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# Auditor's Report

PCCPAAR [2024] No. 4256

To the Shareholders of Zhejiang Medicine Co., Ltd.:

## **I. Audit Opinion**

We have audited the financial statements of Zhejiang Medicine Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2023, the consolidated and parent company income statements, consolidated and parent company cash flow statements, and consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

## **II. Basis for Audit Opinion**

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

#### **(I) Revenue recognition**

##### **1. Key audit matters**

Please refer to section III (XXVI) and V (I) 1 of notes to the financial statements for details.

The Company is mainly engaged in production and sales of APIs and pharmaceutical preparations, etc. In 2023, the operating revenue amounted to 7,794.15 million yuan, of which, 7,745.81 million yuan was from sales of APIs and pharmaceutical preparations, accounting for 99.38%.

As operating revenue is one of the key performance indicators of the Company, there might be inherent risks that the Company's management (the "Management") adopts inappropriate revenue recognition to achieve specific goals or expectations, we have identified revenue recognition as a key audit matter.

##### **2. Responsive audit procedures**

Our main audit procedures for revenue recognition are as follows:

- (1) We obtained understandings of key internal controls related to revenue recognition, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We checked sales contracts, obtained understandings of main contractual terms or conditions, and assessed whether the revenue recognition method was appropriate;
- (3) We performed analysis procedure on operating revenue and gross margin by month, product, customer, etc., so as to identify whether there are significant or abnormal fluctuations and find out the reason;
- (4) For revenue from domestic sales, we checked supporting documents related to selected items, including sales contracts, orders, sales invoices, outbound delivery orders, delivery notes, shipping documents, delivery receipts, etc.; for revenue from

overseas sales, we obtained information from Electron Port and checked it with accounting records, and selected items to check relevant supporting documents including sales contracts, bills of clearance, waybills, sales invoices, etc.;

(5) We performed confirmation procedures on sales amount of selected items in combination with confirmation procedure of accounts receivable;

(6) We performed cut-off tests to check whether the revenue was recognized in the appropriate period;

(7) We obtained sales return records subsequent to the balance sheet date and checked whether there was revenue not eligible for recognition at the balance sheet date; and

(8) We checked whether information related to operating revenue had been presented appropriately in the financial statements.

## (II) Impairment of accounts receivable

### 1. Key audit matters

Please refer to section III (XII) and V (I) 3 of notes to the financial statements for details.

As of December 31, 2023, the book balance of accounts receivable amounted to 1,296.18 million yuan, with provision for bad debts of 43.95 million yuan, and the carrying amount amounted to 1,252.23 million yuan.

Based on credit risk features of accounts receivable, the Management measures the loss allowance at the amount of lifetime expected credit losses, either on an individual basis or on a collective basis.

As the amounts of accounts receivable are significant and the impairment test involves significant judgment of the Management, we have identified impairment of accounts receivable as a key audit matter.

### 2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

(1) We obtained understandings of key internal controls related to impairment of accounts receivable, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We reviewed the outcome of the Management's previous estimates on provision

for bad debts or their subsequent re-estimations;

(3) We reviewed the consideration of the Management on credit risk assessment and objective evidence, and assessed whether the credit risk features of accounts receivable had been appropriately identified by the Management;

(4) For accounts receivable with expected credit losses measured on an individual basis, we reviewed the Management's estimations on the expected future cash flows, assessed the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data used in the estimations and checked them with acquired external evidence;

(5) For accounts receivable with expected credit losses measured on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; we assessed the reasonