for prevention of diseases caused by novel coronavirus (SARS-CoV-2) infection (COVID-19).	Yes	No	Launched under EUA
LZM012(IL-17 A/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

(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
Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation	Chemical drugs Class 4	Application for market launch	Used for regular treatment of reversible obstructive airway diseases through combination of drugs

			(bronchodilators and inhaled corticosteroids), including asthma in adults and children.
Voriconazole for Oral Suspension	Chemical drugs Class 4	Application for market launch	This product is a broad-spectrum triazole antifungal drug, which is indicated for the treatment of the following fungal infections in adults and children aged 2 years and above: 1. Invasive aspergillosis. 2. Candidemia in patients with neutropenia. 3. Severe invasive infections caused by fluconazole-resistance candida (including monilia krusei). 4. Severe infections caused by scedosporium and fusarium This product is mainly used for the treatment of patients with progressive and potentially life-threatening fungal infections, as well as the prevention of invasive fungal infections in high-risk patients undergoing allogeneic hematopoietic stem cell transplantation (HSCT).
Aripiprazole Microspheres for Injection	Chemical drugs Class 2.2	Application for market launch	Schizophrenia in adults.
Triptorelin Acetate Microspheres for Injection	Chemical drugs Class 2.4	Application for market launch	Endometriosis.
Rabeprazole Sodium Enteric-coated Tablets	Chemical drugs Class 4	Application for market launch	Treatment of gastric ulcer, duodenal ulcer, marginal ulcer, reflux esophagitis, and Zollinger-Ellison syndrome. Auxiliary treatment to eradicate helicobacter pylori in patients with gastric ulcer or duodenal ulcer.
Magnesium Sulfate, Sodium Sulfate and Potassium Sulfate Concentrate Oral Solution	Chemical drugs Class 4	Application for market launch	This product is indicated for adults and are used for intestinal cleaning before any operation that requires so (such as operations that require intestinal visualization, including endoscopy, radiological examination and surgery).
Tedizolid Phosphate for Injection	Chemical drugs Class 4	Application for market launch	Treatment of acute bacterial infections in skin and its soft tissue.
Progesterone Injection	Chemical drugs Class 3	Application for market launch	This product acts on endometrium and can help conceive and maintain pregnancy. It is generally used for luteal function supplementation in the treatment with assisted reproductive technology.
Tracheal stent	Medical devices Class III	Application for market launch	Treatment of tracheal stenosis caused by malignant lesions.
Lipustobart for Injection	Therapeutic biological product (Class 1)	Approval for conditional market launch	Recurrent or metastatic thymic carcinoma after failure of first-line chemotherapy.

Cetrorelix Acetate for Injection (USA)	-	ANDA	This product can prevent premature ovulation in patients with controlled ovarian stimulation during the treatment with assisted reproductive technology.
Semaglutide Injection	Therapeutic biological product (Class 3.3)	Application for Clinical trials	It is used for the chronic weight management in adult patients with an initial body mass index value of 30kg/m^2 or above (obesity) or 27kg/m^2 or above (overweight) and the presence of at least one weight-related complication (such as hypertension, dyslipidemia, fatty liver and obstructive sleep apnea syndrome).
JP-1366 Tablets	Chemical drugs Class 1	Application for Clinical trials	Treatment of reflux esophagitis.

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

Name of drug	Registration Category	Indications
Meloxicam Nanocrystal Injection	Chemical drugs Class 3	It is indicated for the management of moderate to severe pain in adults, and can be used alone or in combination with non-NSAID analgesics. Due to the delayed onset of analgesia, it is not recommended to use alone when a rapid onset of action is required.
Alarelin Microspheres for Injection	Chemical drugs Class 2.2 and 2.4	Estrogen receptor positive breast cancer during premenopause
Alarelin Microspheres for Injection	Chemical drugs Class 2.2	Endometriosis
Asenapine Transdermal Patch	Chemical drugs Class 2.2	Treatment of schizophrenia in adults
Elagolix Sodium Tablets	Chemical drugs Class 3	Treatment of moderate to severe pain related to endometriosis
Recombinant Novel Coronavirus Fusion Protein Bivalent (Lintotype strain/Omicron strain) Vaccine (CHO cells)	Preventive Biological products Class 1.1	Used for prevention of diseases caused by novel coronavirus (SARS-CoV-2) infection (COVID-19).

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

Name of drug	Registration classification	Indications
Formoterol Fumarate Inhalation Solution	Chemical drugs Class 3	Indicated for the maintenance treatment of bronchoconstriction in patients with chronic obstructive pulmonary disease (COPD), including chronic bronchitis and emphysema. Used twice a day (morning and evening) for long-term treatment.
Biapenem for Injection	Chemical drugs Class 3	It is indicated for the treatment of septicemia, pneumonia, lung abscess, acute bronchitis, acute exacerbation of chronic bronchitis, refractory urocystitis, pyelonephritis, peritonitis and pelvic inflammation caused by sensitive bacteria.
Long Chain Fat Emulsion Injection (OO)	Chemical drugs Class 4	It is indicated for patients with infeasible, insufficient or contraindicated enteral nutrition to supplement fats through parenteral nutrition. As a component of parenteral nutrition, it provides fats including refined olive oil and soybean oil necessary for the human body.

Ilaprazole Sodium for Injection (New Indications)	Chemical drugs Class 2.4	Prevention of stress ulcer bleeding in severe patients
Triptorelin Acetate Microspheres for Injection	Chemical drugs Class 2.2	Prostate cancer patients requiring androgen deprivation therapy.
Tocilizumab Injection	Therapeutic biological product (Class 3.3)	1. Rheumatoid arthritis (RA); 2. Systemic juvenile idiopathic arthritis (sJIA), and cytokine release syndrome (CRS)
Blonanserin Tablets	Chemical drugs Class 4	Schizophrenia.
Quetiapine Fumarate Sustained-release Tablets	Chemical drugs Class 4	This product is used to treat schizophrenia and paralepsy of bipolar disorder.
Voriconazole for Injection	Chemical drugs Class 4	Treatment of invasive aspergillosis. Treatment of severe invasive infections caused by fluconazole-resistance candida (including monilia krusei) Treatment of severe infections caused by scedosporium and fusarium This product is mainly used for the treatment of immunodeficient patients with progressive and potentially life-threatening fungal infections.
Recombinant Novel Coronavirus Fusion Protein Bivalent (Lintotype strain/Omicron strain) Vaccine (CHO cells) (EUA)	Preventive Biological products Class 1.1	Used for prevention of diseases caused by novel coronavirus (SARS-CoV-2) infection (COVID-19).
Cyclosporine Softgels (under consistency evaluation)	Chemical drugs	1. Prevention and treatment of rejection reaction or graft-versus-host reaction after allogeneic organ transplantation or bone marrow transplantation. 2. Treatment of autoimmune diseases such as lupus nephritis and refractory nephrotic syndrome undergoing ineffective treatment with other immunosuppressive treatments.
Vancomycin Hydrochloride for Injection (under consistency evaluation)	Chemical drugs	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.
Bismuth potassium citrate capsules (under consistency evaluation)	Chemical drugs	Used for gastric and duodenal ulcers, and chronic superficial gastritis with helicobacter pylori infection.
Mesh nebulizer	Medical devices Class II	Administer liquid medication to patients via inhalation by nebulization

(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

The research and development (R&D) expenses of our company consist of expenses directly related to R&D activities, including salaries of R&D personnel, direct input costs, depreciation and amortization of long-term assets, equipment debugging costs, amortization of intangible assets, expenses for outsourcing research and development, clinical trial expenses, and other expenses. Among these, the salaries of R&D personnel are allocated to R&D expenses based on project hours. Equipment, production lines, and premises shared between R&D activities and other production operations are allocated to R&D expenses based on the proportion of hours or area utilized.

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.

③The purchase price of the purchased external technology or formula is recognized as development expenditures, and subsequent research and development expenditures are accounted for in accordance with ① and ② above.

④The 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.

⑤Where 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	588,500.00	13.39	10.88	26.90
Kelun Pharma	181,489.48	9.60	10.75	1.09
CR Double-Crane	72,240.26	7.65	6.73	34.29
Humanwell Healthcare (Group)	113,397.67	5.08	6.32	14.74
North China Pharmaceutical	60,909.32	5.80	9.78	64.32
Average R&D expenditures in the same industry		203,307.35		
Proportion of R&D expenditures to revenues during the Reporting Period (%)		9.80		
Proportion of R&D expenditures to net assets during the Reporting Period (%)		7.21		
Ratio of capitalized R&D expenditures during the Reporting Period (%)		16.82		

Notes: 1. The data regarding comparable companies listed above are from each company's 2022 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

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	488.52	-	488.52	0.03	-62.95
Salmeterol Xinafoate and Fluticasone Propionate Powder for Inhalation	2,403.94	-	2,403.94	0.14	-20.98
TG-1000	6,783.83	2,313.62	4,470.21	0.41	-
XYP-001	1,230.89	322.45	908.44	0.07	-52.46
DBM-1152A	1,532.41	1,532.41	-	0.09	-
N91115	501.48	501.48	-	0.03	-
JP-1366	12,253.77	1,234.78	11,019.00	0.74	-
Semaglutide Injection	8,476.38	1,796.10	6,680.28	0.51	392.69
Recombinant Novel Coronavirus Fusion Protein Bivalent (Lintotype strain/Omicron strain) Vaccine (CHO cells)	8,125.85	8,125.85	-	0.49	-
LZM012(IL-17 A/F)	7,238.63	7,238.63	-	0.43	84.08

Notes:
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, and certain projects mentioned above were acquired by the company during the current 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	377,725.97	85.18
Employee compensation	50,204.04	11.32
Entertainment and travel expenses	6,659.74	1.50
Business meeting expenses	2,716.72	0.61
Others	6,137.75	1.38
Total	443,444.23	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	917,117.61	20.87
Kelun Pharma	468,594.77	24.78
CR Double-Crane	265,604.45	28.12
Humanwell Healthcare (Group)	427,470.75	19.14
North China Pharmaceutica	184,406.86	17.56
Total selling expenses of the Company during the Reporting Period		443,444.23
Proportion of selling expenses to revenues during the Reporting Period (%)		26.64

Note: The data regarding comparable companies listed above are from each company's 2022 annual report.

Statement on material changes in selling expenses and reasonableness of selling expenses

√Applicable □N/A

During the Reporting Period, the Company's selling expenses were RMB4,434.44 million, accounting for 26.64% of revenues, representing a year-on-year decrease of 10.43%. 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)
Wuhan Kangli Health Investment Management Co., Ltd. (武汉康丽健康投资管理有限公司)	Engaged in investment activities with its own funds; asset management services invested with its own funds; corporate management; entrepreneurship investment and financing advisory services.	Yes	New establishment	100,000	67.20%	Yes	N/A	Own funds	Livzon Group	Long term	Capital contribution of RMB100 thousand was completed	-	-0.04	No	Please see Note 1 for details	Please see Note 1 for details
Lijian (Guangdong) Animal Healthcare Co., Ltd. (丽健（广东）动物保健有限公司)	Engaged in production of veterinary medicine; operation of veterinary medicine; import and export of goods and technology and sale of disinfectors (excluding dangerous chemicals) and animal health products; technical advisory services	No	New establishment	20,000	72.12%	Yes	N/A	Own funds	Livzon Group	Long term	Capital contribution of RMB150.00 million was completed	-	-1,577.99	No	Please see Note 2 for details	Please see Note 2 for details

	on animal breeding, etc.															
Jiaozuo Joincare Bio Technological Co., Ltd.(焦作健康元生物制品有限公司)	General items: research and development of industrial enzymes; research and development of fermentation process optimization technology; biological feed research and development (except for the items subject to approval according to law, business activities shall be carried out pursuant to the business license independently according to law) Licensed items: pharmaceutical production; production of feed additives (for items subject to approval according to laws, the relevant operation activities may be carried out only after approval by relevant authorities, and the specific	No	Capital injection	20,000	100.00%	Yes	N/A	Own funds	N/A	Long term	Capital contribution of RMB200.00 million was completed	-	19,525.75	No	N/A	N/A

	operation items shall be subject to approval documents or licenses by relevant authorities)															
Total	/	/	/	140,000.00	/	/	/	/	/	/	/	-	17,947.72	/	/	/

Note 1: For details, please refer to the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on the Establishment of the Joint Venture with Livzon Group, a Controlling Subsidiary (Lin 2022-142) disclosed by the Company on 13 December 2022;

Note 2: For details, please refer to the Announcement on Investment in the Establishment of the Joint Venture with Joincare, the Controlling Shareholder and Connected Transaction disclosed by Livzon Group (000513.SZ, 01513.HK) on 17 January 2023.

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	235,534,124.87	-24,381,075.99	-47,547,131.07	-	6,183,753.83	-	-	169,789,671.64
Funds	688,053,816.62	3,298.53	-60,605,611.86	-	-	20,271,628.35	-	607,179,874.94
Derivatives	5,432,511.57	-2,295,776.28	-	-	-	-	-	3,136,735.29
Others	373,954,090.97	585,021.31	53,565,146.76	-	30,000,000.00	27,978.31	3,279.44	458,076,280.73
Total	1,302,974,544.03	-26,088,532.43	-54,587,596.17	-	36,183,753.83	20,299,606.66	3,279.44	1,238,182,562.60

Information on investment in securities

√Applicable □N/A

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
Share	00135	Kunlun Energy	4,243,647.64	Own funds	4,975,513.90	1,404,274.90	-	-	-	260,579.14	6,379,788.80	Financial assets held for trading
Fund	206001	Penghua Fund	150,000.00	Own funds	934,289.94	3,298.53	-	-	-	-	937,588.47	Financial assets held for trading
Share	000963	Huadong Medicine	39,851.86	Own funds	15,425,841.60	-1,760,128.08	-	-	-	95,587.48	13,665,713.52	Financial assets held for trading
Share	BEAM(US)	Beam Therapeutics, Inc.	31,117,151.47	Own funds	82,218,236.97	-24,025,222.81	-	-	-	-	58,193,014.16	Financial assets held for trading
Share	ELTX(US)	Elicio Therapeutics, Inc.	35,363,302.05	Own funds	34,823,014.36	-	-27,002,953.43	-	-	-	7,820,060.93	Other equity instruments investment
Share	CARM(US)	Carisma Therapeutics, Inc.	38,807,266.00	Own funds	34,821,295.50	-	-26,098,003.75	6,183,753.83	-	-	14,907,045.58	Other equity instruments investment
Share	LLAI （LME）	LungLife Ai, Inc.	58,837,745.24	Own funds	9,615,483.94	-	-4,010,721.79	-	-	-	5,604,762.15	Other equity instruments investment
Share	02480	Luzhu Biotech-B	30,000,00-	Own funds	53,654,738.60	-	9,564,547.90	-	-	-	63,219,286.50	Other equity instruments investment
Others	-	-	27,978.31	Own funds	29,271.00	-1,292.69	-	-	27,978.31	3,279.44	-	Financial assets held for trading
Total	/	/	198,586,942.57	/	236,497,685.81	-24,379,070.15	-47,547,131.07	6,183,753.83	27,978.31	359,446.06	170,727,260.11	/

Statement of investments in securities

□Applicable √N/A

Information on investment in private equity fund

√Applicable □N/A

The Company had no new private equity funds invested during the reporting period. As at the end of the reporting period, the book balance of private equity funds invested by the Company amounted to approximately RMB385 million.

Information on investment in derivatives

√Applicable □N/A

(1) Derivative investments for hedging purposes during the reporting period.

√Applicable □N/A

Unit: 10,000 Yuan

Type of derivatives investment	Initial investment amount	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	Carrying amount at the end of the period	Percentage of investment amount to the net assets of the Company at the end of the period(%)
Forward foreign exchange	223,365.24	46,113.94	-162.70	-	176,731.57	188,649.06	35,683.35	1.58
Total	223,365.24	46,113.94	-162.70	-	176,731.57	188,649.06	35,683.35	1.58
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	No material change							
Explanation of actual gain or loss during the Reporting Period	The gain or loss realized during the Reporting Period was RMB-23.0238 million yuan.							
Explanation of hedging effect	The company's foreign exchange derivative transactions are conducted around the actual foreign exchange receipts and payments of the company. Adhering to the principle of exchange rate neutrality and based on specific operational activities, the company aims to mitigate adverse effects caused by significant exchange rate fluctuations and avoid foreign exchange market risks.							
Source of funds for derivatives investment	Own funds							

Risk analysis of derivatives position held during the Reporting Period and explanation of control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	To effectively manage the uncertainty of exchange rate fluctuations on assets denominated in foreign currency of the Company, foreign exchange forward contracts and other financial derivatives are employed to lock relevant exchange rates for the purpose of hedging. The Company has formulated the *Management System for Financial Derivatives Trading* (《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. 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 *Internal Control System for Commodity Futures Hedging Business* (《商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.
Change in market price or fair value of the derivatives invested during the Reporting Period, the specific method, related assumptions and parameters used in the analysis of the fair value of derivatives shall be disclosed	Gains and losses arising from change in fair value of the forward foreign exchange contracts, option contracts and commodity futures contracts during the Reporting Period were RMB-1.6270 million.
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)	7 April 2023
Disclosure date of the announcement in relation to the approval of investment in derivatives by the general meeting of shareholders (if any)	Not applicable

(2). Derivative investments for speculative purposes during the reporting period.

□Applicable √N/A

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	Total assets	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	48,736.59	34,504.23	27,194.40	8,918.35	7,687.52
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	163,228.18	107,840.72	99,227.74	15,457.17	15,037.88
Xinxiang Haibin	Industry	Manufacturing and sale of pharmaceutical intermediates and APIs (excluding proprietary Chinese medicine or TCM decoction pieces) (excluding hazardous chemicals)	17,000	47,438.09	33,391.11	69,978.68	6,186.48	5,381.50
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	137,417.36	122,363.16	83,518.52	46,844.92	40,228.10
Health Pharmaceutical	Industry	Production and sale of self-produced dietary supplements, TCM decoction pieces, and drug products	HKD7,317	14,545.40	10,124.80	4,620.46	1,124.22	772.06
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	16,780.11	11,305.79	10,028.84	3,056.98	2,843.91
Jiaozuo Joincare	Industry	R&D, production and sale of pharmaceuticals, chemical APIs, biological APIs, pharmaceutical intermediates, and biological products	70,000	179,139.15	128,261.93	147,394.06	22,898.14	20,173.56
Topsino	Commerce	Investment and trading	HKD89,693	210,221.50	157,325.19	0.00	29,807.20	29,517.54
Livzon Group	Industry	Drug R&D, production, manufacturing and sale	92,394	2,504,482.71	1,476,670.30	1,243,003.83	241,510.85	189,760.10

Notes: 1. The companies listed above are companies where the Company directly or indirectly held 100% equity interest, exceptfor Livzon Group and Shanghai Frontier; financial data thereof are data of individual accounting statements and that attributed toparent companies; as there are transactions between subsidiaries or between a subsidiary and the Company, data of individual financial statements are not separately analyzed.

2. For business conditions of Livzon Group, please refer to the 2023 Annual Report of Livzon Pharmaceutical Group Inc.

(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

√Applicable □N/A

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

In 2023, Joincare made great efforts to overcome difficulties to seek development, concentrated on improving quality and efficiency, and thus harvested all hard-won achievements. In 2024, a crucial year to realize the objectives and tasks of China’s “14th Five-Year Plan”, the Company will strengthen the two-wheel drive strategy of “innovative drugs + high-barrier complex formulations”, accelerate the transformation to an innovative pharmaceutical enterprise with international competitiveness, comprehensively enhance its own sustainable development capacity through digital and intelligent new technologies and new models, actively respond to changes in industry policies, as well as continuously deepen market promotion. The main focus of work for each business segment of the Company is as follows:

1. R&D Center

In the government work report of the Second Session of the 14th National People’s Congress in 2024, the term “innovative drugs” was written into the government work report for the first time, and the pharmaceutical-related areas of focus like promoting innovations in traditional Chinese medicines and improving centralized procurement of drugs were also widely concerned. The Company will continue to strengthen and improve its independent research and development system, efficiently promote the R&D and clinical development progress of existing innovative drugs such as TG-1000, DBM-1152A, FZ008-145 and JP-1366, as well as high-barrier complex formulations such as Salmeterol Xinafoate-Fluticasone Propionate Powder for Inhalation and Meloxicam Nanocrystal Injection around several advantageous fields including respiratory diseases, Gastroenterology, psychiatry, assisted reproduction and anti-tumor, and build a differentiated product pipeline layout. It will accelerate the construction of a R&D platform, fully push forward the commercialization of these technical platforms for innovative drugs, inhalation formulations, sustained-release microspheres, monoclonal antibodies, micro-nanocrystalline formulations, and ensure continuous output of these products in its core advantage areas. Targeting core R&D talents, it will introduce such talents through various channels to enrich its human resources, further strengthen the construction of a talent pool, and maintain continuous technological innovations. In the meantime, the Company will focus on advantageous areas, establish market-oriented thinking of products, face unmet clinical needs, and pay constant attention to international cutting-edge

technologies and product international layout opportunities. Through various means including cooperative development and licensing, the Company has introduced more innovative drug projects and improved its product combinations in such advantageous areas. As at the disclosure date of this Report, the Company has completed the cooperative introduction of innovative drugs, i.e., QX008N and BA2101. In the future, the Company will deepen international cooperation in respect of innovative drugs and leverage its partnership with the International Finance Corporation (IFC) to promote its internationalization strategy and achieve sustainable development.

2. Sales Center

The key tasks in prescription drug marketing of the Company are as follows: Firstly, continuously reinforce the sales team, enhance combat capability of the team, establish a sound management mechanism for sales personnel, and further optimize the performance evaluation system to ensure smooth realization of the annual target. Secondly, further improve the cooperation mechanism, strengthen the cooperation and coordination among these departments for marketing, medicine, digital development, commerce, bidding, etc., support the sales function, integrate overall resources, ensure accurate and efficient resource input, concentrate on the access of key products in key hospitals, as well as give full play to the status of new national negotiation drugs including Tobramycin Inhalation Solution and the policy advantages like “dual channels”, and open up “the last mile” of drug negotiation and admission to improve drug accessibility and ensure drug supply. Thirdly, optimize the compliance marketing system, further improve the compliance management system, and upgrade the risk pre-warning and disposal mechanism and the sales accountability and evaluation mechanism by regularly carrying out sales compliance trainings and cultural construction, so as to improve the sales risk management level and thus escort steady progress in the future. Fourthly, enhance the public awareness of chronic disease management through multi-channel marketing and promotion. And meanwhile with the help of such platforms as “Respiratory Experts’ Views” and “Gastroenterology Experts’ Views”, carry out patient education activities online, organize free clinical treatment to communities offline, as well as elevate patients’ management level and awareness of chronic systemic diseases through double-line linkage medical services, thus contributing to Health China 2030.

In terms of marketing and promotion of APIs and intermediates, pay equal attention to both international and domestic markets. As to the international market, constantly deepen cooperation with global strategic customers, explore market segments, actively develop customer resources, maintain cooperative partnerships, give full play to the advantages of corporate brand, and form a long-term, stable and win-win cooperation model with strategic partners; establish a good brand reputation in the global market through close cooperation with international first-class enterprises; and meanwhile keep a close eye on the changes in exchange rate and market conditions, and adjust sales strategies in a timely manner. As to the domestic market, pay close attention to the development trend of the industry, fully grasp the market opportunities such as national centralized procurement, make overall plans, optimize cost and product quality, and achieve steady progress.

In terms of healthcare and OTC marketing, focus on brand promotion and user enhancement, build a brand-driven business flow, organizational structure and talent system, further implement digital marketing system, drive sustainable business growth by virtue of brand, constantly strengthen “online + offline” collaborative linkage to drive offline channel sales, continuously promote organizational structure reform, channel deep distribution and key chain cooperation through offline channels, increasingly promote digital marketing system, off-site drainage and on-site linkage through online channels based on market resources, as well as deeply embrace platform promotion and holiday marketing, and promote online channel sales through platform promotion and holiday gift boxes. In terms of content marketing, continuously expand the number of KOL cooperation, break through the audiences from vertical to non-vertical KOL, and constantly expand brand

exposure; as well as improve the closed loop in multi-channel stations, introduce self-streaming and reach streaming, and perfect the efficiency of content marketing. In terms of brand marketing and construction, cooperate deeply with offline channel chains, establish a trinity offline marketing system of chain-regional market-users, make use of brands to drive offline marketing, widen industry endorsement, deepen cooperation with industry associations and professional forums together with official media, strengthen brand professionalism, as well as carry out corresponding joint cooperation on platform promotion and holiday marketing to expand brand exposure and further enhance brand sales. In terms of user operation, enhance the experience of users, provide them with a professional and intimate service system from only just solving user problems to valuing brand dimension, and attach importance to user experience. And meanwhile, optimize core business flows, support business organization adjustment and elevate talent capabilities based on the new growth model.

3. Production Center

Adhere to the transformation and upgrading towards intelligent manufacturing, apply digital and information management monitoring and traceability approaches, and adopt lean production and lean management ideas to improve product quality, reduce production costs and lower energy consumption costs, thereby comprehensively enhancing product competitiveness; stick to safety production, focus on product quality, continuously build a quality management system, carry out risk control centered on product quality, make extensive inspections to raw and auxiliary materials, production sites and production processes, identify safety production risks according to the six GMP testing systems, continuously optimize the entire product production process by introducing green synthesis technology and adopting synthetic biology technology, improve employee training system to continuously enhance their professional skills and ensure uniform and stable product quality; persist in cost reduction and efficiency increase, optimize production, improve system and streamline management by introducing advanced technologies and equipment, and effectively improve the levels of production and operation around cost reduction and efficiency increase; as well as persevere in green development, continuously uphold and carry forward the concept of green, healthy and sustainable production, upgrade environmental protection and quality standards and requirements, set environmental goals, strengthen monitoring over energy consumption, pollutant emissions and other environmental information during production and operation, and implement energy-saving, emission reduction and green production in practice. And meanwhile actively promote international certification of the Company's products, make an advance layout by taking advantage of the opportunity that China becomes a formal applicant for PIC/S, complete GMP inspections subject to international standards, and promote the Company's production and quality management levels to align with international standards.

4. Functions and strategies

The key tasks in the functional areas of the Company are as follows: Firstly, further improve the organizational structure and institutional setup of these subsidiaries under the Group, comprehensively promote lean management, as well as reduce costs and increase efficiency. Secondly, continuously value talents and systems, implement a target management system that combines OKR and KPI, implement quarterly rolling dynamic tracking and adjustment, and require all departments to cooperate closely and give full support to provide strong services and guarantees for R&D, production and sales. Thirdly, continue to promote corporate cultural progress, and further publicize corporate culture of the Group and its subsidiaries, so as to enhance cohesive and centripetal forces. Fourthly, actively leverage the resource advantages of internal and external business cooperation and invest in the layout and introduction of innovative products and technologies to enhance the overall strategic layout. Fifthly, actively practice corporate social responsibility, strive to enhance corporate governance level and expedite high-quality and

sustainable development.

(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 National Reimbursement Drug List, expansion of volume-based procurement, centralized rectification of the pharmaceutical industry and other industrial policies that have been successively launched. In November 2023, the Company's key product Levosalbutamol Hydrochloride Nebulizer Solution (盐酸左沙丁胺醇雾化吸入溶液) was selected in the ninth batch of national volume-based drug procurement. This is expected to be implemented in March 2024 and it is anticipated to have a significant impact on the sales price and market share of this product.

Response measures: The Company will pay close attention to industry dynamics and reforms, cope with major changes in policies of the pharmaceutical industry through early planning, transformation and compliance, and further establish and improve its compliant operation mechanism and system. It will actively strengthen new product R&D and innovation and constantly improve its core competitive strengths. Meanwhile, the Company actively engages 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. The volume-based drug procurement is becoming a regular practice. In the face of the volume-based drug procurement and the possible impact on the business performance of the Company, the Company will continue to enhance its innovative efforts, boost its competitive edge, and strive to ensure the stable operation of the business. With the Company's new high-barrier complex formulations, represented by inhalation formulations, being launched on the market, commercialization will gradually enter a stable contribution period. The Company's product structure will be further optimized, and the reliance on specific products will also gradually reduce. In the future, relying on combining independent R&D, external introduction and cooperative development, the Company will continue to innovate and develop clinically needed innovative drugs with substantial added value, as well as high-barrier complex formulations. It will delve into products with market potential and technological barriers, actively advance post-market evaluations for key products, and conduct consistency evaluations for related products. The Company will continuously optimize its product portfolio and actively explore and expanding into international markets to promote the sustained and steady development of sales performance.

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 15 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, financial and medical industries 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 10 meetings of the Supervisory Committee for review of the periodic report, option exercise, adjustments to the projects of raised funds, 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 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 2023. Based on the result of performance assessment, the performance bonus and remuneration of senior management in 2023 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, the reasons should be explained.

□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. General Meetings

Meeting session	Date of meeting	Query index of the designated website for publishing the resolution	Disclosure date	Meeting resolution
2023 First Extraordinary General Meeting	19 May 2023	www.sse.com.cn	20 May 2023	The Resolution on the Proposal on Cancellation of Treasury Shares Previously Repurchased was considered and approved. See the Announcement on Resolutions of 2023 First Extraordinary General Meeting (Lin 2023-056) for details.
2022 Annual General Meeting	9 June 2023	www.sse.com.cn	10 June 2023	Nine (9) resolutions were considered and approved, including the 2022 Annual Work Report of the Supervisory Committee, 2022 Annual Work Report of the Board of Directors and 2022 Annual Financial Final Accounts Report. See the Announcement on Resolutions of 2022 Annual General Meeting (Lin 2023-061) for details.
2023 Second Extraordinary General Meeting	15 September 2023	www.sse.com.cn	16 September 2023	The Resolution on the Proposal on the Election of Mr. Yin Xiaoxing as an Independent Director of the Company was considered and approved. See the Announcement on Resolutions of 2023 Second Extraordinary General Meeting (Lin 2023-100) for details.
2023 Third Extraordinary General Meeting	12 October 2023	www.sse.com.cn	13 October 2023	Two Resolutions resolutions were considered and approved, including the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary. See the Announcement on Resolutions of 2023 Third Extraordinary General Meeting (Lin 2023-111) for details.
2023 Fourth Extraordinary General Meeting	8 December 2023	www.sse.com.cn	9 December 2023	The Resolution on the Revise Certain Clauses of the Independent Directors' Working System and the Resolution on the Amend Certain Clauses of the Articles of Association of the Company were considered and approved. See the Announcement on Resolutions of 2023 Fourth Extraordinary General Meeting (Lin 2023-136) 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	62	28 August 2021	27 August 2024					334.47	No
Liu Guangxia	Vice Chairman	Female	55	28 August 2021	27 August 2024					436.96	No
Yu Xiong	Director, President	Male	63	28 August 2021	27 August 2024	800,000	980,000	180,000	Equity incentive	360.00	No
Qiu Qingfeng	Director, Vice President, Chief Financial Officer	Male	53	28 August 2021	27 August 2024	717,409	717,409	0		225.59	Yes
Lin Nanqi	Director, Vice President	Male	42	28 August 2021	27 August 2024	1,291,040	1,291,040	0		225.59	Yes
Yin Xiaoxing	Independent Director	Male	58	15 September 2023	27 August 2024					3.50	No
Huo Jing	Independent Director	Female	48	28 August 2021	27 August 2024					12.00	No
Qin Yezhi	Independent Director	Male	50	28 August 2021	27 August 2024					12.00	No
Peng Juan	Independent Director	Female	60	28 August 2021	27 August 2024					12.00	No
Cui Liguo（resigned）	Independent Director	Male	54	28 August 2021	15 September 2023					8.50	No
Yu Xiaoyun	Chairman of the Supervisory Committee	Male	56	28 August 2021	27 August 2024					70.36	No
Peng Jinhua	Supervisor	Female	62	28 August 2021	27 August 2024	38,043	38,043	0		4.80	No
Xing Zhiwei	Supervisor	Male	38	18 May 2022	27 August 2024					111.51	No
Zhang Leiming	Vice President	Male	41	8 September 2023	27 August 2024					201.56	No
Zhao Fengguang	Vice President, Secretary to the Board	Male	49	28 August 2021	27 August 2024	768,000	768,000	0		205.59	No
Total	/	/	/	/	/	3,614,492	3,794,492	180,000	/	2,224.43	/

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 2023 Annual Report for details.

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, non-executive director of Livzon Group, chairman of Shanghai Frontier and Haibin Pharma, independent director of 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.
Yin Xiaoxing	Male, born in 1966, with a doctoral degree. He used to be Dean of the School of Pharmacy and Vice President of Xuzhou Medical University. He is currently a professor of Xuzhou Medical University, a doctoral supervisor of pharmacology, Director of Jiangsu Key Laboratory of New Drug Research and Clinical Pharmacy, and an independent director of Jiangsu Nhwa Pharmaceutical Co., Ltd. Now, he is a member of the Teaching Steering Committee of Pharmacy Specialty in Colleges and Universities of Ministry of Education, the Chairman of the Steering Committee of Jiangsu Science Class 2 Postgraduate Education, the Vice Chairman of Jiangsu Province Pharmacological Society, and the Chairman of the Preclinical Pharmacology Professional Committee of New Drugs of Jiangsu Province Pharmacological Society. He ever presided over the national natural science fund of China and several natural science funds of Jiangsu Province, published more than 90 papers as included in SCI as a correspondent author, and applied for 12 patents and was authorized 4 patents as the first finisher. He successfully constructed the undergraduate pharmacy program and pharmacy discipline system of Xuzhou Medical University. And he is the head of clinical pharmacy major and pharmacy major in the national first-class specialty construction points, and the head of the Clinical Pharmacology, a national first-class course.
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), Haitong Futures Co., Ltd. (stock code: 872595), 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 managing director 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. a director and the general manager of the Company's subsidiary Henan Province Joincare Biopharmaceutical Research Institute Co., Ltd, the chairman of the Company's subsidiary Xinxiang Haibin Pharmaceutical Co., Ltd. and Jiaozuo Jianfeng Biotechnology 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.
Zhang Leiming	Male, born in 1983, Chinese nationality, without overseas permanent right of abode, and with a bachelor of science degree. He is currently the vice president of the Company. And he used to be the promotion specialist of the Marketing Department of Livzon Pharmaceutical Group Inc., the provincial manager of Reproductive Products Sales Department, the provincial manager of the Prescription Drug Division, the provincial general manager, the regional general manager and the general manager of the Prescription Drug Division of the Company.
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

1. On 23 August 2023, the Company received a written resignation report from Mr. Cui Liguo, an independent director of the Company. According to the Measures for the Administration of Independent Directors of Listed Companies, the tenure of independent directors shall not exceed six years consecutively, so that Mr. Cui Liguo applied to resign as an independent director of the Company and his relevant positions in the Nomination Committee, the Corporate Social Responsibility Committee and the Strategy Committee.

On 23 August 2023, the Company held the 30th Meeting of the 8th Session of the Board, which considered and approved the Proposal on Nominating Mr. Yin Xiaoxing as a Candidate for

Independent Director of the Company. After the qualification review by the Nomination Committee of the Board, the Board agreed to nominate Yin Xiaoxing a candidate for independent director of the 8th Session of the Board, and submitted this proposal to the general meeting for consideration. On 15 September 2023, the Company held the 2023 second extraordinary general meeting, which considered and approved the Proposal on Nominating Mr. Yin Xiaoxing as a Candidate for Independent Director of the Company, and elected Mr. Yin Xiaoxing as an independent director 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 tenure of the 8th Session of the Board.

2. On 8 September 2023, the Company held the 31st Meeting of the 8th Session of the Board, which considered and approved the Proposal on Appointing Mr. Zhang Leiming as Vice President of the Company. In order to further standardize and improve the prescription drug sales management system of the Company and provide a strong guarantee for its long-term strategic development, and after being nominated by the President of the Company and the qualification review by the Nomination Committee of the Board, the Board approved the appointment of Mr. Zhang Leiming as a vice president of the Company and will be fully responsible for the sales management of prescription drugs of the Company for a term commencing from the date of vote and approval at the Board meeting to the date of expiry of the term of the 8th Session of the Board.

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

1. Posts held at the 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	/
	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	/
	Tianjin Tianyao Pharmaceuticals Co.,Ltd	Independent Director	March 2016	February 2023
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	/
Yin Xiaoxing	Xuzhou Medical University	Professor, Doctoral Supervisor of Pharmacology	August 1988	/
	Jiangsu Key Laboratory of New Drug Research and Clinical Pharmacy	Director	September 2014	/
	Jiangsu Nhwa Pharmaceutical Co., Ltd.	Independent Director	March 2022	/
	Teaching Steering Committee for Pharmacy Major in Higher Education Institutions of the Ministry of Education	Member	August 2013	/
	Science 2 Graduate Education Steering Committee of Jiangsu Province	Chairman of the committee	November 2018	/
	Jiangsu Pharmacological Society	Vice Chairman	November 2008	/
	Specialized Committee of Preclinical Pharmacology for New Drugs, Jiangsu Pharmacological Society	Chairman of the committee	November 2012	/
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	/
	Haitong Futures Co., Ltd.	Independent Director	December 2023	/
	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	/
	Dynamiker Biotechnology (Tianjin) Co., Ltd.	Independent Director	July 2020	July 2023
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	
Description of employment in other offices	Not applicable			

(III) Remuneration of directors, supervisors and senior management

√Applicable □N/A

Decision-making procedure regarding remuneration of directors, supervisors	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

and senior management	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. 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. 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. 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. On 29 January 2024, 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 2023 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company (《关于公司高级管理人员 2023 年度绩效考核结果及薪酬分配的议案》) was 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 2023 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 2023. On 29 January 2024, the Board of the Company convened the 37th meeting of the 8th session of the Board, at which the Resolution on Remuneration Distribution of Senior Management for the year 2023 was considered and approved. 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.
Whether directors abstaining from discussions on their remuneration at the Board	Yes
Details of suggestions on remuneration matters relating to directors, supervisors and senior management by the Remuneration Committee or special meetings of independent directors	On 29 January 2024, 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 2023 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company (《关于公司高级管理人员 2023 年度绩效考核结果及薪酬分配的议案》) was 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 2023 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 2023.

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 2023. Based on the result of performance assessment, the performance bonus and remuneration of senior management in 2023 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	RMB22.2443 million.

(IV) Changes in directors, supervisors and senior management

√Applicable □N/A

Name	Position	Change	Reason for change
Cui Liguo	Independent Director	Resigned	The tenure has reached the six-year limit.
Yin Xiaoxing	Independent Director	Elected	Nomination by the Board, and election at the general meeting
Zhang Leiming	Vice President	Appointed	Appointment by the Board

(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
22nd Meeting of the 8th Session of the Board	2023-01-16	Considered and approved the Proposal on the 2022 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company, the Proposal on the Establishment of Anti-Corruption and Anti-Commercial Bribery System, and the Proposal on the Establishment of Anti-Fraud System. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 22nd Meeting the 8th Session of the Board (Lin 2023-007) disclosed on 17 January 2023 for details.
23rd Meeting of the 8th Session of the Board	2023-04-07	Considered and approved nineteen (19) proposals, including the 2022 Annual Work Report of the President, the 2022 Annual Work Report of the Board of Directors, the 2022 Final Account Report, the 2022 Annual Profit Distribution Plan and the 2022 Annual Report of Joincare Pharmaceutical Group Industry Co., Ltd. (Full Text and Summary). See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 23rd Meeting the 8th Session of the Board (Lin 2023-030) disclosed on 11 April 2023 for details.
24th Meeting of the 8th Session of the Board	2023-04-24	Considered and approved the 2023 First Quarterly Report of Joincare Pharmaceutical Group Industry Co., Ltd.
25th Meeting of the 8th Session of the Board	2023-04-28	Considered and approved the Proposal on the Cancellation of Treasury Shares Previously Repurchased, the Proposal on Convening the 2023 First Extraordinary General Meeting of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 25th Meeting the 8th Session of the Board (Lin 2023-043) disclosed on 29 April 2023 for details.
26th Meeting of the 8th Session of the Board	2023-05-17	Considered and approved the Proposal on Convening the 2022 Annual General Meeting of the Company

27th Meeting of the 8th Session of the Board	2023-07-21	Considered and approved the Proposal on Adjusting the Exercise Price of the 2022 Share Options Incentive Scheme of the Company
28th Meeting of the 8th Session of the Board	2023-08-11	Considered and approved the Proposal on the Grant of Reserved Share Options to Incentive Participants, the Proposal on the Cancellation of Certain Share Options Granted under the 2022 Share Options Incentive Scheme. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 28th Meeting the 8th Session of the Board (Lin 2023-076) disclosed on 12 August 2023 for details.
29th Meeting of the 8th Session of the Board	2023-08-18	Considered and approved the Proposal on the Satisfaction of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme.
30th Meeting of the 8th Session of the Board	2023-08-23	Considered and approved the Proposal on Nominating Mr. Yin Xiaoxing as a Candidate for Independent Director of the Company, the 2023 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 of 2023, and the Proposal on Convening the 2023 Second Extraordinary General Meeting of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 30th Meeting the 8th Session of the Board (Lin 2023-085) disclosed on 24 August 2023 for details.
31st Meeting of the 8th Session of the Board	2023-09-08	Considered and approved the Proposal on Appointing Mr. Zhang Leiming as Vice President of the Company
32nd Meeting of the 8th Session of the Board	2023-09-15	Considered and approved six proposals, including the Proposal on the Election of Members of the Nomination Committee of the Board, the Proposal on the Election of Members of the Strategy Committee of the Board, the Proposal on the Election of Members of the Corporate Social Responsibility Committee of the Board, and the Proposal on the Election of the Chairman of the Nomination Committee of the Board. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 32nd Meeting the 8th Session of the Board (Lin 2023-101) disclosed on 16 September 2023 for details.
33rd Meeting of the 8th Session of the Board	2023-09-21	Considered and approved the Proposal on the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary, the Proposal on the General Meeting for Granting Mandate to the Board to Deal with Matters Related to the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company, and the Proposal on Convening the 2023 Third Extraordinary General Meeting of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 33rd Meeting the 8th Session of the Board (Lin 2023-104) disclosed on 22 September 2023 for details.
34th Meeting of the 8th Session of the Board	2023-10-25	Considered and approved eight proposals, including the 2023 Q3 Report of Joincare Pharmaceutical Group Industry Co., Ltd., the Proposal on the Establishment of the System for Special Meetings of Independent Directors, the Proposal on the Amendment to Certain Clauses of the Implementation Rules of the Audit Committee of the Board, the Proposal on the Amendment to Certain Clauses of the Implementation Rules of the Remuneration Committee of the Board, and the Proposal on the Amendment to Certain Clauses of the Implementation Rules of the Strategy Committee of the Board. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 34th Meeting the 8th Session of the Board (Lin 2023-114) disclosed on 26 October 2023 for details.
35th Meeting of the 8th Session of the Board	2023-11-17	Considered and approved the Proposal on the Capital Increase and Share Expansion of the Controlling Grandson Company LivzonBio, and the Proposal on Convening the Fourth Third Extraordinary General Meeting of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 35th Meeting the 8th Session of the Board (Lin 2023-127) disclosed on 18 November 2023 for details.
36th Meeting of the 8th Session of the Board	2023-12-28	Considered and approved the Proposal on Adjusting Certain Investment Content of Investment Projects with Proceeds, the Proposal on Temporary Replenishment of Working Capital with Idle Proceeds, the Proposal on the Establishment of the System of Joincare Pharmaceutical Group Industry Co., Ltd. for the Selection of Auditors, and the Proposal on Convening the 2024 First Extraordinary General Meeting of the Company. See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the 36th Meeting the 8th Session of the Board (Lin 2023-143) disclosed on 29 December 2023 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	15	15	11	0	0	No	5
Liu Guangxia	No	15	15	11	0	0	No	5
Yu Xiong	No	15	15	11	0	0	No	5
Qiu Qingfeng	No	15	15	11	0	0	No	5
Lin Nanqi	No	15	15	11	0	0	No	5
Cui Liguo (resigned)	Yes	10	10	7	0	0	No	3
Yin Xiaoxing	Yes	5	5	4	0	0	No	2
Huo Jing	Yes	15	15	11	0	0	No	5
Qin Yezhi	Yes	15	15	11	0	0	No	5
Peng Juan	Yes	15	15	11	0	0	No	5

Statement on absence from two consecutive meetings

□Applicable √N/A

Board meetings held during the year	15
In which: On-site meetings	4
Meetings held through electronic means	11
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
Remuneration Committee	Huo Jing, Qin Yezhi, Peng Juan
Nomination Committee	Yin Xiaoxing, Qiu Qingfeng, Huo Jing
Strategy Committee	Zhu Baoguo, Yu Xiong, Qin Yezhi, Yin Xiaoxing, Peng Juan
Corporate Social Responsibility (CSR) Committee	Zhu Baoguo, Lin Nanqi, Yin Xiaoxing

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

Date of meeting	Content	Important opinion and suggestion
2023-02-03	Considered the 2022 Annual Financial Statements of Joincare Pharmaceutical Group Industry Co., Ltd. (Unaudited)	Approved

2023-03-24	Considered the Draft Audit Opinions for the 2022 Annual Financial Statements of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Draft Audit Opinions for the 2022 Internal Control of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-04-07	Considered the Audit Report for the 2022 Annual Financial Statements of the Company (Final)	Approved
	Considered the Audit Report for the 2022 Internal Control of the Company (Final)	Approved
	Considered the Summary Report on Audit Work for the Year 2022 from Grant Thornton (Special General Partnership)	Approved
	Considered the Assessment Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Internal Control for the Year 2022	Approved
	Considered the Proposal on the Appointment of Grant Thornton (Special General Partnership) as the Auditor of the Company for the Year 2023	Approved
	Considered the Proposal on Daily Connected Transactions between the Controlling Subsidiaries Jiaozuo Joincare and Jinguan Electric Power	Approved
	Considered the Proposal on the 2022 Annual Report of Joincare Pharmaceutical Group Industry Co., Ltd. (Full Text and Summary)	Approved
	Considered the 2022 Report on Performance of Duties of the Audit Committee of the Board of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-04-24	Considered the 2023 Q1 Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-08-23	Considered the 2023 Interim Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-10-25	Considered the 2023 Q3 Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Comprehensive Risk Management System of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-11-24	Considered the2023 Financial Statements and Internal Control Audit Proposal of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved

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

Date of meeting	Content	Important opinion and suggestion
2023-01-16	Considered the Proposal on the 2022 Annual Performance Assessment Result and Remuneration Distribution of Senior Management of the Company	Approved
2023-08-11	Considered the Proposal on the Grant of Reserved Share Options to Incentive Participants	Approved
	Considered the Proposal on the Cancellation of Certain Share Options Granted under the 2022 Share Options Incentive Scheme	Approved
2023-08-18	Considered the Proposal on the Satisfaction of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme.	Approved
2023-09-21	Considered the Proposal on the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary	Approved

(4). Four meetings were held by the Nomination Committee during the Reporting Period

Date of meeting	Content	Important opinion and suggestion
2023-04-07	Considered the Proposal on the Establishment of the Board diversity Policy of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-08-23	Considered the Proposal on Nominating Mr. Yin Xiaoxing as a Candidate for Independent Director of the Company	Approved
2023-09-08	Considered the Proposal on Nominating Mr. Zhang Leiming as vice president of the Company	Approved
2023-09-15	Considered the Proposal on the Election of Members of the Nomination Committee of the Board	Approved

(5). One meetings were held by the Strategy Committee during the Reporting Period

Date of meeting	Content	Important opinion and suggestion
2023-11-17	Considered the Proposal on the Capital Increase and Share Expansion of the Controlling Grandson Company LivzonBio	Approved

(6). Two meetings were held by the Corporate Responsibility Committee during the Reporting Period

Date of meeting	Content	Important opinion and suggestion
2023-04-07	Considered the 2022 Corporate Social Responsibility Report of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Responsible Marketing Policy of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Diversity, Equality and Inclusiveness Policy of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the EHS Management Policy of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Code of Labor and Employment and Conduct Ethics of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
2023-10-25	Considered the Proposal on the Establishment of the Social Responsibility Working Group for 2023 of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Amendment to the Code of Labor and Employment and Conduct Ethics of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Climate Change Management System of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved
	Considered the Proposal on the Establishment of the Code of Conduct for Suppliers of Joincare Pharmaceutical Group Industry Co., Ltd.	Approved

(7). 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	1,070
Number of active employees of major subsidiaries	13,295
Total number of employees	14,365
Number of retired employees for whom the parent company and major subsidiaries need to pay certain expenses	660
Profession	
Category	Number
Production staff	8,426
Sales staff	2,607
Technical staff	2,241
Financial staff	258
Administrative staff	833
Total	14,365
Education background	
Education background	Number
PhD	66

Postgraduate	726
Undergraduate	3,968
Junior college diploma	4,332
Others	5,273
Total	14,365

(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 2023, 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 9 June 2023, the Company convened the 2022 Annual General Meeting, at which the Company's Profit Distribution Plan for 2022 was considered and approved: a cash dividend of RMB1.80 (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 2022, 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 2023

Based on the audit conducted by Grant Thornton (Special General Partnership), in 2023, the Parent Company generated net profit of RMB1,241,411,898.00, 10% of which was contributed to the statutory surplus reserve, namely RMB124,141,189.80, the remainder of which, together with undistributed profits for the last year of RMB1,968,175,713.20 and gain on disposal of other equity investments of RMB1,245,892.23, subtracting cash dividends for the last year of RMB336,792,056.76, is the profits available for distribution to shareholders for the year of RMB2,749,900,256.87. The Company plans to distribute cash dividends for the fiscal year 2023, based on the total number of shares for dividend distribution, which is defined by the total shares of Company 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	√Yes □No
Are there defined and clear distribution qualifications and proportions	√Yes □No
Are there well-designed decision-making procedures and system	√Yes □No
Have independent directors performed their duties and role properly	√Yes □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	√Yes □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)	335,794,285.26
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement during the year of distribution	1,442,779,722.23
Percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	23.27
Amount of repurchase of shares under cash offer included in cash dividend	475,382,587.14
Total amount of dividend (tax inclusive)	811,176,872.40
Total amount of dividend as a percentage of the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statement (%)	56.22

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 2023 will be RMB335,794,285.26 (tax inclusive) based on the total share capital of 1,865,523,807 shares as of 31 December 2023. 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
On 21 July 2023, the Company held the 27th Meeting of the 8th Session of the Board and the 22nd Meeting of the 8th Session of the Supervisory Committee, which considered and approved the Proposal on Adjusting the Exercise Price of the 2022 Share Options Incentive Scheme of the Company. Due to profit distribution, the exercise price under the 2022 Share Options Incentive Scheme was adjusted to RMB11.06 per share.	See the Announcement on Adjusting the Exercise Price of the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-072) disclosed by the Company on 22 July 2023 for details.
On 11 August 2023, the Company held the 28th Meeting of the 8th Session of the Board and the 23rd Meeting of the 8th Session of the Supervisory Committee, which considered and approved the Proposal on the Grant of Reserved Share Options to Incentive Participants and the Proposal on the Cancellation of Certain Share Options Granted under the 2022 Share Options Incentive Scheme. Accordingly, the Company agreed to grant 5,500,000 share options to 149 incentive participants at the price of RMB11.06 per share. Due to the resignation of some incentive participants and other reasons, 2,370,000 share options granted under the first grant but not yet exercised by incentive participants were cancelled. Upon review and confirmation by the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, the said cancellation of 2,370,000 share options was completed on 17 August 2023.	See the Announcement on the Announcement on the Grant of Reserved Share Options to Incentive Participants of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-077) and the Announcement on the Cancellation of Certain Share Options Granted under the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-078) disclosed on 12 August 2023, the Announcement on the Completion of the Cancellation of Certain Share Options of the Company Granted but Not Yet Exercised under the 2022 Share Option Incentive Plan of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-081) disclosed on 19 August 2023 and other relevant announcements disclosed by the Company for details.
On 18 August 2023, the Company held the 29th Meeting of the 8th Session of the Board and the 24th Meeting of the 8th Session of the Supervisory Committee, which considered and approved the Proposal on the Satisfaction of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive	See the Announcement on the Satisfaction of Exercise Conditions for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-082) disclosed by the Company on 19 August 2023 for details.

Scheme. Accordingly, the Board believes that 391 incentive participants under the first grant of the incentive scheme have satisfied the substantive conditions for the exercise of rights during the first exercise period, and agrees to adopt the independent exercise model for this exercise period. The number of options exercised in total was 18,832,000.	
The number of options exercised was 799,526 from 1 July 2023 to 30 September 2023. As at 30 September 2023, the number of options cumulatively exercised and completing share transfer registration under the first grant of the 2022 Share Options Incentive Scheme of the Company was 799,526 shares.	See the Announcement on 2023 Q3 Independent Exercise Results of the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. & Changes in Shares (Lin 2023-109) disclosed by the Company on 10 October 2023 for details.
On 21 September 2023, the Company held the Congress of Workers and Staff, the 33rd Meeting of the 8th Session of the Board and the 26th Meeting of the 8th Session of the Supervisory Committee, which considered and approved the Proposal on the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company (Draft) and its Summary and the Proposal on the General Meeting for Granting Mandate to the Board to Deal with Matters Related to the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme of the Company. On 12 October 2023, the Company held the 2023 Third Extraordinary General Meeting, which considered and approved the said proposals.	See the Announcement on the Third Phase 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 22 September 2023 and other relevant announcements, and the Announcement on Resolutions of the 2023 Third Extraordinary General Meeting of Joincare Pharmaceutical Group Industry Co., Ltd. (Lin 2023-111) disclosed by the Company on 13 October 2023 for details.
On 27 October 2023, the Company held the First Holders' Meeting of the Third Phase Share Ownership Scheme of Medium to Long-term Business Partners, which considered and approved the Proposal on Establishing the Management Committee of the Third Phase Share Ownership Scheme of the Company, the Proposal on Electing Members of the Management Committee of the Third Phase Share Ownership Scheme and the Proposal on Authorizing the Management Committee of the Third Phase Share Ownership Scheme of the Company to Handle Matters Related to the Employee Share Ownership Scheme.	See the Announcement on Resolutions of Joincare Pharmaceutical Group Industry Co., Ltd. at the First Holders' Meeting of the Third Phase Share Ownership Scheme of Medium to Long-term Business Partners (Lin 2023-119) disclosed by the Company on 28 October 2023 for details.
As at 20 December 2023, the Third Phase Share Ownership Scheme of the Company has purchased a total of 9,370,400 shares by way of secondary market centralized bidding trading, representing 0.50% of the total share capital of the Company at that time, with a total turnover of RMB115,443,300 (the difference between the actual transaction amount and the total amount of the employee share ownership scheme represents the interest generated from the holding of share funds) and an average transaction price of approximately RMB12.32 per share. Then the Company has completed the purchase of the underlying shares for the Third Phase Share Ownership Scheme on the secondary market.	See the Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Completing the Purchase of Shares for the Third Phase Share Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme (Lin 2023-139) disclosed by the Company on 22 December 2023 for details.
The number of options exercised was 2,701,363 from 1 October 2023 to 31 December 2023. As at 31 December 2023, the number of options cumulatively exercised and completing share transfer registration under the first grant of the 2022 Share Options Incentive Scheme of the Company was 3,500,889 shares.	See the Announcement on 2023 Q4 Independent Exercise Results of the 2022 Share Options Incentive Scheme of Joincare Pharmaceutical Group Industry Co., Ltd. & Changes in Shares (Lin 2024-001) disclosed by the Company on 3 January 2023 for details.

(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	80	0	32	18	11.06	62	12.43
Lin Nanqi	Director, Vice President	80	0	32	0	11.06	80	12.43
Qiu Qingfeng	Director, Vice President, Chief Financial Officer	60	0	24	0	11.06	60	12.43
Zhang Leiming	Vice President	45	0	18	0	11.06	45	12.43
Zhao Fengguang	Vice President, Board Secretary	60	0	24	0	11.06	60	12.43
Total	/	325	0	130	18	/	307	/

(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 2023 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 2023. 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 2023. 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 2023 of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on 3 April 2024 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 2023. 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 2023, and issued a standard internal control audit report with unqualified opinion. See the Internal Control Audit Report 2023 of Joincare Pharmaceutical Industry Group Co., Ltd. disclosed by the Company on 3 April 2024 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 2023, the Company held 4 meeting through a combination of on-site + virtual means, accounted for 26.67% of the number of all meetings, representing an increase of 22.32% 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 Corporate 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)	10,330.01

(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

i Jiaozuo 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	116.58	220	809.8	942.1	Nil
	Ammonia nitrogen	Continuous			14.9	35	102.2	105.3	Nil

ii Taitai 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	44.72	345	0.324	/	Nil
	Biochemical oxygen demand				6.18	150	0.0494	/	Nil
	Suspended solids				7.5	250	0.061	/	Nil
	pH value				7.64	6～9	/	/	Nil
	Sulfur dioxide	Intermittent	1	Discharge outlet of boiler exhaust gas	0.76	50	0.0112	/	Nil
	Nitrogen oxide				8.47	150	0.169	/	Nil
	Particulate matter				14.47	20	0.398	/	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	48.96	500	3.3	41.65	Nil
	Ammonia nitrogen				0.43	45	0.0292	3.7485	Nil
	Total nitrogen				3.16	70	0.213	5.831	Nil
	Total volatile organic compounds		1	Discharge outlet of process exhaust gas	1.7	100	0.010028	0.504	Nil
	Non-methane hydrocarbon		1	Discharge outlet of exhaust gas in sewage station	3.3	60	0.2036	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	96.8	220	13.120	13.2025	Nil
	Ammonia nitrogen				6.212	35	0.842	1.5995	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)/（mg/m^3）	Pollutant discharge standards implemented (mg/L) /（mg/m^3）	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Fuzhou Fuxing	Chemical oxygen demand（COD）	Intermittent	1	The northwest side of the factory	14.51	100	19.40	102.19	Nil
	Ammonia nitrogen				0.1735	15	0.232	10.22	Nil
	SO_2	Organized	1	RTO	6.91	200	0.791	2.6	Nil
	NO_x		1	RTO	8.196	200	0.938	2.6	Nil
	VOCs		7	RTO, fermentation workshop, environmental friendly sewage station, regulating pool, Workshop 2 (East), Workshop 2 (West), QC department	6.38	60	7.626	30.19	Nil

Note: The discharge concentration represents the actual discharge concentration to the environment, and the standards implemented represent the standards for discharge to the environment by Jiangyin Sewage Treatment Plant（江阴污水处理厂）(i.e. COD ≤ 100 mg/L, ammonia nitrogen ≤ 15 mg/L), and the agreed standard for wastewater discharge from Fuzhou Fuxing to Jiangyin Sewage Treatment Plant（江阴污水处理厂）shall be the standards for discharge to the environment by Jiangyin Sewage Treatment Plant（江阴污水处理厂） (i.e. COD ≤ 500 mg/L, ammonia nitrogen ≤60 mg/L, total phosphorus ≤ 8 mg/L, total nitrogen ≤ 70 mg/L, SS ≤ 400 mg/L). For the discharge of non-methane total hydrocarbons, particulate matter, sulfur dioxide, and nitrogen oxides, the adopted standard was the standard limits stipulated in the Emission Standard of Air Pollutants for Pharmaceutical Industry (《制药工业大气污染物排放标准》)(GB 37823-2019).

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	66.4	240	63.66	213.6	Nil
	Ammonia nitrogen				4.9	70	4.73	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 ≤ 240 mg/L, ammonia nitrogen ≤ 70 mg/L. The data was obtained from Qingyuan Environmental Protection Bureau. The boiler waste gas follows the Emission Standard of Air Pollutants for Boilers (《锅炉大气污染物排放标准》) (DB 44/765-2019); the waste gas emission from the workshops follows the Emission Standard of Air Pollutants for Pharmaceutical Industry (《制药工业大气污染物排放标准》) (GB 37823-2019) and the Emission Standards for Odor Pollutants (《恶臭污染物排放标准》) (GB 14554-93).

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^3)	Pollutant discharge standards implemented (mg/L)/(mg/m^3)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Livzon Hecheng	Chemical oxygen demand	Intermittent	1	Wastewater treatment station	53.2	192	11.4	26.28	Nil
	Ammonia nitrogen (NH_3-N)				2.9	40	0.613	5.48	Nil
	Sulfur dioxide	Organized continuous emission	3	Boiler room	3	50	0.101	/	Nil
	Nitrogen oxide		3	Boiler room	53	150	0.6646	/	Nil
	Smoke and dust		3	Boiler room	1.31	20	0.0235	/	Nil
	Hydrogen chloride		7	Workshop	3.51	100	2.13	/	Nil
	Non-methane hydrocarbon		7	Workshop	18.98	60	7.31	77.76	Nil
	Non-methane hydrocarbon		1	RTO	8.03	60	0.15		Nil
	Nitrogen oxide		1	RTO	5.5	200	1.01	/	Nil
	Sulfur dioxide		1	RTO	2.75	200	0.40	/	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 ≤192mg/L, ammonia nitrogen ≤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 of Air Pollutants for Boilers (《锅炉大气污染物排放标准》)(DB 44/765-2019) of Guangdong Province. The workshop and wastewater treatment station emission complied with the Emission Standard of Air Pollutants 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	43.276	120	7.78	108	Nil
	Ammonia nitrogen				8.236	35	1.54	31.5	Nil

Note: Wastewater discharge follows the Discharge Standard of Water Pollutants for Pharmaceutical Industry Fermentation Products Category (《发酵类制药工业水污染物排放标准》) (GB21903-2008). The discharge concentration represents the concentration of ultimate discharge into the environment, while the discharge standards stipulated in the pollutant discharge license are COD ≤ 120 mg/L, ammonia nitrogen ≤ 35 mg/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	12.67	110	4.514	Nil	Nil
	Ammonia nitrogen				0.2128	15	0.075	Nil	Nil

Note: The production process of Limin Factory is required to comply with the Water Pollution Prevention and Control Law of the PRC (《中华人民共和国水污染防治法》), the Air Pollution Prevention and Control Law of the PRC (《中华人民共和国大气污染防治法》), the Solid Waste Pollution Prevention and Control Law of the PRC (《中华人民共和国固体废物污染环境防治法》), the Integrated Wastewater Discharge Standard of the PRC National Standard (《中华人民共和国国家标准污水综合排放标准》) (GB 8978-1996), the Emission Standard of

Air Pollutants for Boiler (《锅炉大气污染物排放标准》) (GB 13271-2014), the Measures for Pollutant Discharge Permitting Administration (TrialImplementation) (《排污许可管理办法（试行）》) and other laws, regulations and industry standards. The wastewater of Limin Factory 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 ≤ 110 mg/L, ammonia nitrogen ≤ 15 mg/L, while the data detected by third party inspection firm 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	Sewage treatment station	18.69	120	2.21	Nil	Nil
	Ammonia nitrogen		1	Sewage treatment station	0.2	20	0.024	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 water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standard of Water Pollutants for Pharmaceutical Industry Mixing/ Compounding and Formulation Category (《混装制剂类制药工业水污染物排放标准》) (GB 21908-2008), water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standards of Water Pollutants for Pharmaceutical Industry Bio-pharmaceutical Category (《生物工程类制药工业水污染物排放标准》) (GB 21907- 2008), or the level 1 of phase II standard of Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB 44/26- 2001) of Guangdong Province.

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^3)	Pollutant discharge standards implemented (mg/L) / (mg/m^3)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Ningxia Pharmaceutical	Chemical oxygen demand	Continuous	1	Sewage treatment workshop on the north side of the factory zone	104.84	200	102.49	Nil	Nil
	Ammonia nitrogen				0.61	25	0.6	Nil	Nil
	Sulfur dioxide		1	Boiler workshop on north side of factory zone	67.28	200	29.52	156.816	Nil
	Nitrogen oxide				138	200	60.55	156.816	Nil
	Particulate matter				6	30	2.52	23.522	Nil
	Volatile organic compounds		9	4 outlets for fermentation, 3 outlets for refinery and 2 outlets for sewage	7.17	100	10.74	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 air emission concentration of boilers represents the self-monitoring average concentration throughout the year, the standard adopted for discharge was the emission limits of coal-fired boilers in Schedule 3 of Emission Standard of Air Pollutants for Boiler (《锅炉大气污染物排放标准》) (GB 13271-2014) (sulfur dioxide ≤ 200 mg/m^3, nitrogen oxides ≤ 200 mg/m^3, particulate matter ≤ 30 mg/m^3) and Standard for Pollution Control on Hazardous Waste Incineration (《危险废物焚烧污染物控制标准》) (GB18484-2020), and the amount of sulfur dioxide, nitrogen oxides, and particulate matter was calculated by the amount indicated by

online monitoring. The concentration of volatile organic compounds represents the concentration of ultimate discharge to the environment (self-monitoring concentration), the adopted standard was the standard limits stipulated in Schedule I of the Emission Standard of Air Pollutants for Pharmaceutical Industry (《制药工业大气污染物排放标准》) (GB 37823-2019) and the amount of discharge was calculated by the amount of waste 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	96.6	220	8.022	60.8	Nil
	Ammonia nitrogen				3.4	35	0.279	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. Replacement of hazardous waste signs and labels in pipelines follows the latest Technical Specification for Setting Identification Signs of Hazardous Waste (《危险废物识别标志设置技术规范》).

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^3)	Pollutant discharge standards implemented (mg/L)/(mg/m^3)	Total amount of discharge (t)	Total amount of discharge approved (t/a)	Excessive discharge
Shanghai Livzon	Chemical oxygen demand	Intermittent	1	Master outlet in the park	40.1	500	4.93	6.1738	Nil
	Ammonia nitrogen				2.45	40	0.30	0.8747	Nil
	Particulate matter	Organized intermittent discharge	2	No. 5 and 6 outlets on the roof	-	-	-	-	Nil
	Volatile organic compounds		8	No.1, 2, 3, 4, 7, 8, 9 and 10 outlets on the roof	3.41	60	0.28	0.88325	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 matter were in accordance with the Emission Standard of Air Pollutants for Pharmaceutical Industry (《制药工业大气污染物排放标准》) (GB 37823- 2019), and the discharge of COD and ammonia nitrogen were implemented in accordance with the Integrated Wastewater Discharge Standard (《污水综合排放标准》) (DB 31/199-2018). Air pollutants discharge follows Emission Standard of Air Pollutants for Pharmaceutical Industry (《制药工业大气污染物排放标准》) (DB31/310005-2021), Integrate Emission Standards of Air Pollutants (《大气污染物综合排放标准》) (DB31/933-2015) and Emission Standards for Odor Pollutants (《恶臭（异味）污染物排放标准》) (DB31/1025-2016). Water pollutant discharge follows the The Discharge Standard of Pollutants for Bio-Pharmaceutical Industry (《生物制药行业污染物排放标准》) (DB31/373-2010). 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	Sewage treatment station	18.69	120	2.57	Nil	Nil
	Ammonia nitrogen		1	Sewage treatment station	0.2	20	0.0261	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 water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standard of Water Pollutants for Pharmaceutical

Industry Mixing/ Compounding and Formulation Category (《混装制剂类制药工业水污染物排放标准》) (GB 21908-2008), water pollutant discharge concentration limits for newly-built enterprises of the Discharge Standards of Water Pollutants for Pharmaceutical Industry Bio-pharmaceutical Category (《生物工程类制药工业水污染物排放标准》) (GB 21907- 2008), or the level 1 of phase II standard of Discharge Limits of Water Pollutants (《水污染物排放限值》) (DB 44/26- 2001) of Guangdong Province.

xv Livzon Diagnostics

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 Diagnostics	Chemical oxygen demand	Intermittent	1	Sewage treatment station	14	500	0.0419	Nil	Nil
	Ammonia nitrogen		1	Sewage treatment station	0.09	Nil	0.00027	Nil	Nil

Note: The sewage treated by Livzon Diagnostics was discharged into the South District Sewage Treatment Plant in Zhuhai （珠海市南区水质净化厂）, and the wastewater discharge was carried out in accordance with the Discharge Limits of Water Pollutants of Guangdong Province Standards (《广东省地方标准水污染物排放限值》) (DB 44/26-2001).

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 "Three-level 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 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 ℃ 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 2023. 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.
Taitai Pharmaceutical	No new environmental protection facility was set up, and all environmental protection facilities functioned properly.
Haibin Pharma	No new pollution preventive facility was set up, and all pollution preventive facilities functioned properly and ensured up-to-standard discharge.
Xinxiang Haibin	Wastewater: The wastewater treatment system with daily processing capacity of 600 tonnes through patented A/O process designed by East China University of Science and Technology functioned properly in 2023. In April 2020, a set of MVR concentration wastewater treatment plant was added and functioned properly in 2023. In June 2022, a set of lift aerator system and a set of magnetic levitation blower were added in the biochemical system, which have been functioning properly. A new sewage anaerobic treatment system was built in 2021, which has been functioning properly. In 2023, the company adopted the Fenton advanced sewage treatment system to delete and select reagents and orthogonally test the ratio of each reagent, and implemented a series of measures, such as adjusting the dosage and introducing new reagent manufacturers, to ensure that the advanced wastewater treatment process can operates stably and that the indicators of discharged wastewater meet the standards for discharge.

	Exhaust gas: The 40000m³/h regenerative oxidation exhaust gas treatment system designed by Jiangsu Ruiding started operation on 2 November 2019 and is functioning properly in 2023. After reconstruction of dry tail gas self-circulating process, the activated carbon adsorption device for high concentration waste gas designed by Beijing Rixin Daneng Technology Co., Ltd. has been functioning properly in 2023 and solvent recovery amount was increased. After alkali spray and water spray, the exhaust gas from biochemical aerobic process of wastewater treatment was emitted in compliance with the required standard, and the equipment functioned properly throughout 2023. A set of methylene chloride and tetrahydrofuran membrane recovery system was added for high concentration exhaust gas treatment of the sixth workshop, which has been functioning properly in 2023. A new methylene chloride membrane recovery system was added to the third workshop and the system operates properly in 2023.
Fuzhou Fuxing	The company strictly complies with the "Three Simultaneous" system of environmental protection by collecting and treating "Three Wastes (wastewater, waste 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) and Cyclic Activated Sludge System (CASS) + 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. The RTO annual maintenance has been completed in the first half of 2023. In 2023, the COD concentration was 5,628.7 mg/L, the ammonia nitrogen concentration was 225.5 mg/L; the COD concentration and ammonia nitrogen concentration discharged into Jiangyin Sewage Treatment Plant（江阴污水处理厂）were 237.2 mg/L and 22.1 mg/L respectively.
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 3,000 t/d and adopt the treatment process of "Pre-treatment + Aerobic pool + Hydrolysis acidification tank + SBR + Catalytic oxidation + Air float". The effluent water quality constantly met the standard; the COD concentration of the influent water in the regulating pool was about 2000 mg/L, and the actual COD concentration discharged after treatment was about 100 mg/L (the discharge standard is ≤ 240 mg/L), and the COD treatment efficiency reached 95%. The waste gas emitted from sewage treatment was treated using a biological deodorization box + 3-level high-efficiency sodium hypochlorite and lye spray + 1-level alkali spray treatment process; the waste gas emission constantly met the standard. For the organic waste gas, the refining workshop adopts the most advanced RTO treatment process, which conveys the waste gas to the RTO furnace chamber at about 800 ℃ for high-temperature oxidation and completely decomposes the volatile organic gases into CO_2 and water. In 2023, the fourth round of environmental protection improvement and renovation was carried out, including a series of noise reduction measures such as installing sound-proof glass for the shutters on the third floor of the fermentation department 2, adding an enclosure to the fan on the roof of the refining workshop and enclosing the MVR and RTO areas with sound-absorbing cotton panels. In addition, the pre-treatment wastewater pipeline of the sewage station was sorted out, the original remaining waste pipelines were removed, and new wastewater pipelines were sorted out and installed to effectively reduce the leakage of wastewater; for the waste gas of the fermentation workshop 2, the first-level waste gas spray tower was added to strengthen the treatment effect of fermentation waste gas.
Livzon Hecheng	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 prevention & treatment facilities were enhanced to ensure that pollutant discharge was stable and in compliance with the required standard. For wastewater, 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 into Zhuhai Leaguer Environmental Protection Co., Ltd.（珠海力合环保有限公司） (water purification plant in the South District) through the municipal sewage pipeline network. The waste gas was treated by spray tower, activated carbon

	adsorption, condensation, liquid nitrogen cryogenic, RTO and other comprehensive treatment technologies to ensure all kinds of pollutants were effectively treated and discharged in compliance with the standards.
Gutian Fuxing	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 "Anaerobic-Oxic activated sludge process (A/O) + SBR + nitrogen removal by denitrification + Fenton decolorizing + air flotation" wastewater treatment process, 6,000m³ 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. The COD concentration and ammonia nitrogen of untreated wastewater were 2000 mg/L and 400 mg/L respectively; the COD concentration and ammonia nitrogen were lowered to 43.276 mg/L and 8.236 mg/L after treatment, with the removal rate as high as 97.8%. 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. Two 4-tonne coal-fired boilers were eliminated and one 12-tonne biomass-fired special boiler was replaced. The boiler exhaust treatment facilities were upgraded, with the high-efficiency waste gas treatment facility of "SNCR denitrification + cyclone dust removal + dry desulfurization + bag dust removal + wet desulfurization" adopted.
Livzon Limin	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 1,500 t/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 into Shaoguan Second Sewage Treatment Plant（韶关市第二污水处理厂） through the municipal pipeline network. The key pollution indicators are chemical oxygen demand and ammonia nitrogen; the concentrations at water inlets were 365.1 mg/L and 1.187 mg/L respectively in 2022, while the average discharge concentrations at water outlets were 12.67 mg/L and 0.2128 mg/L respectively, far lower than the relevant limits stipulated in the pollutant discharge license and the removal rates reached 93.45% and 54.08% respectively. In respect of waste gas treatment, biomass boilers were all replaced by gas boilers. The technical transformation project of the R&D center has installed waste gas treatment facilities such as activated carbon adsorption and acid mist spray tower. The key pollution indicators are sulfur dioxide, nitrogen oxides and particulate matter. The emission concentrations were 0 mg/m ³, 82.92 mg/m ³and 2.15 mg/m ³respectively in 2023, far lower than the relevant limits stipulated in the pollutant discharge license. In respect of control of noise pollution, investment was made to construct noise segregation wall to reduce noise pollution.
Livzon Pharmaceutical Factory	The "Three Wastes" were collected and treated effectively by the Pharmaceutical Factory. 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 1,000 t/d, which adopted the CASS process for phase I and the A/O process for phase II. The indicator of treated wastewater was approximately 50% of the standard limit requirement and the sewage after treatment was discharged into sewage treatment plants through the municipal pipeline network. For waste gas: currently, the company uses purchased steam and uses the boilers as backups, greatly reducing air emissions (sulfur dioxide, nitrogen oxides). The waste gas of the wastewater treatment stations is treated by the biological deodorization tower, which is a combined odor treatment equipment, divided into three areas: biochemical area, physicochemical area and adsorption area. The biological deodorization in biochemical area mainly uses microorganisms to deodorize, and the odorous substances are transformed through the physiological metabolism of microorganisms, so that the target pollutants are effectively decomposed and removed to achieve the purpose of waste gas treatment.
Ningxia Pharmaceutical	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^3/d (including one plant with capacity of 5,000 m^3/d and one plant with capacity of 2,500 m^3/d), and the actual total treatment amount was 2,800 m^3/d. After the treated sewage had reached the standard stipulated on the pollutant discharge licence, it would be discharged into Xin'an Company through the sewage pipeline network in the industrial park. Waste gas treatment: 4 sets of fermentation and 2 sets of refining waste gas treatment adopt the treatment process of "sodium

	hypochlorite spray + water spray + two-way superoxide water spray + micro-nano bubble spray"; 2 sets of waste water treatment tank odor collection and treatment facilities adopt the treatment process of "three-level spray absorption (level 1: alkaline water spray absorption + level 2: sodium hypochlorite spray absorption + level 3: sulfuric acid spray absorption)"; 1 set of RTO (regenerative thermal oxidizer) waste gas treatment facility adopts incineration method; 2 forty-ton circulating fluidized bed boilers (one in operation and one on standby) were in normal operation, adopting the treatment process of "bag dust removal + double alkali desulfurization + alkaline water spraying and demisting". General solid waste: slag and sludge were entrusted for landfill disposal; styrene-acrylic slag is sold as organic fertilizer; styrene-acrylic mother liquor was outsourced for recycling; styrene-acrylic spent activated carbon and Lova waste activated carbon were sent to boilers for incineration. Hazardous waste: mycophenolic acid and Dora waste slag are put into boilers for incineration; spent activated carbon, waste and empty reagent bottles, waste packaging bags, etc. were all entrusted to qualified companies for disposal. In 2023, the following pollution prevention measures were mostly completed: 1. decommissioning the former Xinbeijiang sewage treatment system to abate the source of malodorous gas generation; 2. carrying out comprehensive cleaning and maintenance of the existing 9 sets (30 units) of waste gas treatment facilities spray tower; 3. replacing nearly 1,000 meters of DN300 external drainage pipes.
Jiaozuo Hecheng	The "Three Wastes" were collected and treated effectively in strict compliance with the "Three Simultaneous" system. The designed sewage treatment capacity was 3,000 t/d, the treatment process of "hydrolytic acidification tank + UASB + aerobic pool + materialized treatment" was adopted, the treated sewage would be discharged 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）through the municipal pipeline network. The sewage treatment facilities were under normal operation with compliant discharge. In 2023, 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）. For waste gas: In 2023, dichloride module equipment was added in the recycling section, and the waste gas was discharged after being treated and the standard limit met; The waste gas generated from technical process in the production zone would be collected and treated by adopting two sets of processes of "spray + activated carbon + spray + RTO incineration equipment" and "-20 Celsius condensation + dichloride module + spray + activated carbon + spray + RTO incineration equipment" 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 Guidelines for Standardized Management of Hazardous Waste in Henan Province (Trial Implementation) (《河南省危险废物规范化管理工作指南（试行）》). In 2023, hazardous waste disposal contracts were signed with qualified companies Anyang Zhongdan Environmental Protection Technology Co.（安阳中丹环保科技有限公司）, Luoyang Dezheng Waste Resources Recycling Co., Ltd.（洛阳德正废弃资源再利用有限公司）and Qinyang BBMG Jidong Environmental Protection Technology Co., Ltd.（沁阳金隅冀东环保科技有限公司）. In 2023, hazardous waste and other general solid waste were disposed of in compliance with relevant requirements. In January 2023, a self-monitoring and automatic monitoring equipment comparison contract was signed with Henan Chenjie Inspection Technology Co., Ltd.（河南晨颉检验技术有限公司）to regularly monitor the company's discharge outlets.
Shanghai Livzon	The company designed and built a sewage treatment station with a processing capacity of 200 m^3/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 emission 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. In order to meet the regulatory requirements under the new environmental impact assessment (at least one emission reduction measure to be replaced with a new one), the 4# exhaust stack was upgraded in March 2023, upgrading

	the secondary activated carbon adsorption equipment and the monitoring platform processing equipment.
Livzon MAB	The "Three Simultaneous" system was strictly implemented by Livzon MAB 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 treatment station with designed processing capacity of 1,000 t/d, which adopted the CASS process for phase I and the A/O process for phase II, and the sewage after treatment was discharged into sewage treatment plants through the municipal pipeline network. 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.
Livzon Diagnostics	The "Three Simultaneous" system was strictly implemented by Livzon Diagnostics. The company has sewage treatment facilities, which started construction in 2017 and were completed and passed the acceptance inspection for use in June 2018. The treatment processes include sedimentation tanks, regulating tanks, anaerobic tanks, contact oxidation, secondary settling tanks, etc. The sewage after being treated and met the standard was discharged into the South District Sewage Treatment Plant in Zhuhai （珠海市南区水质净化厂） through the municipal sewage pipeline. Hazardous waste and general industrial solid waste generated by Livzon Diagnostics were entrusted to a qualified third-party company for disposal.

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	Jiaozuo Joincare was listed in the mandatory clean production directories on key industries in 2023. Currently, the interim report review has been completed. Due to the delay in the construction of high-cost projects, the clean production review and acceptance is expected to complete by the end of March 2024.
Taitai Pharmaceutical	The Environmental Impact Report for new products are currently under preparation and review.
Haibin Pharma	No environmental impact assessment project was required in 2023; 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; and the change of pollutant discharge license was applied for and obtained approval in December 2023.
Xinxiang Haibin	No environmental impact assessment project was required in 2023.
Fuzhou Fuxing	The Environmental Impact Report on the Phase III High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (《丽珠集团福州福兴医药有限公司三阶段高端抗生素项目环境影响报告书》) was approved on 23 August 2021. The Environmental Impact Report on the Phase IV High-end Antibiotics Project of Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd.（丽珠集团福州福兴医药有限公司四阶段高端抗生素项目环境影响报告书》) was approved on 12 October 2022. In March 2023, the second phase, the third phase, the second stage and the third stage of environmental inspection have been completed. 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 re-application for the pollutant discharge license was completed in October 2023 with a validity period from 8 October 2023 to 7 October 2028.
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 environmental protection measures required under the environmental impact assessment, the environmental protection facilities have been functioning properly. The

	first application for a new national discharge permit was applied on 29 December 2017, and the renewal of the discharge permit was processed on 29 December 2022, with a validity period until 28 December 2027. The discharge permit for the new plant in Shijiao was changed on 8 May 2023 and is valid until 7 May 2028.
Livzon Hecheng	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. (《珠海保税区丽珠合称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 for expansion 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 Zhuhai FTZ Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《珠海保税区丽珠合称制药有限公司技改扩建项目环境影响评价报告》), passed the expert review, and obtained approval 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 2023, it was awarded the Green Factory by the Ministry of Industry and Information Technology. In March 2022, the revision and filing of the emergency plan for environmental emergencies was completed.
Gutian Fuxing	The company passed the environmental impact assessment on 30 June 1999 and the inspection and acceptance upon completion of construction carried out by Environmental Protection Bureau of Fujian Province on 5 June 2000. The company re-prepared its post-environmental impact assessment report in 2019 and passed the inspection and acceptance carried out by experts on 11 June 2019. The company strictly enforced the "Three Simultaneous" system and implemented the environmental protection measures as required under environmental impact assessment, with normal operation of the environmental protection facilities. In September 2022, the clean production passed the on-site inspection and acceptance of the Ecology and Environment Bureau, and in October 2022, it obtained the inspection and acceptance opinions of the Ningde Environmental Protection Science Research Institute. The existing pollutant discharge license was applied on 26 November 2020 with a validity period from 29 December 2020 to 28 December 2025.
Livzon Limin	The Environmental Impact Report on the Technological Reform Project for the R&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. A review expert meeting was held on 24 April 2021, and independent review was completed. The Environmental Impact Report for Workshop II of Small-capacity Injection (《小容量注射剂二车间项目环境影响报告表》) was approved on 23 November 2020. On 15 September 2021, a review expert meeting was held, and independent review was completed. The national pollutant discharge license was updated on 22 December 2023. The "Three Simultaneous" system was strictly enforced to implement the environmental protection measures required under the environmental impact assessment, with normal operation of the environmental protection facilities. In September 2022, Limin Pharmaceutical Manufacturing Factory passed the on-site review on clean production by the expert group. In the future, it will continue to explore the potential of energy conservation and emission reduction, establish and improve the clean production mechanism and continuously enhance the level of clean production. It was recognized as a green enterprise in the environmental credit rating by Shaoguan Municipal Ecology and Environment Bureau consecutively from 2019 to 2022. The pollutant discharge license was renewed in 2023 with a validity period from 22 October 2021 to 21 October 2026.
Livzon Pharmaceutical Factory	The Environmental Impact Report Form for the Newly-added Wet Granulation Line Project P07 of Livzon Group Livzon Pharmaceutical Factory (《丽珠集团丽珠制药厂P07 新增湿法制粒线项目环境影响报告表》) was approved on 18 May 2022. Pharmaceutical Factory updated the pollutant discharge license in June 2022. The Environmental Impact Report Form for New Boilers and Boiler Low-nitrogen Transformation Project (《新增锅炉及锅炉低氮改造项目环境影响报告表》) was approved on 19 August 2022. The company will strictly enforce the "Three Simultaneous" system to implement the environmental protection measures as required by the environmental assessment. The Expansion Project for Production Line of Lyophilized Powder Injection of Livzon Group Livzon Pharmaceutical Factory (《丽珠集团丽珠制药厂东冻干粉針剂生产线扩建项目》) completed its independent acceptance in June 2022, and the Small-capacity Workshop Construction Project of Livzon Group Livzon Pharmaceutical Factory (《丽珠集团丽珠制药厂小容量车间建

	设项目》) completed its independent acceptance in August 2022. Livzon Pharmaceutical Factory updated the pollutant discharge license in June 2022, with a validity period from 9 June 2022 to 8 June 2027. The Environmental Impact Report on the Construction Project of Recombinant Human Follicle Stimulating Hormone Injection Pen Production Line (《重组人促卵泡素注射笔生产线建设项目环境影响報告书》) was approved on 11 July 2023. Pharmaceutical Factory updated the pollutant discharge permit in August 2023, which is valid from 18 August 2023 to 17 August 2028. The New Boilers and Boiler Low-nitrogen Transformation Project of Livzon Group Livzon Pharmaceutical Factory (《丽珠集团丽珠制药厂新增锅炉及锅炉低氮改造项目》) passed the independent acceptance in December 2023.
Ningxia Pharmaceutical	The renewal application for the discharge license was completed in December 2020 and the license is valid until 28 December 2025. 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 identification of Shizuishan municipal green plant and prepared an environmental impact assessment report on the increase of phenylalanine production capacity (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 company also completed the second round of rectification of non-compliance under the supervision of central environmental protection authorities, independent acceptance and government acceptance. The company strictly enforced the "Three Simultaneous" system to implement the environmentalprotection measures as required by environmental assessment, and the environmental protection facilities were innormal operation. In 2023, the main achievements were as follows: 1. the recognition of "Green Factory" at the Ningxia Autonomous Region level was obtained; 2. The environmental compliance procedures related to the use of phenylalaninemother liquor and concentrated waste liquid of lovastatin as organic fertilizer raw materials were completed; 3. Theidentification of hazardous waste such as sludge and lovastatin slag was completed; 4. The phenylalanine productioncapacity increase project（苯丙产能增加项目）was completed and accepted for environmental protection; 5. Theproject approval and environmental assessment procedures for tryptophan and isoleucine project（色氨酸异亮氨酸项目）was completed.
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 December2016, the "Three Simultaneous" system was strictly enforced, the environmental protection measures as required byenvironmental assessment were implemented and the environmental protection facilities were in normal operation. Theapplication for the national pollutant discharge license was completed in December 2020, the environmental protection policies were strictly enforced and various management tasks were implemented. The pollutant discharge license was changed in December 2023 and has now been submitted to the Ecological Environment Bureau for review. In 2023, the "one enterprise, one policy" plan for Jiaozuo Hecheng, a VOCs discharge enterprise, was formulated in accordance with the Summer Ozone Pollution Prevention and Control Action Plan (《夏季臭氧污染防治攻坚战行动方案》). In accordance with the Notice Requirements on Conducting Special Enforcement Inspections for Enterprises in Volatile Organic Compounds Industry (《省厅 2023 年关于开展涉挥发性有机物行业企业专项执法检查的通知要求》) by provincial department in 2023, comprehensively self-inspection VOCs inspections were carried out, a list of issues was compiled and active rectifications were made. In March 2023, the current round of clean production audit work was kicked off, and the final meeting was held on 4 January 2024, completing the clean production audit.
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 renovation of powder injection

	workshop 2 had completed in 2022, with the Environmental Impact Statement of Construction Project (《建设项目环境影响报告表》) filed in October 2022 and the Approval Opinion of Shanghai Pudong New Area Ecological Environment Bureau on the Environmental Impact Statement of the Reconstruction and Expansion Project of Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (《上海市浦东新区生态环境局关于上海丽珠制药有限公司改扩建项目环境影响报告告表的审批意见》) obtained in March 2023. 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. The new Pollutant Discharge License was obtained on 30 May 2023 with a validity period until 29 May 2028.
Livzon MAB	The Environmental Impact Assessment Report on the V01 Industrialization Project of Livzon Group Livzon Pharmaceutical Factory (《关于丽珠集团丽珠制药厂 V01 产业化项目环境影响评价报告书》) was approved in April 2021; the Environmental Impact Report Form for the Expansion Preparation Line 3 of the Large-scale Production Capacity Building Project of Recombinant SARS-CoV-2 Fusion Protein Vaccine（重组新型冠状病毒融合蛋白疫苗）was approved in March 2022. The company updated the pollutant discharge permit in September 2023. The company strictly enforced the "Three Simultaneous" system to implement the environmental protection measures as required by environmental assessment.
Livzon Diagnostics	Livzon Diagnostics prepared the Environmental Impact Report on Engineering and Production Projects of the New Plant (《新厂工程及生产项目环境影响报告书》) in 2017, which was approved by Zhuhai Environmental Protection Bureau on 6 February 2018. The environmental protection acceptance inspection was completed in June 2018. In 2020, according to the "Catalogue of Classified Management of Discharge Permit for Stationary Pollution Sources" (《固定污染源排污许可分类管理名录》) (2019 version) and the Measures for Pollutant Discharge Permitting Administration (Trial Implementation) (《排污许可管理办法（试行）》), the pollutant discharge license was canceled and the pollutant discharge registration and filling were carried out. In 2023, the Environmental Impact Report Form for Expansion Construction Project (《扩建设项目环境影响报告表》) was prepared in 2023 and approved by Zhuhai Ecological Environment Bureau in May 2023. Environmental acceptance was completed in December 2023. Clean production certification was completed in 2023.

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 with the Macun Branch of Ecology and Environment Bureau of Jiaozuo City on 19 May 2022.
Taitai Pharmaceutical	The environmental emergency contingency plan of Taitai Pharmaceutical completed review and filing in July 2023.
Haibin Pharma	The Environmental Emergency Contingency Plan was revised and filed (File No. 440308-2024-0005-M) in 2023. Trainings and drills on emergency responses were provided for employees to improve the capability of the Company for dealing with environmental emergencies. In 2023, a total of five emergency drills for environmental emergencies were held.
Xinxiang Haibin	The Environmental Emergency Contingency Plan of Xinxiang Haibin Pharmaceutical Co., Ltd. was filed with the Ecology and Environment Bureau on 23 August 2022 (File No. 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 "Focus on Prevention, Aim at Self-rescue, Centralized Command and Division of Responsibility（预防为主、自救为主、统一指挥、分工负责）", for which filing application was accepted on 15 April 2022 (File No.: 350181-2022-024-M). After environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions will be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance

	with the contents and requirements of such plan, the company provides trainings and drills for its employees to get them well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents. In June 2023, a comprehensive emergency fire drill for leakage accident in workshop 1 of the second phase was conducted.
Livzon Xinbeijiang	Based on the principles of "Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers; Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal", Livzon Xinbeijiang entered into the issued Environmental Emergency Contingency Plan of Livzon Group Xinbeijiang Pharmaceutical ManufacturingInc. (《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) again on 30 September 2021, which was verified and filed by the Qingyuan Municipal Ecology and Environment Bureau on 22 October 2021. Livzon Xinbeijiang regularly carries out environmental factors and sources of hazards identification training for safety and environmental management personnel of each department every year, and regularly conducts drills on various emergency contingency plan. A company-level environmental emergency contingency drill was conducted in June 2023, which improved the operability thereof, enhanced the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.
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（预防为主、自救为主、统一指挥、分工负责）", which has been approved for filing and formally announced with file reference number 440462-2019-001-M. Trainings on emergency events and disposal measures were held regularly for employees to enable implementation of safety measures in a timely, fast, effective and orderly manner to control and prevent the worsening of condition and pollution when encountering any occurrence of environmental emergency cases, so as to alleviate or eliminate the consequences effectively and resume orderly production as soon as possible.
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》) (File No.: 352200-2017-005-L) was prepared based on the principles of "Focus on Prevention, aim at Self-rescue, Centralized Command and Division of Responsibility（预防为主、自救为主、统一指挥、分工负责）", which was approved in May 2017. The second amendment of the contingency plan was made in June 2020, which passed expert review and completed filing (File No.:350922-2020-002-M). The third amendment of the contingency plan was made in June 2023, which passed expert review and completed filing (File No.: 350922-2023-012-M). According to the plan, the company would conduct an emergency drill for sudden hydrochloric acid leakage on 9 August 2023, and after environmental emergency incidents occur, immediate, quick, effective and orderly emergency rescue actions can be taken to control and prevent accidents and the spread of contamination, protect the surrounding environment effectively and ensure the personal life and property safety of all employees, the company and the nearby communities. In accordance with the contents and requirements of the plan, the company provides trainings for its employees. The company is well-prepared for environmental emergency incidents, so that rescue actions could be taken in a timely manner and incidents could be controlled effectively in a short period of time in case of any environmental emergency incidents.
Livzon Limin	The principles of occupational health and safety and the 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》) (File No.: 440203-2021-009-L) was prepared in accordance with the criteria of the environmental management system and the occupational health and safety administrative system. The plan was issued in May 2021. According to the requirements of 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, enhance the performance level of the emergency rescue staff, responsiveness of the rescue team as well as coordination and collaboration of different tasks.
Livzon Pharmaceutical Factory	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 updated by Pharmaceutical Factory in 2021, and has been approved for filing approval and announced, with the filing number 440404-2021-0212-L. The Pharmaceutical Factory conducted a special emergency response drill for hazardous waste leakage on 16 June 2023, to train the emergency response team and enhance the emergency response and execution abilities of the participants, further clarify the responsibilities and tasks of relevant personnel, improve the emergency linkage mechanism, improve the awareness of risk prevention and the ability of self-rescue and mutual rescue. On 30 October 2023, an on-site emergency drill for alcohol leakage and fire accidents was conducted. Through the drill, the emergency response capabilities of the participants were enhanced, the responsibilities and tasks of the relevant personnel were clarified, and the risk prevention awareness and self-rescue and mutual rescue response capabilities were improved.
Ningxia Pharmaceutical	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 verified, filed and issued in May 2019 (FileNo.: 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, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. The Environmental Emergency Contingency Plan was amended in May 2021, and passed expert review and was reviewed by and filed with government environmental department in August 2021 (File No.: 640221-2021-054-H).
Jiaozuo Hecheng	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 "Focusing on Prevention, On-alert all the time; Management by Classification, Response by Tiers, Cooperation among Departments, Responsibility by Levels; Scientific Prevention and Efficient Disposal". The contingency plan was approved for announcement and filing in April 2021 (File No.: 4108042018005L). The Hazardous Waste Environmental Pollution Emergency Contingency Plan of Jiaozuo Livzon Hecheng Pharmaceutical Manufacturing Co., Ltd. (《焦作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 compiled and was approved for filing in January 2018. Identification of environmental factors and sources of hazards and drills for emergency were conducted internally in the company on a regular basis to improve the operability of the contingency plan, enhance the performance level of the emergency rescue staff, and enhance the responsiveness and coordination of the rescue team in terms of integrated coordination and collaboration capabilities. In 2023, the company newly formulated the Environmental Protection Assessment System (《环保考核制度》), Jiaozuo Livzon EHS Environmental Protection Assessment System (《焦作丽珠 EHS 环保考核制度》) and Jiaozuo Livzon Potential Safety Hazard Screening Responsibility System (《焦作丽珠隐患排查责任制度》).
Shanghai Livzon	In March 2022, 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) was filed by the company. The company conducts drills and reviews of the plan every year to improve its emergency response capabilities through regular training on the plan. On 22 May 2023, Shanghai Livzon completed the filing and registration of the General Emergency Response Plan for Work Safety Incidents (《生产安全事故综合应急预案》) (File No. :310115000000202305220058), in order to improve the emergency response capabilities for production safety accidents through training on the emergency response plan.
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 Livzon MAB in 2022. In April 2023, the company conducted an emergency drill for hazardous waste leakage in the hazardous goods warehouse to enhance emergency response capabilities of staff, so as to alleviate or eliminate the impact of the consequences.
Livzon Diagnostics	In accordance with relevant regulations, Livzon Diagnostics carried out a risk assessment of environmental emergencies and emergency resources survey in 2021, and prepared the Environmental Emergency Contingency Plan of Zhuhai Livzon Diagnostics Inc. (《珠海丽珠试剂股份有限公司突发环境事件应急预案》) which was approved for filing and announced. Regular training on emergency response and disposal measures was provided to employees to equip them skills of executing safety measures timely, rapidly, effectively and

	orderly in environmental emergencies, in order to control and prevent the spread of risk and pollution, reduce or eliminate the impact of the consequences, and resume the production as soon as possible.

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 2023 self-monitoring program for wastewater and waste gas at the beginning of the year, and carried out self-monitoring according to the program. Up to the end of the year, Jiaozuo Joincare has completed the self-monitoring for wastewater and waste gas for the year. The company is a key enterprise in terms of soil monitoring, and has completed the annual soil self-monitoring work in August 2023. All control factors are in line with the industrial land control requirements.
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 Self-monitoring Technology Guidelines for Pollution Sources–Pharmaceutical Industry Fermentation Products Category (《排污单位自行监测技术指南发酵类制药工业》) (HJ 882-2017), the company has completed the establishment of the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with Fuqing Environment Protection Bureau and Fuzhou Environment Protection Bureau. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods; the monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements; the automated monitoring equipment has been installed in accordance with the requirement of environmental assessment technical standards, which are connected to relevant environmental protection authorities and have passed the inspection and acceptance of the relevant environmental protection authorities. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In May and October 2023, the works on leakage detection and repair (LDAR) of volatile organic compounds (VOCs) for the first and second half of the year were completed respectively. Information publicity website: http://wryfb.fjemc.org.cn.
Livzon Xinbeijiang	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 national regulations and environmental assessment technical standards, and the connection between online information and national development platform and Qingyuan municipal platform has been completed. Online monitoring equipment for wastewater and waste gas has passed the inspection and acceptance. The automated monitoring equipment has been functioning properly and the monitoring information is accurate, valid and authentic. In accordance with the requirements of the specification, a qualified third party is hired to conduct LDAR every

	six months for workshops that use VOCs emission. Xinbeijiang Pharma entrusts a qualified professional third-party testing company to test the wastewater, waste gas and noise in the plant area every year in accordance with the project and frequency requirements of the self-monitoring program, and the test results in 2023 are up to standard.
Livzon Hecheng	Through self-monitoring, the requirements under the Technical Specification for Application and Issuance of Pollutant Permit Pharmacy Industry–Active Pharmaceutical Ingredient Manufacturing (《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 monitoring and analysis instruments were examined and calibrated in strict compliance with relevant provisions. The automated monitoring equipment was installed in accordance with the requirements of environmental assessment technical standards, while online monitoring equipment for non-methane hydrocarbons, COD, ammonia nitrogen and pH level were installed and connected with the national development platform as required. In 2022, a third party was entrusted to conduct LDAR inspection, discharge outlet inspection, factory boundary noise monitoring and soil inspection on a regular basis, and the inspection results were all up to the standard.
Gutian 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）》), 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 Ecology and Environment Bureau and Ningde Gutian Ecology and Environment 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 May and October 2023, a qualified third party was engaged on two occasions to complete the leakage detection and repair (LDAR) work of volatile organic compounds and relevant reports were obtained. Soil and groundwater self-monitoring was completed in November 2023. The monitoring results was recorded in the Qinqing service platform（亲清服务平台）. Information publicity website: http://wryfb.fjemc.org.cn
Livzon Limin	An entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out water pollutant detection monitoring every quarter, boiler waste gas monitoring every month and R&D Center VOCs waste gas monitoring every six months, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The online monitoring equipment for COD and ammonia nitrogen in water passed the acceptance inspection and the equipment was put into operation in January 2021, and it will perform monitoring every 2 hours. Data should be completed and filed to the Pollutant Source Sharing Data Platform of the Shaoguan Municipal Ecology and Environment Bureau on a timely basis, and the relevant data would be announced to the public after being reviewed by the Shaoguan Municipal Ecology and Environment Bureau.
Livzon Pharmaceutical Factory	Inspection party with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. By considering its own specific conditions, the company appointed the inspection party to carry out monitoring on wastewater and waste gas every month, each time the monitoring would be conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data. The installation and commissioning of the online sewage monitoring equipment was completed and it was put into use at the beginning of 2021. All test indicators were normal in 2023.
Ningxia Pharmaceutical	The company formulated the self-monitoring program for 2022, which was reviewed by and filed with Shizuishan Municipal Ecology and Environment Bureau. Monthly and quarterly monitoring was carried out strictly in accordance with the requirements of the program, which focused primarily on organized air emissions, air emissions from boilers, wastewater, underground water, soil, diffusive environmental air, noise and recycled water TOC at plant boundary. The monitoring results would be announced to the public through the System of National Pollution Sources Monitoring Information Management and Sharing (《全国污染源监测数据管理与共享系統》) 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統》). From September 2023, in accordance with the requirements of the Environmental Protection Bureau, the monthly detection of heavy metal pollution factors in the exhaust gas of hazardous waste

	from boiler incineration has been increased. The leakage detection and repair (LDAR) work of volatile organic compounds was carried out. The automated monitoring equipment was passed the inspection and acceptance conducted by the competent environmental protection authority and connected to the network of the competent environmental protection authority. The automated monitoring equipment was sound, and the monitoring data was accurate, valid and authentic.
Jiaozuo Hecheng	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 implemented and completed the self-monitoring program based on its own situation in a timely manner and made the program available to the public after being examined by and filed with relevant competent environmental protection authorities. The analysis methods of the monitoring program comply with the national environmental monitoring technical standards and methods. The monitoring and analysis instruments have been examined and calibrated in strict compliance with the relevant national requirements. The leakage detection and repair (LDAR) of volatile organic compounds was completed in November 2023. At the request of Livzon Group, the leakage detection of natural gas pipelines was also carried out, and a test report was issued. The inspection of equipment and facilities such as solvent pipes and flanges in the workshop was conducted and maintenance and rectification were carried out on the places where there was leakage. According to the requirements of environmental testing technical specifications, the company has installed online automatic sewage monitoring equipment, and also installed online monitoring equipment for COD, ammonia nitrogen, pH value, flow rate and total nitrogen, which were connected to the Guofa platform（国发平台） as required. The company has installed non-methane hydrocarbon online monitoring equipment for waste gas. The company carried out regular monitoring in strict compliance with the requirements of the established self-testing scheme every year, which focused primarily on organized emissions of waste gas, wastewater, diffusive environmental air and noise at plant boundary.
Shanghai Livzon	In accordance with the relevant requirements of the Self-Monitoring Technology Guidelines for Pollution Sources– General Rule (《排污单位自行监测技术指南总则》) (HJ 819-2017) and the pollutant 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 monitors main air emission outlets once a month, common discharge outlets once half a year, noise once every quarter and wastewater once a month. The monitoring items and frequency shall meet the requirements of the pollutant discharge license. The other three enterprises in the park and the third-party sewage treatment company in the park enter into an agreement to install an online monitoring comparator at the main discharge outlet for effective monitoring of sewage discharge.
Livzon MAB	The company entrusted an agency with national testing qualifications to carry out monitoring in strict compliance with relevant national laws, regulations and standards. By considering its own specific conditions, the company entrusted the inspection party to carry out monitoring on wastewater and waste gas on a regular basis in accordance with the requirements of the implementation plan of the pollutant discharge permit, and each time the monitoring was conducted strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data.
Livzon Diagnostics	Wastewater: An agency with national testing qualifications was entrusted to carry out monitoring in strict compliance with relevant national laws, regulations and standards. The testing agency conducts quarterly inspections on water quality indicators such as chemical oxygen demand, ammonia nitrogen and suspended solids in strict accordance with the relevant national regulations to ensure the data collected from daily monitoring is accurate, valid, true, and meets the emission standards. Waste gas and noise: An inspection of noise and waste gas at the plant boundary is undertaken annually to ensure the monitoring data is accurate, valid, true, and meets the emission standards.

6. Administrative penalties imposed for environmental issues during the Reporting Period

□ Applicable √ N/A

7. Other environmental information to be disclosed

√ Applicable □N/A

In January 2023, Jiaozuo Joincare disclosed its relevant environmental information in 2023 according to the requirements of the Measures for the Administration of the Law-based Disclosure of Environmental Information by Enterprises (《企业环境信息依法披露管理办法》).

The relevant environmental information was disclosed on the National Pollutant Discharge Permit Management Information Platform the National Pollution Source Monitoring Data Management and Sharing Platform. The annual environmental information disclosure report was prepared on the Green Development Service Platform of the Department of Ecology and Environment of Guangdong Province.

(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 relavant 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 for the year 2023 was completed. Self-monitoring of soil and groundwater, as well as detection and treatment of hidden hazards for the year 2023 were completed. Carbon emission verification for the year 2022 was completed.
Taitai Pharmaceutical	The establishment of environmental safety standardization and the standardized management of hazardous waste were carried out as required by the Municipal Department of Ecology and Environment.
Haibin Pharma	The company carried out LDAR detection twice, to timely repair leakage points and reduce unorganized emission of VOCs.
Xinxiang Haibin	The company carried out LDAR leak detection, submit environmental protection commitment to the competent authority and purchased environmental pollution liability insurance for the company.
Joincare Haibin	1. The company conducted regular environmental monitoring and disclosed the monitoring results in a timely manner; 2. The company has formulated an environmental protection plan to define pollutant emission standards and related environmental protection measures, as well as an environmental emergency plan to respond to potential environmental accidents; 3. The company implemented cleaner production; 4. The company strengthened the environmental education for employees to increase their attention to environmental protection.

Fuzhou Fuxing	Two rounds of LDAR detection and repair were completed to reduce unorganized emission of VOCs; construction of phase II (Paromomycin, Telavancin, Pentostatin, Teicoplanin and Kanamycin Monosulfate), phase III (Pasiniazid and Polymyxin B), stage II (Emodepside, Dalbavancin and Moxidectin) and stage III (Afoxolaner, Fluralaner, Cyclosporine and Selamectin) were completed and the acceptance inspection on environmental protection was passed in 2023. The environmental credit evaluation was completed, and 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. The detection results met the emission standards. The self-monitoring of soil and groundwater was completed. The annual maintenance on the equipment for RTO exhaust was completed to ensure its safe operation and the emission of exhaust gas within the emission standards. Qualified companies were engaged for the compliant disposal of hazardous waste to reduce the risk of environmental pollution.
Livzon Xinbeijiang	1. Two rounds of LDAR leak detection and repair were completed as required to reduce unorganized emission of VOCs; 2. A series of noise control and improvement measures, such as installing soundproof glass in the louvers on 3/F of Workshop II of Fermentation to block the fermentation and stirring noises and using sound-absorbing cotton panels to surround the MVR to block the noise from the operation of the MVR; other equipment with loud noises in the factory has been surrounded by sound-absorbing cotton panels to reduce noise. 3. The company sorted out the pretreatment pipelines of the sewage station and reinstalled the pipelines to avoid wastewater leakage; 4. Each of the second refinery division and the second fermentation division added a waste gas treatment spray tower to enhance the treatment of exhaust gas and reduce the emission of exhaust gas pollutants. 5. The self-monitoring plan for the year was completed and the results of waste water, exhaust gas and noise met the emission standards. 6. A qualified third party is entrusted to dispose of the waste in compliance with laws and regulations, with the compliant disposal rate of 100%.
Livzon Hecheng	Four rounds of LDAR detection and repair were completed in 2023 to reduce unorganized emission of VOCs; The installation and commissioning of the new equipment for RTO exhaust was completed, and the equipment has put into use, so that one of the new and existing equipment for RTO exhaust will be under use while the other will stand by to ensure its safe operation and the emission of exhaust gas within the emission standards; replacement and upgrading of treatment facilities for exhaust gases generated from technical processes of the refining workshop and 103 workshop were completed; waste water treatment systems were under stable operation and the discharge was within the emission standards; qualified units were entrusted to treat hazardous waste with a compliant treatment rate of 100%. The self-monitoring program was completed and environmental responsibilities were fulfilled as required. In 2023, the company was rated as a green factory by the Ministry of Industry and Information Technology.
Gutian Fuxing	Volatile organic matter leak detection and repair (LDAR) for 2023 was completed and a report was obtained; cover and sealing were added to pools with high concentration and primary sedimentation pools for sewage treatment and 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 for 2023 was completed, with the results showing they all met standards. The construction of the 12-tonne biomass boiler and the upgrading and reconstruction of boiler tail gas treatment facilities were completed. The efficient exhaust gas treatment facilities with “SNCR denitration + cyclone dust removal + dry desulfurization + cloth bag dust removal + wet desulfurization” were adopted. Hazardous waste was entrusted to qualified companies for compliant treatment to reduce the risk of environmental pollution.
Livzon Limin	1. Pollutants were discharged according to the standards in the pollution discharge license and the annual self-monitoring of pollution discharge plan was formulated; a third-party environmental detection company was entrusted to conduct regular environmental test on the

	factory. Test results showed that there was no excessive discharge for the period of January to December 2023; 2. The measures on energy conservation and emission reduction were formulated according to ESG objectives in 2023; 3. Facilities and equipment at waste water treatment stations were regularly maintained; 4. Post-treated waste water was used for watering flowers, trees and grass in the factory in three lines. The recycling of waste water in 2023 was 2,392 tons; 5. Soil testing and underground water testing were carried out on hazardous waste warehouses and the test results were in line with the standards; 6. Identification and updating of environmental factors were carried out in the whole factory. A total of 4,304 environmental factors were identified, including 3,442 general environmental factors and 862 key environmental factors; 7. Argumentation on the comprehensive use of waste alcohol was carried out and it will be recycled and reused in waste water treatment stations to improve the treatment effect of waste water. The fees on supplementing carbon resources at waste water treatment stations were approximately RMB0.1482 million each year and the fees on the treatment of waste alcohol at TCM workshops I, II and III were approximately RMB35.91 thousand. The savings in relevant expenses were approximately RMB0.18411 million for the whole year.
Livzon Pharmaceutical Factory	Livzon Pharmaceutical Factory effectively collected and treated the "Three Wastes". 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 indicators of treated sewage were about 50% of standard limit, which 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 the emission of exhaust gas (sulfur dioxide and nitrogen oxides). The exhaust gas from the wastewater station is treated by a biological deodorization tower, which is a combined odor treatment equipment and consists of three areas, namely biochemical area, physical and chemical area and adsorption area. Biological deodorization in the biochemical area mainly uses microorganisms to remove odor, where odorous substances are transformed through the physiological metabolism of microorganisms. As such, the target pollutants can be effectively decomposed and removed to achieve the control of exhaust gas.
Ningxia Pharmaceutical	I. Optimization and improvement of equipment and facilities: The company suspended the use of the waste water treatment system of the former Xinbeijiang to reduce sources of odor gas; conducted comprehensive washing and maintenance of the spraying towers of the current 9 sets (30) exhaust gas treatment facilities; replaced DN300 drainage pipes with a length of nearly 1,000 meters; resealed the water-sealing groove of the cover plate of the sedimentation tank, replaced the original fan with air collection volume of 3000m³/h with a fan with air collection volume of 10000m³/h, and changed the DN80 collection pipes with DN200 ones; and added a new set of waste gas collection facility in the mud press room, which include a 100-meter DN600 collection pipe, a fan with air collection volume of 35,000m³/h and other supporting facilities. II. Compliance procedures: The company obtained the recognition as a green factory from Ningxia Hui Autonomous Region; obtained the rating as a "green card" enterprise in the appraisal on the environment and credit and enterprises in Ningxia Hui Autonomous Region for 2023; obtained the honor of an outstanding enterprise in pollutants treatment in Pingluo county in 2022; entrusted a third party to conduct repair, maintenance and operation of online monitoring equipment on VOCs in the exhaust gas from the RTO; completed LDAR detection and repair as required; and completed the standardized system reports relating to self-inspection, environmental statistics, pollution discharge permits, and new sources of chemical substance pollution. The company has completed: the environmental compliance procedures related to phenylalanine mother liquor and lovastatin concentrated waste liquid as raw materials of organic fertilizers; the hazardous waste identification of sludge and lovastatin bacteria residue; the environmental acceptance upon completion for the phenylalanine production capacity expansion project; and the project establishment and environmental impact assessment procedures for tryptophan and isoleucine project.
Jiaozuo Hecheng	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. In 2023, 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). Exhaust gas: dichloro film equipment was added in the recycling stage in 2023 and exhaust gas was emitted after treatment and meeting the standards; two techniques, namely "spraying + activated carbon + spraying + RTO incinerator equipment" and "-20℃ condensation + dichloro films + spraying + activated carbon + spraying + RTO incinerator equipment", were adopted to conduct collection and treatment of exhaust gas from processes in production areas and achieve emission under standards. Solid waste and hazardous waste would be stored in the hazardous waste station constructed in compliance with the requirements of "Three Protections" (Lintection 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 2023, the company entered into hazardous waste disposal agreements with qualified companies including Anyang Zhongdan Environmental Protection Technology Co., Ltd. (安阳中丹环保科技有限公司), Luoyang Dezheng Waste Resources Recycling Co., Ltd. (洛阳德正废弃资源再利用有限公司) and Qinyang Jinyu Jidong Environmental Protection Technology Co., Ltd. (沁阳金隅冀东环保科技有限公司). A total of 14.38 tons of hazardous waste was generated in 2023. Other general solid waste was disposed of in compliance with relevant requirements, with a total of 465.7 tons in 2023. In January 2023, the company entered into a self-monitoring and automatic monitoring equipment comparison contract with Henan Chenjie Inspection Technology Co., Ltd. (河南晨颉检验技术有限公司) to monitor the discharge outlets of the Company on a regular basis. The Leak Detection and Repair (LDAR) work was completed in November 2023. The leak detection for natural gas pipeline was also conducted according to the requirements of Livzon Group, and a qualified test report was issued.
Shanghai Livzon	The company has completed the Filing and Registration of the Contingency Plan for Emergent 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 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 company passed the on-site review of the Level 3 safety standardization by the expert group. 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. In order to reduce the emission concentration of exhaust gas and reduce the emission of VOCs, double activated carbon was added and installed to exhaust funnel 4 and it can reduce the emission concentration of exhaust gas and reduce the emission of VOCs after one more treatment. Water purifiers were replaced to improve the efficiency of making water with purifiers and effectively reduce wastewater discharge.
Livzon MAB	The company 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. The company 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.

Livzon Diagnostics	Waste water: an entity with national qualification on inspection was engaged to conduct monitoring strictly in compliance with the relevant national laws and regulations and standards. The testing party carried out routine environmental monitoring on chemical oxygen demand, ammonia nitrogen, suspended solids and other indicators on water quality. The testing is carried out on a quarterly basis with every monitoring strictly in compliance with the relevant national requirements to ensure the accuracy, validity and authenticity of the monitoring data and meeting the discharge standards. Exhaust gas and noise: an entity was engaged to conducting testing on exhaust gas and noise at the factory boundary each year and the monitoring data was accurate, valid and authentic and met the emission standards. Solid waste (including hazardous waste): Solid waste was collected in compliance with regulations, and a qualified third party was engaged for disposal.

(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)	4,612.70
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	In 2023, Jiaozuo Joincare's "4000m³/d biogas treatment project", a project under construction, utilized the purified biogas, which was generated from the anaerobic work section of the industrial wastewater workshop, as the incineration heat source of the RTO equipment, and the project is expected to be put into operation in March 2024. The total investment of the project is about RMB1.79 million. After the completion of the project, it can meet the heat source demand of two RTOs from Jiaozuo Joincare and Jiaozuo Livzon. The consumption of natural gas for RTOs is about 1,000m³/d. The remaining natural gas will be used to burn hot water to replace steam, which can save 10.3m³/d of steam. It is expected that RMB1.507 million can be saved every year by using biogas instead of natural gas, and RMB451,000 can be saved every year by using hot water instead of steam, totalling RMB1.958 million can be saved every year.
Taitai Pharmaceutical	1. Lighting facilities in the park were replaced with LED lamps in response to the call of the municipal government; 2. Employees were organized to learn energy conservation knowledge so as to achieve energy conservation and emission reduction in routine work by turning off lamps and machines timely.
Haibin Pharma	1. Replacing some motors with second-level energy-efficient motors can save 11.3 tons of standard coal equivalent (tce) per year. 2. Retrofitting the ethylene glycol pump with a variable frequency drive (VFD) to control the motor based on system pressure can reduce motor operating current by approximately 40%. This leads to an annual energy saving of 72,000 kWh. 3. All newly purchased air conditioners are first-level energy-efficient models, contributing to energy savings and emission reduction.
Xinxiang Haibin	1. Solar street lamps were purchased, which are expected to save electricity of 2,1900 kWh per year. 2. Screw vacuum pumps were purchased to replace reciprocating vacuum pumps.
Joincare Haibin	1. The air compressor system was upgraded, with an investment amount of RMB638,000, which can save electricity of 121,000kWh/year, reduce carbon emissions by 70.65tCO_2 every year, and save RMB90,800 every year after the project is put into operation;

	2. A solar hot water system was built on the roof of the dormitory buildings, with an investment amount of RMB168,000, which can save electricity of 443,000kWh/year, reduce carbon emissions by 258.67tCO_2 every year, and save RMB332,200 every year after the system put into operation.
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	Used 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; used LED lights to reduce power consumption, and raising employees' awareness in power conservation and safety; promoted to set the temperature of the air conditioner to not lower than 26 ℃; promoted green travels, encouraged the use of public transportation when going out to work, and set up shuttle buses to transport employees to and from work thereby reducing the use of private cars.
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 0.21 million kWh of electricity consumption per year; replaced the ultra-low-nitrogen boiler has increased thermal efficiency by 10%, saved 10 cubic meters of natural gas per ton of steam consumption, and reduced nitrogen oxide emissions by 80%; 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 130 m^3/min to replace the original air compressor with high power consumption to reduce power consumption; replaced one chiller unit to reduce electricity consumption; replaced a 100 m^3/min air suspension blower and three 55 KW Roots air compressors to reduce power consumption and on-site noise; 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	1. Installed an online remote automatic data monitoring system in the boiler room to analyze and judge the instantaneous flow rate monitoring of the flowmeter in the boiler room, checked whether the steam traps and exhaust valves in the factory were in sound condition, and thereby reduced the waste of steam. The average steam loss in the public pipelines of the factory was 15.6%. The steam loss was reduced to 11% via the relevant renovation of steam pipelines and it was expected that 1,242 tons of steam could be saved thereby; 2. The steam pipelines in the animal room of the research and development center were re-insulated and the steam traps were remodeled to prevent the occurrence of long-time steam exhaust due to the failure of water valves; 3. In the first and second traditional Chinese medicine extraction workshops, a total of 23 drainage devices were added to all condensate drainage pipelines with steam heating equipment to realize automatic drainage and improve the utilization rate of steam. It was expected that approximately 100 tons of steam could be saved thereby per year; in the first and second traditional Chinese medicine extraction workshops, the cooling method of purified water circulation system was changed from cooling by drinking water to cooling by recycled chilled water in order to reduce the consumption of drinking water. It was expected that the consumption of water could be thereby reduced by approximately 3,000 tons per year; 4. In the first traditional Chinese medicine extraction workshop, the existing n-butanol recovery SOP was improved and refined and the powder collection amount of Panax Notoginsenosides-XST was enhanced with an aim to reduce the unit consumption of n-butanol. Based on a production of 20 batches per year, approximately RMB24,800 could be saved per year.
Livzon Pharmaceutical Factory	Carried out low-nitrogen transformation for boilers to reduce nitrogen oxide emissions; reduced operation costs by combining the operation of refrigeration stations, and discontinued P06 large air compressor system when P06 workshop stopped production, and supplied individual equipment with gas through small air compressors, which could save about 15,000 kWh of

	electricity and reduce energy consumption; regularly switched on and off the air conditioners in QC, warehouses and other departments according to their needs, which could save about 700 kWh of electricity per day; further strengthened the energy-saving management of functional departments, and advocated employees to turn off the lights during the lunch break, and encouraged them to turn off the lights and shut down their computers when they leave their seats and the office to save electricity.
Ningxia Pharmaceutical	The project of recovering waste heat from air compressors as heat source to heat water for heating in winter was completed and would be put into operation in winter. It was expected that 5,000 tons of steam could be saved thereby; the high-efficiency and energy-saving transformation of fermentation circulating water pump in workshop 103 was completed, saving 1.00 million kWh of electricity annually; the recycling test of solid waste (slag, sludge) was completed and solid waste would no longer be landfilled when relevant facilities were put into use.
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. In order to reduce the air emission concentration and VOCs emissions, double-stage activated carbon was installed to the No. 4 exhaust funnel. After one more step of treatment, both the air emission concentration and the VOCs emissions could be reduced. In order to improve the efficiency of pure water production, the pure water equipment was replaced.
Livzon MAB	Formulated energy-saving and emission reduction measures in accordance with the ESG targets of the Company and made reasonable use of recycled wastewater; introduced purchased steam to reduce steam consumption effectively. 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.
Livzon Diagnostics	Entrusted a third party to carry out routine monthly maintenance of sewage treatment facilities to ensure that the wastewater treatment system was functioning properly. The water quality was up to standard, and the discharge did not exceed the limit. Formulated an energy management system to save energy and reduce emissions and strengthened daily energy-saving management to improve the company's performance in energy saving.

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 2023 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) on 3 April 2024 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)	2,598.46	Mainly include investment in public welfare projects for chronic diseases, industrial assistance, earthquake relief, and nature conservation.
Including: Funds (RMB'0,000)	1,976.14	Mainly include investment in earthquake relief project.
Cash converted from materials (RMB'0,000)	622.32	Mainly include investment in public welfare projects for chronic diseases.
Number of beneficiary (person)	2,125	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 realized net profit attributable to shareholders of the listed company of RMB1,443 million, generated tax revenues for the government of RMB1,866 million, paid RMB2,460 million in salary to employees, distributed dividends and paid interest worth RMB1,615 million to banks and other creditors, donated funds and goods totaling RMB25.9846 million to the society, and achieved a social contribution per share of approximately RMB3.97 for the society in 2023.

For our performance of social responsibility, see the 2023 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) on 3 April 2024 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)	196.11	Public welfare projects for chronic

		diseases to help rural revitalization
Including: Funds (RMB'0,000)	113.00	Donation of rural revitalization
Cash converted from materials (RMB'0,000)	83.11	Donation of drugs for chronic diseases
Number of beneficiary (person)	1,710	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 Group fully implements the spirit of the important instructions put forward by the CPC Central Committee and the General Secretary. In accordance with the relevant requirements, we have established and implemented the plan of "Astragalus Root（黄芪）Industry Revitalization" and adopted the model of "Company + Base" and "Company + Professional Cooperative", encouraging locals to cultivate and process astragalus root and develop the astragalus root industry with reference to the local conditions to make it a pillar industry for poverty relief in the long-term. The Group will explore the development of the featured astragalus root industry to achieve poverty elimination and promote the construction of the "Chinese Medicine Ecological Base".

"Astragalus Root（黄芪）Industry Revitalization" has been in place since 2017. 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, has established its own planting bases in Hunyuan County of Datong City in Shanxi Province and Zizhou County of Yulin City in Shaanxi Province, respectively, and in 2023, built astragalus root planting bases together with 12 cooperatives in Hunyuan County, Tianzhen County and Yanggao County of Datong City in Shanxi Province and Yulin District of Shaanxi Province, covering an area of approximately 20,000 mu and supporting a total of 415 people, thereby effectively promoting the economic development of the corresponding areas in Datong, Shanxi and Yulin, Shaanxi.

During the Reporting Period, based on the national "rural revitalization strategy", Datong Livzon launched the "Joint Construction by Village and Enterprise" project in cooperation with the village committee of Mazhuang Village, Guan'er Town, Hunyuan County, Datong City, Shanxi Province to renovate and reconstruct the primary processing plant in the astragalus root planting base which has met the requirements on the primary processing and storage of astragalus root. In addition, Datong Livzon trained approximately 30 managers and planters of the co-built base in Zizhou County, Yulin City, Shaanxi Province on the new version of GAP, conducted on-site technical guidance and practical training on the traceability of traditional Chinese medicinal materials, and assisted in the traceable preliminary land planning.

2. Rural Revitalization Inclusive Chronic Disease Prevention and Control Public Welfare Project

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 "Inclusive Chronic Disease Prevention and Control Public Welfare Project (普惠慢病防治公益项目)" program, which combines our own industrial advantages to provide tangible health benefits to grassroots people. 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 alleviate the economic difficulties of low-income families arising from long-term medication and mitigate chronic drug medication problems, further help patients with chronic diseases improve their awareness of chronic disease prevention and health management, effectively prevent "reduced to or returned to poverty due to disease", and promote local development of rural revitalization.

Since late 2018 onwards, with the support of local government agencies and relevant authorities at all levels, we have successfully carried out the "Inclusive Chronic Disease Prevention and Control Public Welfare Project" in areas including Chaotian District of Guangyuan City, Songpan County of the Autonomous Prefecture of Aba Zangs and Qiangs, Jinkouhe District of Leshan City, Jiange County and Pingwu County 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, Fenyi County of Jiangxi Province, Kashgar City of Xinjiang Uygur Autonomous Region, Balinzuo Banner and Tuoketuo County of Inner Mongolia, and Ziyuan County of Guangxi Province. In recognition of our outstanding performance in supporting rural revitalization projects, Joincare was honored with a number of awards, including the "Enterprises Contributing to Rural Revitalization" in Typical Case Selection for 2023 CSR Competitiveness Responsibility (2023 "CSR 竞争力"责任典型案例精选"乡村振兴贡献企业"), and the Excellent Rural Revitalization Practice Cases of Listed Companies (上市公司乡村振兴优秀实践案例).

As at 31 December 2023, the project covered 8 provinces and 4 autonomous regions, including 23 remote areas requiring assistance, and helped more than 19,410 low-income people. In 2024, we plan to donate medicines to Tibet, Hubei Province, Gansu Province, Anhui Province, Sichuan Province and other regions.

3. Resilience to Natural Disasters

On 18 December 2023 at 23:59, a 6.2-magnitude earthquake struck Jishishan County in Linxia Hui Autonomous Prefecture of Gansu Province, which caused a serious impact on the local economy and society. When a disaster strikes in one location, help comes from all quarters. In the wake of this earthquake, local governments and public welfare organizations paid high attention, responded quickly to support earthquake-stricken areas and rallied necessary aid and support to residents in the afflicted areas. On the morning of December 20, Joincare and its controlling subsidiary Livzon Group donated relief funds and medical supplies with total value of RMB20 million to the disaster-stricken areas through the Zhuhai Red Cross Society, including RMB10 million in cash and medicines worth of RMB10 million. Our donations were used for emergency rescue operations, living arrangements for disaster-stricken people, rescue team support, post-disaster reconstruction and other related work.

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 of commitment	Whether there is a time limit for fulfillment	Time limit of commitment	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	Please see Note 1 for details	30 April 2001	No	Long-term	Yes	-	-
	Settlement of horizon competition	Baiyeyuan, de facto controllers and persons acting-in concert, and the Company	Please see Note 2 for details	10 January 2014	No	Long-term	Yes	-	-
Commitment related to seasoned offerings	Others	The Company and de facto controllers	Please see Note 3 for details	8 March 2016	Yes	The date of completion of remedial measures in connection with the non-public offering of Livzon Group	Yes	-	-
	Others	Baiyeyuan and the de facto controller	Please see Note 4 for details	11 May 2017	Yes	The date of completion of remedial measures in connection with rights issue of Joincare	Yes	-	-
	Others	The Company	Please see Note 5 for details	From the date of proceeds for issuance of the Rights issue in place.	Yes	The date of completion of use of proceeds	Yes	-	-
Other commitments made to the minority shareholders of the company	Others	The Company	Please see Note 6 for details	17 December 2008	No	Long-term	Yes	-	-

Note 1: 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.

Note 2: 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 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 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 promise that they would bear corresponding legal responsibility and consequence arising from violation of any clause by the Company (or the Company's controlled subsidiaries except for Livzon Group or its contact persons), starting from the date of issuance of relevant letter of undertaking. 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).

Note 3: Do not interfere in the operation and management activities of Livzon Group or encroach on the interests of Livzon Group.

Note 4: 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 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 SSE and other securities regulators in accordance with relevant provisions and rules set or issued by them.

Note 5: 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 a 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.

Note 6: (1) While transferring tradable shares subject to selling restrictions held by the company in Livzon Group, the company shall strictly 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.

(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

	Current accounting firm
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	5
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	2 and 5

	Name	Fee
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

Explanation of reductions in audit fees of 20% or more (including 20%) compared to the previous year

□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 year

√The 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
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 23th Meeting of the 8th Session of the Board on 7 April 2023, Jiaozuo Joincare intended to purchase no more than RMB280 million (inclusive) of steam and power from Jinguan Electric Power in 2023 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. Both parties referred to the market price to fix a price of the said connected transactions. During the Reporting Period, the actual amount of the said connected transactions was RMB268.2556 million.	See the "Announcement on Resolutions Considered and Approved at the 9th Meeting of the 23th Session of the Board of Joincare Pharmaceutical Group Industry Co., Ltd." (Lin 2023-030) 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 2023-036) disclosed by the Company on 11 April 2023 for details.

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	5,388,984.29	4,759,249.23	10,148,233.52	117,760.00	960,838.23	1,078,598.23
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	497,828.30	-63,405.50	434,422.80	20,947.89	234,512.04	255,459.93
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Others	101,526.98	81,557.66	183,084.64			
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	188,100.00	-188,100.00	0.00			
Jiangsu Yiyingjia Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司)	Others	0.00	29,816.00	29,816.00			
Feellife Health Inc. (深圳来福士雾化医学有限公司)	Associated company	0.00	1,259,566.37	1,259,566.37			
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 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 Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	Associated company	75,724,913.57	-9,910,133.70	65,814,779.87			
Total		82,587,128.92	-4,031,449.94	78,555,678.98	138,707.89	1,195,350.27	1,334,058.16
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	2,045.01	2023-06-12	2023-06-12	2023-12-12	Joint liability guarantee	Yes	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	2,183.85	2023-06-12	2023-06-12	2023-12-12	Joint liability guarantee	Yes	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	2,000.00	2023-06-16	2023-06-16	2023-12-16	Joint liability guarantee	Yes	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	1,495.20	2023-07-24	2023-07-24	2024-07-19	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	1,532.64	2023-07-28	2023-07-28	2024-07-28	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	332.01	2023-08-10	2023-08-10	2024-08-09	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	1,000.00	2023-08-21	2023-08-21	2024-02-21	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	995.61	2023-08-21	2023-08-21	2024-02-21	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate

Joincare	Headquarter of the Company	Jinguan Electric Power	1,000.00	2023-08-21	2023-08-21	2024-02-21	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	456.21	2023-08-21	2023-08-21	2024-02-21	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	1,000.00	2023-08-28	2023-08-28	2024-02-28	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	867.00	2023-08-28	2023-08-28	2024-02-28	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	958.63	2023-09-11	2023-09-11	2024-03-11	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	4,000.00	2023-09-22	2023-09-22	2024-09-20	Joint liability guarantee	Yes	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	5,076.44	2023-10-16	2023-10-16	2024-10-15	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	5,123.00	2023-10-19	2023-10-19	2024-10-18	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2023-11-09	2023-11-09	2024-08-15	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	2,790.00	2023-11-14	2023-11-14	2024-08-26	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,000.00	2023-11-24	2023-11-24	2024-11-22	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate

Jiaozuo Joincare	Wholly-owned subsidiary	Jinguan Electric Power	2,000.00	2023-12-06	2023-12-06	2024-12-06	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,100.00	2023-12-13	2023-12-13	2024-12-12	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate
Joincare	Headquarter of the Company	Jinguan Electric Power	3,100.00	2023-12-19	2023-12-19	2024-12-18	Joint liability guarantee	No	No	0	Yes	Yes	Assoiate

Total guaranteed amount occurred during the Reporting Period (excluding guarantees to subsidiaries)	47,055.61
Total guaranteed amount as of the End of the Reporting Period (A) (excluding guarantees to subsidiaries)	40,826.75
Guarantee provided by the Company and its subsidiaries to subsidiaries	
Total amount of guarantees to subsidiaries during the Reporting Period	252,256.21
Total amount of guarantees to subsidiaries as of the End of the Reporting Period (B)	303,465.01
Total guaranteed amount of the Company (including guarantees to subsidiaries)	
Total guaranteed amount (A+B)	344,291.76
Percentage of total guaranteed amount in the Company's net assets (%)	15.21
In which:	
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)	0
Amount of debt guarantee directly or indirectly provided to a guaranteed party with an asset-liability ratio exceeding 70% (D)	210,806.96
Portion of total guaranteed amount exceeding 50% of net assets (E)	0
Total guaranteed amount of the above three items (C+D+E)	210,806.96
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 XI 5(3) 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. Progress of Proceeds Usage

√Applicable □N/A

(I) Overall Usage of Proceeds

√Applicable □N/A

Unit: 10,000 Yuan

Sources of proceeds	Paid-in time of proceeds	Total amount of proceeds	Including: Amount of proceeds from over-allotment	Net amount of proceeds after deducting issuance expenses	Total amount of proceeds commitments	Adjusted total proceeds commitments (1)	Total investment amount of proceeds as at the end of the Reporting Period (2)	Progress of cumulative investment as at the end of the Reporting Period (%) (3) = (2)/(1)	Investment amount during the year (4)	Percentage of investment amount in the year (%) (5) = (4)/(1)	Total amount of proceeds with change of usage
Others	16 Octorber 2018	¥171,599.38	0.00	¥166,974.02	¥166,974.02	¥166,974.02	¥132,721.79	79.49	¥32,721.83	19.60	73,587.73
Others	26 September 2022	USD$9,204	0.00	USD$8,930.00	USD$8,930.00	USD$8,930.00	0.00	-	0.00	-	N/A

(II) Details of Investment Projects with Proceeds

√Applicable □N/A

Unit: 10,000 Yuan

Name of project	Nature of project	Whether involving any change in investment direction	Sources of proceeds	Paid-in time of proceeds	Whether the proceeds from over-allotment were used	Total amount of proceeds commitments for project	Adjusted total investment amount of proceeds (1)	Investment amount during the year	Total investment amount of proceeds as at the end of the Reporting Period (2)	Progress of cumulative investment as at the end of the Reporting Period (%) (3)=(2)/(1)	Date when the project reaches intended usable status
Haibin Pharma Pingshan Pharmaceutical Industrialization Base Project	Production and construction	No	Others	16 October 2018	No	85,000.00	90,000.00	5,493.02	88,395.21	98.22	December 2023
New products R&D project	R&D	Yes	Others	16 October 2018	No	54,587.73	54,587.73	20,238.37	28,270.77	51.79	January 2027
Haibin Pharma Pingshan Pharmaceutical Industrialization Base Expansion Project	Production and construction	No	Others	16 October 2018	No	16,000.00	16,000.00	6,358.94	11,533.74	72.09	January 2024
Information Platform Construction Project	Others	No	Others	16 October 2018	No	3,000.00	3,000.00	631.51	1,135.79	37.86	January 2025
Global R&D and Industrialization Plan	R&D	No	Others	26 September 2022	No	USD$6,251.00	USD$6,251.00	0.00	0.00	0.00	N/A

Construction of global product sales and after-sales network and service system	Production and construction	No	Others	26 September 2022	No	USD$893.00	USD$893.00	0.00	0.00	0.00	N/A
Replenishment of working capital and other general corporate purposes	Operation management	No	Others	26 September 2022	No	USD$1,786.00	USD$1,786.00	0.00	0.00	0.00	N/A

(continued)

Name of project	Whether the project has been completed	Whether the investment progress was in line with the planned progress	Specific reasons why investment progress fell short of scheduled plan	Benefits generated during the year	Benefits or R&D achievements achieved in the project	Whether there was any significant change in the feasibility of project? If so, please describe details.	Surplus Balance
Haibin Pharma Pingshan Pharmaceutical Industrialization Base Project	Yes	Yes	N/A	54,658.86	Relevant respiratory formulation products have started production and sales	No	285.38
New products R&D project	No	Yes	N/A	-	-	No	-
Haibin Pharma Pingshan Pharmaceutical Industrialization Base Expansion Project	No	No	Note	-	-	No	-
Information Platform Construction Project	No	Yes	N/A	-	-	No	-
Global R&D and Industrialization Plan	No	Yes	N/A	-	-	No	-
Construction of global product sales and after-sales network and service system	No	Yes	N/A	-	-	No	-
Replenishment of working capital and other general corporate purposes	No	Yes	N/A	-	-	No	-

Note: The project progress is affected by the delivery time of imported equipment purchases and the company's progress in registering new products under research, causing the progress of investment has not met the planned schedule.

(III) Changes in or termination of investment of proceeds during the Reporting Period

√Applicable □N/A

Unit: Yuan Currency: RMB

Name of project before change	Total amount of proceeds before change/termination	Total investment amount of proceeds before change/termination	Name of project after change	Reasons for change/termination	Amount of proceeds used for replenishing working capital after change/termination	Description of decision-making procedures and information disclosure
New products R&D project	54,587.73	28,270.77	New products R&D project	In order to adapt to the latest research and development status of the Company and enhance the efficiency of proceeds usage, the Company added new innovative drugs for the respiratory system, analgesia and other aspects into its new product research and development projects.	N/A	On 28 December 2023, the Company held the 36th Meeting of the 8th Session of the Board and the 28th Meeting of the 8th Session of the Supervisory Committee, which considered and approved the Proposal on Adjusting the Investment Content of Certain Projects Invested with Proceeds. See the Announcement on Adjusting the Investment Content of Certain Projects Invested with Proceeds of Joincare Pharmaceutical Group Industry Co., Ltd. (No. 2023-144) for details.

(IV) Other information on the usage of proceeds during the Reporting Period

1. Previous investment and replacement of projects invested with proceeds

√Applicable □N/A

Pursuant to the Proposal on Replacing Self-raised Funds Previously Invested in Projects with Proceeds considered and approved at the 3rd Meeting of the 7th Session of the Board on 29 October 2018, it was agreed that the Company could use the proceeds of RMB215.3282 million to replace self-raised funds previously invested in projects. The replacement with proceeds did not exceed six months from the date of payment of such proceeds, which complied with relevant laws and regulations, and did not affect the normal progress of the projects invested with the proceeds. There was no disguised change in the investment direction of proceeds, nor would it harm the interests of shareholders. Minsheng Securities Co., Ltd., the sponsor of the Company, has issued the Opinions on the Verification of Replacing Self-raised Funds Previously Invested in Projects with Proceeds by Joincare Pharmaceutical Group Industry Co., Ltd.

The companies implementing such projects have completed the replacement of self-raised funds previously invested in projects of RMB215.3282 million with the proceeds in December 2018.

2. Information on temporary replenishment of working capital with idle proceeds

√Applicable □N/A

(1) Pursuant to the Proposal 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).

As at the end of 2023, the Company has recovered all idle proceeds of the company allocated for temporary replenishment of working capital

(2) Pursuant to the Proposal on the Temporary Replenishment of Working Capital with Idle Proceeds considered and approved at the 36th Meeting of the 8th Session of the Board and the 28th Meeting of the 8th Session of the Supervisory Committee of the Company on 28 December 2023, it was agreed that the Company temporarily replenished the working capital with no more than RMB200 million of idle proceeds from 1 January 2024 to 31 December 2024 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 2023-145).

As at the disclosure date of this report, the balance of the Company's idle proceeds of the company allocated for temporary replenishment of working capitall was RMB200 million.

3. Cash management of idle proceeds and investment in relevant products

□Applicable √N/A

4. Information on using the proceeds from over-allotment to permanently replenish working capital or repay bank loans

□Applicable √N/A

5. Others

√Applicable □N/A

(1) Information on using bank acceptance bills to pay for projects invested with proceeds

Pursuant to the Proposal on the Payment of Projects Invested with Proceeds with Bank Acceptance Bills and the Equal Replacement with Proceeds considered and approved at the 25th Meeting of the 7th Session of the Board on 7 May 2020, it was agreed that during the implementation of projects invested with proceeds, the Company could use bank acceptance bills (or endorsed transfer) to pay for the amount relating to projects invested with the proceeds and could transfer an equal amount of capital from the special account of proceeds to replenish working capital. For details, please refer to the "Announcement on the Payment of Projects Invested with Proceeds with Bank Acceptance Bills and the Equal Replacement with Proceeds of Joincare Pharmaceutical Group Industry Co., Ltd." (Lin 2020-054).

As at 31 December 2023, the Company's cumulative amount of bank acceptance bills used to pay for projects invested with the proceeds was RMB188.3598 million, and the cumulative amount for the equal replacement with the proceeds was RMB152.4169 million.

(2) Usage of Unutilized proceeds

The Haibin Pharma Pingshan Pharmaceutical Industrialization Base Project plans to use proceeds of RMB900 million. As at 31 December 2023, the cumulative used proceeds were RMB883.9521 million, and the acceptance bills remaining to be replaced were RMB4.7437 million, the unpaid balance was RMB11.4584 million, and the unutilized proceeds were RMB2.8538 million (including interest income) accounted for 0.32% of the committed investment amount for the project. For the funds required for the replacement of bank accepted bills and the unpaid balance, the Company will continue to deposit it in the special account of proceeds and make payment according to actual needs. For the unutilized proceeds (including interest income, the specific amount shall be subject to actual use), Company will use it for the Haibin Pharma Pingshan Pharmaceutical Industrialization Base Expansion Project. According to the Regulatory Guideline for Self-regulation of Listed Companies No.1-Standardized Operation released by Shanghai Stock Exchange, upon the completion of a single project invested with the proceeds, a listed company may use the unutilized proceeds (including interest income) for other projects invested with the proceeds only after the consideration and approval by the Board and the expressed consent from independent directors, sponsors and he Supervisory Committee. The company shall publish an announcement in a timely manner after the consideration and approval by the Board. If the unutilized proceeds (including interest income) are less than RMB1 million or 5% of total proceeds commitments of the project, the company may be exempted from the procedures set out in the preceding paragraph, and shall disclose the usage of proceeds in its annual report.

XV. Other significant matters having significant influence on the value judgment and decisions of investors

√Applicable □N/A

1. Matters about share cancellation and share repurchase

(1) Share Cancellation

On 10 February 2020, the Company held the twenty-first meeting of the seventh session of the Board of Directors, at which it considered and approved proposals including the Proposal for the Repurchase of Shares through Centralized Price Bidding; The Company planned to repurchase the shares of the Company with its own funds through centralized price bidding with the total fund of not less than RMB150 million (inclusive) and not more than RMB300 million (inclusive). The share repurchase price was not more than

RMB15 per share (inclusive), and the repurchase period was set as not more than 12 months from the date on which repurchase plan was considered and approved by the Board of Directors. The repurchased shares shall be used for employee stock ownership plans and share incentive plans, with 40% of the repurchased shares allocated to employee stock ownership plans and 60% allocated to share incentive plans.

The implementation of the share repurchase plan had been completed by the Company on 12 July 2020, and 19,890,613 shares of the Company, accounting for 1.02% of the total share capital (1,947,537,633 shares) of the Company at that time, were repurchased through centralized price bidding. Pursuant to the arrangement for use of repurchased shares mentioned above, on 4 August 2021, the Company transferred 2,430,800 shares previously repurchased and held in special securities account for repurchases to the account of the Company for first phase ownership scheme by non-trading transfer. As of the end of 2022, the number of shares previously repurchased and held in special securities account for repurchases is 17,459,813.

Pursuant to the relevant requirements of the Company Law (《公司法》), the Self-regulatory Guidelines for the Companies Listed on the Shanghai Stock Exchange No.7–Repurchase of Shares (《上海证券交易所上市公司自律监管指引第 7 号—回购股份》) and share repurchase plan of the Company, the shares were repurchased for employee stock ownership plans and share incentives, and if the repurchased shares are not fully utilized by the Company within 36 months after the completion of the share repurchase, the unutilized shares repurchased shall be cancelled.

The twenty-fifth meeting of the eighth session of the Board of Directors and the first extraordinary general meeting of 2023 were convened by the Company on 28 April 2023 and 19 May 2023, respectively, at which the Resolution on the Cancellation of Treasury Shares Previously Repurchased was considered and approved. As the three-year term for the share repurchase conducted by the Company in 2020 will expire soon and the Company has no plan to use remaining shares held in special securities account for repurchases for share incentive plans or employee stock ownership plans in the near future, it was agreed that the Company should cancel the remaining 17,459,813 shares previously repurchased and held in special securities account for repurchases.

On 4 July 2023, the aforesaid remaining shares and the special securities account for repurchase were cancelled by the Shanghai Branch of China Securities Depository and Clearing Company Limited. Upon the completion of the share cancellation, the total share capital of the Company changed from 1,929,189,374 shares to 1,911,729,561 shares.

(2) Share Repurchase

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 at 27 October 2023, the Company has repurchased a total of 49,706,643 shares by way of centralized bidding transactions, representing 2.60% of total share capital (1,912,734,363 shares) of the Company, with the total amount paid was RMB599,914,693.93 (including handling fee). Accordingly, the Company has completed the repurchase. For details, please refer to the "Announcement of Joincare Pharmaceutical Group Industry Co., Ltd. on Implementation Results of Share Repurchase and Share Changes" (Lin 2023-120).

Upon application by the Company, the above shares were cancelled on 31 October 2023 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Upon the completion of the share cancellation, the total share capital of the Company changed from 1,912,734,363 shares to 1,863,027,720 shares.

2. GDRs of the Company issued and listed on the SIX Swiss Exchange

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 investments 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 capitals of the Company. For details about deposit and actual use of GDR proceeds in 2023, please refer to the Special Report of Joincare Pharmaceutical Group Industry Co., Ltd. on Deposit and Actual Utilization of Proceeds for 2023 disclosed by the Company on 3 April 2024.

3. Overall relocation and expansion project of Sichuan Guangda

On 6 March 2019, after review and approval by the Board of the 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 Livzon Group 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 plantsto the Company.

As at 31 December 2023, the total investment of the specific contracts entered into for the Project

amounted to RMB548.5066 million, and the sum of subsidies received from government authorities at various levels amounted to RMB174.4317 million. All construction work of the overall relocation and expansion project have been completed and put into use on 12 July 2023.

4. Proposed Spin-Off and Listing of Livzon Diagnostics

On 10 November 2023, through comprehensively considering the changes in the capital market environment, the Company's own operating conditions and its future business strategy positioning and making overall arrangements for business development and capital operation planning, the Board of the Livzon considered and approved the termination of the preparation for the spin-off and listing of Livzon Diagnostics on the ChiNext Board of the Shenzhen Stock Exchange (the "Termination of the Spin-off"), and the application for listing of Livzon Diagnostics on the National Equities Exchange and Quotations (NEEQ) (the "Proposed Spin-off on NEEQ"). After the listing, Livzon Diagnostics will seek listing on the Beijing Stock Exchange as and when appropriate.

On 8 December 2023, the Livzon was notified by the Hong Kong Stock Exchange that the Listing Committee of the Hong Kong Stock Exchange has agreed that the Company may proceed with the Proposed Spin-off on NEEQ under Practice Note 15 of the Hong Kong Listing Rules and has agreed to grant a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of Practice Note 15 of the Hong Kong Listing Rules in connection with the Proposed Spin-off on NEEQ.

On 12 January 2024, the Termination of the Spin-off and the Proposed Spin-off on NEEQ were considered and approved at the 2024 first extraordinary general meeting of the Livzon.

As at the disclosure date of the Report, Livzon Diagnostics has not submitted any other application or filing to the National Equities Exchange and Quotations Co., Ltd. and the relevant regulatory authorities of the PRC.

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	1,929,189,374	100	3,500,889			-67,166,456	-63,665,567	1,865,523,807	100
1. Ordinary shares denominated in Renminbi	1,929,189,374	100	3,500,889			-67,166,456	-63,665,567	1,865,523,807	100
2. Domestically listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	1,929,189,374	100	3,500,889			-67,166,456	-63,665,567	1,865,523,807	100

2.Explanations on changes in shares

√Applicable □N/A

(1) The Cancellation of the Treasury Shares Previously Repurchased

The twenty-fifth meeting of the eighth session of the Board of Directors and the first extraordinary general meeting of 2023 were convened by the Company on 28 April 2023 and 19 May 2023, respectively, at which the Resolution on the Cancellation of Treasury Shares Previously Repurchased was considered and approved. As the threeyear term for the share repurchase conducted by the Company in 2020 will expire soon and the Company has no plan to use remaining shares held in special securities account for repurchases for share incentive plans or employee stock ownership plans in the near future, it was agreed

that the Company should cancel the remaining 17,459,813 shares previously repurchased and held in special securities account for repurchases. The cancellation of shares was completed upon July 4, 2023.

(2) Share repurchase for cancellation

From 18 Novemmber 2022 to 17 November 2023, the Company expected to repurchase shares at a price of no more than RMB16 per share (inclusive) (The company adjusted the upper limit of the repurchase price to RMB15.82 per share after the Implementation of 2022 Profit Distribution) 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 49,706,643 shares as of 27 October 2023, and cancelled such shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 31 October 2023.

(3) Exercise of Rights under Share Options Incentive Scheme

The number of share options for the First Exercise Period of the First Grant under the 2022 Share Options Incentive Scheme of the Company was 18,832,000, with the exercise period from 5 September 2023 to 4 September 2024. As at 31 December 2023, during the exercise period of the first grant under the 2022 Share Options Incentive Scheme of the Company, the cumulative number of options completing share transfer registration through voluntary exercise at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited was 3,500,889 shares.

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	77,355
Total number of shareholders of ordinary shares as of the end of the	78,332

month immediately prior to the publish date of this annual report	
Total number of holders of preferred shares with voting rights restored as of the end of the reporting period (shareholder)	0
Total number of shareholders of preferred shares with voting rights restored as at the end of the month immediately preceding the disclosure date of the annual report (shareholder)	0

(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 (excluding shares lent through refinancing business)							
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	895,653,653	48.01	0	Pledge	75,679,725	Domestic non-state-owned entity
Hong Kong Securities Clearing Company Limited	-31,744,461	81,511,706	4.37	0	Unknown		Unknown
Might Seasons Limited	-21,557,735	35,929,699	1.93	0	Unknown		Foreign entity
Perseverance Asset Management L.L.P–Gaoyi Xiaofeng No. 2 Zhixin Fund	16,201,348	17,161,348	0.92	0	Unknown		Unknown
China Foreign Economy and Trade Trust Co., Ltd.–Foreign Trust–Gaoyi Xiaofeng Hongyuan Collection Fund Trust Plan	15,717,148	16,677,148	0.89	0	Unknown		Unknown
Huaxia Life Insurance Co., Ltd. -Proprietary	3,453,500	12,729,218	0.68	0	Unknown		Unknown
Abu Dhabi Investment Authority	4,281,487	10,201,829	0.55	0	Unknown		Foreign entity
CPIC Fund -China Pacific Life Insurance Co., Ltd. -with-profit insurance-CPIC Fund China Pacific Life Equity Relative Income (Guaranteed Dividend) single assets management plan	6,114,029	10,135,762	0.54	0	Unknown		Unknown
Joincare Pharmaceutical Group Industry Co., Ltd. — the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	9,370,400	9,370,400	0.50	0	Unknown		Others
Bank of Shanghai Co., Ltd.－Yinhua CSI Innovative Drug Industry Trading Open-end Index Securities Investment Fund	4,780,100	8,458,496	0.45	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)	895,653,653	Ordinary shares denominated in Renminbi	895,653,653
Hong Kong Securities Clearing Company Limited	81,511,706	Ordinary shares denominated in Renminbi	81,511,706
Might Seasons Limited	35,929,699	Ordinary shares denominated in Renminbi	35,929,699
Perseverance Asset Management L.L.P–Gaoyi Xiaofeng No. 2 Zhixin Fund	17,161,348	Ordinary shares denominated in Renminbi	17,161,348
China Foreign Economy and Trade Trust Co., Ltd.–Foreign Trust–Gaoyi Xiaofeng Hongyuan Collection Fund Trust Plan	16,677,148	Ordinary shares denominated in Renminbi	16,677,148
Huaxia Life Insurance Co., Ltd. -Proprietary	12,729,218	Ordinary shares denominated in Renminbi	12,729,218
Abu Dhabi Investment Authority	10,201,829	Ordinary shares denominated in Renminbi	10,201,829
CPIC Fund -China Pacific Life Insurance Co., Ltd. -with-profit insurance-CPIC Fund China Pacific Life Equity Relative Income (Guaranteed Dividend) single assets management plan	10,135,762	Ordinary shares denominated in Renminbi	10,135,762
Joincare Pharmaceutical Group Industry Co., Ltd. — the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	9,370,400	Ordinary shares denominated in Renminbi	9,370,400
Bank of Shanghai Co., Ltd. — Yinhua CSI Innovative Drug Industry Trading Open-end Index Securities Investment Fund	8,458,496	Ordinary shares denominated in Renminbi	8,458,496
Notes on the special repurchase account among the Top 10 shareholders	Not applicable		
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.		
Explanation of Preferred Shareholders and Their Holdings Following the Restoration of Voting Rights	Not applicable		

Shares lent by the Top 10 shareholders by participating in the refinancing business

√Applicable □N/A

Unit: shares

Shares lent by the Top 10 shareholders by participating in the refinancing business								
Name of shareholder (Full name)	Number of shares held in ordinary and credit accounts at the beginning of the Period		Number of shares lent through refinancing business and not yet returned at the beginning of the Period		Number of shares held in ordinary and credit accounts at the end of the Period		Number of shares lent through refinancing business and not yet returned at the end of the Period	
	Total number	Proportion (%)	Total number	Proportion (%)	Total number	Proportion (%)	Total number	Proportion (%)
Shenzhen Baiyeyuan Investment Co., Ltd.* (深圳市百业源投资有限公司)	878,272,753	45.53	17,380,900	0.90	895,653,653	48.01	0	0
Bank of Shanghai Co., Ltd.—Yinhua CSI Innovative Drug Industry Trading Open-end Index Securities Investment Fund	3,678,396	0.19	542,600	0.03	8,458,496	0.45	10,000	0.001

Changes shareholdings of the Top 10 shareholders compared with the previous period

√Applicable □N/A

Unit: shares

Changes shareholdings of the Top 10 shareholders compared with the end of the previous period					
Name of shareholder (Full name)	New / withdrawn shareholdings during the Reporting Period	Number of shares lent through refinancing business and not yet returned at the end of the Period		Number of shares held by shareholders in ordinary and credit accounts, and lent through refinancing business and not yet returned at the end of the Period	
		Total number	Proportion (%)	Total number	Proportion (%)
Perseverance Asset Management L.L.P–Gaoyi Xiaofeng No. 2 Zhixin Fund	New	0	0	17,161,348	0.92
China Foreign Economy and Trade Trust Co., Ltd.–Foreign Trust–Gaoyi Xiaofeng Hongyuan Collection Fund Trust Plan	New	0	0	16,677,148	0.89
CPIC Fund -China Pacific Life Insurance Co., Ltd. -with-profit insurance-CPIC Fund China Pacific Life Equity Relative Income (Guaranteed Dividend) single assets management plan	New	0	0	10,135,762	0.54
Joincare Pharmaceutical Group Industry Co., Ltd. — the Third Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	New	0	0	9,370,400	0.50
Bank of Shanghai Co., Ltd.—Yinhua CSI Innovative Drug Industry Trading Open-end Index Securities Investment Fund	New	10,000	0.001	8,468,496	0.45
Citibank, National Association	withdrawn	0	0	230	0.00
Agricultural Bank of China Limited –CSI 500 Exchange Traded Index Securities Investment Fund	withdrawn	1,509,200	0.08	6,564,974	0.35
He Zhong	withdrawn	0	0	401,100	0.02
Joincare Pharmaceutical Group Industry Co., Ltd. — the Second Phase Ownership Scheme under Medium to Long-term Business Partner Share Ownership Scheme	withdrawn	0	0	6,275,372	0.34
Bosera Funds Management Co., Ltd.-419 portfolio of social security funds	withdrawn	0	0	2,962,569	0.16

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	Zhu Baoguo

representative	
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

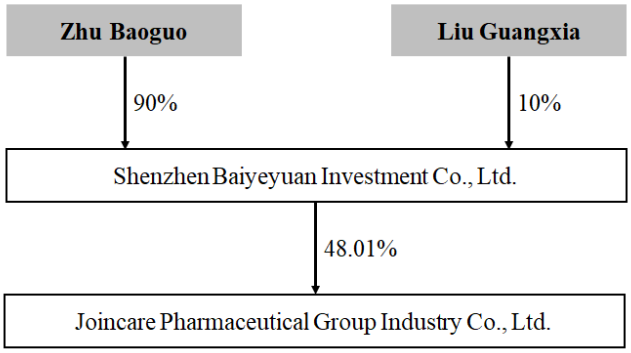
□Applicable √N/A

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



(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

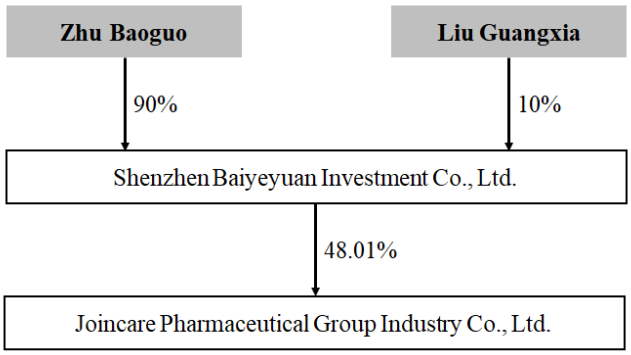
□Applicable √N/A

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



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

Name of share repurchase plan	Plan on share repurchase by centralized bidding
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)	49,706,643
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（2024）NO.442A006709

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 2023, 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 2023, 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 2023, 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. 29 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 2023 were RMB 16,521.72 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) We selected samples from sales transaction records in 2023 to check contracts, purchase orders, shipping documents, transportation documents, bookkeeping vouchers, payment records, and periodic reconciliation letters, and performed 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 RMB2,779.25 million and the allowance for bad debts was RMB 86.31 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 2023 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 2 April 2024

II Financial statements

Consolidated Balance Sheet

December 31, 2023

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

Unit: Yuan Currency: RMB

Item	Note	December 31, 2023	December 31, 2022
Current assets:			
Cash and bank balances	V.1	15,691,888,314.83	14,808,488,110.96
Financial assets held for trading	V.2	82,899,154.24	109,015,664.98
Notes receivable	V.3	1,941,200,568.00	1,959,985,016.85
Accounts receivable	V.4	2,692,941,866.24	3,103,758,850.15
Receivables financing			
Prepayments	V.5	280,102,860.94	364,265,142.57
Other receivables	V.6	46,010,624.61	52,535,740.14
Including: Interests receivable			
Dividends receivable			
Inventories	V.7	2,655,808,391.09	2,561,869,999.57
Contract assets			
Assets held-for-sale			
Non-current assets due within one year	V.8	406,376,425.44	54,048,611.11
Other current assets	V.9	77,402,185.01	163,539,900.32
Total current assets		23,874,630,390.40	23,177,507,036.65
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment	V.10	1,411,036,353.95	1,419,882,594.59
Other equity instrument investments	V.11	1,155,283,408.36	1,193,958,879.05
Other non-current financial assets			
Investment properties	V.12	16,958,213.00	6,191,475.43
Fixed assets	V.13	5,664,352,555.97	5,265,200,110.91
Construction in progress	V.14	531,059,118.06	811,300,068.96
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.15	36,233,067.49	41,843,133.97
Intangible assets	V.16	683,337,333.73	802,115,125.75
Development cost	V.17	483,494,487.17	428,284,884.17
Goodwill	V.18	636,339,503.82	614,468,698.73
Long-term prepaid expenses	V.19	328,642,740.95	277,867,716.95
Deferred tax assets	V.20	579,534,830.15	540,037,823.56
Other non-current assets	V.21	957,224,255.77	1,156,772,182.99
Total non-current assets		12,483,495,868.42	12,557,922,695.06
Total assets		36,358,126,258.82	35,735,429,731.71
Current liabilities:			
Short-term loans	V.23	2,076,159,347.22	2,126,050,615.06
Financial liabilities held for trading	V.24	86,817.12	755,634.43
Notes payable	V.24	1,469,148,287.38	1,635,906,989.22
Accounts payable	V.26	894,286,243.28	943,905,580.91
Receipts in advance			
Contract liabilities	V.27	159,082,637.65	292,977,730.74
Employee benefits payable	V.28	399,466,473.91	573,010,571.46
Taxes payable	V.29	410,202,854.09	337,702,273.73
Other payables	V.30	3,682,604,038.73	3,680,334,360.88
Including: Interests payable			

Dividends payable		12,478,280.13	12,252,074.84
Liabilities held-for-sale			
Non-current liabilities due within one year	V.31	718,564,144.31	63,077,260.98
Other current liabilities	V.32	51,087,001.83	101,276,714.35
Total current liabilities		9,860,687,845.52	9,754,997,731.76
Non-current liabilities:			
Long-term loans	V.33	3,122,273,278.99	3,230,844,042.88
Bonds payable			
Lease liabilities	V.34	15,422,948.41	23,482,486.07
Long-term payables			
Long-term payroll payable			
Estimated liabilities			
Deferred income	V.35	370,179,550.82	384,537,267.55
Deferred tax liabilities	V.20	260,032,144.44	237,193,884.37
Other non-current liabilities	V.36	90,000,000.00	84,000,000.00
Total non-current liabilities		3,857,907,922.66	3,960,057,680.87
Total liabilities		13,718,595,768.18	13,715,055,412.63
Owner's equity (or shareholder's equity):			
Share capital	V.37	1,865,523,807.00	1,929,189,374.00
Other equity instruments			
Including: Preferred shares			
Perpetual debts			
Capital reserve	V.38	1,601,720,087.71	2,343,693,215.99
Less: Treasury shares	V.39		347,176,561.29
Other comprehensive income	V.40	-12,246,131.22	4,704,473.53
Special reserve			
Surplus reserve	V.41	859,046,203.77	734,766,581.50
Undistributed profits	V.42	9,441,857,956.80	8,456,778,287.49
Total shareholders' equity attributable to the parent		13,755,901,924.06	13,121,955,371.22
Minority shareholder's equity		8,883,628,566.58	8,898,418,947.86
Total owner's equity (or shareholder's equity)		22,639,530,490.64	22,020,374,319.08
Total liabilities and owner's equity (or shareholder's equity)		36,358,126,258.82	35,735,429,731.71

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, 2023

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

Unit: Yuan Currency: RMB

Item	Note	December 31, 2022	December 31, 2021
Current assets:			
Cash and bank balances		2,216,321,523.93	3,148,933,185.29
Financial assets held for trading			
Notes receivable		191,417,091.37	249,617,024.89
Accounts receivable		315,179,282.98	291,630,857.74
Receivable financing			
Prepayments		142,404,994.03	542,966,676.99
Other receivables		686,367,834.30	785,307,024.78
Including: Interest receivable			
Dividends receivable		519,999,500.00	544,999,500.00
Inventories		88,930,104.82	63,656,837.97
Contract assets			
Assets held-for-sale			
Non-current assets due within one year		406,376,425.44	54,048,611.11
Other current assets			
Total current assets		4,046,997,256.87	5,136,160,218.77
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investment		3,748,495,719.02	3,524,184,512.63
Other equity instrument investment		161,234,048.68	141,562,064.27
Other non-current financial assets			
Investment properties		6,191,475.43	6,191,475.43
Fixed assets		44,824,960.31	46,410,672.12
Construction in progress		8,212,014.32	15,330,867.65
Productive biological assets			
Oil and gas assets			
Right-of-use assets		3,440,952.82	7,570,096.21
Intangible assets		39,456,409.04	20,154,211.97
Development cost		139,141,503.86	92,797,615.87
Goodwill			
Long-term prepaid expenses		10,365,585.94	552,795.74
Deferred tax assets		97,251,604.00	89,978,336.18
Other non-current assets		641,144,559.34	815,024,705.98
Total non-current assets		4,899,758,832.76	4,759,757,354.05
Total assets		8,946,756,089.63	9,895,917,572.82
Current liabilities:			
Short-term loans		200,149,722.22	100,091,666.67
Financial liabilities held for trading			
Notes payable		371,735,241.80	924,199,480.81
Accounts payable		91,377,730.30	257,832,649.19
Receipts in advance			
Contract liabilities		10,456,371.81	53,648,681.36

Employee benefits payable		43,877,751.41	139,895,738.09
Taxes payable		26,917,149.98	10,549,309.54
Other payables		460,037,009.32	1,303,649,356.48
Including: Interests payable			
Dividends payable			
Liabilities held-for-sale			
Non-current liabilities due within one year		52,732,739.68	47,152,440.47
Other current liabilities		1,308,875.01	3,007,795.91
Total current liabilities		1,258,592,591.53	2,840,027,118.52
Non-current liabilities:			
Long-term loans		1,312,000,000.00	1,154,000,000.00
Bonds payable			
Lease liabilities			3,729,020.22
Long-term payables			
Long-term payroll payable			
Estimated liabilities			
Deferred income		11,109,600.00	20,534,000.00
Deferred tax liabilities		2,742,846.41	2,133,190.37
Other non-current liabilities			
Total non-current liabilities		1,325,852,446.41	1,180,396,210.59
Total liabilities		2,584,445,037.94	4,020,423,329.11
Owner's equity (or shareholder's equity):			
Share capital		1,865,523,807.00	1,929,189,374.00
Other equity instruments			
Including: Preferred shares			
Perpetual debts			
Capital reserve		972,063,254.79	1,678,414,507.96
Less: Treasury shares			347,176,561.29
Other comprehensive income		4,379,477.64	726,576.72
Special reserve			
Surplus reserve		770,444,255.39	646,164,633.12
Undistributed profits		2,749,900,256.87	1,968,175,713.20
Total owner's equity (or shareholder's equity)		6,362,311,051.69	5,875,494,243.71
Total liabilities and owner's equity (or shareholder's equity)		6,362,311,051.69	5,875,494,243.71
		8,946,756,089.63	9,895,917,572.82

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, 2023

Unit: Yuan Currency: RMB

Item	Note	2023	2022
I. Total revenues	V.43	16,646,350,349.72	17,142,753,068.82
Including: Operating revenues		16,646,350,349.72	17,142,753,068.82
II. Total operating costs		13,123,515,536.16	13,784,938,368.95
Including: Operating costs	V.43	6,298,465,671.11	6,252,265,308.40
Operating tax and surcharges	V.44	203,209,120.85	199,746,357.56
Selling expenses	V.45	4,434,442,281.05	4,950,802,456.16
Administrative expenses	V.46	930,481,615.70	992,483,591.51
R&D expenses	V.47	1,661,757,980.90	1,742,088,079.94
Financial expenses	V.48	-404,841,133.45	-352,447,424.62
Including: Interest expenses		146,728,005.05	139,016,104.44
Interest income		532,253,758.86	395,476,309.66
Add: Other income	V.49	259,061,799.00	289,868,006.44
Investmnet Income (“-” for loss)	V.50	79,474,572.01	55,973,114.29
Including: Income from investments in associates and joint ventures		72,794,071.40	70,577,657.04
Gains from derecognition of financial assets at amortized cost			
Gains from net exposure hedges (“-” for loss)			
Gains from changes in fair values (“-” for loss)	V.51	-25,419,715.12	-76,262,989.83
Losses of credit impairment (“-” for loss)	V.52	-16,846,468.56	-4,123,743.37
Impairment loss of assets (“-” for loss)	V.53	-312,369,926.37	-142,627,936.44
Gains from disposal of assets (“-” for loss)	V.54	-169,901.01	-705,357.30
III. Operating profit (“-” for loss)		3,506,565,173.51	3,479,935,793.66
Add: Non-operating income	V.55	7,980,415.72	8,229,847.57
Less: Non-operating expenses	V.56	48,990,788.10	32,060,686.06
IV. Total profit (“-” for loss)		3,465,554,801.13	3,456,104,955.17
Less: Income tax expenses	V.57	614,535,757.76	561,796,743.05
V. Net profit (“-” for loss)		2,851,019,043.37	2,894,308,212.12
(I) Classified by business continuity			
1. Net profit from ongoing operation (“-” for loss)		2,851,019,043.37	2,894,308,212.12
2. Net profit from discontinuing operation (“-” for loss)			
(II) Classified by ownership			
1.Net profit attributable to shareholders of the parent company (“-” for loss)		1,442,779,722.23	1,502,777,133.76
2.Profit and loss of minority shareholders (“-” for loss)		1,408,239,321.14	1,391,531,078.36
VI. Other comprehensive income, net of tax		-35,859,587.07	74,606,735.39
(I) Other comprehensive income attributable to shareholders of the parent, net of tax		-14,877,862.38	-683,072.44

1. Other comprehensive income that cannot be reclassified into profit or loss		-28,328,225.75	-85,577,350.31
(1) Changes from remeasurement of defined benefit plans			
(2) Other comprehensive income that cannot be reclassified into profit or loss under the equity method		1,329,112.27	2,116,352.61
(3) Changes in fair value of investments in other equity instruments		-29,657,338.02	-87,693,702.91
(4) Changes in fair value of the enterprise's own credit risks			
2. Other comprehensive income that will be reclassified into profit or loss		13,450,363.36	84,894,277.87
(1) Other comprehensive income that can be reclassified into profit or loss under the equity method		-79,651.80	236,421.59
(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		13,530,015.17	84,657,856.28
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax		-20,981,724.69	75,289,807.82
VII. Total comprehensive income		2,815,159,456.30	2,968,914,947.51
(I) Total comprehensive income attributable to owners of the parent company		1,427,901,859.85	1,502,094,061.32
(II) Total comprehensive income attributable to minority shareholders		1,387,257,596.45	1,466,820,886.18
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.7580	0.7934
(II) Diluted earnings per share (RMB/share)		0.7565	0.7922

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, 2023

Unit: Yuan Currency: RMB

Item	Note	2023	2022
I. Operating Revenues		2,335,368,409.73	2,373,887,564.78
Less: Operating costs		1,296,620,002.79	1,612,899,011.80
Operating tax and surcharges		18,191,486.29	14,203,470.53
Selling expenses		778,265,785.76	645,474,076.69
Administrative expenses		106,160,726.99	195,475,435.39
R&D expenses		105,105,802.11	66,705,404.14
Financial expenses		-85,925,210.70	-38,112,993.67
Including: Interest expenses		35,792,436.81	25,257,639.51
Interest income		112,494,303.53	70,313,743.55
Add: Other income		3,050,790.24	23,934,298.39
Investmnet Income (“-” for loss)		1,138,319,195.19	991,369,051.76
Including: Income from investments in associates and joint ventures		771,206.39	1,326,243.55
Gains from derecognition of financial assets at amortized cost			
Gains from net exposure hedges (“-” for loss)			
Gains from changes in fair values (“-” for loss)			
Losses of credit impairment (“-” for loss)		893,429.71	1,856,898.77
Impairment loss of assets (“-” for loss)			-154,249.81
Gains from disposal of assets (“-” for loss)			
II. Operating profit (“-” for loss)		1,259,213,231.63	894,249,159.01
Add: Non-operating income		2,428,107.88	232,093.51
Less: Non-operating expenses		10,321,190.29	1,660,096.56
III. Total profit (“-” for loss)		1,251,320,149.22	892,821,155.96
Less: Income tax expenses		9,908,251.22	43,027,817.18
IV. Net profit (“-” for loss)		1,241,411,898.00	849,793,338.78
(1) Net profit from ongoing operation (“-” for loss)		1,241,411,898.00	849,793,338.78
(II) Net profit from discontinuing operation (“-” for loss)			
V. Other comprehensive income, net of tax		3,738,341.88	-76,289,376.36
(I) Other comprehensive income not to be reclassified into profit and loss		3,738,341.88	-76,289,376.36
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		3,738,341.88	-76,289,376.36
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		1,245,150,239.88	773,503,962.42
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, 2023

Unit: Yuan Currency: RMB

Item	Note	2023	2022
I. Cash flow from operating activities:			
Cash received from sales of goods and rendering of services		18,384,911,273.46	18,615,546,255.83
Tax refunds received		194,255,179.28	247,896,245.67
Other cash received related to operating activities	V.58	886,837,372.89	683,645,734.39
Subtotal of cash inflow from operating activities		19,466,003,825.63	19,547,088,235.89
Cash paid for goods and services		6,082,140,644.68	5,728,697,037.48
Cash paid to and on behalf of employees		2,459,885,718.06	2,260,612,483.52
Payments of all types of taxes		1,865,755,412.23	1,668,389,310.43
Other cash paid related to operating activities	V.58	5,129,312,440.93	5,911,684,265.17
Subtotal of cash outflow in operating activities		15,537,094,215.90	15,569,383,096.60
Net cash flow from operating activities		3,928,909,609.73	3,977,705,139.29
II. Cash flow from investing activities:			
Cash received from disposal of investment		487,573,781.32	270,997,751.54
Cash received from returns on investments		153,317,136.18	144,358,825.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,304,216.61	3,096,825.59
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investing activities	V.58	354,303,650.67	13,563,902.59
Subtotal of cash inflow from investing activities		1,010,498,784.78	432,017,305.27
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,130,148,501.91	1,147,832,255.23
Cash paid to acquire investment		204,656,113.68	416,183,775.89
Net cash paid for acquisition of subsidiaries and other business units		22,461,951.59	
Other cash paid related to investing activities	V.58	530,656,554.45	1,120,168,462.77
Subtotal of cash outflow in investing activities		1,887,923,121.63	2,684,184,493.89
Net cash flow from investing activities		-877,424,336.85	-2,252,167,188.62
III. Cash flow from financing activities:			
Cash received from capital contribution		47,272,592.34	746,673,937.95
Including: Cash received from investment by minority interests of subsidiaries		9,150,000.00	45,595,924.92
Cash received from borrowings		4,273,570,084.01	5,339,517,086.47
Other cash received related to financing activities		20,000,000.00	381,066,270.61
Subtotal of cash inflow from financing activities		4,340,842,676.35	6,467,257,295.03
Cash repayments of amounts borrowed		3,390,232,777.68	3,718,797,777.63
Cash payments for interest expenses and distribution of dividends or profits		1,614,965,214.84	1,350,994,668.54
Including: Dividend paid to minority interests of subsidiaries		1,134,101,424.76	961,951,199.52
Other cash payments related to financing activities	V.58	1,263,138,206.11	831,342,189.06
Subtotal of cash outflow in financing activities		6,268,336,198.63	5,901,134,635.23
Net cash flow from financing activities		-1,927,493,522.28	566,122,659.80
IV. Effect of foreign exchange rate changes on cash and cash equivalents		38,411,935.73	189,286,934.75
V. Net increase in cash and cash equivalents		1,162,403,686.33	2,480,947,545.22
Add: Opening balance of cash and cash equivalents		14,178,465,686.40	11,697,518,141.18
VI. Closing balance of cash and cash equivalents		15,340,869,372.73	14,178,465,686.40

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, 2023

Unit: Yuan Currency: RMB

Item	Note	2023	2022
I. Cash flow from operating activities:			
Cash received from sales of goods and rendering of services		2,465,414,605.44	3,146,093,806.02
Tax refunds received			82,831.63
Other cash received related to operating activities		1,795,031,283.74	2,960,613,006.52
Subtotal of cash inflow from operating activities		4,260,445,889.18	6,106,789,644.17
Cash paid for goods and services		1,716,324,045.92	1,901,562,593.41
Cash paid to and on behalf of employees		315,694,179.79	246,881,656.93
Payments of all types of taxes		140,037,429.22	103,904,304.93
Other cash paid related to operating activities		3,259,423,999.51	3,109,052,257.96
Subtotal of cash outflow in operating activities		5,431,479,654.44	5,361,400,813.23
Net cash flow from operating activities		-1,171,033,765.26	745,388,830.94
II. Cash flow from investing activities:			
Cash received from disposal of investment		16,009,870.78	270,997,751.54
Cash received from returns on investments		1,188,686,336.32	1,276,079,344.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,618,089.69	21,000.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received related to investing activities		348,303,650.67	158,470.77
Subtotal of cash inflow from investing activities		1,554,617,947.46	1,547,256,567.11
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		28,550,710.70	11,869,023.45
Cash paid to acquire investment		253,540,000.00	10,000,000.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities		200,000,000.00	1,084,392,104.38
Subtotal of cash outflow in investing activities		482,090,710.70	1,106,261,127.83
Net cash flow from investing activities		1,072,527,236.76	440,995,439.28
III. Cash flow from financing activities:			
Cash received from capital contribution		38,122,592.34	701,078,013.03
Cash received from borrowings		500,000,000.00	1,500,000,000.00
Other cash received related to financing activities			
Subtotal of cash inflow from financing activities		538,122,592.34	2,201,078,013.03
Cash repayments of amounts borrowed		236,000,000.00	854,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		372,359,680.47	299,984,479.95
Other cash payments related to financing activities		480,842,923.14	740,517,545.44
Subtotal of cash outflow in financing activities		1,089,202,603.61	1,894,502,025.39
Net cash flow from financing activities		-551,080,011.27	306,575,987.64
IV. Effect of foreign exchange rate changes on cash and cash equivalents		7,846,043.48	-5,804,971.77
V. Net increase in cash and cash equivalents		-641,740,496.29	1,487,155,286.09
Add: Opening balance of cash and cash equivalents		2,858,062,020.22	1,370,906,734.13
VI. Closing balance of cash and cash equivalents		2,216,321,523.93	2,858,062,020.22

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, 2023

Unit: Yuan Currency: RMB

Item	2023													
	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	1,929,189,374.00				2,343,693,215.99	347,176,561.29	4,704,473.53		734,766,581.50		8,456,778,287.49	13,121,955,371.22	8,898,418,947.86	22,020,374,319.08
Add: Change of accounting policies														
Correction to errors of the previous period														
Others														
II. Balance in beginning of year	1,929,189,374.00				2,343,693,215.99	347,176,561.29	4,704,473.53		734,766,581.50		8,456,778,287.49	13,121,955,371.22	8,898,418,947.86	22,020,374,319.08
III. Increase and decrease of the current year (enter "-" for decrease)	-63,665,567.00				-741,973,128.28	-347,176,561.29	-16,950,604.75		124,279,622.27		985,079,669.31	633,946,552.84	-14,790,381.28	619,156,171.56
(I) Total comprehensive income							-14,877,862.38				1,442,779,722.23	1,427,901,859.85	1,387,257,596.45	2,815,159,456.30
(II). Capital contribution or reduction from shareholders	-63,665,567.00				-858,072,890.75	-347,176,561.29						-574,561,896.46	-175,500,041.15	-750,061,937.61
1. Capital contribution from shareholders	3,500,889.00				35,218,943.34							38,719,832.34	9,150,000.00	47,869,832.34
2. Capitals invested by other equity instrument holders														
3. Amount of share-based payment included in owner's equity					13,686,798.08							13,686,798.08		13,686,798.08
4. Others	-67,166,456.00				-906,978,632.17	-347,176,561.29						-626,968,526.88	-184,650,041.15	-811,618,568.03
(III). Profit distribution									124,141,189.80		-460,933,246.56	-336,792,056.76	-1,134,091,995.09	-1,470,884,051.85

1. Accrual of surplus reserve									124,141,189.80		-124,141,189.80			
2. Accrual of general risk provision														
3. Amount distributed to owners (or shareholders)											-336,792,056.76	-336,792,056.76	-1,134,091,995.09	-1,470,884,051.85
4. Others														
(IV) Internal carrying forward of owner's equity							-2,072,742.37		138,432.47		3,233,193.64	1,298,883.74	2,420,773.91	3,719,657.65
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							-2,072,742.37		138,432.47		3,233,193.64	1,298,883.74	2,420,773.91	3,719,657.65
6. Others														
(V) . Special reserve														
1. Accrual of the current year														
2. Amount utilized in the current period														
(VI) . Others					116,099,762.47							116,099,762.47	-94,876,715.40	21,223,047.07
IV. Balance at end of year	1,865,523,807.00				1,601,720,087.71		-12,246,131.22		859,046,203.77		9,441,857,956.80	13,755,901,924.06	8,883,628,566.58	22,639,530,490.64

Item	2022													
	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	1,907,727,908.00				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											-46,332.61	-46,332.61	-19,161.62	-65,494.23
Correction to errors of the previous period														
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		7,223,597,833.61	11,820,247,324.08	8,359,298,161.01	20,179,545,485.09
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		1,233,180,453.88	1,301,708,047.14	539,120,786.85	1,840,828,833.99
(I). Total comprehensive income							-683,072.44				1,502,777,133.76	1,502,094,061.32	1,466,820,886.18	2,968,914,947.51
(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											-277,557,631.65	-277,557,631.65	-967,251,289.90	-1,244,808,921.55

owners (or shareholders)														
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		8,456,778,287.49	13,121,955,371.22	8,898,418,947.86	22,020,374,319.08

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, 2023

Unit: Yuan Currency: RMB

Item	2023										
	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	1,929,189,374.00				1,678,414,507.96	347,176,561.29	726,576.72		646,164,633.12	1,968,175,713.20	5,875,494,243.71
Add: Change of accounting policies											
Correction to errors of the previous period											
Others											
II. Balance in beginning of year	1,929,189,374.00				1,678,414,507.96	347,176,561.29	726,576.718		646,164,633.12	1,968,175,713.20	5,875,494,243.71
III. Increase and decrease of the current year (enter "-" for decrease)	-63,665,567.00				-706,351,253.17	-347,176,561.29	3,652,900.92		124,279,622.27	781,724,543.67	486,816,807.98
(I). Total comprehensive income							3,738,341.88			1,241,411,898.00	1,245,150,239.88
(II) Capital contribution or reduction from shareholders	-63,665,567.00				-706,351,253.17	-347,176,561.29					-422,840,258.88
1. Capital contribution from shareholders	3,500,889.00				35,218,943.34						38,719,832.34
2. Capitals invested by other equity instrument holders											
3. Amount of share-based payment included in owner's equity					13,822,495.92						13,822,495.92
4. Others	-67,166,456.00				-755,392,692.43	-347,176,561.29					-475,382,587.14
(III). Profit distribution									124,141,189.80	-460,933,246.56	-336,792,056.76
1. Accrual of surplus reserve									124,141,189.80	-124,141,189.80	
2. Amount distributed to owners (or shareholders)										-336,792,056.76	-336,792,056.76
3. Others											
(IV) . Internal carrying forward of owner's equity							-85,440.960		138,432.47	1,245,892.23	1,298,883.74
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							-85,440.960		138,432.47	1,245,892.23	1,298,883.74
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	1,865,523,807.00				972,063,254.79		4,379,477.64		770,444,255.39	2,749,900,256.87	6,362,311,051.69

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										-10,835.91	-10,835.91
Correction to errors of the previous period											
Others											
II. Opening balance of the current year	1,907,727,908.00				1,605,482,128.64	222,644,454.50	77,015,953.08		552,219,230.70	1,400,163,342.27	5,319,964,108.19
III. Increase and decrease of the current year (enter "-" for decrease)	21,461,466.00				72,932,379.32	124,532,106.79	-76,289,376.36		93,945,402.42	568,012,370.93	555,530,135.52
(I). Total comprehensive income							-76,289,376.36			849,793,338.78	773,503,962.42
(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	1,968,175,713.20	5,875,494,243.71

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

Notes to the financial statements

I. Company Profile

Joincare Pharmaceutical Group Industry Co., Ltd. (hereinafter referred to as the "Company" or "the Company"), 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 2023, the total share capital of the Company was RMB1,865,523,807 for a total number of shares of 1,865,523,807 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 registered and headquartered in Jiankang Yuan Pharmaceutical Group Building, No. 17, Langshan Road, North District, High-tech Zone, Nanshan District, Shenzhen.

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.

These financial statements and the notes to the financial statements were approved by the 38th meeting of the 8th session of the Board of Directors of the Company on 2 April 2024.

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 Ministry of Finance and its application guidance, interpretations and the other related provisions (collectively, the “Accounting Standards for Business Enterprises”). In addition, the Company also discloses relevant financial information in accordance with the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2023 Revision) issued by the 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 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.22 and Note III.29.

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

The financial statements comply with the Accounting Standards for Business Enterprises, which gave a true and complete view of the consolidated and the Company's financial positions as at 31 December 2023, 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 2023.

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. Determination and selection basis of materiality criteria

Item	Materiality criteria
Material receivables subject to provision for bad debt individually	Individual debtor accounts for more than 5% of all types of receivables and the amount exceeds RMB50 million
Material receivables write-off in the period	Individual write-off amount accounts for more than 5% of all types of receivables and the amount exceeds RMB50 million
Material construction in progress	Budget investment amount for a single project accounts for more than 5‰ of consolidated total assets and the amount exceeds RMB100 million
Material contract liabilities aged over one year	Individual contract liability aged over one year accounts for more than 10% of consolidated total liabilities and the amount exceeds RMB50 million
Material accounts payable and other payables aged over one year	Individual accounts payable/other payable aged over one year accounts for more than 10% of total accounts payables/other payables and the amount exceeds RMB50 million
Material non-wholly owned subsidiaries	One or both of the subsidiary's total assets, operating income, net profit (or absolute value of loss) accounts for more than 10% of the corresponding items in the consolidated financial

	statements
Material capitalized research and development projects	Closing balance of a single project accounts for more than 10% of the closing balance of development expenditures and the amount exceeds RMB100 million
Material investment activities	Single investment activity accounts for more than 10% of the total cash inflows or outflows related to investment activities received or paid and the amount exceeds RMB100 million
Material joint ventures or associates	Carrying amount of long-term equity investments in a single investee accounts for more than 3% of the total consolidated net assets and the amount exceeds RMB500 million, or investment profits and losses under the equity method of long-term equity investment accounts for more than 10% of the consolidated net profit

6. Accounting treatment for business combinations involving enterprises under common control and business combinations involving enterprises not under common control

(1) Business combinations involving enterprises under common control

For the business combination involving entities under common control, the assets acquired and liabilities assumed 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 combing 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 arising from changes in net liabilities or net assets of defined benefit plans remeasured by investees and other comprehensive income related to non-derivative equity instrument investments designated at fair value through other comprehensive income.

(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.

7. Basis in determination of control and preparation of the consolidated financial statements

(1) Basis in determination of control

The scope of consolidated financial statements is determined based on control. Control means the Company has exposures or rights to variable returns from its involvement with the investee and the ability to affect those returns through power over such investee. When changes in relevant facts and circumstances lead to alterations in the elements involved in the definition of control, the Company will conduct a reassessment.

In assessing whether to include structured entities within the consolidation scope, the company

integrates all facts and circumstances, including evaluating the purpose and design of the structured entity, identifying the types of variable returns, and assessing whether it bears some or all of the variability of returns by participating in its related activities, to determine if control over the structured entity exists.

(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 related to equity investments in the original subsidiary should be

accounted for using the same basis as the direct disposal of related assets or liabilities of the original subsidiary upon loss of control. Any equity changes related to the original subsidiary under the equity method of accounting should be transferred to the profit or loss for the current period when control ceases.

(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.

8. Classification of joint arrangement and accounting treatment for joint operation

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

(1) Joint operation

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

The Company 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.

9. Determination of cash and cash equivalents

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

10. Foreign currency 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.

11. Financial instruments

Financial instruments are contracts creating financial assets of a party and financial liabilities or equity instruments of other parties.

(1) Recognition and Derecognition of financial instruments

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

The financial assets will be derecognised if any of the following conditions is satisfied:

① The contractual right to receive the cash flow of the financial assets is terminated;

② The financial 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 are initially recognized at fair value. For financial assets at fair value through profit or loss, transaction costs are directly recognized in the profit or loss for the current period. For other categories of financial assets, transaction costs are included in the initial recognition amount. Accounts receivable arising from the sale of products or services, which do not include or consider a significant financing component, are initially recognized at the expected amount to be received.

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 a 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.

(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.12

(6) Impairment of financial assets

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

A. Financial assets measured at amortised cost;

B. Receivables and debt instrument 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 accounts receivable such as notes receivable, trade receivables, receivables financing, other receivables, contract assets, etc., if the credit risk characteristics of a particular customer significantly differ from those of other customers in the portfolio, or if there is a significant change in the credit risk characteristics of that customer, the Company individually provides for credit loss for that receivable. Apart from individually providing for credit loss for specific receivables, the Company divides receivables into portfolios based on credit risk characteristics and calculates credit losses on a portfolio basis.

Notes receivable, trade receivables and contract assets

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 an individual financial asset or contract asset cannot be estimated at a reasonable cost, the Company classifies notes receivable, trade receivables or contract assets 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 notes receivable or contract assets 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. The aging of accounts receivable is calculated from the date of recognition.

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. For other receivables categorized by aging, the aging is calculated from the date of recognition.

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.

12. Fair value measurement

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

The Company measures the relevant 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.

13. Inventories

(1) Classification of inventories

The Company's inventories include raw materials, packaging materials, finished goods, work-in-progress, low-value consumables, subcontracting materials, merchandise goods, consumable biological assets and issued goods.

(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) Determination basis and provision method for decline in value of inventories

On the balance sheet date, the inventories are calculated at the lower of cost and the net realisable value. When its net realizable value is lower than its cost, a provision for inventory impairment is made

The net realizable value is the estimated selling price of inventory minus the estimated costs to complete, estimated selling expenses, and related taxes. In determining the net realizable value of inventory, reliable evidence is used as a basis, while also considering the purpose of holding the inventory and the impact of subsequent events after the balance sheet date.

Provision for inventory impairment is made on an item-by-item basis. For inventory with large quantities and low unit prices, inventory impairment is provided based on inventory categories. For inventory related to product lines produced and sold in the same region, with similar or identical final uses or purposes, and difficult to measure separately from other items, inventory impairment is combined.

On the balance sheet date, if the factors that previously impaired the value of inventory have disappeared, the provision for inventory impairment is reversed within the originally provided amount.

(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.

14. Held for sale and discontinued operations

(1) Recognition and accounting treatment 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 noncurrent 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) Determination of discontinued operation

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

① The component represents an independent principal business or a separate principal business place.

② The component is a part of the related plan for the contemplated disposal of an independent principal business or a separate principal business place.

③ The component is a subsidiary acquired exclusively for the purpose of resale.

(3) Presentation

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

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

The disposal group proposed for retirement rather than sale and meeting the condition about the relevant component in the definition of the discontinued operation will be presented as discontinued operation from the date of retirement.

For the discontinued operation reported in the current period, the information formerly presented as profit and loss of continuing operation will be presented as the profit and loss of discontinued operation for the comparable accounting period in the financial statement of the current period. If the discontinued operation no longer meets the classification criteria for held for- sale category, the information formerly presented as profit and loss of discontinued operation will be presented as the profit and loss of continuing operation for the comparable accounting period in the financial statement of the current period.

15. Long-term equity investment

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

(1) Determination of initial investment cost

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

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

(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, share 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. 14 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. 23 for investment to subsidiaries, associates and joint ventures and the impairment provision of assets.

16. Investment properties

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

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

The Company adopts the cost model for subsequent measurement of the investment properties. The method for asset impairment provision is set out in note III. 23.

The balance after the disposal income from the disposal, transfer, 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.

17. 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. 23 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.

⑤The 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.

18. Construction in progress

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

Basis for transferring construction in progress to fixed assets is as follows:

Category	Basis for transferring construction in progress to fixed assets
Buildings and structures	(1) Main construction project and supporting works have been substantially completed. (2) Construction works have met the predetermined design requirements, verified and accepted by survey, design, construction, supervision, and other units. (3) Approved by fire safety, land administration, and urban planning departments. (4) If GMP certification is required, it must pass the GMP on-site inspection and receive a GMP compliance inspection report. (5) For construction projects that have reached the predetermined status of use but have not yet undergone final settlement, fixed assets are transferred based on the estimated value according to the actual project cost from the date of reaching the predetermined usable state.
Production and ancillary equipment requiring installation and debugging	(1) The relevant equipment and other supporting facilities have been installed. (2) The equipment has been debugged and can maintain normal and stable operation for a period of time. (3) The production equipment is capable of consistently producing qualified products for a period of time. (4) The equipment has been verified and accepted by the asset management personnel and users. (5) If GMP certification is required, it must pass the GMP on-site inspection and receive a GMP compliance inspection report.

For provision for impairment of construction in progress, refer to note III. 23.

In the balance sheet, the ending balance of construction materials is presented under “construction in progress”.

19. 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.

20. Biological assets

(1) Determination of biological assets

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

① An enterprise possesses or controls the biological asset as a result of past transaction or event;

② The economic benefits or service potential concerning this biological asset are likely to flow into the enterprise;

③ The cost of this biological asset can be measured reliably.

(2) Classification of biological assets

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

The consumable biological assets refer to the biological assets held for sale, or biological assets to be harvested as agricultural products in the future, consisting of growing traditional Chinese medical herbal plant species. The consumable biological asset is initially measured at cost. The cost of any consumable biological assets by way of self-planting, self-cultivating, self-breading 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.

21. 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	Useful life	Basis in determination of useful life	Amortisation method	Note
Land use rights	30 to 50 years	Land use period	Straight-line method	
Patents and proprietary technologies	1 to 10 years	Shorter of estimated benefit period and patent validity period	Straight-line method	
software	2 to 10 years	Estimated benefit period	Straight-line method	
Trademark rights	5 years	Shorter of estimated benefit period and trademark validity period	Straight-line method	
other	10 years	Estimated benefit period	Straight-line method	

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. 23 for the provision of impairment of intangible assets.

22. Research and development expenditures

The research and development (R&D) expenses of our company consist of expenses directly related to R&D activities, including salaries of R&D personnel, direct input costs, depreciation and amortization of long-term assets, equipment debugging costs, amortization of intangible assets, expenses for outsourcing research and development, clinical trial expenses, and other expenses. Among these, the salaries of R&D personnel are allocated to R&D expenses based on project hours. Equipment, production lines, and premises shared between R&D activities and other production operations are allocated to R&D expenses based on the proportion of hours or area utilized.

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 The purchase price of the purchased external technology or formula is recognized as development expenditures, and subsequent research and development 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.23 for the impairment testing methodology and impairment provision for intangible assets.

23. 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.

24. 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.

25. 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 include defined contribution plans. A defined contribution plan refers to a post-employment benefit plan where the Company no longer bears further payment obligations after depositing fixed costs into an independent fund. The Company is only involved in Defined contribution plans.

Defined contribution plans include basic pension insurance and unemployment insurance.

During the accounting period in which the employees provide services, the amount payable calculated based on the defined contribution plan is recognized as a liability and is either recorded in the profit or loss of the current period or included in the cost of related assets.

(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.

26. 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.

27. 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:

①For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

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

For a share-based payment transaction occurring among enterprises under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise by reference to the above principles.

28. Preferred shares, perpetual bonds and other financial instruments

(1) 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.

29. Revenue

(1) General principle

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.11(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.

(2) Specific method

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

The Company offers consistent credit terms to all types of customers, with no significant financing

component involved.

The Company operates on a buyout sales model with distributors, and revenue recognition under the distribution model is consistent with the direct sales model.

For sales with sales return provisions, revenue recognition is limited to the amount expected not to result in significant returns based on the cumulative revenue recognized. The Company recognizes liabilities based on the expected refund amount, while recognizing an asset for the expected value of returned goods at the time of transfer, net of estimated costs (including the value impairment of returned goods).

30. 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.

31. Government grants

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

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

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

Regarding 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 and expenses.

If the recognised government grants need to be refunded, adjust the carrying amount of assets when the carrying amount of assets is offset at the time of initial recognition; the balance of deferred income is offset against the carrying amount of the balance of deferred income and the excess is recognised in the profit or loss for the current period. Other circumstances, it is directly recognised in the profit or loss for the current period.

32. Deferred tax assets and deferred tax liabilities

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to transactions or items recognized directly in equity and goodwill arising from a business combination.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

(1) Initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and The Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs (Except for single transactions resulting in equal temporary differences and deductible temporary differences arising from initially recognized assets and liabilities);

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

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

At the balance sheet date, the Company reviews the carrying amount of a deferred 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 utilized, 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.

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented as a net amount after offsetting when they simultaneously meet the following conditions:

(1) The legal right exists for the tax-paying entity within the Company to settle current income tax assets and current income tax liabilities on a net basis.

(2) Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same tax-paying entity within the Company.

33. Leases

(1) Identification of leases

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

(2) The Company as the lessee

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

For the accounting policies on the right-of-use assets, please refer to Note III. 34.

Lease liabilities are initially measured based on the present value of outstanding lease payment at the inception of a lease, discounted using the interest rate implicit in the lease or the incremental borrowing rate. 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

Leases of low value assets refer to lease of a single leased asset whose value is less than 40,000 yuan when it is a brand-new asset.

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

For leases of low value assets, the Company chooses to adopt the above simplified method according to the specific situation of each lease.

(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.

34. Right-of-use assets

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

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

Right-of-use assets are initially measured at cost as at the commencement date of the lease, which consists of: the amount of the initial measurement of the lease 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. 23.

35. Repurchase of shares

Prior to cancellation or transfer of shares repurchased, the Company recognises all expenditures arising from share repurchase as cost of treasury shares in the treasury share account. Considerations and transaction fee incurred from 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.

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)

On the balance sheet date, the Company assesses whether there are indications of impairment for non-current assets other than financial assets. For intangible assets that have not yet reached the status of use, impairment testing is conducted when there are indications of impairment, in addition to the annual impairment test. For non-current assets other than financial assets, impairment testing is conducted when there are indications that their carrying amounts may not be recoverable. Impairment is recognized when the carrying amount of an asset or asset group exceeds the higher of its recoverable

amount, which is the net amount of fair value less disposal costs and the present value of estimated future cash flows. The net amount of fair value less disposal costs is determined by reference to the selling price in similar assets in fair transactions or observable market prices, minus incremental costs directly attributable to the asset disposal. In estimating the present value of future cash flows, management estimates the expected future cash flows of the asset or asset group and selects 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

① 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 individual transactions that are not business combinations and do not affect either accounting profit or taxable income (or deductible losses) at the time of occurrence, and where the initial recognition of assets and liabilities results in equal taxable temporary differences and deductible temporary differences, the temporary differences arising from the initial recognition of assets and liabilities should be separately recognized as deferred tax liabilities and deferred tax assets, respectively, at the time of the transaction, in accordance with relevant provisions such as Accounting Standards for Business Enterprises No. 18 - Income Taxes. For such transactions occurring between the beginning of the earliest period reported in the financial statements and the effective date of this interpretation, the Company adjusts the cumulative impact amount of the earliest period reported in the financial statements, including retained earnings at the beginning of the earliest period and other related items, in accordance with the aforementioned provisions. The aforementioned accounting treatment becomes effective from 1 January 2023.

When the lease liabilities and right-of-use assets recognized by the Company in lease transactions result in temporary differences and deductible temporary differences for tax purposes, adjustments were made in accordance with the provisions of Interpretation No. 16.

The impact of implementing the above accounting policies on the consolidated balance sheet as of 31 December 2023 and the consolidated income statement for the year ended 2023 is as follows:

Item in consolidated balance sheet (As at 31 December 2023)	**Impact amount**
Deferred tax assets	5,448,312.71
Deferred tax liabilities	5,281,690.30
Undistributed profits	149,007.43
Minority interests	17,614.98

Item in consolidated income statement (For the year ended 31 December 2023)	**Impact amount**
Income tax expenses	-20,001.00
Net profit attributable to shareholders of the parent	14,046.76
Minority interests	5,954.24

The impact of implementing the above accounting policies on the consolidated balance sheet as of 31 December 2022 and the consolidated income statement for the year ended 31 December 2022 is as

follows:

Item in consolidated balance sheet (As at 31 December 2022)	Before adjustment	Adjustment amount	After adjustment
Deferred tax assets	533,861,743.26	6,176,080.30	540,037,823.56
Deferred tax liabilities	231,164,425.48	6,029,458.89	237,193,884.37
Undistributed profits	8,456,643,326.82	134,960.67	8,456,778,287.49
Minority interests	8,898,407,287.12	11,660.74	8,898,418,947.86

Item in consolidated income statement (For the year ended 31 December 2022)	Before adjustment	Adjustment amount	After adjustment
Income tax expenses	562,008,858.69	-212,115.64	561,796,743.05
Net profit attributable to shareholders of the parent	1,502,595,840.48	181,293.28	1,502,777,133.76
Minority interests	1,391,500,256.00	30,822.36	1,391,531,078.36

The impact of implementing the above accounting policies on the consolidated balance sheet as of 1 January 2022 is as follows:

Item in consolidated balance sheet (As at 1 January 2022)	Before adjustment	Adjustment amount	After adjustment
Deferred tax assets	552,542,866.71	8,197,790.11	560,740,656.82
Deferred tax liabilities	208,525,905.39	8,263,284.34	216,789,189.73
Undistributed profits	7,223,644,166.22	-46,332.61	7,223,597,833.61
Minority interests	8,359,317,322.63	-19,161.62	8,359,298,161.01

② Cumulative impact for the year by changes in accounting policies

Item begin affected	Current year	Prior year
Net assets in beginning of year	--	-65,494.23
Including: Retained earnings	--	-46,332.61
Net profit	20,001.00	212,115.64
Net assets at year end	166,622.41	146,621.41
Including: Retained earnings	149,007.43	134,960.67

(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 or 13
Urban maintenance and construction tax	Subject to turnover tax payable	1, 5 or7
Education surcharge	Subject to turnover tax payable	3

Local education surcharge	Subject to turnover tax payable	Note 1
Enterprise income tax	Subject to 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) , Macau Livzon Traditional Chinese Medicine Modern Technology Co., Ltd. (澳门丽珠中药现代化科技有限公司)	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) (Taitai Pharmaceutical)) , Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳市海滨制药有限公司)) (Haibin Pharma) , Xinxiang Haibin Pharmaceutical Co., Ltd.(Xinxiang Haibin) (新乡海滨药业有限公司(新乡海滨)) , Jiaozuo Joincare Bio Technological Co., Ltd. (焦作健康元生物制品有限公司) (Jiaozuo Joincare)) , Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司)(Shanghai Frontier) , 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), Joincare Haibin Pharmaceutical Co., Ltd. (健康元海滨药业有限公司)(Joincare Haibin)), 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 Factory (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%)

Entity	Income tax rate %
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 or enjoy preferential tax policies for small and micro-profit enterprises

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's subsidiary Joincare Haibin (健康元海滨) has been eligible for preferential enterprise income tax policies for high-tech enterprises for a duration of 3 years starting from 2021. The Company and its subsidiaries Jiaozuo Joincare (焦作健康元) and Joincare Respiratory (健康元呼吸) have been eligible for preferential enterprise income tax policies for high-tech enterprises for a duration of 3 years starting from 2022. The Company's subsidiaries Taitai Pharmaceutical (太太药业), Haibin Pharma (海滨制药), Xinxiang Haibin (新乡海滨), and Shanghai Frontier (上海方予) are eligible for preferential enterprise income tax policies for high-tech enterprises for a duration of 3 years starting from 2023. Livzon Group and its subsidiaries, including Livzon Group Limin Pharmaceutical Manufacturing Factory (丽珠集团利民制药厂), Livzon Pharmaceutical Factory (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), and Sichuan Guangda Pharmaceutical Manufacturing Co., Ltd. (四川光大制药有限公司), are eligible for preferential enterprise income tax policies for high-tech enterprises for a period of 3 years starting from 2023. Livzon Group Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司) has been officially recognized as a high-tech enterprise in the current period; Shanghai Livzon Biotechnology Co., Ltd. (上海丽珠生物科技有限公司) has been eligible for preferential enterprise income tax policies for high-tech enterprises for a duration of 3 years starting from 2021. 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) has been eligible preferential enterprise income tax policies for high-tech enterprises for a duration of 3 years since 2022.

Livzon Group (Ningxia) Pharmaceutical Manufacturing Co., Ltd. (丽珠集团(宁夏) 制药有限公司) has been verified to benefit from tax incentives for encouraged industries in the western region. 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 5%.

V. Notes to the items of consolidated financial statements

1. Cash and bank balances

Item	2023.12.31	2022.12.31
Cash on hand	355,538.62	231,883.95
Cash at bank	15,580,242,256.39	14,792,867,005.08
Other monetary funds	111,290,519.82	15,389,221.93
Total	**15,691,888,314.83**	**14,808,488,110.96**
Including: Total amount of money deposited abroad	1,502,820,057.55	1,491,900,539.35

① Other monetary funds are mainly deposits for investments, deposits for letter of credit and bank acceptance bills.

② Restricted funds relating to issuing letters of credit and bank acceptance bills 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	2023.12.31	2022.12.31
Deposits for letter of credit	602,957.38	444,032.37
Deposits for bank acceptance bills	4,965,960.88	947,255.39
Deposits for other business	1,058,531.40	1,120.00
Total	**6,627,449.66**	**1,392,407.76**

2. Financial assets held for trading

(1) Classification

Item	2023.12.31	2022.12.31
Debt instruments investment	937,588.47	934,289.94
Equity instruments investment	78,238,516.48	102,648,863.47
Derivative financial assets	3,136,735.29	5,432,511.57
Bank wealth management products	586,314.00	0.00
Total	**82,899,154.24**	**109,015,664.98**

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 NASQAQ. 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	2023.12.31			2022.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	1,941,200,568.00	0.00	1,941,200,568.00	1,959,985,016.85	0.00	1,959,985,016.85

(1) Notes receivable pledged at year end

Category	Amount pledged at year end
Bank acceptance bills	519,789,027.16

As at 31 December 2023, bank acceptance bills with carrying amount of RMB519,789,027.16 (31 December 2022: RMB469,659,266.19) 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	180,125,188.50	0.00
Bank acceptance bills not yet mature but already discounted	136,098,199.33	0.00
Total	316,223,387.83	**0.00**

In the current period, the Company discounted bank acceptance bills of RMB385,575,297.99 (previous year: RMB1,190,002,804.98). 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 RMB2,042,497.83 (previous year: RMB6,363,472.30).

(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	2023.12.31					2022.12.31				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	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	0.00	0.00	0.00	0.00	0.00
Provision for bad debts on portfolio basis	1,941,200,568.00	100.00	0.00	0.00	1,941,200,568.00	1,959,985,016.85	100.00	0.00	0.00	1,959,985,016.85
Including:										
Bank acceptance bills	1,941,200,568.00	100.00	0.00	0.00	1,941,200,568.00	1,959,985,016.85	100.00	0.00	0.00	1,959,985,016.85
Total	**1,941,200,568.00**	**100.00**	**0.00**	**0.00**	**1,941,200,568.00**	**1,959,985,016.85**	**100.00**	**0.00**	**0.00**	**1,959,985,016.85**

Provision for bad debts on individual item:

None.

Provision for bad debts on portfolio basis:

Provision for bad debts on portfolio basis: Bank acceptance bills

Item	2023.12.31			2022.12.31		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	1,941,200,568.00			1,959,985,016.85		

(5) There was no accrual, recovery or reversal of provision for bad debts during the year.

(6) There was no write-off of notes receivable.

4. Accounts receivable

(1) by ageing

Ageing	2023.12.31	2022.12.31
Within one year	2,647,481,728.60	3,120,189,972.55
1 to 2 years (inclusive of 2 years)	101,092,502.23	23,444,432.08
2 to 3 years (inclusive of 3 years)	2,963,960.00	3,734,160.84
3 to 4 years (inclusive of 4 years)	3,083,562.86	12,774,996.94
4 to 5 years (inclusive of 5 years)	10,440,914.56	2,294,804.48
Over 5 years	14,187,114.03	13,796,669.97
Subtotal	**2,779,249,782.28**	**3,176,235,036.86**
Less: Provision for bad debts	86,307,916.04	72,476,186.71
Total	**2,692,941,866.24**	**3,103,758,850.15**

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	2023.12.31					2022.12.31				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)		Amount	Ratio (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual item	9,830,879.27	0.35	9,830,879.27	100.00	0.00	10,454,599.67	0.33	6,257,914.47	59.86	4,196,685.20
Including:										
Receivables from domestic customers	9,683,532.50	0.35	9,683,532.50	100.00	0.00	10,454,599.67	0.33	6,257,914.47	59.86	4,196,685.20
Receivables from overseas customers	147,346.77	0.01	147,346.77	100.00	0.00	0.00	0.00	0.00	0.00	0.00
Provision for bad debts on portfolio basis	2,769,418,903.01	99.65	76,477,036.77	2.76	2,692,941,866.24	3,165,780,437.19	99.67	66,218,272.24	2.09	3,099,562,164.95
Including:										
Receivables from domestic customers	2,334,140,677.67	83.98	69,784,726.72	2.99	2,264,355,950.95	2,659,276,844.47	83.72	60,180,304.43	2.26	2,599,096,540.04
Receivables from overseas customers	435,278,225.34	15.66	6,692,310.05	1.54	428,585,915.29	506,503,592.72	15.95	6,037,967.81	1.19	500,465,624.91
Total	**2,779,249,782.28**	**100.00**	**86,307,916.04**	**3.11**	**2,692,941,866.24**	**3,176,235,036.86**	**100.00**	**72,476,186.71**	**2.28**	**3,103,758,850.15**

Provision for bad debts on individual item:

Item	Closing balance			
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason of provision
Purchase of goods	9,830,879.27	9,830,879.27	100	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	2023.12.31			2022.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	2,212,501,400.71	29,899,965.80	1.35	2,618,111,979.83	35,631,686.09	1.36
1 to 2 years (inclusive of 2 years)	100,128,396.60	19,836,728.22	19.81	18,418,832.08	3,486,917.81	18.93
2 to 3 years (inclusive of 3 years)	2,963,960.00	1,908,319.14	64.38	3,589,415.19	2,144,629.72	59.75
3 to 4 years (inclusive of 4 years)	3,083,562.86	2,713,198.64	87.99	4,381,626.53	4,171,620.14	95.21
4 to 5 years (inclusive of 5 years)	2,047,544.15	2,010,701.57	98.20	1,667,403.89	1,637,863.72	98.23
Over 5 years	13,415,813.35	13,415,813.35	100.00	13,107,586.95	13,107,586.95	100.00
Total	2,334,140,677.67	69,784,726.72	2.99	**2,659,276,844.47**	**60,180,304.43**	**2.26**

Provision for bad debts on portfolio basis: Receivables from overseas customers

Ageing	2023.12.31			2022.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	434,314,119.71	6,498,350.54	1.50	506,503,592.72	6,037,967.81	1.19

1-2 years	964,105.63	193,959.51	20.12	0.00	0.00	0.00
Total	**435,278,225.34**	**6,692,310.05**	**1.54**	**506,503,592.72**	**6,037,967.81**	**1.19**

(3) Accrual, recovery or reversal of bad debt provision during the year

Item	Amount of provision for bad debts
Beginning balance	72,476,186.71
Provision for the year	17,085,116.32
Recovered or reversal in the year	0.00
Write-off in the year	3,256,934.52
Others	3,547.53
Closing balance	**86,307,916.04**

At 31 December 2023 and 31 December 2022, 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	3,256,934.52

(5) Accounts receivable due from the top five debtors

As of 31 December 2023, the total amount of the top five debtors in closing balance is RMB233,096,467.18, accounting for 8.39% of the total amount of closing balance of accounts receivable, and the corresponding closing balance of provision for bad debts is total RMB2,772,860.14.

(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	2023.12.31		2022.12.31	
	Amount	Ratio %	Amount	Ratio %
Within one year	261,832,941.82	93.48	343,457,382.98	94.29
1 to 2 years	9,471,130.48	3.38	16,867,695.41	4.63
2 to 3 years	6,936,952.00	2.48	948,519.54	0.26
Over 3 years	1,861,836.64	0.66	2,991,544.64	0.82
Total	**280,102,860.94**	**100.00**	**364,265,142.57**	**100.00**

(2) Prepayments due from the top five debtors:

As of 31 December 2023, the total amount of the top five prepayments in closing balance is RMB90,657,673.53, accounting for 32.37% of the total amount of closing balance of prepayments.

6、Other receivables

Item	2023.12.31	2022.12.31
Dividends receivable	0.00	0.00
Other receivables	46,010,624.61	52,535,740.14
Total	**46,010,624.61**	**52,535,740.14**

(1) Other receivables

① Disclosure by ageing

Ageing	2023.12.31	2022.12.31
Within one year	37,991,559.91	46,704,835.62
1 to 2 years	7,058,808.33	6,086,106.11
2 to 3 years	3,902,904.05	2,206,852.09
3 to 4 years	1,311,234.02	1,821,553.83
4 to 5 years	1,268,993.52	1,816,535.04
Over 5 years	30,945,575.08	32,171,819.98
Subtotal	**82,479,074.91**	**90,807,702.67**
Less: Provision for bad debts	36,468,450.30	38,271,962.53
Total	**46,010,624.61**	**52,535,740.14**

② Disclosure by nature

Item	2023.12.31			2022.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Deposits under guarantee, deposits and lease expenses	13,157,467.26	3,780,044.47	9,377,422.79	12,668,692.36	3,613,600.49	9,055,091.87
Reserved fund and advances	20,493,420.45	1,338,678.06	19,154,742.39	25,494,468.62	2,952,756.24	22,541,712.38
Related party balances	1,337,073.19	479,197.00	857,876.19	1,097,855.07	477,066.07	620,789.00
External entities balances	15,256,745.76	12,461,260.90	2,795,484.86	13,226,352.58	11,966,700.69	1,259,651.89
Tax refund on exports	7,931,105.45	373,263.13	7,557,842.32	16,539,609.68	290,344.77	16,249,264.91
Treasury bonds and security deposits	16,954,735.37	16,954,735.37	0.00	17,968,386.04	17,968,386.04	0.00
Amounts of exercised options	597,240.00	0.00	597,240.00	0.00	0.00	0.00
Others	6,751,287.43	1,081,271.37	5,670,016.06	3,812,338.32	1,003,108.23	2,809,230.09
Total	**82,479,074.91**	**36,468,450.30**	**46,010,624.61**	**90,807,702.67**	**38,271,962.53**	**52,535,740.14**

③Information of provision for bad debts

As of 31 December 2023, provision for bad debts on those in first stage

Category	Book balance	Expected credit loss	Provision for bad debts	Carrying amount	Reason

		rate in the next 12 months (%)			
Provision for bad debts on individual item	597,240.00	0.00	0.00	597,240.00	
Amounts of exercised options	597,240.00	0.00	0.00	597,240.00	Expected to be recovered
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
Total	**597,240.00**	**0.00**	**0.00**	**597,240.00**	

As of 31 December 2023, 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	54,681,240.51	16.95	9,267,855.90	45,413,384.61	
Receivable of tax refund on exports	7,931,105.45	4.71	373,263.13	7,557,842.32	
Receivable of deposits under guarantee, deposits and lease expenses	13,157,467.26	28.73	3,780,044.47	9,377,422.79	
Other receivables	33,592,667.80	15.23	5,114,548.30	28,478,119.50	
Total	**54,681,240.51**	**16.95**	**9,267,855.90**	**45,413,384.61**	

As of 31 December 2023, 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	27,200,594.40	100.00	27,200,594.40	0.00	
Other receivables	27,200,594.40	100.00	27,200,594.40	0.00	Likelihood of recovery is expected to be low
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
Total	**27,200,594.40**	**100.00**	**27,200,594.40**	**0.00**	

As of 31 December 2022, information of provision for bad debts:

As of 31 December 2022, there is no provision for bad debts on those in first stage.

As of 31 December 2022, 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	
Receivable of tax refund on exports	16,539,609.68	1.76	290,344.77	16,249,264.91	
Receivable of deposits under guarantee, deposits and lease expenses	12,668,692.36	28.52	3,613,600.49	9,055,091.87	

Category	Book balance	Expected credit loss rate for the lifetime(%)	Provision for bad debts	Carrying amount	Reason
Other receivables	33,121,296.12	17.78	5,889,912.76	27,231,383.36	
Total	**62,329,598.16**	**15.71**	**9,793,858.02**	**52,535,740.14**	

As of 31 December 2022, 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	Likelihood of recovery is expected to be low
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
Total	**28,478,104.51**	**100.00**	**28,478,104.51**	**0.00**	

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	9,793,858.02	28,478,104.51	38,271,962.53
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	-1,363,670.19	1,363,670.19	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	801,402.91	0.00	801,402.91
Reversal in the year	0.00	0.00	1,040,050.67	1,040,050.67
Transfer in the year	0.00	0.00	0.00	0.00
Write-off in the year	0.00	0.00	1,601,129.63	1,601,129.63
Other movement	0.00	36,265.16	0.00	36,265.16
Closing balance	0.00	9,267,855.90	27,200,594.40	36,468,450.30

⑤Actual written-off of other receivables in the year

Item	Written-off amount
Actual written-off of other receivables	1,601,129.63

⑥Other receivables due from the top five debtors

Name of entity	Nature	Closing balance of other	Ageing	Proportion to total other receivables	Closing balance of provision for

		receivables		(%)	bad debts
Hua Xia Securities Co., Ltd. (华夏证券股份有限公司)	Treasury bonds and security deposits	16,954,735.37	Over 5 years	20.56	16,954,735.37
Export tax refunds receivable	Export tax refunds	7,931,105.45	Within 2 years	9.62	373,263.13
Guangzhou Galaxy Sunshine Biological Products Co., Ltd. (广州银河阳光生物制品有限公司)	Borrowings	5,000,000.00	Over 5 years	6.06	5,000,000.00
Suzhou Zhongnuo Import and Export Co., Ltd. (苏州中诺进出口有限公司)	Security deposits	2,000,000.00	Within 3 years	2.42	368,000.00
Zhongnuo Pharmaceutical Development (Suzhou) Co., Ltd. (中诺医药发展(苏州) 有限公司)	Security deposits	1,500,000.00	Within 1 year	1.82	15,000.00
Total		**33,385,840.82**		**40.48**	**22,710,998.50**

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	2023.12.31			2022.12.31		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw materials	718,552,382.00	70,207,573.94	648,344,808.06	642,893,858.16	37,543,320.41	605,350,537.75
Packaging materials	129,848,977.45	15,944,825.79	113,904,151.66	137,488,629.87	11,191,692.58	126,296,937.29
Work-in-progress and Semi-finished products	769,971,425.39	101,298,495.05	668,672,930.34	649,362,917.78	65,482,989.52	583,879,928.26
Low value consumables	71,912,394.69	686,883.88	71,225,510.81	80,473,347.95	495,743.41	79,977,604.54
Finished goods	1,305,371,756.83	201,497,635.93	1,103,874,120.90	1,138,363,946.23	22,354,857.60	1,116,009,088.63
Subcontracting processing materials	2,918,287.46	0.00	2,918,287.46	2,318,531.50	0.00	2,318,531.50
Consumptive biological assets	15,384,338.39	0.00	15,384,338.39	13,692,837.04	0.00	13,692,837.04
Issued goods	31,484,243.47	0.00	31,484,243.47	34,344,534.56	0.00	34,344,534.56
Total	**3,045,443,805.68**	**389,635,414.59**	**2,655,808,391.09**	**2,698,938,603.09**	**137,068,603.52**	**2,561,869,999.57**

(2) Provision for decline in value of inventories

Item	2022.12.31	Increase		Decrease		2023.12.31
		Provision	Others	Reversal or written-off	Others	
Raw materials	37,543,320.41	43,346,261.83	0.00	10,682,008.30	0.00	70,207,573.94

Item	2022.12.31	Increase		Decrease		2023.12.31
		Provision	Others	Reversal or written-off	Others	
Packaging materials	11,191,692.58	12,321,845.90	0.00	7,568,712.69	0.00	15,944,825.79
Work-in-progress and Semi-finished products	65,482,989.52	63,795,099.63	0.00	27,979,594.10	0.00	101,298,495.05
Low value consumables	495,743.41	660,494.82	0.00	469,354.35	0.00	686,883.88
Finished goods	22,354,857.60	199,786,273.84	0.00	20,643,495.51	0.00	201,497,635.93
Total	**137,068,603.52**	**319,909,976.02**	**0.00**	**67,343,164.95**	**0.00**	**389,635,414.59**

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
Raw materials	Estimated selling price less estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Packaging materials	Estimated selling price less estimated costs of completion, selling expenses and related taxes	Processing, sale of finished goods and discard
Work-in-progress and Semi-finished products	Estimated selling price less estimated costs of completion, selling expenses and related taxes	Processing of finished goods and discard
Low value consumables	Estimated selling price less the related taxes	Used or discard
Finished goods	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	2023.12.31	2022.12.31
Fixed deposits due within 1 year	406,376,425.44	54,048,611.11
Total	**406,376,425.44**	**54,048,611.11**

9. Other current assets

Item	2023.12.31	2022.12.31
Input VAT pending deduction /Input tax pending for verification	63,118,496.24	35,679,462.66
Prepaid income tax	7,497,071.94	17,665,709.39
Cash management	0.00	92,815,738.44
Return cost receivable	6,536,364.62	12,043,428.52
Others	250,252.21	5,335,561.31
Total	**77,402,185.01**	**163,539,900.32**

10. Long-term equity investment

Investee	2022.12.31	Beginning balance of provision for impairment	Movement in the year								2023.12.31	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	6,337,823.35	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	1,949,893.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,949,893.45	1,949,893.45
Subtotal	**8,287,716.80**	**8,287,716.80**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**8,287,716.80**	**8,287,716.80**
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	1,200,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,200,000.00	1,200,000.00
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	93,084,766.28	0.00	0.00	0.00	14,642,835.53	0.00	0.00	0.00	0.00	0.00	107,727,601.81	0.00
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	1,496,595.40	0.00	0.00	0.00	67,618.97	0.00	0.00	0.00	0.00	0.00	1,564,214.37	0.00
AbCyte Therapeutics Inc.	13,767,260.06	0.00	0.00	0.00	-1,861,892.27	0.00	0.00	0.00	0.00	0.00	11,905,367.79	0.00
L&L Biopharma, Co. Ltd. (上海健信生物医药科技有限公司)	13,903,676.49	0.00	0.00	0.00	-1,296,398.50	0.00	2,555,502.97	0.00	0.00	0.00	15,162,780.96	0.00
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	61,291,769.61	0.00	0.00	0.00	-23,586,133.73	-191,973.74	1,006,182.46	0.00	0.00	0.00	38,519,844.60	0.00
Aetio Biotheraphy, Inc.	16,034,314.68	0.00	0.00	0.00	-720,474.30	0.00	0.00	0.00	0.00	0.00	15,313,840.38	0.00
Jiangsu Atom Bioscience and Pharmaceutical Co., Ltd. (江苏新元素医药科技有限公司)	92,803,409.42	0.00	0.00	0.00	-10,946,507.94	15,296.39	19,166,547.82	0.00	0.00	0.00	101,038,745.69	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	726,580,281.08	0.00	0.00	0.00	88,716,019.75	2,948,132.06	0.00	112,640,000.00	0.00	0.00	705,604,432.89	0.00

Investee	2022.12.31	Beginning balance of provision for impairment	Movement in the year								2023.12.31	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		
Infinite Intelligence Pharmaceutical Co. Ltd. (北京英飞智药科技有限公司)	18,857,727.08	0.00	0.00	0.00	-1,287,249.07	0.00	0.00	0.00	0.00	0.00	17,570,478.01	0.00
Shenzhen Kangti Biomedical Technology Co., Ltd. (深圳康体生物医药科技有限公司)	6,000,000.00	0.00	4,000,000.00	0.00	-111,599.15	0.00	0.00	0.00	0.00	0.00	9,888,400.85	0.00
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	285,538,495.52	0.00	0.00	0.00	9,217,880.97	0.00	0.00	0.00	0.00	0.00	294,756,376.49	0.00
Ningbo Ningrong Biomedical Co., Ltd. (宁波宁融生物医药有限公司)	27,179,209.51	0.00	0.00	0.00	606,175.12	0.00	0.00	0.00	0.00	0.00	27,785,384.63	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	15,303,495.74	0.00	0.00	0.00	-1,528,078.93	0.00	0.00	0.00	0.00	0.00	13,775,416.81	0.00
Jiangsu Baining Yingchuang Medical Technology Co., Ltd. (江苏百宁盈创医疗科技有限公司)	28,732,381.11	0.00	0.00	0.00	1,365,081.78	0.00	0.00	0.00	0.00	0.00	30,097,462.89	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	19,309,212.61	0.00	0.00	0.00	-598,944.86	0.00	0.00	0.00	0.00	0.00	18,710,267.75	0.00
Haisong Precision Parts (Taicang) Co., Ltd. (海嵩精密零部件(太仓) 有限公司)	0.00	0.00	1,500,000.00	0.00	115,738.03	0.00	0.00	0.00	0.00	0.00	1,615,738.03	0.00
Subtotal	1,421,082,594.59	1,200,000.00	5,500,000.00	0.00	72,794,071.40	2,771,454.71	22,728,233.25	112,640,000.00	0.00	0.00	1,412,236,353.95	1,200,000.00
Total	**1,429,370,311.39**	**9,487,716.80**	**5,500,000.00**	**0.00**	**72,794,071.40**	**2,771,454.71**	**22,728,233.25**	**112,640,000.00**	**0.00**	**0.00**	**1,420,524,070.75**	**9,487,716.80**

11. Other equity instruments investment

Item	2023.12.31	2022.12.31	Reason for designation
Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋新创股权投资中心)	57,858,983.79	67,935,704.36	Non-trading
Shanghai JingYi Investment Center (上海经颐投资中心)	73,365,064.89	73,616,359.91	Non-trading
Qianhai Equity Investment Fund (前海股权投资基金)	253,730,084.00	243,378,742.17	Non-trading
Apricot Forest, Inc (杏树林)	101,475,500.00	120,788,500.00	Non-trading
Chengdu Jinrui Jiye Biotechnology Co., Ltd. (成都金瑞基业生物科技有限公司)	20,000,000.00	0.00	Non-trading
Beijing Shuobai Pharmaceutical Technology Co., Ltd. (北京硕佰医药科技有限责任公司)	10,000,000.00	0.00	Non-trading
Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)	226,644,000.00	158,400,000.00	Non-trading
GLOBAL HEALTH SCIENCE	205,217,490.01	271,980,388.15	Non-trading
Nextech V Oncology S.C.S., SICAV-SIF	15,837,395.11	23,996,121.32	Non-trading
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海) 有限公司)	35,147,356.03	30,513,209.27	Non-trading
ELICIO THERAPEUTICS, INC.	7,820,060.93	34,823,014.36	Non-trading
CARISMA THERAPEUTICS, INC.	14,907,045.58	34,821,295.50	Non-trading
Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司)	63,219,286.50	53,654,738.60	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	58,061,141.52	68,050,805.41	Non-trading
Total	**1,155,283,408.36**	**1,193,958,879.05**	

As the above items are investments that the Company intends to hold for a long period of time for strategic purposes, the Company designates them as financial assets measured at fair value through other comprehensive income.

Continued:

Item	Gains and losses recognized in other comprehensive income for the current period	Cumulative gains and losses recognized in other comprehensive income at year end	Dividend income recognised in the year	Cumulative gains and losses that are transferred to retained earnings due to derecognition	Reason of derecognition
Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋新创股权投资中心)	2,445,163.17	2,937,256.61	0.00	94,149.27	Disposal of partial investments
Shanghai JingYi Investment Center (上海经颐投资中心)	1,207,737.75	1,442,221.03	0.00	-8,708.31	Disposal of partial investments
Qianhai Equity Investment Fund (前海股权投资基金)	8,798,640.55	45,670,571.40	8,049,186.88	0.00	--
Apricot Forest, Inc (杏树林)	-14,484,750.00	-77,383,966.21	0.00	0.00	--
Chengdu Jinrui Jiye Biotechnology Co., Ltd. (成都金瑞基业生物科技有限公司)	0.00	0.00	0.00	0.00	--
Beijing Shuobai Pharmaceutical Technology Co., Ltd. (北京硕佰医药科	0.00	0.00	0.00	0.00	

Item	Gains and losses recognized in other comprehensive income for the current period	Cumulative gains and losses recognized in other comprehensive income at year end	Dividend income recognised in the year	Cumulative gains and losses that are transferred to retained earnings due to derecognition	Reason of derecognition
技有限责任公司)					
Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)	58,007,400.00	128,620,504.00	0.00	0.00	--
GLOBAL HEALTH SCIENCE	-56,708,740.55	10,494,235.28	17,709,895.19	4,408,075.32	Disposal of partial investments
Nextech V Oncology S.C.S., SICAV-SIF	-8,158,726.21	-17,320,849.73	3,585,772.20	0.00	--
Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海) 有限公司)	1,916,103.83	2,199,036.10	0.00	0.00	--
ELICIO THERAPEUTICS, INC.	-27,002,953.43	-27,543,241.12	0.00	0.00	--
CARISMA THERAPEUTICS, INC.	-26,098,003.75	-23,900,220.42	0.00	0.00	--
Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司)	7,173,410.92	24,914,464.87	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	-7,888,423.95	-17,046,345.77	0.00	0.00	--
Total	**-60,793,141.67**	**53,083,666.04**	**29,344,854.27**	**4,493,516.28**	--

12. Investment properties

Item	Housing and buildings	Total
I. Book value		
1.Beginning balance	61,914,754.28	61,914,754.28
2.Increase	17,727,141.51	17,727,141.51
(1) Transfer to fixed assets	17,727,141.51	17,727,141.51
3.Decrease	0.00	0.00
4.Closing balance	79,641,895.79	79,641,895.79
II. Accumulated depreciation and amortisation		
1.Beginning balance	55,723,278.85	55,723,278.85
2.Increase	6,960,403.94	6,960,403.94
(1) Amortisation for the year	6,119,520.51	6,119,520.51
(2) Transfer to fixed assets	840,883.43	840,883.43
3.Decrease	0.00	0.00
4.Closing balance	62,683,682.79	62,683,682.79
III. Provision for impairment		0.00
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		

Item	Housing and buildings	Total
1.Carrying value at year end	16,958,213.00	16,958,213.00
2.Carrying value at beginning of year	6,191,475.43	6,191,475.43

13. Fixed assets

Item	2023.12.31	2022.12.31
Fixed assets	5,625,543,924.13	5,265,200,110.91
Fixed assets for disposal	38,808,631.84	0.00
Total	**5,664,352,555.97**	**5,265,200,110.91**

(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	4,305,054,019.02	5,637,544,484.73	106,291,576.88	856,552,473.06	10,905,442,553.69
2.Increase	410,068,111.56	567,362,650.27	14,905,640.90	111,254,883.39	1,103,591,286.12
(1) Purchase	2,497,152.47	100,780,922.17	13,897,709.70	61,982,634.16	179,158,418.50
(2) Transfer from construction in progress	407,570,959.09	466,581,728.10	0.00	44,062,722.98	918,215,410.17
(3) Changes in consolidation scope	0.00	0.00	805,832.74	5,193,524.57	5,999,357.31
(3) Others	0.00	0.00	202,098.46	16,001.68	218,100.14
3.Decrease	70,100,002.95	64,743,468.33	8,487,076.65	36,919,826.81	180,250,374.74
(1) Disposal or scrap	52,372,861.44	64,743,468.33	8,487,076.65	36,919,826.81	162,523,233.23
（2）Transfer in investment property	17,727,141.51	0.00	0.00	0.00	17,727,141.51
4.Closing balance	4,645,022,127.63	6,140,163,666.67	112,710,141.13	930,887,529.64	11,828,783,465.07
II. Accumulated depreciation	-	-	-	-	-
1.Beginning balance	1,806,888,229.17	3,109,967,392.10	82,170,130.55	538,254,242.39	5,537,279,994.21
2.Increase	196,688,214.65	389,250,489.72	9,432,420.36	84,186,643.20	679,557,767.93
(1) Provision	196,688,214.65	389,250,489.72	8,640,079.24	80,227,938.47	674,806,722.08
(2) Changes in consolidation scope	0.00	0.00	592,421.62	3,942,703.05	4,535,124.67
(3) Other increase	0.00	0.00	199,919.50	16,001.68	215,921.18
3.Decrease	27,129,847.67	48,452,036.07	6,264,872.94	33,661,796.83	115,508,553.51
(1) Disposal or scrap	21,010,327.16	48,452,036.07	6,264,872.94	33,661,796.83	109,389,033.00
（2）Transfer out investment property	6,119,520.51	0.00	0.00	0.00	6,119,520.51
4.Closing balance	1,976,446,596.15	3,450,765,845.75	85,337,677.97	588,779,088.76	6,101,329,208.63
III. Provision for impairment	-	-	-	-	-

Item	Housing and buildings	Machinery and equipment	Motor vehicles	Electronic equipment and others	Total
1.Beginning balance	26,474,491.83	57,549,501.09	0.00	18,938,455.65	102,962,448.57
2.Increase	0.00	488,174.14	78,034.30	3,658.84	569,867.28
(1) Provision	0.00	488,174.14	78,034.30	3,658.84	569,867.28
3.Decrease	37,854.00	1,396,058.26	78,034.30	110,036.98	1,621,983.54
(1) Disposal or scrap	37,854.00	1,396,058.26	78,034.30	110,036.98	1,621,983.54
4.Closing balance	26,436,637.83	56,641,616.97	0.00	18,832,077.51	101,910,332.31
IV. Carrying amount	-	-	-	-	-
1. Carrying amount at year end	2,642,138,893.65	2,632,756,203.95	27,372,463.16	323,276,363.37	5,625,543,924.13
2. Carrying value at beginning of year	2,471,691,298.02	2,470,027,591.54	24,121,446.33	299,359,775.02	5,265,200,110.91

At the balance sheet date, the Company engaged appraisers to conduct impairment testing on production equipment with low capacity utilization. When estimating the recoverable amount of the cost input, an assets group associated with the production equipment was used to forecast the present value of future cash flows. As tested, no impairment was identified in the assets groups.

The projected future cash flows of the assets group are determined based on the financial budget for the expected useful life of the production equipment established by the management.

The main assumptions for impairment testing using the discounted future cash flow method are as follows:

The calculation of the present value of projected future cash flows for the assets group adopts key assumptions, including a 73.65% to 74.35% gross profit margin, revenue growth rates ranging from 0% to 5%, and a discount rate of 15.00% for cash flow discounting. These assumptions are determined by the management based on historical performance and forecasts of market development.

②Fixed assets with temporary idle

Item	Book value	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Housing and buildings	17,882,426.27	12,738,313.16	1,981,043.82	3,163,069.29	
Machinery and equipment	121,187,759.61	86,414,982.29	22,188,236.19	12,584,541.13	
Electronic equipment and others	1,180,809.48	912,649.11	125,010.98	143,149.39	
Total	**140,250,995.36**	**100,065,944.56**	**24,294,290.99**	**15,890,759.81**	

③Fixed assets held under finance leases

Item	Carrying amount
Housing and buildings	1,574,194.98

④Fixed assets without property certificate

Item	Carrying amount	Reasons for pending title certificate
Housing and buildings	157,449,537.68	Application in progress

(2) Fixed assets for disposal

Item	Closing balance	Closing balance of prior year	Reason for disposal
Relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	38,808,631.84		Handover not completed yet

14. Construction in progress

Item	2023.12.31	2022.12.31
Construction in progress	530,594,323.07	810,835,273.97
Construction materials	464,794.99	464,794.99
Total	**531,059,118.06**	**811,300,068.96**

① Information of construction in progress

Item	2023.12.31			2022.12.31		
	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)	153,355,903.52	11,068,266.54	142,287,636.98	133,771,969.05	11,068,266.54	122,703,702.51
Guangda New Factory Project (光大新厂项目)	0.00	0.00	0.00	360,963,893.27	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)	0.00	0.00	0.00	38,842,449.73	0.00	38,842,449.73
Project of Shijiao New Factory (石角新厂项目)	11,242,321.59	0.00	11,242,321.59	12,409,895.73	0.00	12,409,895.73
Semaglutide project (司美项目)	53,876,039.98	0.00	53,876,039.98	0.00	0.00	0.00
Pharmaceutical factory workshop renovation project	100,095,507.68	0.00	100,095,507.68	70,972,186.23	0.00	70,972,186.23
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)	0.00	0.00	0.00	39,976,590.91	0.00	39,976,590.91
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P06 建设项目)	0.00	0.00	0.00	180,053.79	0.00	180,053.79
Project of lyophilized powder injection workshop (冻干粉针车间项目)	0.00	0.00	0.00	1,157,559.47	0.00	1,157,559.47
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P04/P05 建设项目)	1,710,588.82	0.00	1,710,588.82	1,560,960.52	0.00	1,560,960.52
Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂) P03 建设项目	243,501.31	0.00	243,501.31	0.00	0.00	0.00
Technology transformation project for Microsphere Phase II of Shanghai Livzon (上海丽珠微球二期技改项目)	0.00	0.00	0.00	34,677,843.69	0.00	34,677,843.69

Item	2023.12.31			2022.12.31		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Jiaozuo new factory relocation project (焦作新厂迁建项目)	67,116,236.97	0.00	67,116,236.97	0.00	0.00	0.00
Others	154,191,830.20	169,340.46	154,022,489.74	127,559,478.58	169,340.46	127,390,138.12
Total	**541,831,930.07**	**11,237,607.00**	**530,594,323.07**	**822,072,880.97**	**11,237,607.00**	**810,835,273.97**

② Changes in significant construction in progress

Name of Project	2022.12.31	Increase	Transfer to fixed assets	Other decrease	Cumulative amount of interest capitalised	Including: interest capitalised in the year	Interest capitalisation rate for the year (%)	2023.12.31
Haibin Pharma Pingshang New Factory (深圳海滨坪山新厂)	133,771,969.05	145,212,282.64	98,024,548.46	27,603,799.71	0.00	0.00	0.00	153,355,903.52
Guangda New Factory Project (光大新厂项目)	360,963,893.27	145,275,853.14	506,239,746.41	0.00	0.00	0.00	0.00	0.00
Fuxing Company Phase I & II Projects and others (福兴公司一 二期项目及其他)	38,842,449.73	20,306,789.09	44,523,939.89	14,625,298.93	0.00	0.00	0.00	0.00
Project of Shijiao New Factory (石角新厂项目)	12,409,895.73	1,337,540.69	2,505,114.83	0.00	0.00	0.00	0.00	11,242,321.59
Semaglutide project (司美项目)	0.00	88,742,101.07	34,866,061.09	0.00	0.00	0.00	0.00	53,876,039.98
Pharmaceutical factory workshop renovation project	70,972,186.23	95,834,059.18	66,710,737.73	0.00	0.00	0.00	0.00	100,095,507.68
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	0.00	0.00	0.00	0.00	0.00
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P06 建设项目)	180,053.79	378,308.84	558,362.63	0.00	0.00	0.00	0.00	0.00
Project of lyophilized powder injection workshop (冻干粉针车间项目)	1,157,559.47	357,798.13	1,515,357.60	0.00	0.00	0.00	0.00	0.00
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	149,628.30	0.00	0.00	0.00	0.00	0.00	1,710,588.82
Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P03 建设项目	0.00	243,501.31	0.00	0.00	0.00	0.00	0.00	243,501.31
Jiaozuo new factory relocation project (焦作新厂迁建项目)	0.00	67,116,236.97	0.00	0.00	0.00	0.00	0.00	67,116,236.97
Total	**659,835,558.70**	**564,954,099.36**	**794,920,459.55**	**42,229,098.64**	**0.00**	**0.00**	**0.00**	**387,640,099.87**

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)	1,436,107,400.00	77.96	Completion of some projects	Self-funding and funds raised
Guangda New Factory Project (光大新厂项目)	536,882,000.00	99.88	100.00	Self-funding

Name of Project	Budget	Proportion of cumulative input to budget %	Progress %	Source of fund
Fuxing Company Phase I & II Projects and others (福兴公司一 二期项目及其他)	378,090,800.00	94.47	100.00	Self-funding
Project of Shijiao New Factory (石角新厂项目)	377,005,000.00	90.27	90.00	Self-funding and funds raised
Semaglutide project (司美项目)	168,900,000.00	52.54	55.00	Self-funding
Pharmaceutical factory workshop renovation project	306,558,388.48	92.43	90.00	Self-funding
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)	262,445,000.00	89.36	100.00	Self-funding and funds raised
P06 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P06 建设项目)	117,710,000.00	95.34	100.00	Self-funding
Project of lyophilized powder injection workshop (冻干粉针车间项目)	143,500,000.00	95.36	100.00	Self-funding and funds raised
P04/P05 Construction Project of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P04/P05 建设项目)	126,880,000.00	1.35	1.00	Self-funding
Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂 P03 建设项目	106,033,900.00	0.23		Self-funding
Jiaozuo new factory relocation project (焦作新厂迁建项目)	184,261,900.00	36.42	35.00	Self-funding
Others	0.00	0.00	0.00	Self-funding
Total	4,144,374,388.48	--	--	--

Other decrease is mainly transferred to long-term deferred expenses.

15. Right-of-use assets

Item	Housing and buildings	Total
I. Book value:		
1.Beginning balance	78,335,855.53	78,335,855.53
2.Increase	26,614,546.23	26,614,546.23
(1) Additions by lease in	26,614,546.23	26,614,546.23
3.Decrease	10,873,414.93	10,873,414.93
4. Closing balance	94,076,986.83	94,076,986.83
II. Accumulated depreciation		
1.Beginning balance	36,492,721.56	36,492,721.56
2.Increase	31,907,046.92	31,907,046.92
(1) Provision	31,907,046.92	31,907,046.92
3.Decrease	10,555,849.14	10,555,849.14
4.Closing balance	57,843,919.34	57,843,919.34

Item	Housing and buildings	Total
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	36,233,067.49	36,233,067.49
2. Carrying value at beginning of year	41,843,133.97	41,843,133.97

As of 31 December 2023, the Company recognised lease expenses related to short-term leases and the leases of low value assets of RMB7,030,100.

16. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Patents and proprietary technologies	Software	Trademark rights	Others	Total
I. Book value						
1.Beginning 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
2.Increase	2,220,284.85	220,712,363.81	4,828,301.45	0.00	0.00	227,760,950.11
(1) Purchase	2,220,284.85	1,833,600.00	4,828,301.45	0.00	0.00	8,882,186.30
(2) Internal research and development	0.00	218,878,763.81	0.00	0.00	0.00	218,878,763.81
3.Decrease	0.00	5,524,303.12	3,051,359.93	0.00	0.00	8,575,663.05
(1) Disposals or write-offs	0.00	5,524,303.12	3,051,359.93	0.00	0.00	8,575,663.05
4.Closing balance	444,471,846.04	1,231,143,631.23	95,029,825.66	62,769,716.98	10,985,294.53	1,844,400,314.44
II. Accumulated amortisation						
1.Beginning 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
2.Increase	9,338,295.55	325,075,396.30	11,026,049.11	471.72	1,098,529.45	346,538,742.13
(1) Provision	9,338,295.55	325,075,396.30	11,026,049.11	471.72	1,098,529.45	346,538,742.13
3.Decrease	0.00	5,524,303.12	3,051,359.93	0.00	0.00	8,575,663.05
(1) Disposals or write-offs	0.00	5,524,303.12	3,051,359.93	0.00	0.00	8,575,663.05
4.Closing balance	141,457,777.29	861,960,989.47	71,377,050.33	62,766,139.99	7,781,250.27	1,145,343,207.35
III. Provision for impairment						
1.Beginning balance	981,826.94	14,737,946.42	0.00	0.00	0.00	15,719,773.36
2.Increase	0.00	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
3.Decrease	0.00	0.00	0.00	0.00	0.00	0.00

Item	Land use rights	Patents and proprietary technologies	Software	Trademark rights	Others	Total
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 amount at year end	302,032,241.81	354,444,695.34	23,652,775.33	3,576.99	3,204,044.26	683,337,333.73
2.Carrying value at beginning of year	309,150,252.51	458,807,727.83	29,850,522.99	4,048.71	4,302,573.71	802,115,125.75

As of 31 December 2023, intangible assets formed through internal research and development of the Company account for 54.91% of the balance of intangible assets.

At the balance sheet date, the Company engaged an appraiser to conduct an impairment test on the biological drug technology that was capitalized during the current period. When estimating the recoverable amount of the cost input, an assets group related to the biological technology was used to estimate the present value of future cash flows. As tested, no impairment was identified in this assets group.

The projected future cash flows of the assets group are determined based on the financial budget for the expected useful life of the biological drug technology established by management.

The main assumptions for impairment testing using the discounted future cash flow method are as follows:

The calculation of the present value of projected future cash flows for the assets group related to the biological technology utilized key assumptions of gross profit margins ranging from 80.65% to 81.94%, operating income growth rates ranging from 5.26% to 91.59%, and a discount rate of 15.00% for cash flow discounting. These assumptions were determined by management based on historical performance and forecasts of market development.

(2) Intangible assets pending for certificates of ownership

None.

(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

17. Development costs

	2022.12.31	Increase	Decrease	2023.12.31
Development costs	428,284,884.17	274,513,905.45	219,304,302.45	483,494,487.17

Specific details refer to Note VI Research and development expenditures.

18. Goodwill

(1) Book value of goodwill

Name of investee	2022.12.31	Increase		Decrease		2023.12.31
		Formation by business combination	Others	Disposal	Others	
Shanghai Livzon Pharmaceutical Manufacturing Co., Ltd. (上海丽珠	2,045,990.12	0.00	0.00	0.00	0.00	2,045,990.12

Name of investee	2022.12.31	Increase		Decrease		2023.12.31
		Formation by business combination	Others	Disposal	Others	
制药有限公司)						
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
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司)	0.00	21,870,805.09	0.00	0.00	0.00	21,870,805.09
Total	**640,550,053.67**	**21,870,805.09**	**0.00**	**0.00**	**0.00**	**662,420,858.76**

(2) Provision for impairment of goodwill

Name of investee or matter from which goodwill arose	2022.12.31	Increase		Decrease		2023.12.31
		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	1,610,047.91	0.00	0.00	0.00	0.00	1,610,047.91

Name of investee or matter from which goodwill arose	2022.12.31	Increase		Decrease		2023.12.31
		Provision	Others	Disposal	Others	
品有限公司)						
Total	**26,081,354.94**	**0.00**	**0.00**	**0.00**	**0.00**	**26,081,354.94**

The goodwill of the Company arose from its business combination involving enterprises not under common control.

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 63.58%-63.74% and a business revenue growth rate of 0~10.68% as well as a cash flow discount rate of 12.11%. 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 36.41%-37.26% and a business revenue growth rate of 2.65%~3.28% as well as a cash flow discount rate of 12.28%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Livzon Group Livzon Pharmaceutical Factory (丽珠制药厂), key assumptions are a gross margin of 84.51%-85.77% and a business revenue growth rate of -0.32%~18.40% as well as a cash flow discount rate of 14.72%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

For the calculation of estimated present value of future cash flow of the asset groups related to goodwill of Fuzhou Fuxing Pharmaceutical Co., Ltd. (丽珠集团福州福兴医药有限公司), key assumptions are a gross margin of 61.26%-63.22% and a business revenue growth rate of 0~5.17% as well as a cash flow discount rate of 15.04%. The management took into account historical conditions and predictions for future market development in making the above assumptions.

As tested, the management of the Company expects that no impairment provision is needed during the period.

19. Long-term deferred expenses

Item	2022.12.31	Increase	Decrease		2023.12.31
			Amortization	Other decrease	
Renovation costs of offices	32,404,898.26	11,841,332.37	8,943,822.37	0.00	35,302,408.26
Renovation costs of plants	177,270,511.39	67,563,674.28	36,995,443.60	0.00	207,838,742.07

Others	68,192,307.30	48,028,490.43	30,583,946.83	135,260.28	85,501,590.62
Total	**277,867,716.95**	**127,433,497.08**	**76,523,212.80**	**135,260.28**	**328,642,740.95**

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities before offsetting

Item	2023.12.31		2022.12.31	
	Deductible or taxable timing differences	Deferred tax assets or liabilities	Deductible or taxable timing differences	Deferred tax assets or liabilities
Deferred tax assets:				
Provision for impairment of assets	343,045,560.65	53,742,321.13	336,502,793.26	51,790,732.85
Deductible difference arising from accrued expenses	1,023,821,672.31	154,078,627.18	965,912,234.46	145,014,131.32
Deductible difference arising from tax loss	570,748,121.27	88,985,237.05	399,128,528.63	61,021,514.54
Deferred income	351,168,477.14	52,689,271.55	329,970,021.95	49,511,503.29
Unrealised gains from intra-company transactions	557,959,823.99	83,860,590.27	694,726,037.62	104,182,311.29
Changes in fair value of other equity instruments	171,808,020.60	42,952,005.15	146,540,719.40	36,635,179.85
Deductible difference arising from share incentive expenses	181,626,652.70	27,320,365.15	107,474,309.53	16,149,104.44
Changes in fair value of financial assets held for trading	6,788,598.30	1,118,844.82	7,298,819.37	1,234,418.76
Lease liabilities	36,032,491.62	5,448,312.71	40,929,153.44	6,176,080.30
Other deductible temporary difference	461,922,553.15	69,339,255.14	455,485,646.11	68,322,846.92
Total	**3,704,921,971.73**	**579,534,830.15**	**3,483,968,263.77**	**540,037,823.56**
Deferred tax liabilities:				
Changes in fair value of financial assets held for trading	18,136,499.46	2,804,773.32	20,265,474.92	3,216,065.39
Accelerated depreciation of fixed assets	1,168,361,877.72	176,372,768.51	1,094,571,545.41	167,757,444.03
Changes in fair value of other equity instruments	336,006,149.00	54,781,912.31	242,925,303.81	39,399,916.06
Unrealised gains from intra-company transactions	105,940,000.00	20,791,000.00	105,940,000.00	20,791,000.00
Right-of-use assets	34,915,576.08	5,281,690.30	29,399,049.11	6,029,458.89
Total	**1,663,360,102.26**	**260,032,144.44**	**1,493,101,373.25**	**237,193,884.37**

(2) Deductible temporary differences and deductible tax losses of unrecognized deferred tax assets

Item	2023.12.31	2022.12.31
Deductible temporary differences	708,195,629.77	239,109,485.46
Deductible tax loss	3,347,867,061.97	2,804,958,759.64
Total	**4,056,062,691.74**	**3,044,068,245.10**

（3）Deductible tax loss of unrecognized deferred income tax assets will expire in the following year

Year	2023.12.31	2022.12.31	Note
2023	0.00	182,300,762.40	
2024	347,767,088.05	385,139,111.62	
2025	411,145,375.34	253,044,280.36	
2026	571,314,623.42	390,203,263.39	
2027	756,928,429.68	1,485,158,186.92	
2028	1,126,656,130.74	0.00	
Thereafter	134,055,414.74	109,113,154.95	
Total	**3,347,867,061.97**	**2,804,958,759.64**	

21. Other non-current assets

Item	2023.12.31	2022.12.31
Fixed deposits and interest	639,386,083.31	812,562,286.58
VAT carry forward	3,338,552.19	3,338,552.19
Prepayment for acquisition of project and equipment	314,499,620.27	340,456,344.22
Prepayment for acquisition of technical know-how	0.00	415,000.00
Total	**957,224,255.77**	**1,156,772,182.99**

22. Ownership or using rights of assets subject to restriction

Item	2023.12.31	2022.12.31	Reason of restriction
Other cash and bank balances	6,627,449.66	1,392,407.76	Deposits for letter of credit and bank acceptance bills
Notes receivable	519,789,027.16	469,659,266.19	Acceptance bills and pledged notes receivable
Total	**526,416,476.82**	**471,051,673.95**	

23. Short-term loans

(1) Short-term loans by category

Item	2023.12.31	2022.12.31
Unsecured loans	2,066,149,722.22	2,089,585,755.20
Guaranteed loans	10,009,625.00	36,464,859.86
Total	**2,076,159,347.22**	**2,126,050,615.06**

(2) The Company has no overdue short-term loans.

24. Financial liabilities held for trading

Item	2023.12.31	2022.12.31
Financial liabilities held for trading	86,817.12	755,634.43
Including:		
Derivative financial liabilities	86,817.12	755,634.43
Total	**86,817.12**	**755,634.43**

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	2023.12.31	2022.12.31
Bank acceptance bills	1,469,148,287.38	1,635,906,989.22

The Company has no overdue notes payable.

26. Accounts payable

Item	2023.12.31	2022.12.31
Within one year	725,938,902.30	815,158,453.21
Over 1 year	168,347,340.98	128,747,127.70
Total	**894,286,243.28**	**943,905,580.91**

(1) The aging of accounts payable is calculated from the date of entry

(2) No significant accounts payable aging over 1 year at the end of the period.

27. Contract liabilities

Item	2023.12.31	2022.12.31
Within one year	137,475,266.94	260,935,024.18
Over 1 year	21,607,370.71	32,042,706.56
Total	**159,082,637.65**	**292,977,730.74**

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 RMB192,155,336.91.

28. Employee benefits payables

Item	2022.12.31	Increase	Decrease	2023.12.31
Short-term employee benefits	571,143,205.10	2,089,445,950.71	2,262,734,417.03	397,854,738.78
Post-employment benefits - Defined contribution plans	584,624.36	164,554,519.87	164,810,151.10	328,993.13
Termination benefits	1,282,742.00	7,128,897.88	7,128,897.88	1,282,742.00
Total	**573,010,571.46**	**2,261,129,368.46**	**2,434,673,466.01**	**399,466,473.91**

(1) Short-term employee benefits

Item	2022.12.31	Increase	Decrease	2023.12.31
Salaries, bonus and allowances	375,067,929.19	1,873,976,365.83	1,858,591,416.63	390,452,878.39
Staff welfare	5,794,481.17	79,518,469.82	80,443,067.58	4,869,883.41
Social insurances	1,244,430.44	64,661,757.23	65,410,721.34	495,466.33
Including: 1. Medical insurance	1,153,030.82	57,856,336.25	58,621,836.12	387,530.95
2. Work injury insurance	51,322.84	4,323,739.25	4,300,052.27	75,009.82

Item	2022.12.31	Increase	Decrease	2023.12.31
3. Maternity insurance	40,076.78	2,481,681.73	2,488,832.95	32,925.56
Housing fund	2,223,574.48	64,170,716.07	64,780,041.91	1,614,248.64
Union funds and staff education	418,905.96	7,118,641.76	7,115,287.28	422,260.44
Shares ownership plan special fund	186,393,883.86	0.00	186,393,882.29	1.57
Total	**571,143,205.10**	**2,089,445,950.71**	**2,262,734,417.03**	**397,854,738.78**

(2) Defined contribution plans

Item	2022.12.31	Increase	Decrease	2023.12.31
Post-employment benefits	584,624.36	164,554,519.87	164,810,151.10	328,993.13
Including: 1. Basic pension insurance	545,595.12	159,200,498.37	159,464,797.56	281,295.93
2. Unemployment insurance	39,029.24	5,354,021.50	5,345,353.54	47,697.20
Total	**584,624.36**	**164,554,519.87**	**164,810,151.10**	**328,993.13**

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

Taxes	2023.12.31	2022.12.31
Value-added tax	115,815,594.36	166,151,353.61
Urban maintenance and construction tax	10,479,696.08	14,374,197.97
Enterprise income tax	248,970,115.59	124,039,899.44
Property tax	10,102,159.56	7,992,927.81
Land use tax	3,551,644.81	2,847,286.45
Individual income Tax	8,704,470.10	7,524,584.67
Stamp duty	3,220,463.11	2,904,260.39
Education surcharge	6,963,481.73	9,613,697.69
Others	2,395,228.75	2,254,065.70
Total	**410,202,854.09**	**337,702,273.73**

30. Other payables

Item	2023.12.31	2022.12.31
Dividends payable	12,478,280.13	12,252,074.84
Other payables	3,670,125,758.60	3,668,082,286.04
Total	**3,682,604,038.73**	**3,680,334,360.88**

(1) Dividends payable

Item	2023.12.31	2022.12.31
Common shares dividend	20,174.46	20,174.46
Qingyuan Xinbeijiang Enterprise (Group) Company (清远新北江企业(集团)公司)	1,200,710.00	1,200,710.00
Other legal persons and individual shareholder of subsidiaries	6,709,282.62	6,682,964.50
Internal staff shareholders of subsidiaries	4,548,113.05	4,348,225.88
Total	**12,478,280.13**	**12,252,074.84**

(2) Other payables

Item	2023.12.31	2022.12.31
Office expenses	83,598,827.70	69,513,003.38
Security deposits	81,936,094.18	89,750,329.22
Utility bill	43,286,467.16	28,378,759.70
Scientific research expenses	38,500,715.04	61,153,064.06
Business promotion expenses	3,229,954,810.39	3,240,077,659.74
Others	192,848,844.13	179,209,469.94
Total	**3,670,125,758.60**	**3,668,082,286.04**

The obligations of repurchasing restricted shares held by the directors, the senior management and their spouses amounted RMB0.00 at period end.

At year end, there is no significant other payables aging over 1 year.

31. Non-current liabilities due within one year

Item	2023.12.31	2022.12.31
Lease liabilities due within one year	22,085,541.56	19,415,779.34
Long-term loans due within one year and interest	696,478,602.75	43,661,481.64
Total	**718,564,144.31**	**63,077,260.98**

32. Other current liabilities

Item	2023.12.31	2022.12.31
Output VAT pending for transfer	11,242,363.91	17,734,822.42
Payables for goods return	39,844,637.92	83,440,368.95
Others	0.00	101,522.98
Total	**51,087,001.83**	**101,276,714.35**

33. Long term loans

Item	2023.12.31	Range of interest rate	2022.12.31	Range of interest rate
Unsecured loans	1,626,187,359.91	2.15%-3.05%	1,475,974,398.32	2.45%-3.20%
Guaranteed loans	2,192,564,521.83	2.65%-3.60%	1,798,531,126.20	2.70%-3.60%
Subtotal	**3,818,751,881.74**		**3,274,505,524.52**	
Less: Long-term loans due within one year	696,478,602.75		43,661,481.64	
Total	**3,122,273,278.99**		**3,230,844,042.88**	

34. Lease liabilities

Item	2023.12.31	2022.12.31
Lease payments payable	37,508,489.97	42,898,265.42
Less: Lease liabilities due within one year	22,085,541.56	19,415,779.35
Total	**15,422,948.41**	**23,482,486.07**

Interest expenses accrued on lease liabilities during the year 2023 was RMB2.81 million, which was recorded in financial expenses-Interest expense.

35. Deferred income

Item	2022.12.31	Increase	Decrease	2023.12.31	Reason of formation
Government grants	384,537,267.55	81,090,429.36	95,448,146.09	370,179,550.82	

Government grants recorded as deferred income refer to Note VIII. Government grants.

36. Other non-current liabilities

Item	2023.12.31	2022.12.31
Relocation and expansion project of Sichuan Guangda Pharmaceutical Manufacturing	90,000,000.00	84,000,000.00

37. Share capital

Item	2022.12.31	Movement in the year (+ or -)				2023.12.31
		Issue of new shares	Conversion from capital reserve	Others	Subtotal	
I. Tradable shares subject to selling restrictions						
1. Domestic legal person shares	0	0	0	0	0	0
2. Domestic natural person shares	0	0	0	0	0	0
3. Overseas legal person shares	0	0	0	0	0	0
Tradable shares subject to selling restrictions in aggregate	0	0	0	0	0	0
II. Tradable shares						
1. Ordinary shares denominated in RMB	1,929,189,374	3,500,889	0	-67,166,456	-63,665,567	1,865,523,807
2. Foreign-invested stocks listed overseas	0	0	0	0	0	0
Tradable shares in aggregate	1,929,189,374	3,500,889	0	-67,166,456	-63,665,567	1,865,523,807
III. Total number of shares	**1,929,189,374**	**3,500,889**	**0**	**-67,166,456**	**-63,665,567**	**1,865,523,807**

The increase of share capital in the year: Exercise of share options increased by 3,500,889 shares.

The reduction of share capital in this period is cancellation of repurchased shares.

38. Capital reserve

Item	2022.12.31	Increase	Decrease	2023.12.31

Capital premium	2,221,682,284.77	37,735,362.10	907,013,552.77	1,352,404,094.10
Other capital reserve	122,010,931.22	129,821,481.15	2,516,418.76	249,315,993.61
Total	**2,343,693,215.99**	**167,556,843.25**	**909,529,971.53**	**1,601,720,087.71**

The increase in capital premium was due to: 1. The exercise of share options for 3,500,889 shares resulted in an increase in share premium of RMB35,218,943.34, and the corresponding recognition of share-based compensation expense of RMB2,516,418.76, which was transferred from other capital reserves to share premium.

The decrease in capital premium was due to: 1. After the exercise of share options, the difference between the expense deductible for tax purposes and the expense previous accrued increased the income tax payable by RMB34,920.60 in accordance with tax regulations, resulting in a corresponding decrease in share premium; 2. The Company and its subsidiary Livzon Group repurchased shares, resulting in a corresponding decrease in share premium of RMB906,978,632.17.

The increase in other capital reserve was due to: 1. The Company and its subsidiary Livzon Group recognized share-based compensation expenses totalling RMB43,360,594.05; 2. The Company's subsidiary, Livzon Group, made non-proportional capital contribution to investees under equity accounting method that led to change in shareholding ratio and other equity, the capital reserve is increased by RMB12,823,027.01; 3. The subsidiary Livzon Group repurchased and cancelled shares, causing changes in the Company's ownership percentage and other equity adjustments, resulting in an increase in capital reserves of RMB73,637,860.09.

The decrease in other capital reserve was due to: Share incentive expense charged to capital premium of RMB2,516,418.76.

39. Treasury shares

Item	2022.12.31	Increase	Decrease	2023.12.31
Repurchase of shares due to Share Ownership Scheme and Share Options Incentive Scheme	222,644,454.50	0.00	222,644,454.50	0.00
Repurchase of shares to be cancelled	124,532,106.79	475,382,587.14	599,914,693.93	0.00
Total	**347,176,561.29**	**475,382,587.14**	**822,559,148.43**	**0.00**

The increase in treasury stock for the period: The total amount of funds used by the company to repurchase its A shares through centralized bidding transactions. The decrease in treasury stock for the period: The cancellation of repurchased shares.

40. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Beginning balance	Current year		Closing balance
	Beginning balance (1)	Amount attributable to parent company after tax(2)	Less: Included in other comprehensive income in the previous period and transferred to retained earnings in the current period(3)	(4) =(1) +(2) -(3)
I. Other comprehensive income not reclassified into profit or loss subsequently	**16,979,631.87**	**-28,328,225.75**	**2,072,742.37**	**-13,421,336.25**
1Other comprehensive income not reclassified to profit or loss under equity method	8,775,200.25	1,329,112.27	0.00	10,104,312.52

Item	Beginning balance	Current year		Closing balance
	Beginning balance (1)	Amount attributable to parent company after tax(2)	Less: Included in other comprehensive income in the previous period and transferred to retained earnings in the current period(3)	(4) =(1) +(2) -(3)
2.Changes in fair value of other equity instrument investments	8,204,431.61	-29,657,338.02	2,072,742.37	-23,525,648.78
II. Other comprehensive income that will be reclassified into profit or loss subsequently	**-12,275,158.33**	**13,450,363.36**	**0.00**	**1,175,205.03**
1.Other comprehensive income that will be transferred to profit or loss under equity method	274,411.50	-79,651.80	0.00	194,759.70
2.Translation difference of foreign currency financial statements	-12,549,569.84	13,530,015.17	0.00	980,445.33
Total other comprehensive income	**4,704,473.53**	**-14,877,862.38**	**2,072,742.37**	**-12,246,131.22**

Other comprehensive income attributable to the parent company in income statement:

Item	Current year				
	Amount before tax(1)	Less: transferred to profit or loss in current year(2)	Less: Income tax expenses(3)	Less: Amount attributable to minority interests after tax(4)	Amount attributable to parent company after tax(5) =(1) -(2) -(3) -(4)
I. Other comprehensive income not reclassified into profit or loss subsequently	**-47,130,870.01**	**0.00**	**9,080,248.76**	**-27,882,893.03**	**-28,328,225.75**
1.Other comprehensive income not reclassified to profit or loss under equity method	2,948,132.06	0.00	0.00	1,619,019.79	1,329,112.27
2.Changes in fair value of other equity instrument investments	-50,079,002.07	0.00	9,080,248.76	-29,501,912.81	-29,657,338.02
II. Other comprehensive income that will be reclassified into profit or loss subsequently	**20,351,531.70**	**0.00**	**0.00**	**6,901,168.34**	**13,450,363.36**
1.Other comprehensive income that will be transferred to profit or loss under equity method	-176,677.35	0.00	0.00	-97,025.55	-79,651.80
2.Translation difference of foreign currency financial statements	20,528,209.05	0.00	0.00	6,998,193.88	13,530,015.17
Total other comprehensive income	**-26,779,338.31**	**0.00**	**9,080,248.76**	**-20,981,724.69**	**-14,877,862.38**

41. Surplus reserve

Item	2022.12.31	Increase	Decrease	2023.12.31
Statutory surplus reserve	693,451,984.13	124,279,622.27	0.00	817,731,606.40
Discretionary surplus reserve	40,210,642.44	0.00	0.00	40,210,642.44
Expansion reserve	1,103,954.93	0.00	0.00	1,103,954.93
Total	**734,766,581.50**	**124,279,622.27**	**0.00**	**859,046,203.77**

42. Undistributed profits

(1) Movement of undistributed profits

Item	2023	2022	Appropriation ratio
Retained earnings in previous period before adjustments	8,456,778,287.49	7,223,644,166.22	--
Adjustments to opening balance of retained earnings (increase +, decrease -)	0.00	-46,332.61	--
Opening balance of retained earnings after adjustments	8,456,778,287.49	7,223,597,833.61	
Add: Net profit attributable to parent company for the current year	1,442,779,722.23	1,502,777,133.76	--
Gains from disposal of other equity instruments investment	3,371,626.11	101,906,354.19	--
Less: Appropriation of statutory surplus reserve	124,279,622.27	93,945,402.42	10%
Appropriation of discretionary surplus reserve	0.00	0.00	
Appropriation for dividends to ordinary shares	336,792,056.76	277,557,631.65	
Dividend to ordinary shares converted to share capital	0.00	0.00	
Closing balance of undistributed profits	**9,441,857,956.80**	**8,456,778,287.49**	

(2) Profit distributions

Unit: RMB

Item	2023	2022
Dividends:		
2022 year-end dividend (Note 2)	336,792,056.76	0.00
2021 year-end dividend (Note 3)	--	277,557,631.65
Dividends proposed after the balance sheet date:		
2023 year-end dividend distribution (Note 1)	0.00	0.00
2022 year-end dividend distribution (Note 2)		336,792,056.76

Note 1: On 2 April 2024, the thirty-eighth meeting of the eighth board of directors of the Company passed the 2023 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 on the equity registration date determined by the implementation of the Company's 2023 annual profit distribution plan. The remaining undistributed profits are carried forward for distribution in future years.

Note 2: On 7 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. The profit distribution plan was approved by the shareholders' meeting on 9 June 2023, and was subsequently paid.

Note 3: According to the "Profit Distribution Plan for 2021 of the Company" approved by the Company's 2021 Annual General Meeting of Shareholders on 18 May 2022, the Company distributed cash dividends to all shareholders, RMB0.15 per share, based on the 1,850,384,211 shares, which was

calculated by the 1,912,540,667 issued shares registered in China Securities Depository and Clearing Corporation Limited (Shenzhen Branch) on 29 June 2022 with deduction of 62,156,456 repurchased shares held in repurchased account, the total amount was RMB277,557,631.65.

43. Operating income and operating cost

(1) Operating income and operating cost

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Primary operations	16,521,723,930.99	6,206,181,318.60	17,012,733,738.86	6,160,330,584.19
Other operations	124,626,418.73	92,284,352.51	130,019,329.96	91,934,724.21
Total	**16,646,350,349.72**	**6,298,465,671.11**	**17,142,753,068.82**	**6,252,265,308.40**

(2) Disaggregate information of primary operating income

① Segregation by products

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Primary operations:				
Chemical pharmaceuticals (化学制剂)	8,714,333,568.23	1,838,766,252.49	9,226,385,569.43	1,813,969,087.68
Chemical active pharmaceutical ingredients (APIs) and intermediates (化学原料药及中间体)	5,045,478,897.44	3,348,124,481.16	5,228,344,920.83	3,409,237,794.82
Traditional Chinese medicine (中药制剂)	1,805,427,390.05	575,932,282.52	1,296,583,761.24	427,894,665.07
Biological product (生物制品)	84,426,083.26	102,589,712.45	408,488,131.90	106,811,638.64
Health care products (保健食品)	195,865,865.05	71,643,900.63	121,235,545.22	46,223,021.02
Diagnostic reagents and equipment (诊断试剂及设备)	658,966,438.70	256,124,411.27	723,535,115.00	352,636,503.06
Others	17,225,688.26	13,000,278.08	8,160,695.24	3,557,873.90
Subtotal	**16,521,723,930.99**	**6,206,181,318.60**	**17,012,733,738.86**	**6,160,330,584.19**
Other operations:				
Sales materials, processing fees, etc	49,468,965.72	28,510,860.51	64,214,783.08	43,942,003.40
Rental fees	12,613,941.94	2,707,776.69	10,731,614.42	405,023.12
Others	62,543,511.07	61,065,715.31	55,072,932.46	47,587,697.69
Subtotal	**124,626,418.73**	**92,284,352.51**	**130,019,329.96**	**91,934,724.21**
Total	**16,646,350,349.72**	**6,298,465,671.11**	**17,142,753,068.82**	**6,252,265,308.40**

② Segregation by operating locations

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Domestic	13,938,078,133.85	4,471,521,161.40	14,170,771,017.92	4,326,229,111.25
Overseas	2,583,645,797.14	1,734,660,157.20	2,841,962,720.94	1,834,101,472.94
Total	**16,521,723,930.99**	**6,206,181,318.60**	**17,012,733,738.86**	**6,160,330,584.19**

③ Segregation by timing of revenue recognition

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Primary operations:				
Recognized at a point in time	16,521,723,930.99	6,206,181,318.60	17,012,733,738.86	6,160,330,584.19
Other operations:				
Recognized at a point in time	112,012,476.79	89,576,575.82	119,287,715.54	91,529,701.09
Rental income	12,613,941.94	2,707,776.69	10,731,614.42	405,023.12
Total	**16,646,350,349.72**	**6,298,465,671.11**	**17,142,753,068.82**	**6,252,265,308.40**

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 (%)
2023	1,503,371,183.85	9.10
2022	1,524,490,064.48	8.96

⑤ Segregation by other operations

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Sale of raw materials	39,304,960.58	17,822,121.67	47,190,775.25	31,174,586.16
Processing fees	376,599.27	1,558,660.40	5,995,904.44	2,546,785.48
Rental fees	12,613,941.94	2,707,776.69	10,731,614.42	405,023.12
Power fee	9,787,405.87	9,130,078.44	11,028,103.39	10,220,631.76
Others	62,543,511.07	61,065,715.31	55,072,932.46	47,587,697.69
Total	**124,626,418.73**	**92,284,352.51**	**130,019,329.96**	**91,934,724.21**

44. Taxes and surcharges

Item	2023	2022
Urban construction tax	84,322,355.47	86,745,317.20
Education surcharge	63,425,582.72	64,105,649.70

Land use tax	10,778,058.26	10,656,172.45
Property tax	30,520,758.40	24,496,501.64
Stamp duty and others	14,162,366.00	13,742,716.57
Total	**203,209,120.85**	**199,746,357.56**

Note: The bases of calculations for major taxes and surcharges are set out in Note IV. Taxation.

45. Selling expenses

Item	2023	2022
Marketing and promotional expenses	3,777,259,678.16	4,372,087,623.70
Staff salaries	502,040,446.94	456,875,210.86
Entertainment and travel expenses	66,597,405.00	50,363,363.02
Conference fees	27,167,233.43	13,696,783.94
Others	61,377,517.52	57,779,474.64
Total	**4,434,442,281.05**	**4,950,802,456.16**

46. Administrative expenses

Item	2023	2022
Staff salaries	398,539,784.86	570,458,570.31
Depreciation and amortisation	135,294,893.83	113,223,517.86
Share incentive expenses	89,227,389.39	56,241,342.12
Advisory, consultancy and information disclosure fees	26,477,761.47	22,074,505.08
Quality project expenses	51,398,582.85	29,400,960.89
Office, entertainment and travelling expenses	72,905,062.42	59,419,007.80
Repair of utilities, transportation and miscellaneous expenses	27,979,809.29	32,266,815.31
Recruitment and staff training expenses	9,004,540.26	10,962,130.33
Others	119,653,791.33	98,436,741.81
Total	**930,481,615.70**	**992,483,591.51**

47. Research and development expenses

Item	2023	2022
Material costs	292,431,042.37	290,480,597.96
Staff salaries	441,951,205.11	429,267,039.97
Share incentive expenses	1,185,242.87	835,636.96
Testing fees	327,359,553.83	491,741,656.46
Depreciation and amortisation	417,142,207.50	274,454,884.02
Outsourced R&D expenses	85,178,642.29	105,589,383.10
Others	96,510,086.93	149,718,881.47
Total	**1,661,757,980.90**	**1,742,088,079.94**

48. Financial expenses

Item	2023	2022
Interest expense	146,728,005.05	139,016,104.44
Less: Interest income	532,253,758.86	395,476,309.66
Exchange gain or loss	-27,248,744.90	-104,462,941.41
Bank charges and others	7,933,365.27	8,475,722.01
Total	**-404,841,133.45**	**-352,447,424.62**

49. Other income

Item	2023	2022	Related to assets/ Related to income
Government grants	92,968,065.71	132,272,375.37	Related to assets
Government grants	140,090,341.40	154,570,556.96	Related to income
Handling fees for tax withholding	2,585,013.29	3,025,074.11	
Tax refund on super-deduction	23,418,378.60	0.00	
Total	**259,061,799.00**	**289,868,006.44**	

For specific details on government grants, please refer to Note V. 62. Government grants. For specific details on government grants as a non-recurring income, please refer to Note VII.1.

50. Investment income

Item	2023	2022
Long-term equity investments income under equity method	72,794,071.40	70,577,657.04
Investment income from disposal of long-term equity investments	0.00	4,242,404.46
Investment income from financial assets held for trading during the holding period	356,166.62	306,526.30
Dividend income from other equity instrument investments	29,344,854.27	18,713,637.23
Investment income from disposal of financial assets held for trading	-23,020,520.28	-37,867,110.74
Total	**79,474,572.01**	**55,973,114.29**

Note 1. The breakdown of the investment income from the disposal of financial assets held for trading:

Item	2023	2022
Investment in trading equity instruments - Equity investments	3,279.44	0.00
Derivatives that are not designated as hedges	-23,023,799.72	-37,867,110.74
Including: Debt instruments investment	-23,023,799.72	-37,867,110.74
Total	**-23,020,520.28**	**-37,867,110.74**

51. Gains from changes in fair value

Source of gains from changes in fair value	2023	2022
Financial assets held for trading	-26,088,532.43	-75,650,657.64
Including: Debt instruments investment	3,298.53	-5,873.00
Equity instruments investment	-24,382,368.68	-73,700,967.89
Derivative financial assets	-2,295,776.28	-1,943,816.75
Bank wealth management products	586,314.00	0.00

Source of gains from changes in fair value	2023	2022
Financial liabilities held for trading	668,817.31	-612,332.19
Including: Derivative financial liabilities	668,817.31	-612,332.19
Total	**-25,419,715.12**	**-76,262,989.83**

52. Credit impairment loss (”-” for loss)

Item	2023	2022
Bad debts of accounts receivable	-17,085,116.32	-2,978,050.82
Bad debts of other receivables	238,647.76	-1,145,692.55
Total	**-16,846,468.56**	**-4,123,743.37**

53. Assets impairment loss (”-” for loss)

Item	2023	2022
Decline in value of inventories	-311,800,059.09	-120,646,933.39
Impairment loss of fixed assets	-569,867.28	-186,548.38
Impairment loss of intangible assets	0.00	-3,207,819.01
Impairment loss of construction in progress	0.00	-11,068,266.54
Impairment loss of development costs	0.00	-7,518,369.12
Total	**-312,369,926.37**	**-142,627,936.44**

54. Gains from disposal of assets

Item	2023	2022
Gain from disposal of fixed assets (“-” for Loss)	-169,901.01	-705,357.30
Total	**-169,901.01**	**-705,357.30**

55. Non-operating income

Item	2023	2022	Amount included in non-recurring gains and losses
Gains on destruction or retirement of non-current assets	125,401.66	520,860.40	125,401.66
Income from scraps	2,131,053.05	2,478,956.98	2,131,053.05
Compensation income	589,186.01	542,762.41	589,186.01
Waiver of payables	2,618,232.49	2,671,703.10	2,618,232.49
Others	2,516,542.51	2,015,564.68	2,516,542.51
Total	**7,980,415.72**	**8,229,847.57**	**7,980,415.72**

56. Non-operating expenses

Item	2023	2022	Amount included in non-recurring gains and losses
Donation expenses	25,984,618.17	12,116,987.32	25,984,618.17
Loss on retirement of non-current assets	2,702,305.53	17,045,450.21	2,702,305.53
Others	20,303,864.40	2,898,248.53	20,303,864.40
Total	**48,990,788.10**	**32,060,686.06**	**48,990,788.10**

57. Income tax expenses

(1) Details of income tax expenses

Item	2023	2022
Current income tax	640,259,675.23	489,730,614.81
Deferred income tax	-25,723,917.47	72,066,128.24
Total	**614,535,757.76**	**561,796,743.05**

(2) Reconciliation between income tax expenses and accounting profits:

Item	2023	2022
Profit before tax	3,465,554,801.13	3,456,104,955.17
Income tax expenses calculated at legal/applicable tax rate	866,388,700.28	864,026,238.79
Effect of different tax rates applicable to subsidiaries	-1,595,044.33	7,219,165.25
Effect of tax reduction and exemption	-523,463,987.76	-608,357,224.56
Effect of non-deductible costs, expenses and losses	22,028,670.72	-1,550,467.76
Effect of deductible tax losses for which no deferred tax assets were recognised in prior periods	-2,104,712.06	-1,400,449.92
Effect of deductible tax losses or deductible temporary differences for which no deferred tax asset was recognised in the current period	222,732,931.76	237,204,163.65
Others	30,549,199.15	64,655,317.60
Income tax expenses	**614,535,757.76**	**561,796,743.05**

58. Notes to cash flows statement

(1) Other cash received relating to operating activities

Item	2023	2022
Government grants	219,203,190.38	239,196,300.96
Interest income	524,464,953.53	324,250,238.72
Recovery of employee loans	9,454,971.80	7,299,222.31
Security deposits	43,071,705.81	67,623,532.89
Compensation received	2,370,249.95	1,175,630.74
Current accounts and others	88,272,301.42	44,100,808.77
Total	**886,837,372.89**	**683,645,734.39**

(2) Other cash paid relating to operating activities

Item	2023	2022
Office Expenses	31,043,436.20	97,503,048.97
Travel expenses	54,229,198.42	30,372,654.60
Business entertainment expenses	81,720,679.62	69,811,587.72
Freight expenses	36,861,542.49	50,691,409.60
Conference fees	26,769,338.43	17,972,567.21
Agency and consulting services fees	40,368,390.25	35,039,742.74
R&D expenses	685,792,117.17	808,023,085.72
Bank charges	7,394,567.72	7,927,848.89

Item	2023	2022
Business promotion expenses	3,824,876,120.39	4,634,065,689.94
Other expenses paid and current accounts	340,257,050.24	160,276,629.78
Total	**5,129,312,440.93**	**5,911,684,265.17**

(3) Cash received related to significant investment activities

Item	2023	2022
Fixed deposits	270,000,000.00	0.00
Cash management	191,536,624.91	0.00
Capital reduction	0.00	194,647,692.75
Tianjin Tongrentang dividend	112,640,000.00	111,980,000.00
Total	**574,176,624.91**	**306,627,692.75**

(4) Other cash received relating to investing activities

Item	2023	2022
Fixed deposits	347,290,000.00	0.00
Security deposits	0.00	7,405,431.82
Compensation for demolition	6,000,000.00	6,000,000.00
Collection of treasury bonds and security deposits	1,013,650.67	158,470.77
Total	**354,303,650.67**	**13,563,902.59**

(5) Cash paid relating to significant investing activities

Item	2023	2022
Haibin Pharma Pingshang New Factory (深圳海滨坪山新厂)	118,519,566.95	213,314,081.04
Guangda New Factory Project (光大新厂项目)	136,779,283.28	128,111,538.05
V01 Project	0.00	139,095,656.94
Fixed deposits	0.00	**270,000,000.00**
Total	**255,298,850.23**	**750,521,276.03**

(6) Other cash paid relating to investing activities

Item	2023	2022
Fixed deposits	500,000,000.00	1,084,392,104.38
Security deposits	1,382,411.40	5,755,128.00
Foreign exchange forward contract losses	29,274,143.05	30,021,080.39
Others	0.00	150.00
Total	**530,656,554.45**	**1,120,168,462.77**

(7) Other cash received relating to financing activities

Item	2023	2022
Collection and advance payment of individual income tax	0.00	347,182.11
Discount of acceptance bills	20,000,000.00	380,719,088.50

Total	**20,000,000.00**	**381,066,270.61**

(8) Other cash paid relating to financing activities

Item	2023	2022
Repurchase of shares	821,537,016.03	780,551,259.85
Discounted bills matured and redeemed	400,719,088.50	0.00
Rental payments	39,867,739.36	32,925,995.59
Collection and advance payment of individual income tax	14,362.22	1,237,210.80
GDRs issuance fees	1,000,000.00	16,003,722.82
Others		624,000.00
Total	**1,263,138,206.11**	**831,342,189.06**

(9) Changes in liabilities arising from financing activities

Item	Beginning balance	Cash movement		Non-cash movement			Closing balance
		Cash inflow	Cash outflow	Interest accrued	Fair value change	Others	
Short-term loans	2,126,050,615.06	2,696,000,000.00	2,770,048,974.14	24,326,923.40	0.00	-169,217.10	2,076,159,347.22
Long term loans	3,274,505,524.52	1,597,570,084.01	1,164,800,796.93	111,477,070.12	0.00	0.00	3,818,751,881.72
Lease liabilities	42,898,265.41	0.00	34,878,856.92	2,796,820.91	0.00	26,692,260.58	37,508,489.98
Total	**5,443,454,404.99**	**4,293,570,084.01**	**3,969,728,627.99**	**138,600,814.43**	**0.00**	**26,523,043.48**	**5,932,419,718.92**

59. Supplement to cash flow statement

(1) Supplement to cash flow statement

Supplement information	2023	2022
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,851,019,043.37	2,894,308,212.12
Add: Assets impairment loss	312,369,926.37	142,627,936.44
Credit impairment loss	16,846,468.56	4,123,743.37
Depreciation of fixed assets	675,647,605.51	615,224,869.47
Amortisation of right-of-use assets	31,907,046.92	32,367,074.98
Amortization of intangible assets	346,538,742.13	190,110,160.68
Long-term prepaid expenses amortization	76,523,212.80	58,054,847.07
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain as in "-")	169,901.01	705,357.30
Loss on retirement of fixed assets (Gain as in "-")	2,576,903.87	16,524,589.81
Losses on changes in fair value (Gain as in "-")	25,419,715.12	76,262,989.83

Supplement information	2023	2022
Financial expenses (Gain as in "-")	92,921,024.82	28,611,954.30
Investment losses (Gain as in "-")	-79,474,572.01	-55,973,114.29
Decrease in deferred tax assets (Increase as in "-")	-33,180,181.29	20,541,235.89
Increase in deferred tax liabilities (Decrease as in "-")	7,456,263.82	51,409,862.83
Decrease in inventories (Increase as in "-")	-415,385,285.01	-604,732,283.55
Decrease in operating receivables (Increase as in "-")	6,974,012,382.11	2,380,941,083.00
Increase in operating payables (Decrease as in "-")	-7,046,712,674.37	-1,924,536,232.01
Others	90,254,086.00	51,132,852.05
Net cash flows from operating activities	3,928,909,609.73	3,977,705,139.29
2.Significant investment or finance activities not involving cash:		
Conversion of debt into capital	0.00	0.00
Convertible bonds mature within one year	0.00	0.00
Right-of-use assets newly added in the current period	26,614,546.23	0.00
3. Net increase / (decrease) in cash and cash equivalents:		
Cash and bank balance as at end of year	15,340,869,372.73	14,178,465,686.40
Less: cash and bank balance at beginning of year	14,178,465,686.40	11,697,518,141.18
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	1,162,403,686.33	2,480,947,545.22

(2) Net cash paid for acquisition of subsidiaries during the year

Item	Current year
Cash and cash equivalents paid in current year for business combination happened in current year	22,500,000.00
Including: Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司)	22,500,000.00
Less: Cash and cash equivalents held by subsidiary at acquisition date	38,048.41
Including: Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司)	38,048.41
Add: Cash and cash equivalents paid in current year for business combination happened in previous years	
Including: Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司)	
Net cash paid for acquisition of subsidiary	22,461,951.59

(3) Net cash received from disposal of subsidiaries during the year

None

(4) Details of cash and cash equivalents

Item	2023	2022
I. Cash	15,340,869,372.73	14,178,465,686.40

Item	2023	2022
Including: Cash on hand	355,538.62	231,883.95
Cash at bank readily available for payment	15,235,850,763.95	14,164,236,988.28
Other monetary fund readily available for payment	104,663,070.16	13,996,814.17
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	15,340,869,372.73	14,178,465,686.40

Cash and cash equivalents do not include any cash and cash equivalents that are restricted in use.

(5) Monetary funds not classified as cash and cash equivalents

Item	Closing balance	Closing balance of prior year	Reason for not classified as cash and cash equivalents
Security deposits for bank acceptance bills	6,627,449.66	1,392,407.76	Frozen
Accrued interest income	44,391,492.44	98,630,016.80	Accrued interest not yet received
Fixed deposits	300,000,000.00	530,000,000.00	Intended to be held until maturity
Total	**351,018,942.10**	**630,022,424.56**	

60. 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	1,004,532,223.21	0.90622	910,327,191.33
Euro	92,685.96	7.8592	728,437.51
USD	294,986,518.59	7.0827	2,089,301,015.24
MOP	6,263,135.03	0.8837	5,534,732.43
JPY	3,551,792.00	0.050213	178,346.13
GBP	1,690.10	9.0411	15,280.36
MYR	9,793.47	1.54154	15,097.03
Accounts receivable			
Including: USD	19,537,428.76	7.0827	138,377,746.68
MOP	166,738.45	0.8837	147,346.77
Other receivables			
Including: USD		7.0827	
HKD	3,373,551.61	0.90622	3,057,179.94
MOP	179,548.00	0.8837	158,666.57
Accounts payable			
Including: USD	370,452.19	7.0827	2,623,801.73
Euro	5,665.41	7.8592	44,525.59
JPY	420,856,761.37	0.050213	21,132,480.56
Other payables			
Including: HKD	4,054,536.09	0.90622	3,674,301.69
USD	4,085,692.73	7.0827	28,937,735.90

61. Leases

(1) As leasee

Item	Current year
Short-term rental expenses	7,030,089.32

(2) As lessor

Operating leases

①Rental income

Item	Current year
Rental income	12,613,941.94

② The total undiscounted lease payments to be received annually for the five years subsequent to the balance sheet date, as well as the total undiscounted lease payments to be received for the remaining years

Subsequent to balance sheet date	Closing balance	Closing balance of prior year
First year	8,399,755.50	9,221,839.88
Second year	4,141,314.40	4,469,018.03
Third year	939,324.00	2,135,386.60
Fourth year	252,000.00	394,179.00
Fifth year	252,000.00	252,000.00
Thereafter	1,554,000.00	1,806,000.00
Total	**15,538,393.90**	**18,278,423.51**

VI. Research and development expenditures

1. Research and development expenditures

Item	Current year		Prior year	
	Expenses amount	Capitalised amount	Expenses amount	Capitalised amount
Material costs	292,431,042.37	27,267,774.25	290,480,597.96	14,545,786.50
Staff salaries	441,951,205.11	25,496,236.78	429,267,039.97	36,371,140.89
Testing fees	327,359,553.83	77,594,659.61	491,741,656.46	111,401,639.14
Depreciation and amortisation	417,142,207.50	7,197,468.44	274,454,884.02	4,515,100.25
External purchase of research projects	85,178,642.29	130,621,099.42	105,589,383.10	15,267,930.32
Others	97,695,329.80	6,336,666.95	150,554,518.43	21,061,744.06
Total	**1,661,757,980.90**	**274,513,905.45**	**1,742,088,079.94**	**203,163,341.16**

2. Development costs

Item	Beginning balance	Increase		Decrease		Closing balance
		Internal development costs	Other increase	Recognized as intangible assets	Recognized in profit or loss	
Chemical pharmaceuticals (化学制剂)	136,857,815.87	140,106,001.71	130,189,959.33	64,646,428.39	425,538.64	342,081,809.88

Biologics	238,227,636.57	0.00	0.00	145,802,628.07	0.00	92,425,008.50
APIs and others	53,199,431.73	4,217,944.41	0.00	8,429,707.35	0.00	48,987,668.79
Total	**428,284,884.17**	**144,323,946.12**	**130,189,959.33**	**218,878,763.81**	**425,538.64**	**483,494,487.17**

Significant capitalized research and development projects

Item	Progress	Estimated completion time	Expected method of generating economic benefits	Commencement time of capitalization	Specific basis for capitalization begin
Project JP1366	Submitted clinical trial application and received notification of acceptance from CDE	Marketing	Clinical test	Obtained clinical approval and evaluated by the company	Project JP1366

3. External purchase of research projects

JP1366 has completed phase III clinical trials in South Korea and submitted a listing application. It was purchased during the period to undergo clinical trials managed by the Company. After evaluation by the Company, it is determined that the future economic benefits of this project are likely to accrue to the Company. Therefore, the purchase price is recognized as development expenses.

VII. Interest in other entities

1. Interests in subsidiaries

(1) Group structure

Name of subsidiary	Type of subsidiaries	Legal person 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 Industries)	Wholly-owned subsidiary	Limited company	Hong Kong	Hong Kong	Commercial	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	Industrial	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	Industrial	RMB100,000,000.00	100		Set-up by investment
Health Investment Holdings Ltd. (Health Investment) (健康投资公司)	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) (新乡海滨药业有限公司(新乡海滨))	Wholly-owned subsidiary	Limited company	Henan Xinxiang	Henan Xinxiang	Industrial	RMB170,000,000.00		100	Set-up by investment
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	Industrial	RMB700,000,000.00	75	25	Set-up by investment

Name of subsidiary	Type of subsidiaries	Legal person category	Main operating location	Place of registration	Business nature	Registered capital	Shareholding %		Acquisition method
							Direct	Indirect	
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	Industrial	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	Industrial	RMB5,000,000.00	100		Set-up by investment
Guangzhou Joincare Respiratory Medicine Engineering Technology Co., Ltd.(Joincare Respiratory) (广州健康元呼吸药物工程技术有限公司(健康元呼吸))	Subsidiaries	Limited company	Guangzhou	Guangzhou	Industrial	RMB10,000,000.00		26	Set-up by investment
Guangdong Taitai Forenstic 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	Commercial	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	Industrial	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	Industrial	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	Commercial	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	Industrial	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	Subsidiaries	Joint-stock company	Zhuhai	Zhuhai	Industrial	RMB923,938,139.00	23.96	21.38	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
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	Commercial	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	Industrial	RMB3,000,000.00		100	Business combination not under common control
Zhongshan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司)	Wholly-owned subsidiary	Limited company	Zhongshan	Zhongshan	Industrial	RMB500,000.00		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 medicine Food)	Wholly-owned subsidiary	Limited company	Shaoguan	Shaoguan	Industrial	RMB20,000,000.00	100		Set-up by investment
Henan Joincare Biomedical Research Institute Co., Ltd. (河南省健康元生物医药研究院有限公司)	Subsidiaries	Limited company	Jiaozuo	Jiaozuo	Industrial	RMB100,000,000.0		70.36	Set-up by investment
Jiaozuo Jianfeng Biotechnology Co., Ltd. (焦作健风生物科技有限公司)	Subsidiaries	Limited company	Jiaozuo	Jiaozuo	Industrial	RMB50,000,000.0		66.5	Set-up by investment

*Note 1: Livzon Group (丽珠集团) controls the subsidiaries in which this company holds equity stakes

(1) On 30 March 2021, the Company's subsidiary Shanghai Frontier Health Medical Technology Co., Ltd.(上海方予健康医药科技有限公司) and Livzon Group (丽珠集团) established Shanghai Liyu Biopharmaceutical Technology Co., Ltd (上海丽予生物医药技术有限责任公司). Livzon Group holds 55% of the shares, while Shanghai Frontier Health Medical Technology Co., Ltd. holds 45%.

(2) The Company and Livzon Group jointly established Li Jian (Guangdong) Animal Health Co., Ltd. (丽健（广东）动物保健有限公司) on 1 February 2023. Livzon Group holds a 51% of the shares, while the Company holds 49%.

(3) The Company and Joincare Pharmaceutical Group Co., Ltd. (健康元药业集团股份有限公司) jointly established Wuhan Kangli Health Investment Management Co., Ltd. (武汉康丽健康投资管理有限公司) on 8 February 2023. Livzon Group holds a 60% of the shares, while the Company holds 40%.

(4) 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. 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%.

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%
Zhongshan Renhe Health Products Co., Ltd. (中山市仁和保健品有限公司)	500,000.00	500,000.00	100%

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.

(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	54.6638%	1,072,909,287.03	817,351,995.09	7,676,161,547.29

(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	17,266,174,718.28	7,778,652,409.47	25,044,827,127.75	8,087,137,474.74	2,190,986,656.97	10,278,124,131.71

Continued (1) :

Name of subsidiary	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Livzon Group	16,987,297,040.38	7,880,872,377.25	24,868,169,417.63	7,396,664,920.29	2,535,220,197.95	9,931,885,118.24

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	12,430,038,325.82	1,897,601,012.24	1,860,486,123.97	3,248,934,191.80	12,629,579,047.66	1,955,577,382.63	2,084,884,890.22	2,772,671,295.03

(4) Changes in share of owners' equity in subsidiaries and still controls the subsidiaries

None

2. Business combination not under common control

The details of the business combination not under common control involving Livzon Group, a subsidiary of the Company, for the current period are as follows:

(1) Business combination not under common control during the year

Acquiree	Acquisition date of equity investment	Cost of equity investment	Share-holding acquired %	Acquisition method	Acquisition date	Basis of acquisition date determination	Acquiree's income from acquisition date to year end	Acquiree's net profit from acquisition date to year end	Acquiree's cash flows from acquisition date to year end
Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司)	2023.3.6	25,000,000.00	100	Purchase	2023.3.6	Completed the asset transfer process	671,698.11	-2,155,445.77	34,974.17

(2) Acquisition cost and goodwill

Item	Shanghai Zhongtuo Pharmaceutical Technology Co., Ltd. (上海中拓医药科技有限公司) (Shanghai Zhongtuo)
Acquisition cost:	
Cash	25,000,000.00
Total acquisition cost	25,000,000.00
Less: share of the fair value of the identifiable net assets acquired	3,129,194.91
Goodwill	21,870,805.09

(3) Identifiable assets and liabilities of the acquiree at the acquisition date

Item	Shanghai Zhongtuo (上海中拓)	
	Fair value	Carrying amount
Assets:		
Current assets	3,133,248.41	3,133,248.41
Non-current assets	1,454,117.80	1,454,117.80
Liabilities:		
Current liabilities	1,458,171.30	1,458,171.30
Net assets	3,129,194.91	3,129,194.91
Less: Minority interests		
Net assets acquired	3,129,194.91	3,129,194.91

The assets purchased from Shanghai Zhongtuo mainly include accounts receivable and fixed assets, while liabilities mainly include accounts payable, employee salaries payable, and other payables. It is anticipated that the fair value of these assets and liabilities will have minimal differences from their carrying amount. Therefore, the fair value of identifiable assets and liabilities is determined based on their carrying amount.

3. Changes in the scope of consolidation due to other reason

On 1 February 2023, the Company and Livzon Group jointly established Li Jian (Guangdong) Animal Health Co., Ltd. (丽健(广东) 动物保健有限公司). The registered capital is RMB200 million, with Livzon Group contributing RMB102 million, accounting for 51% of the registered capital, and the Company contributing RMB98 million, accounting for 49% of the registered capital.

On 8 February 2023, the Company and Livzon Group jointly established Wuhan Kangli Health Investment Management Co., Ltd. (武汉康丽健康投资管理有限公司). The registered capital is RMB100 million, with Livzon Group contributing RMB60 million, accounting for 60% of the registered capital, and the Company contributing RMB40 million, accounting for 40% of the

registered capital.

On 13 April 2023, Livzon Group's subsidiary Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. (珠海市丽珠中药现代化科技有限公司) and Livzon Group Limin Pharmaceutical Manufacturing Factory (丽珠集团利民制药厂) jointly established Macau Livzon Chinese Medicine Modern Technology Co., Ltd. (澳门丽珠中药现代化科技有限公司). The registered capital is MOP 100,000, with Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. holding 70% of the registered capital and Livzon Group Limin Pharmaceutical Manufacturing Factory holding 30% of the registered capital.

On 5 July 2023, Livzon Group's subsidiary Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. (珠海市丽珠中药现代化科技有限公司) and Guangxi Youtian Pharmaceutical Co., Ltd. (广西有田药业有限公司) jointly established Linfen Lizhu Qiaoyuan Medicinal Materials Co., Ltd. (临汾丽珠翘源药材有限公司). The registered capital is RMB5 million, with Zhuhai Livzon Chinese Medicine Modern Technology Co., Ltd. holding 51% of the registered capital and Guangxi Youtian Pharmaceutical Co., Ltd. holding 49% of the registered capital.

On 15 March 2023, Livzon Group's subsidiary Gongshan Lizhu Yaoyuan Technology Co., Ltd. (贡山丽珠药源科技有限公司) was deregistered.

4. Interests in joint arrangement or associates

(1) Significant associates

Name of joint ventures or associates	Principal place of business	Place of registration	Business nature	Shareholding (%)		Accounting treatment of investment
				Direct	Indirect	
Associates						
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

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)
	2023.12.31
Owners' equity attributable to parent company	517,866,873.04
Share of net assets calculated based on shareholding ratio	207,146,749.21
Adjustments	
Including: Goodwill	498,457,683.68
Carrying value of equity investment in associates	705,604,432.89
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	1,118,218,327.43
Dividends received by the company from associates in the current period	112,640,000.00

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.

(3) Summary of financial information of other insignificant associates

Item	Closing balance/ Current year	Beginning balance/ Prior year
Associates:		
Total carrying amount of investment	705,431,921.06	407,763,817.99
The following amount are calculated on the basis of shareholding ratio		
Net profit	-15,921,948.35	-11,360,486.63
Other comprehensive income	-176,677.35	527,718.52
Total comprehensive income	-16,098,625.70	-10,832,768.11

(4) Significant limitations on the ability of joint ventures or associates to transfer funds to the Company

None.

VIII. 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	1,885,450.00	0.00	1,616,100.00	0.00	269,350.00	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
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封与卷绕一体化生产线建设)	Financial allocation	685,666.62	0.00	242,000.04	0.00	443,666.58	Other income	Related to assets
Shenzhen Sponge City Construction Fund Reward (深圳市海绵城市建设资金奖励)	Financial allocation	760,947.20	0.00	44,761.56	0.00	716,185.64	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	1,680,000.00	0.00	0.00	0.00	1,680,000.00	Other income	Related to assets
Central financial subsidy funds for park recycling transformation	Financial allocation	0.00	2,323,496.00	2,131,544.40	0.00	191,951.60	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 (糖皮质混悬液项目)	Financial allocation	7,200,000.00	0.00	0.00	0.00	7,200,000.00	Other income	Related to assets
Financial allocation for small molecule peptide projects (财政拨款用于小分子肽项目)	Financial allocation	239,999.76	0.00	80,000.04	0.00	159,999.72	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	837,943.68	0.00	119,706.24	0.00	718,237.44	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	2,158,333.29	0.00	350,000.04	0.00	1,808,333.25	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	4,278,000.00	0.00	884,400.00	0.00	3,393,600.00	Other income	Related to assets
Development of key technologies for new inhaled preparations to treat idiopathic pulmonary fibrosis (治疗特发性肺纤维化的新型吸入制剂关键技术开发)	Financial allocation	0.00	1,000,000.00	0.00	0.00	1,000,000.00	Other income	Related to assets
Development of key technologies for new inhaled preparations to treat idiopathic pulmonary fibrosis	Financial allocation	4,800,000.00	0.00	2,800,000.00	0.00	2,000,000.00	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	1,550,000.00	0.00	1,550,000.00	0.00	0.00	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	500,000.00	0.00	0.00	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	1,000,000.00	0.00	0.00	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	1,200,000.00	0.00	1,200,000.00	0.00	0.00	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	120,000.00	0.00	0.00	0.00	120,000.00	Other income	Related to assets
Service industry specialization	Financial allocation	0.00	2,000,000.00	0.00	0.00	2,000,000.00	Other income	Related to income
Innovation Voucher (Jingjin Filter Press Equipment) (创新券(景津压滤设备))	Financial allocation	153,332.75	0.00	80,000.04	0.00	73,332.71	Other income	Related to assets
Return of land holding tax (土地使用税返还)	Financial allocation	3,460,631.62	0.00	107,029.69	0.00	3,353,601.93	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	1,804,713.72	0.00	56,397.36	0.00	1,748,316.36	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	20,908,374.88	0.00	1,840,212.60	0.00	19,068,162.28	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	39,522,162.26	0.00	1,219,192.68	0.00	38,302,969.58	Other income	Related to assets
Atmospheric environmental quality improvement subsidy funds (大气环境质量提升补贴) 资金)	Financial allocation	157,915.02	0.00	21,533.88	0.00	136,381.14	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	11,168,166.21	0.00	4,910,000.04	0.00	6,258,166.17	Other income	Related to assets
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 prolonged-action microsphere preparation (phase I) (长效微球制剂产业化建设项目 (一期工程))	Financial allocation	18,314,195.60	0.00	2,405,309.88	0.00	15,908,885.72	Other income	Related to assets
Pilot-scale enlargement and industrialization of prolonged-action injection microsphere products (长效注射微球产品的中试放大和产业化)	Financial allocation	0.00	80,000.00	0.00	0.00	80,000.00	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	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	1,135,750.00	0.00	231,000.00	0.00	904,750.00	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	880,000.18	0.00	159,999.96	0.00	720,000.22	Other income	Related to assets
Special funds for foreign trade and economic development and port construction	Financial allocation	0.00	32,232.48	0.00	0.00	32,232.48	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	29,485,857.65	0.00	10,560,089.28	0.00	18,925,768.37	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	1,353,499.35	0.00	1,102,000.08	0.00	251,499.27	Other income	Related to assets
Subsidy for the Tender of Technology Upgrade Project for PVC Soft Bag Supported by Provincial Finance	Financial allocation	2,299,785.26	0.00	380,365.80	0.00	1,919,419.46	Other income	Related to assets

Departments (省财政支持技改招标项目补助金 PVC 软袋)								
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	11,852,941.22	0.00	3,352,941.00	0.00	8,500,000.22	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	4,329,992.36	0.00	1,129,563.36	0.00	3,200,429.00	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	5,576,302.33	292,300.88	1,783,368.48	0.00	4,085,234.73	Other income	Related to assets
Electricity distribution transformer performance enhancement for energy-saving and emission reduction projects (节能减排项目)配电变压器能效提升)	Financial allocation	332,000.00	0.00	48,000.00	0.00	284,000.00	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	1,710,833.60	390,000.00	252,114.84	0.00	1,848,718.76	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	4,288,140.60	0.00	445,755.36	0.00	3,842,385.24	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	159,691.94	0.00	75,330.36	0.00	84,361.58	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	3,329,659.71	0.00	631,627.60	0.00	2,698,032.11	Other income	Related to assets
Technological upgrading and transformation projects of workshop for acarbose (APIs for α-glucosidase inhibitor) (α-葡萄糖苷酶抑制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	357,142.96	0.00	107,142.84	0.00	250,000.12	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	1,600,000.00	600,000.00	0.00	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	63,891.00	0.00	25,540.85	0.00	38,350.15	Other income	Related to income
Commissioner workstation (特派员工作站)	Financial allocation	25,000.00	0.00	25,000.00	0.00	0.00	Other income	Related to assets
Industrial revitalisation supporting funds (产业振兴扶持资金)	Financial allocation	1,287,500.01	0.00	1,008,000.01	0.00	279,500.00	Other income	Related to assets
Government grant for industrial transformation (工业转型政府扶持资金)	Financial allocation	108,333.83	0.00	108,333.83	0.00	0.00	Other income	Related to assets
New industrialization development grant (新型工业化发展奖金)	Financial allocation	5,035,866.34	560,000.00	349,999.67	0.00	5,245,866.67	Other income	Related to assets
Policy fund for leading industrial enterprises loan	Financial allocation	166,666.53	0.00	166,666.53	0.00	0.00	Other income	Related to assets

Interests (工业龙头企业贷款贴息政策资金)								
Supporting funds for five advantageous industrial clusters and one high-tech industry (五优一新扶持资金)	Financial allocation	200,000.24	0.00	99,999.92	0.00	100,000.32	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	11,750,000.00	0.00	75,000.00	0.00	11,675,000.00	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	5,000,000.00	0.00	13,333.33	0.00	4,986,666.67	Other income	Related to assets
Key projects of industrial core and key technologies of Zhuhai (Ryanodex) (珠海市产业核心和关键技术攻关方向项目（丹曲林钠）)	Financial allocation	3,000,000.00	0.00	3,000,000.00	0.00	0.00	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	2,920,000.00	0.00	730,000.00	0.00	2,190,000.00	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	2,280,000.00	0.00	240,000.00	0.00	2,040,000.00	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	585,000.00	0.00	90,000.00	0.00	495,000.00	Other income	Related to assets
Cleaner Production Audit Project (清洁生产审核项目)	Financial allocation	170,000.12	0.00	9,999.96	0.00	160,000.16	Other income	Related to assets
Green factory (绿色工厂)	Financial allocation	1,001,666.75	0.00	129,999.96	0.00	871,666.79	Other income	Related to assets
HCG PROJECT CONSTRUCTION (HCG 项目建设)	Financial allocation	2,992,185.88	0.00	395,649.96	0.00	2,596,535.92	Other income	Related to assets
Sewage treatment system upgrade project (污水处理系统升级改造项目)	Financial allocation	56,209.88	0.00	8,030.04	0.00	48,179.84	Other income	Related to assets
R&D and industrialization of Recombinant Human Chorionic Gonadotropin for Injection (注射用重组人绒促性素研发及产业化)	Financial allocation	987,500.00	0.00	150,000.00	0.00	837,500.00	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	786,000.00	0.00	64,000.00	80,000.00	642,000.00	Other income	Related to assets
Guangdong Provincial Key Laboratory of Characteristic Drug R&D Enterprises (广东	Financial allocation	941,666.69	300,000.00	119,999.96	0.00	1,121,666.73	Other income	Related to assets

省特色药物研发企业重点实验室)								
Subsidies for online monitoring equipment and installations of coalfired boilers (燃煤锅炉在线监控设备装置补助)) 资金)	Financial allocation	60,000.00	0.00	22,500.00	0.00	37,500.00	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	53,916.31	0.00	14,687.72	0.00	39,228.59	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
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	79,229.73	0.00	20,415.63	0.00	58,814.10	Other income	Related to assets
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	4,089,721.57	0.00	546,475.25	0.00	3,543,246.32	Other income	Related to assets
P06 Industrialization Project (P06 产业化项目)	Financial allocation	0.00	2,812,400.00	23,436.67	0.00	2,788,963.33	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	9,150.21	0.00	2,179.92	0.00	6,970.29	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	8,000,000.00	0.00	0.00	20,000,000.00	Other income	Related to assets
Overall relocation and deployment expansion project (整体搬迁调迁扩建项目)	Financial allocation	50,000,000.00	30,000,000.00	2,345,325.00	0.00	77,654,675.00	Other income	Related to assets
Environmental protection bureau RTO project special funds (环保局 RTO 项目资金)	Financial allocation	159,999.92	0.00	20,000.04	0.00	139,999.88	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	99,209.17	0.00	99,209.17	0.00	0.00	Other income	Related to income
Fish maw (golden owl) R&D and demonstration of key technologies for the development and utilization of marine traditional Chinese medicine resources (鱼鳔(黄金鲍) 海洋中药资源开发与利用关键技术研发与示范)	Financial allocation	750,000.00	250,000.00	0.00	0.00	1,000,000.00	Other income	Related to income
2022 Special funds for the reconstruction of the	Financial allocation	27,965,416.69	9,828,500.00	37,793,916.69	0.00	0.00	Other income	Related to assets

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)								
Recombinant novel coronavirus fusion protein vaccine (V-01) large-scale production capacity building project (重组新型冠状病毒融合蛋白疫苗（V-01）规模化生产能力建设项目)	Financial allocation	0.00	22,921,500.00	1,671,359.41	0.00	21,250,140.59	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	2,382,806.91	0.00	381,599.12	0.00	2,001,207.79	Other income	Related to assets
Xiangzhou District actively responds to the impact of the epidemic and maintains stability, innovation drives technology industry project (香洲区积极应对和疫情影响保稳创新驱动科技工业分项)	Financial allocation	1,644,800.00	0.00	0.00	0.00	1,644,800.00	Other income	Related to assets
Guangdong-Hong Kong-Macao Science and Technology Cooperation Fund (粤港澳科技合作资金)		0.00	300,000.00	0.00	0.00	300,000.00		
Total		**384,537,267.55**	**81,090,429.36**	**94,768,146.09**	**680,000.00**	**370,179,550.82**		

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	226,308.66	191,422.91	Other income	Related to income
Job stabilization subsidy (稳岗补贴)	Financial allocation	1,075,941.53	472,229.26	Other income	Related to income
Electricity subsidy (用电补助)	Financial allocation	570,533.30	0.00	Other income	Related to income
Maternity benefits (生育津贴)	Financial allocation	404,108.83	973,836.55	Other income	Related to income
Export credit insurance subsidy (出口信保补贴)	Financial allocation	3,582,595.80	1,885,386.46	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	53,637,825.12	1,840,212.60	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	350,000.04	350,000.04	Other income	Related to assets
Special support for market access of drugs and medical devices (药品和医疗器械市场准入专项扶持)	Financial allocation	0.00	736,044.78	Other income	Related to income
Enterprise R&D investment support plan project (企业研发投入支持计划项目)	Financial allocation	0.00	665,900.00	Other income	Related to income
Specialized, Special and New Enterprise Incentive Program (专精特新企业奖励项目)	Financial allocation	1,200,000.00	1,100,000.00	Other income	Related to income
Incentive projects for industrial enterprises to expand production and increase efficiency (工业企业扩产增效奖励项目)	Financial allocation	1,650,000.00	3,160,000.00	Other income	Related to income

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
High-tech enterprise cultivation (高新技术企业培育)	Financial allocation	1,000,000.00	320,000.00	Other income	Related to income
Labor subsidies during the Spring Festival (春节期间用工补贴)	Financial allocation	0.00	1,144,600.00	Other income	Related to income
Central financial subsidy funds for park recycling transformation (园区循环化改造中央财政补助资金)	Financial allocation	0.00	2,131,544.40	Other income	Related to assets
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封与卷绕一体化生产线建设)	Financial allocation	242,000.04	242,000.04	Other income	Related to assets
Technological Innovation Project Support Plan-Manufacturing Individual Champion Award Project (技术创新项目扶持计划-制造业单项冠军奖励项目)	Financial allocation	0.00	2,000,000.00	Other income	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	1,616,100.00	1,616,100.00	Other income	Related to assets
Funds allocated by the Ministry of Finance (财政局拨付补助资金)	Financial allocation	1,219,192.68	1,219,192.68	Other income	Related to assets
Marine projects (海洋项目)	Financial allocation	19,562,000.00	884,400.00	Other income	Related to assets
Nanshan District Special Support Plan to Promote High-Quality Development of Life Science and Technology Related Industries (南山区促进生命科技相关产业高质量发展专项支持计划)	Financial allocation	0.00	1,000,000.00	Other income	Related to income
National Major Special Project Lipid Injection Research Funds (国家重大专项项目注射脂质研究经费)	Financial allocation	500,000.00	0.00	Other income	Related to assets
Rewards for meeting industrial added value growth standards (工业增加值增速达标奖励)	Financial allocation	2,091,724.88	0.00	Other income	Related to income
Funding for Industrial Carbon Peak Work Pilot Demonstration Project (工业碳达峰工作试点示范项目资助款)	Financial allocation	700,000.00	150,000.00	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	2,045,300.00	0.00	Other income	Related to income
Encourage industrial enterprises to expand production and increase efficiency project funds (鼓励工业企业扩产增效项目经费)	Financial allocation	620,000.00	0.00	Other income	Related to income
Yantian District Industrial Development Fund Energy Management System Certification Funding (盐田区产业发发展资金能源管理体系认证资助经费)	Financial allocation	14,000.00	1,574,275.12	Other income	Related to income
Science and technology help the economy key special projects (科技助力经济重点专项)	Financial allocation	0.00	550,000.00	Other income	Related to assets
Shanghai municipal and Pudong New District Enterprise R&D institutions (上海市级及浦东新区级企业研发机构)	Financial allocation	0.00	200,000.00	Other income	Related to income
Shanghai Technology Giants in 2022 (2022年上海市科技小巨人)	Financial allocation	0.00	1,200,000.00	Other income	Related to assets

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
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	0.00	1,000,000.00	Other income	Related to assets
Support growth technology companies (支持成长型科技企业)	Financial allocation	0.00	650,000.00	Other income	Related to income
Shanghai Zhangjiang Special Fund (上海张江专项资金)	Financial allocation	1,000,000.00	0.00	Other income	Related to income
Recognition and reward of high-tech enterprises (高企认定奖励)	Financial allocation	400,000.00	1,700,000.00	Other income	Related to income
2016 Guangju Talent Entrepreneurship Leading Team Acceptance Payment (2016 年广聚英才创业领军团队验收款)	Financial allocation	0.00	3,500,000.00	Other income	Related to income
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	0.00	1,500,000.00	Other income	Related to assets
Development of key technologies for new inhaled preparations to treat idiopathic pulmonary fibrosis (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	0.00	2,800,000.00	Other income	Related to assets
Guangzhou Municipal Science and Technology Bureau/2016 Talented Entrepreneurship Leading Team (广州市科学技术局/2016 年广聚英才创业领军团队)	Financial allocation	0.00	1,200,000.00	Other income	Related to income
Venue subsidy for leading entrepreneurial teams in Guangzhou (广州市创业领军团队场地补贴)	Financial allocation	500,000.00	0.00	Other income	Related to income
Central government guides local science and technology development funds in 2022 (2022 年中央引导地方科技发展资金)	Financial allocation	400,000.00	0.00	Other income	Related to income
Funds to support business development (扶持企业发展资金)	Financial allocation	3,543,000.00	1,200,000.00	Other income	Related to income
Grant Funding for Science and Technology Projects (科技项目补助资金)	Financial allocation	1,500,000.00	0.00	Other income	Related to income
Government grants	Financial allocation	1,400,000.00	0.00	Other income	Related to income
2022 Shenzhen High-tech Zone Special Fund Municipal Funding (2022 深圳高新区专项资金市级资助款)	Financial allocation	750,000.00	0.00	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	383,300.00	0.00	Other income	Related to income
2022 Second quarter Incentive funds for full production of designated industrial enterprises (2022 年第二季度规上工业企业满负荷生产奖励资金)	Financial allocation	200,000.00	200,000.00	Other income	Related to income
High-tech Zone Finance Bureau Special funds for corporate R&D financial subsidies in 2021 (高新区财政局 2021 年企业研发财政补助专项资金)	Financial allocation	320,000.00	280,000.00	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	750,000.00	1,250,000.00	Other income	Related to income

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
2022 Industry Fund Funding (2022 产业基金资金)	Financial allocation	0.00	1,600,000.00	Other income	Related to income
Government subsidies for special funds 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	0.00	863,994.00	Other income	Related to income
2023 Economic Development Special Funding Project (2023 年经济发展专项资金资助项目)	Financial allocation	0.00	2,422,500.00	Other income	Related to income
2022 Shenzhen High-tech Zone Development Special Plan Technology Enterprise Cultivation Project Subsidy (2022 深圳高新区发展专项计划科技企业培育项目补助)	Financial allocation	500,000.00	250,000.00	Other income	Related to income
Subsidy for the Pingshan District Funding Project of the Central Guidance for Local Science and Technology Development (中央引导地方科技发展专项坪山区资助项目补助)	Financial allocation	300,000.00	0.00	Other income	Related to income
R&D subsidy (研究开发费补助)	Financial allocation	1,200,440.00	852,400.00	Other income	Related to income
Research and development funds for new drug for Class I Treatment of Necrosis Factor in Human Tumour from Human Source (I 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)	Financial allocation	5,924,000.00	0.00	Other income	Related to income
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	3,155,309.88	2,480,309.88	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	18,720,800.04	4,910,000.04	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	120,000.00	240,000.00	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	159,999.96	159,999.96	Other income	Related to assets
Conformity Evaluation Research of Quality of Varieties such as Livzon Dele (丽珠得乐等品种质量一致性评价研究)	Financial allocation	231,000.00	231,000.00	Other income	Related to assets
HCG PROJECT CONSTRUCTION (HCG 项目建设)	Financial allocation	395,649.96	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	59,063,950.86	48,788,737.48	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	10,560,089.28	10,560,089.28	Other income	Related to assets
Import discount and supporting funds (进口贴息及配套资金)	Financial allocation	500,000.00	0.00	Other income	Related to income
Special funds for foreign trade and economic development (外经贸发展专项资金)	Financial allocation	1,809,479.00	2,688,891.30	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	403,699.30	380,365.80	Other income	Related to assets

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
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	3,352,941.00	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
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	250,000.00	800,000.00	Other income	Related to income
Grants to high-growth technology companies from Dazhangjiang project A04 (大张江项目 A04 对高增长技术企业资助款)	Financial allocation	1,500,000.00	0.00	Other income	Related to income
Small and medium enterprise market development project funds (中小企业开拓市场项目资金)	Financial allocation	90,000.00	2,000,000.00	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	2,300,000.00	2,672,400.00	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	2,543,679.56	2,515,113.36	Other income	Related to assets
Technology transformation of recycling system of Acarbose project (阿卡波糖糖回收系统技术改造项目)	Financial allocation	397,818.48	397,818.48	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	2,663,400.00	3,025,300.57	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	0.00	3,000,000.00	Other income	Related to assets
Patent (Intellectual Property) Support Fund (专利(知识产权) 资助资金)	Financial allocation	548,500.00	1,156,001.57	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	667,700.00	450,000.00	Other income	Related to income
Industrial revitalisation supporting funds (产业振兴扶持资金)	Financial allocation	1,158,000.00	1,008,000.00	Other income	Related to assets
Industrial supporting funds (产业扶持资金)	Financial allocation	944,100.00	537,181.59	Other income	Related to income
Supporting funds for five advantageous industrial clusters and one high-tech industry (五优一新扶持资金)	Financial allocation	99,999.96	362,499.81	Other income	Related to assets
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	5,949,048.90	1,327,871.54	Other income	Related to income
Enterprise Technology Center Innovation Capacity Development (Antibody Laboratory) (企业技术中心创新能力建设(抗体药物试验室))	Financial allocation	514,338.20	445,755.36	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(抗体药物试验室))	Financial allocation	6,747.52	75,330.36	Other income	Related to income

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
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	583,774.23	726,000.00	Other income	Related to income
Integrating Informatization and Industrialization Rewards (两化融合奖励)	Financial allocation	500,000.00	0.00	Other income	Related to income
Incentive funds for expansion of export scale (扩大出口规模奖励基金)	Financial allocation	456,300.00	103,939.00	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	14,133,300.00	8,501,100.00	Other income	Related to income
Subsidies for work-based training (以工代训补贴)	Financial allocation	395,000.00	135,100.00	Other income	Related to income
Subsidies for insurance fees (保险费用补贴)	Financial allocation	609,243.30	38,100.00	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	5,741,886.91	37,814,332.31	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	11,578,756.00	14,383,162.43	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	631,622.73	631,627.60	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	26,694.08	2,217,834.66	Other income	Related to assets
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	690,024.00	0.00	Other income	Related to income
Zhuhai Investment Promotion Award (珠海市招商引资奖)	Financial allocation	600,000.00	0.00	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	2,362,093.09	381,599.12	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	730,000.00	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	381,000.00	0.00	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	7,665,180.00	17,885,420.00	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	800,000.00	-479,813.48	Other income	Related to income
Overall relocation and deployment expansion project (整体搬迁调迁扩建项目)	Financial allocation	0.00	2,345,325.00	Other income	Related to assets
Others	Financial allocation	2,267,046.58	1,972,354.25	Other income	Related to assets

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
Others	Financial allocation	5,633,800.15	3,733,029.96	Other income	Related to income
Total		286,842,932.33	233,058,407.11		

The above government subsidies mainly come from various government departments at the provincial and municipal levels where the Company and its subsidiaries operate. These subsidies are provided by departments such as the Development and Reform Commission, Finance Bureau, Commerce Bureau, Science and Technology Bureau, Industry and Information Technology Bureau, Human Resources and Social Security Bureau, and other relevant government departments. They are intended to support projects related to enterprise operation, research and development, technological transformation, technological innovation, export credit insurance, epidemic emergency response, and job stability.

(1) Government grants offsetting related costs using the net method

None.

(2) Government grants refunded in this year

Item	Amount	Reason
Scientific technology award and subsidy for technological innovative project (科学技术奖及科技创新项目资助) ——扬帆计划项目	600,000.00	Project concluded

IX. Risks Management of Financial Instruments

The major financial instruments of the Company include cash, notes receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, other equity instrument investments, notes payable, 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, Euro 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 Euro. 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:

①As of 31 December 2023

Unit: RMB 1,000

Item	HKD	USD	EUR	JPY	GBP	MOP	MYR
Financial assets in foreign currency -							
Cash and bank balances	910,327.19	2,089,301.02	728.44	178.35	15.28	5,534.73	15.10
Financial assets held for trading	64,572.80	0.00	0.00	0.00	0.00	0.00	0.00
Accounts receivable	0.00	138,377.75	0.00	0.00	0.00	147.35	0.00
Other receivables	3,057.18	0.00	0.00	0.00	0.00	158.67	0.00
Other equity instruments investment	345,535.96	0.00	0.00	0.00	0.00		0.00
Other equity instruments investment	345,535.96	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal:	**1,669,029.09**	**2,227,678.76**	**728.44**	**178.35**	**15.28**	**5,840.75**	**15.10**
Financial liabilities in foreign currency -	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	0.00	2,623.80	44.53	21,132.48	0.00	0.00	0.00
Other payables	3,674.30	28,937.74	0.00	0.00	0.00	0.00	0.00
Subtotal:	**3,674.30**	**31,561.54**	**44.53**	**21,132.48**	**0.00**	**0.00**	**0.00**

②As of 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
Subtotal:	**1,303,516.02**	**2,386,180.02**	**702.84**	**18,052.98**	**16.29**	**5,875.27**	**0.00**
Financial liabilities in foreign currency -							
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
Subtotal:	**2,583.45**	**45,001.58**	**42.05**	**14,627.29**	**0.00**	**0.00**	**141.89**

As at 31 December 2023, 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 RMB192.35 million (31 December 2022: approximately RMB182.60 million).

(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 8.39% (31 December 2022: 11.98%); among the other receivables of the Company, the other receivables of the top five customers accounted for 40.48% (31 December 2022: 46.23%).

(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:

①As of 31 December 2023

Item	Within a year	1-2 years	2-5 years	Over 5 years	Total
Financial assets:					
Cash and bank balances	15,691,888,314.83	0.00	0.00	0.00	15,691,888,314.83
Financial assets held for trading	82,899,154.24	0.00	0.00	0.00	82,899,154.24
Notes receivable	1,941,200,568.00	0.00	0.00	0.00	1,941,200,568.00
Accounts receivable	2,692,941,866.24	0.00	0.00	0.00	2,692,941,866.24
Other receivables	46,010,624.61	0.00	0.00	0.00	46,010,624.61

Item	Within a year	1-2 years	2-5 years	Over 5 years	Total
Other current assets	6,536,364.62	0.00	0.00	0.00	6,536,364.62
Subtotal:	20,461,476,892.54	0.00	0.00	0.00	20,461,476,892.54
Financial liabilities:					
Short-term loans	2,076,159,347.22	0.00	0.00	0.00	2,076,159,347.22
Financial liabilities held for trading	86,817.12	0.00	0.00	0.00	86,817.12
Notes payable	1,469,148,287.38	0.00	0.00	0.00	1,469,148,287.38
Accounts payable	894,286,243.28	0.00	0.00	0.00	894,286,243.28
Other payables	3,682,604,038.73	0.00	0.00	0.00	3,682,604,038.73
Other current liabilities	39,844,637.92	0.00	0.00	0.00	39,844,637.92
Non-current liabilities due within one year	718,564,144.31	0.00	0.00	0.00	718,564,144.31
Lease liabilities	0.00	11,783,457.28	3,639,491.13	0.00	15,422,948.41
Long term loans	0.00	2,288,854,277.01	833,419,001.98	0.00	3,122,273,278.99
Subtotal:	**8,880,693,515.96**	**2,300,637,734.29**	**837,058,493.11**	**0.00**	**12,018,389,743.36**

②As of 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
Subtotal:	**20,138,642,550.04**	**0.00**	**0.00**	**0.00**	**20,138,642,550.04**
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
Subtotal:	**8,533,572,333.41**	**921,692,767.62**	**2,332,633,761.33**	**0.00**	**11,787,898,862.36**

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). As of 31 December 2023, the Company's gearing ratio is 37.73% (31 December 2022: 38.37%).

3. Transfer of financial assets

(1) Classification of transfer methods

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Termination of recognition	Judgment basis for termination of recognition
Endorsement of notes	Transfer the right to receive the cash flow of the financial asset to the other party	180,125,188.50	Termination of confirmation	The contractual right to collect the cash flow of the said financial asset is terminated.
Notes discounting	Transfer the right to receive the cash flow of the financial asset to the other party	136,098,199.33	Termination of confirmation	The contractual right to collect the cash flow of the said financial asset is terminated.
Total		316,223,387.83		

(2) Financial assets derecognized due to transfer

Project	Transfer method	Amount of derecognition	Gains or losses related to derecognition
Notes receivable	Endorsement of notes	180,125,188.50	
Notes receivable	Notes discounting	136,098,199.33	
Total		316,223,387.83	--

In the current period, the Company discounted bank acceptance bills of RMB.99 385,575,297 (the previous period: RMB1,190,002,804.98). As the main risks and rewards related to these bank notes, such as interest rate risk, have been transferred to the banks, the Company derecognizes the discounted undue bank notes. According to the discount agreement, if the bank notes are not accepted upon maturity, the bank has the right to require the Company to pay off the outstanding balance. Therefore, the Company continues to be involved in the discounted bank notes. As at 31 December 2023, the undue bank notes discounted amounted to RMB0.33 136,098,199 (31 December 2022: RMB422,899,944.56).

As at 31 December 2023, the carrying amount of the Company's undue bank notes endorsed to suppliers in settlement of accounts payable was 180,125,188 RMB.50 (31 December 2022: RMB542,620,475.62). There are no undue commercial notes endorsed to suppliers for settlement of accounts payable (December 31, 2022: RMB 0.00). As of December 31, 2023, its maturity date is 1 to 6 months. According to the relevant provisions of the Negotiable Instruments Law, if the accepting bank refuses to pay, its holder has the right to recourse against the Company ("continued involvement"). The Company considers that it has transferred substantially all of its risks and rewards and therefore derecognizes the carrying amount of its and the related settled accounts payable. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Company considers that the continuing involvement in fair value is not material.

In 2023, the Company did not incur any gain or loss on the date of transfer of the Note. The Company

has no current and accumulatively recognized income or expenses due to continuous involvement in the derecognized financial assets. Endorsements occur roughly evenly in the current period.

(3) Financial assets transferred but not derecognized as a whole

None.

X. 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 2023, 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
I. Recurring fair value measurement				
(1) Financial assets held for trading	79,176,104.95	3,723,049.29	0.00	82,899,154.24
1.debt instruments investment	937,588.47	0.00	0.00	937,588.47
2.equity instruments investment	78,238,516.48	0.00	0.00	78,238,516.48
3.Derivative financial assets	0.00	3,136,735.29	0.00	3,136,735.29
4.Financial products	0.00	586,314.00		586,314.00
(2) Other equity instruments investment	91,551,155.16	0.00	1,063,732,253.20	1,155,283,408.36
Total assets measured at fair value on a recurring basis	**170,727,260.11**	**3,723,049.29**	**1,063,732,253.20**	**1,238,182,562.60**
(3) Financial liabilities held for trading				
Derivative financial liabilities	0.00	86,817.12	0.00	86,817.12
Total liabilities measured at fair value on a recurring basis	**0.00**	**86,817.12**	**0.00**	**86,817.12**
II. Non-recurring fair value measurement				
Assets held-for-sale	0.00	0.00	0.00	0.00
Total assets measured at fair value on a non-recurring basis	**0.00**	**0.00**	**0.00**	**0.00**
Total liabilities measured at fair value on a non-recurring basis	**0.00**	**0.00**	**0.00**	**0.00**

During the year ended December 31, 2023, the Company's subsidiary Livzon Group held investments in ELICIO THERAPEUTICS, INC. and Carisma Therapeutics, Inc., which were listed on the NASDAQ stock exchange, and investments in Beijing Luzhu Biotechnology Co., Ltd. (北京绿竹生物技术股份有限公司), which was listed on the Hong Kong Stock Exchange. As a result, the fair

value measurement of these other equity instruments investments was reclassified from Level 3 to Level 1. Except for the reclassification of the fair value measurement of the other equity instruments investment, there were no transfers between Level 1 and Level 2 for the fair value measurement of other financial assets and financial liabilities of the Company, nor were there any transfers into or out of Level 3.

For financial instruments traded in active markets, the Company determines their fair value based on their quoted market prices in the active market. The Company's trading debt instruments investments and equity instruments investments are listed and traded in markets such as Shenzhen, Hong Kong, and the United States. Their fair value is determined based on the closing prices on the last trading day of the reporting period.

For financial instruments not traded in active markets, the Company uses valuation techniques to determine their fair value. The valuation models primarily include discounted cash flow models and market comparable company models. The inputs to valuation techniques mainly include risk-free rates, benchmark interest rates, exchange rates, credit spreads, liquidity premiums, lack of liquidity discounts, etc.

(2) Relevant information of level 2 fair value measurement

Content	Fair value as at 2023.12.31	Valuation techniques
Derivative financial assets	3,136,735.29	Calculated and determined based on the quoted forward exchange rate corresponding to the expiring contract
Derivative financial liabilities	86,817.12	Calculated and determined based on the quoted forward exchange rate corresponding to the expiring contract
Financial products	586,314.00	Bank quotation

(3) Quantitative information of important unobservable input values used in level 3 of fair value measurement

Content	Fair value as at 2023.12.31	Valuation techniques
Other equity instruments investment - Shanghai Yunfeng Xinchuang Equity Investment Center (上海云锋新创股权投资中心)	57,858,983.79	Net assets
Other equity instruments investment - Shanghai JingYi Investment Center (上海经颐投资中心)	73,365,064.89	Net assets
Other equity instruments investment - Qianhai Equity Investment Fund (前海股权投资基金)	253,730,084.00	Net assets
Other equity instruments investment - Apricot Forest, Inc (杏树林)	101,475,500.00	Income method
Other equity instrument investments – China Resources Bank of Zhuhai Co., Ltd. (Zhuhai China Resources Bank Co., Ltd. (珠海华润银行股份有限公司)))	226,644,000.00	Market method
Other equity instrument investments - Yizun Biopharmaceutics (Shanghai) Co., Ltd. (羿尊生物医药(上海) 有限公司))	35,147,356.03	Market method
Other equity instrument investments - Zhuhai Medpha Biotechnology Co., Ltd. (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 instruments investment -享融(上海) 生物科技有限公司	19,613,667.00	Recent financing price
Other equity instrument investments –GLOBAL HEALTH SCIENCE	205,217,490.01	Net assets
Other equity instrument investments –SCC VENTURE VI 2018-B,L.P.	233,268.67	Net assets
Other equity instrument investments –Nextech V Oncology S.C.S., SICAV-SIF	15,837,395.11	Net assets
Other equity instrument investments -Others	42,510,000.00	Cost

XI. 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	48.01	48.01

The ultimate controller of the Company is Zhu Baoguo (朱保国).

(1) Registered capital of parent company and its changes

Name of other related parties	2022.12.31	Increase	Decrease	2023.12.31
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	2022.12.31	Ratio	Increase	Decrease	2023.12.31	Ratio
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	878,272,753.00	45.53%	17,380,900	0.00	895,653,653.00	48.01%

On March 21, 2023, Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司) returned 17,380,900 shares involved in the refinancing securities lending business.

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.10 and VII. 4.

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
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	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

Name of joint ventures and associates	Relationship with the Company
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Associates
Novastage Pharmaceuticals (Shenzhen) , Ltd. (新领医药技术(深圳) 有限公司)	Associates
Feellife Health Inc. (深圳来福士雾化医学有限公司)	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

Note: Novastage Pharmaceuticals (Shenzhen)., Ltd. (新领医药技术(深圳) 有限公司) was an associate of the Company in 2022.

4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Shenzhen Taitelixing 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 and its subsidiary)	A subsidiary of an associate of the Company's parent company
Shenzhen Qianhai WeBank Co., Ltd. (深圳前海微众银行股份有限公司)	An investee of the Company's parent company
Beijing Shuobai Pharmaceutical Technology Co., Ltd. (北京硕佰医药科技有限责任公司)	An investee of the Company
Zhuhai Medpha Biotechnology Co., Ltd. (珠海麦得发生物科技股份有限公司)	Company where Livzon Group supervisor is a director
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. (珠海市蒲小英企业管理有限公司)	Businesses controlled by close family members of Livzon Group's director
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		Current year	Prior year
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	Raw materials	2,592,283.20	2,917,946.91
Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司) and its subsidiary	Finished goods	2,669,251.00	2,687,051.40

Name of other related parties		Current year	Prior year
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Testing	0.00	137,358.49
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Modern service	1,005,433.00	2,083,948.00
Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司) and its subsidiary	Modern service	176,428.00	473,616.00
Infinite Intelligence Pharmaceutical Co. Ltd. (北京英飞智药科技有限公司)	Research and development	693,069.31	339,805.83
Zhuhai Pu Xiaoying Enterprise Management Co., Ltd. (珠海市蒲小英企业管理有限公司)	Modern service	0.00	249,975.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Research and development	0.00	18,867,924.60
Beijing Shuobai Pharmaceutical Technology Co., Ltd. (北京硕佰医药科技有限责任公司)	Research and development	15,000,000.00	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	Nebulizer	840,000.00	902,115.48
Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	Electricity, Steam	268,255,646.79	268,666,999.03
Total		291,232,111.30	297,326,740.74

②Sales of goods/rendering of services

Name of other related parties		Current year	Prior year
Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	Finished products, water, electricity and power	41,797,488.64	35,703,972.73
Zhuhai Sanmed Biotech Inc. (珠海圣美生物诊断技术有限公司)	Finished products, power and others	643,038.26	592,356.49
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Finished products, power and others	648,316.60	1,435,666.13
Subsidiary of Sichuan Health Alu Hospital Management Co., Ltd.	Finished products	2,957,156.52	3,036,532.62
Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司) and its subsidiary	Finished products	5,021.65	0.00
Shenzhen Qianhai WeBank Co., Ltd. (深圳前海微众银行股份有限公司)	Finished products	4,786,115.64	0.00
Tianjin Tongrentang Group Co., Ltd. (天津同仁堂集团股份有限公司)	Modern service	566,037.74	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	Research and development	0.00	3,960,000.00
Total		51,403,175.05	44,728,527.97

(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)	Building	2,171,444.85	2,226,299.00
Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	Building	240,000.00	240,000.00
Novastage Pharmaceuticals (Shenzhen) , Ltd. (新领医药技术(深圳) 有限公司)	Buildings & Equipment	0.00	468,302.76
Shenzhen Baiyeyuan Investment Co., Ltd. (深圳市百业源投资有限公司)	Building	18,891.76	18,891.76
Shenzhen Taitelixing Investment Development Co., Ltd. (深圳泰特力兴投资发展有限公司)	Building	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)	Building	17,174.32	17,174.32

Name of lessee	Type of assets leased	Rental income in current year	Rental income in prior year
Shenzhen City Youbao Technology Co., Ltd. (深圳市有宝科技有限公司)	Building	17,174.32	17,174.32
Total		**2,483,405.25**	**3,006,562.16**

(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 2023, the Company provided Jinguan Electric Power (金冠电力) with guarantees for loans of RMB408.27 million; of which RMB226.77 million in Shenzhen Branch of China Everbright Bank, RMB700 million in Shenzhen Branch of Zheshang Bank, RMB91.50 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 to key management personnel

Unit: RMB ten thousand

For the year ended 31 December 2023

Item	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	6.59	2.88	0.00	0.00	0.00	334.47
Liu Guangxia (刘广霞)	325.00	19.43	9.65	2.88	80.00	0.00	0.00	436.96
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	7.70	2.88	80.00	0.00	0.00	225.59
Lin Nanqi (林楠棋)	0.00	135.00	7.70	2.88	80.00	0.00	0.00	225.59
Huo Jing (霍静)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Qin Yezhi (覃业志)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Peng Juan (彭娟)	12.00	0.00	0.00	0.00	0.00	0.00	0.00	12.00
Yin Xiaoxing (印晓星)	3.50	0.00	0.00	0.00	0.00	0.00	0.00	3.50
Cui Liguo (崔利国)	8.50	0.00	0.00	0.00	0.00	0.00	0.00	8.50
Supervisors:								
Yu Xiaoyun (余孝云)	4.80	38.16	7.21	2.25	17.95	0.00	0.00	70.36
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)	4.80	57.77	6.85	2.09	40.00	0.00	0.00	111.51
Other senior management:								
Zhang Leiming (张雷明)	0.00	110.97	7.70	2.88	80.00	0.00	0.00	201.56
Zhao Fenguang (赵凤光)	0.00	135.00	7.70	2.88	60.00	0.00	0.00	205.59
Total	**712.40**	**891.33**	**61.11**	**21.64**	**537.95**	**0.00**	**0.00**	**2,224.43**

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. Cui Liguo (崔利国) has resigned. The remuneration presented in above does not include the portion paid by Livzon Group.

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 Liguo (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
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 Fenguang (赵凤光)	0.00	135.00	7.27	2.66	45.00	0.00	0.00	189.93
Total	**710.57**	**822.71**	**43.75**	**17.61**	**415.95**	**0.00**	**0.00**	**2,010.58**

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.

(6) Other related party transactions

None.

6. Receivables and payables with related party

(1) Receivable from related parties

Item	Related party	2023.12.31		2022.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	9,288,000.00	93,808.80	4,781,500.00	47,336.85
Accounts receivable	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	180,820.75	1,844.37	85,731.98	840.17
Accounts receivable	Subsidiary of Sichuan Health Alu Hospital Management Co., Ltd. (四川健康阿鹿医院管理有限公司)	434,422.80	87,318.98	497,828.30	103,325.48

Item	Related party	2023.12.31		2022.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
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)	0.00	0.00	188,100.00	0.00
Prepayments	Jiangsu One Winner Medical Technology Co., Ltd. (江苏一赢家医疗科技有限公司)	29,816.00	0.00	0.00	0.00
Prepayments	Feellife Health Inc. (深圳来福士雾化医学有限公司)	1,259,566.37	0.00	0.00	0.00
Prepayments	Jiaozuo Jinguan Jiahua Electric Power Co., Ltd. (焦作金冠嘉华电力有限公司)	65,814,779.87	0.00	75,724,913.57	0.00
Other receivables	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	860,233.52	9,118.48	607,484.29	6,925.32
Other receivables	Zhuhai Sanmed Gene Diagnostics Ltd. (珠海市圣美基因检测科技有限公司)	2,263.89	52.75	15,795.00	170.59
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 Healthy Deer Information Technology Co., Ltd. (深圳市健康阿鹿信息科技有限公司)	4,680.00	129.99	4,680.00	74.38

(2) Payables to related party

Item	Related party	2023.12.31	2022.12.31
Contract liabilities	Subsidiary of Sichuan Health Alu Hospital Management Co., Ltd. (四川健康阿鹿医院管理有限公司)	255,459.93	12,011.72
Notes payable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	883,200.00	0.00
Accounts payable	Guangdong Blue Treasure Pharmaceutical Co. Ltd. (广东蓝宝制药有限公司)	195,398.23	117,760.00
Other payables	Subsidiary of Sichuan Health Alu Hospital Management Co., Ltd. (四川健康阿鹿医院管理有限公司)	0.00	8,936.17

XII. Share-based payments

1. Information about share-based payments

(1) The Company

A. 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 Share option Incentive Plan (Draft) and its Summary", Proposal on the Company's 2022 Share 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 Share options to Incentive Participants". With 5 September 2022 as the grant date, 49.45 million share 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 share options granted is 16 September 2022.

In 2022, the share option incentive plan initially granted 32 former incentive recipients (a total of 2.37 million options) had their options revoked due to their resignation and no longer meeting the incentive conditions. Following the forfeiture, the number of share options initially granted under the Company's 2022 share option incentive plan was adjusted from 49.45 million to 47.08 million, and the number of initial incentive recipients was adjusted from 423 to 391.

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 share 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 share options are exercisable in the year corresponding to the appraisal shall not be exercised and shall be canceled by the Company.

B. On 11 August 2023, the Company convened the 28th meeting of the eighth board of directors to deliberate and approve the "Proposal on Reserving Share Options for Incentive Recipients". The grant date was set as 11 August 2023, and 5.5 million share options were granted to 149 incentive recipients at a price of RMB11.06 per share. The registration completion date and effective date for this grant of share options were 30 August 2023.

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 reserved options	From the first trading day 12 months after the grant date of reserved options to the last trading day within 24 months from the first grant date	50%
Second vesting period of reserved options	From the first trading day 24 months after the grant date of reserved options to the last trading day within 36 months from the first grant date	50%

Company-level performance appraisal requirements: The share 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 reserved grant are shown in the table below:

Vesting period	Performance appraisal targets
First vesting period of reserved options	Based on the net profit in 2021, the compound growth rate of net profit in 2023 shall not be less than 15%;
Second vesting period of reserved options	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 share options are exercisable in the year corresponding to the appraisal shall not be exercised and shall be canceled by the Company.

C、Equity instruments granted are as follows:

Unit: 10,000

Grant recipients	Grant in the year		Exercised in the year		Vested in the year		Forfeited in the year	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sales personnel	168		175		1,027		16	
Administrative personnel	303		100		475		193	
R&D personnel	79		76		382		28	
Total	**550**		**351**		**1,883**		**237**	

(2) The Company's subsidiary Livzon Group

① Share options

A. 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 Share option Incentive Plan (Revised Draft) and Its Summary", "Proposal on the company's 2022 Share 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 share 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 Share option Incentive Plan". With 7 November 2022 as the grant date, 17,973,500 share 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 share options granted is 23 November 2022.

In 2022, the share option incentive plan initially granted share options to 25 former incentive recipients (a total of 361,000 options), which were revoked due to their resignation and no longer meeting the incentive conditions. Following the forfeiture, the number of share options initially granted under the Livzon Group's 2022 share option incentive plan was adjusted from 17.9735 million to 17.6125 million, and the number of initial incentive recipients was adjusted from 1,026 to 1,001.

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 three 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%.

B. On 12 October 2023, Livzon Group convened the 4th meeting of the eleventh board of directors to deliberate and approve the " Proposal on matters related to the planned reserved grant of share option incentive plan in 2022". The grant date was set as 30 October 2023, and 2.0 million share options were granted to 243 incentive recipients at a price of RMB36.26 per A share. The registration completion date and effective date for this grant of share options were 28 November 2023.

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 reserved options	From the first trading day 12 months after the grant date of reserved options to the last trading day within 24 months from the first grant date	50%
Second vesting period of reserved options	From the first trading day 24 months after the grant date of reserved options to the last trading day within 36 months from the first grant date	50%

Livzon Group performance appraisal requirements: The stock options granted by this incentive plan are subject to annual performance appraisal and vesting during two 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 reserved options	Based on the net profit in 2021, the compound growth rate of net profit in 2023 shall not be less than 15%;
Second vesting period of reserved options	Based on the net profit in 2021, the compound growth rate of net profit in 2024 shall not be less than 15%.

② Other Shares 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 RMB7.84 million was amortized in the year ended 31 December 2023.

② Equity instruments granted are as follows:

Unit: 10,000

Grant recipients	Grant in the year		Exercised in the year		Vested in the year		Forfeited in the year	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sales personnel	29.80							
Administrative personnel	140.65							
R&D personnel	29.55							
Total	**200.00**							

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
Important parameters of fair value of equity instruments on grant date	Risk-free interest rate (1.5%-2.75%), validity period (1-3 years), historical stock price volatility (12.97%-17.12%), dividend rate (1.12%-1.47%)
Basis in determining the quantity of exercisable equity instruments	Determined according to exercisable conditions and estimated attrition rate
Reason for significant difference of estimation between current year and prior year	No significant differences
Accumulated amount recorded in capital reserve for equity-settled share-based payments	237,393,331.40

3. Information on cash-settled share-based payments

None.

4. Information on share-based payments

Grant recipients	Share-based compensation expense settled in equity	Share-based compensation expense settled in cash
Middle and high-level managers and key business personnel	90,412,632.26	0.00

XIII. 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	522,447,456.93	455,161,816.72
Commitments in relation to external investment	13,000,000.00	12,000,000.00
Commitments in relation to research and development expenditures	683,619,716.31	0.00

(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 2023.

2. Contingencies

As at 31 December 2023, there was no other significant contingency required to be disclosed by the Company.

XIV. Event after balance sheet date

1. Profit distribution

On 2 April 2024, the thirty-eighth meeting of the eighth Board of Directors of the Company passed the 2023 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 2023 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 2 April 2024, the Company has no other events that needed to be disclosed after the balance sheet date.

XV. Other significant events

As of the balance sheet date, the Company does not have other important matter to be disclosed.

XVI. Notes to the significant financial statements item of the Parent Company

1. Notes receivable

Category	2023.12.31			2022.12.31		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance bills	191,417,091.37	0.00	191,417,091.37	249,617,024.89	0.00	249,617,024.89
Commercial acceptance bills	0.00	0.00	0.00	0.00	0.00	0.00
Total	**191,417,091.37**	**0.00**	**191,417,091.37**	**249,617,024.89**	**0.00**	**249,617,024.89**

(1) Notes receivable pledged at year end

Item	Amount pledged at year end
Bank acceptance bills	99,070,424.71

(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	64,790,190.55	--
Bank acceptance bills not yet mature but already discounted	0.00	--
Total	**64,790,190.55**	

(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	2023.12.31					2022.12.31				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	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	191,417,091.37	100.00	0.00	0.00	191,417,091.37	249,617,024.89	100.00	0.00	0.00	249,617,024.89
Including:										
Bank acceptance bills	191,417,091.37	100.00	0.00	0.00	191,417,091.37	249,617,024.89	100.00	0.00	0.00	249,617,024.89
Total	**191,417,091.37**	**100.00**	**0.00**	**0.00**	**191,417,091.37**	**249,617,024.89**	**100.00**	**0.00**	**0.00**	**249,617,024.89**

(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	2023.12.31	2022.12.31
Within one year	315,521,678.52	290,962,991.84
1 to 2 years (inclusive of 2 years)	2,252,749.01	2,684,445.48
2 to 3 years (inclusive of 3 years)	218,363.74	1,178,173.47
3 to 4 years (inclusive of 4 years)	1,136,271.11	641,804.42
4 to 5 years (inclusive of 5 years)	125,802.16	388,712.49
Over 5 years	8,102,724.93	7,754,530.87
Subtotal	**327,357,589.47**	**303,610,658.57**
Less: Provision for bad debts	12,178,306.49	11,979,800.83
Total	**315,179,282.98**	**291,630,857.74**

(2) Disclosure by method of provision for bad debts

Category	2023.12.31					2022.12.31				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Expected credit loss rate (%)		Amount	Ratio (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts on individual item	771,300.68	0.24	771,300.68	100.00	0.00	771,300.68	0.25	771,300.68	100.00	0.00
Including:										
Receivables from domestic customers	771,300.68	0.24	771,300.68	100.00	0.00	771,300.68	0.25	771,300.68	100.00	0.00
Provision for bad debts on portfolio basis	326,586,288.79	99.76	11,407,005.81	3.49	315,179,282.98	302,839,357.89	99.75	11,208,500.15	3.70	291,630,857.74
Including:										
Receivables from domestic customers	326,586,288.79	99.76	11,407,005.81	3.49	315,179,282.98	302,839,357.89	99.75	11,208,500.15	3.70	291,630,857.74
Total	**327,357,589.47**	**100.00**	**12,178,306.49**	**3.72**	**315,179,282.98**	**303,610,658.57**	**100**	**11,979,800.83**	**3.95**	**291,630,857.74**

Provision for bad debts on individual item:

Item	2023.12.31			
	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason of provision
Purchase of goods	771,300.68	771,300.68	100.00	Likelihood of recovery is expected to be low

Provision for bad debts on portfolio basis:

Provision for bad debts on portfolio basis: Receivables from domestic customers

Ageing	2023.12.31			2022.12.31		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within one year	315,521,678.52	2,890,091.59	0.92	290,962,991.84	2,721,949.54	0.94

1 to 2 years (inclusive of 2 years)	2,252,749.01	182,328.02	8.09	2,684,445.48	282,436.48	10.52
2 to 3 years (inclusive of 3 years)	218,363.74	70,618.48	32.34	1,178,173.47	378,821.59	32.15
3 to 4 years (inclusive of 4 years)	1,136,271.11	832,171.89	73.24	641,804.42	474,608.03	73.95
4 to 5 years (inclusive of 5 years)	125,802.16	100,371.58	79.79	103,939.29	82,681.12	79.55
Over 5 years	7,331,424.25	7,331,424.25	100.00	7,268,003.39	7,268,003.39	100.00
Subtotal	**326,586,288.79**	**11,407,005.81**	**3.49**	**302,839,357.89**	**11,208,500.15**	**3.70**

(3) Accrual, recovery or reversal of bad debt provision during the period

	Amount of provision for bad debts
Beginning balance	11,979,800.83
Provision for the year	198,505.66
Recovered or reversal in the year	0.00
Write-off in the year	0.00
Closing balance	**12,178,306.49**

At 31 December 2023 and 31 December 2022, 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 2023, the total amount of the top five debtors in closing balance is RMB72,504,751.65, accounting for 22.15% of the total amount of closing balance of accounts receivable, and the corresponding closing balance of provision for bad debts is total RMB725,047.52.

(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	**2023.12.31**	**2022.12.31**
Dividends receivable	519,999,500.00	544,999,500.00
Other receivables	166,368,334.30	240,307,524.78
Total	**686,367,834.30**	**785,307,024.78**

(1) Dividends receivable

Item	**2023.12.31**	**2022.12.31**
Topsino	499,999,500.00	524,999,500.00
Fenglei Electric Power	20,000,000.00	20,000,000.00
Subtotal:	**519,999,500.00**	**544,999,500.00**
Less: Provision for bad debts	0.00	0.00
Total	**519,999,500.00**	**544,999,500.00**

(2) Other receivables

① Disclosure by ageing

Item	2023.12.31	2022.12.31
Within one year	165,941,822.03	239,838,488.56
1 to 2 years	195,161.27	590,397.78
2 to 3 years	276,497.86	149,812.10
3 to 4 years	147,742.10	206,676.00
4 to 5 years	201,676.00	126,228.36
Over 5 years	18,223,163.69	19,105,586.00
Subtotal	**184,986,062.95**	**260,017,188.80**
Less: Provision for bad debts	18,617,728.65	19,709,664.02
Total	**166,368,334.30**	**240,307,524.78**

Disclosure by nature

Item	2023.12.31			2022.12.31		
	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	162,423,627.30	0.00	162,423,627.30	238,041,400.41	0.00	238,041,400.41
Treasury bonds and security deposits	16,954,735.37	16,954,735.37	0.00	17,968,386.04	17,968,386.04	0.00
External entities balances	2,021,697.55	1,299,303.83	722,393.72	1,384,240.83	1,253,731.83	130,509.00
Security deposits	886,662.78	288,715.23	605,038.61	973,098.11	354,429.35	618,668.76
Amounts of exercised options	597,240.00	0.00	597,240.00	0.00	0.00	0.00
Others	2,102,099.95	74,974.22	2,020,034.67	1,650,063.41	133,116.80	1,516,946.61
Total	**184,986,062.95**	**18,617,728.65**	**166,368,334.30**	**260,017,188.80**	**19,709,664.02**	**240,307,524.78**

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	
Provision for bad debts on portfolio basis	163,020,867.30	0.00	0.00	163,020,867.30	
Amounts of exercised options	597,240.00	0.00	0.00	597,240.00	
Other receivables of each company within the scope of	162,423,627.30	0.00	0.00	162,423,627.30	Expected to be recovered

Category	Book balance	Expected credit loss rate in the next 12 months (%)	Provision for bad debts	Carrying amount	Reason
combination					
Total	**163,020,867.30**	**0.00**	**0.00**	**163,020,867.30**	

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					
Provision for bad debts on portfolio basis	5,010,460.28	33.19	1,662,993.28	3,347,467.00	
Receivable of deposits under guarantee, deposits and lease expenses	886,662.78	32.56	288,715.23	597,947.55	
Other receivables	4,123,797.50	33.33	1,374,278.05	2,749,519.45	
Total	**5,010,460.28**	**33.19**	**1,662,993.28**	**3,347,467.00**	

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	16,954,735.37	100.00	16,954,735.37	0.00	
Treasury bonds and security deposits	16,954,735.37	100.00	16,954,735.37	0.00	Likelihood of recovery is expected to be low
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
Total	**16,954,735.37**	**100.00**	**16,954,735.37**	**0.00**	

As of 31 December 2022, Information of provision for bad debts:

As of 31 December 2022, 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	
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
Total	**238,041,400.41**	**0.00**	**0.00**	**238,041,400.41**	

As of 31 December 2022, 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	4,007,402.35	43.45	1,741,277.98	2,266,124.37	
Receivable of deposits under guarantee, deposits and lease	973,098.11	36.42	354,429.35	618,668.76	

expenses					
Other receivables	3,034,304.24	45.71	1,386,848.63	1,647,455.61	
Total	**4,007,402.35**	**43.45**	**1,741,277.98**	**2,266,124.37**	

As of 31 December 2022, 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	Likelihood of recovery is expected to be low
Provision for bad debts on portfolio basis	0.00	0.00	0.00	0.00	--
Total	**17,968,386.04**	**100.00**	**17,968,386.04**	**0.00**	

④Accrual, recovery or reversal of bad debt provision during the period

Provision for bad debts	First stage Expected credit loss within next 12 months	Second stage Expected credit loss for lifetime (no credit impairment occurred)	Third stage Expected credit loss for lifetime (credit impairment has occurred)	Total
Beginning balance	0.00	1,741,277.98	17,968,386.04	19,709,664.02
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	-78,284.70	0.00	-78,284.70
Reversal in the year	0.00	0.00	1,013,650.67	1,013,650.67
Transfer in the year	0.00	0.00		0.00
Write-off in the year	0.00	0.00	0.00	0.00
Other movement	0.00	0.00	0.00	0.00
Closing balance	**0.00**	**1,662,993.28**	**16,954,735.37**	**18,617,728.65**

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	Within one year, 3-4 years	70.25	0.00
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	17,585,141.16	Within 3 years	9.51	0.00
Hua Xia Securities Co., Ltd. (华夏证券股份有限公司)	Treasury bonds and security deposits	16,954,735.37	Over 5 years	9.17	16,954,735.37

Name of entity	Nature	Closing balance of other receivables	Ageing	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Health Pharmaceuticals (China) Limited (健康药业(中国) 有限公司) 深圳分公司	Other receivables of each company within the scope of combination	12,320,869.27	Within 2 years	6.66	0.00
Shanghai Frontier Health Pharmaceutical Technology Co., Ltd. (上海方予健康医药科技有限公司)	Other receivables of each company within the scope of combination	5,040,076.35	Within 3 years	2.72	0.00
Total		**181,856,926.44**		98.31	**16,954,735.37**

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	2023.12.31			2022.12.31		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	3,676,678,312.11	7,010,047.91	3,669,668,264.20	3,453,138,312.11	7,010,047.91	3,446,128,264.20
Investment in associates	78,827,454.82	0.00	78,827,454.82	78,056,248.43	0.00	78,056,248.43
Total	**3,755,505,766.93**	**7,010,047.91**	**3,748,495,719.02**	**3,531,194,560.54**	**7,010,047.91**	**3,524,184,512.63**

(1) Investment in subsidiaries

Investee	2022.12.31	Increase	Decrease	2023.12.31	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	150,000,000.00	0.00	525,000,000.00	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 medicine 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
Lijian (Guangdong) Animal Health Co., Ltd.	0.00	73,500,000.00	0.00	73,500,000.00	0.00	0.00
Wuhan Kangli Health Investment Management Co., Ltd.	0.00	40,000.00	0.00	40,000.00	0.00	0.00
Total	**3,453,138,312.11**	**223,540,000.00**	**0.00**	**3,676,678,312.11**	**0.00**	**7,010,047.91**

(2) Investment in associates and joint ventures

Investee	2022.12.31	Movement in the year								2023.12.31	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		
Associates											
Ningbo Ningrong Biomedical Co., Ltd. (宁波宁融生物医药有限公司)	27,179,209.51	0.00	0.00	606,175.12	0.00	0.00	0.00	0.00	0.00	27,785,384.63	0.00
Feellife Health Inc. (深圳来福士雾化医学有限公司)	12,402,324.22	0.00	0.00	-986,141.63	0.00	0.00	0.00	0.00	0.00	11,416,182.59	0.00
Jiangsu Baining Yingchuang Medical Technology Co., Ltd. (江苏百宁盈创医疗科技有限公司)	28,732,381.11	0.00	0.00	1,365,081.78	0.00	0.00	0.00	0.00	0.00	30,097,462.89	0.00
Shanghai Sheo Pharmaceutical Technology Co., Ltd. (上海偕怡医药科技有限公司)	9,742,333.59	0.00	0.00	-213,908.88	0.00	0.00	0.00	0.00	0.00	9,528,424.71	0.00
Subtotal	78,056,248.43	0.00	0.00	**771,206.39**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**78,827,454.82**	0.00

5. Operating income and operating cost

(1) Operating income and operating cost

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Primary operations	2,309,792,979.65	1,280,944,324.62	2,318,838,433.60	1,570,518,398.66
Other operations	25,575,430.08	15,675,678.17	55,049,131.18	42,380,613.14
Total	**2,335,368,409.73**	**1,296,620,002.79**	**2,373,887,564.78**	**1,612,899,011.80**

(2) Disaggregate information of primary operating income

① Segregation by products

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Chemical pharmaceuticals (化学药物)	2,080,827,107.18	1,150,753,091.34	2,156,627,002.13	1,467,215,984.98
Traditional Chinese medicine (中药制剂)	60,534,652.54	35,184,583.04	42,843,606.38	24,726,803.46
Health care products (保健食品)	167,485,390.35	94,205,909.89	119,285,823.66	78,384,343.41
Others	945,829.58	800,740.35	82,001.43	191,266.81
Total	**2,309,792,979.65**	**1,280,944,324.62**	**2,318,838,433.60**	**1,570,518,398.66**

② Segregation by operating location

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Domestic	2,309,519,252.93	1,280,859,972.72	2,318,555,876.08	1,570,367,026.33
Overseas	273,726.72	84,351.90	282,557.52	151,372.33
Total	**2,309,792,979.65**	**1,280,944,324.62**	**2,318,838,433.60**	**1,570,518,398.66**

③ Segregation by timing of revenue recognition

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Commodities (Recognized at a point in time)	2,309,792,979.65	1,280,944,324.62	2,318,838,433.60	1,570,518,398.66
Total	**2,309,792,979.65**	**1,280,944,324.62**	**2,318,838,433.60**	**1,570,518,398.66**

(3) Disaggregate information of other operations

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Processing fees	0.00	0.00	4,837,029.47	4,329,387.37
Rental fees	8,744,746.23	964,743.31	9,861,266.50	1,445,184.13
Technical services	2,933,967.45	766,177.99	27,233,207.55	23,946,403.27

Others	13,896,716.40	13,944,756.87	13,117,627.66	12,659,638.37
Total	**25,575,430.08**	**15,675,678.17**	**55,049,131.18**	**42,380,613.14**

6. Investment income

Item	2023	2022
Long-term equity investments income under cost method	1,137,547,988.80	985,288,053.40
Long-term equity investments income under equity method	771,206.39	1,326,243.55
Investment income from disposal of long-term equity investments	0.00	4,242,404.46
Dividend income from other equity instrument investments	0.00	512,350.35
Total	**1,138,319,195.19**	**991,369,051.76**

XVII. Supplement information

1. Schedule of non-recurring gains or losses

Item	2023	2022
Gain or loss on disposal of non-current assets	-169,901.01	-705,357.30
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)	233,058,407.11	286,842,932.33
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	-48,440,235.41	-109,887,696.11
Reversals of provision for impairment of accounts receivable with individual impairment test	1,013,650.67	158,470.77
Other non-operating income and expenses other than the above	-41,010,372.38	-23,830,838.49
Total amount of non-recurring items	144,451,548.98	152,577,511.20
Less: effects of income tax on non-recurring items	21,086,934.90	31,919,034.26
Less: Non-recurring items attributable to the minority shareholders (after tax)	54,721,622.26	37,113,548.72
Non-recurring items attributable to the shareholders of the Company	68,642,991.82	83,544,928.22

2. Rate of return on net assets and earnings per share

For the year ended 31 December 2023

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	11.00	0.7580	0.7565
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	10.47	0.7219	0.7205

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	0.7934	0.7922
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	11.55	0.7493	0.7482

Joincare Pharmaceutical Group Industry Co., Ltd.

健康元药业集团股份有限公司

2 April 2024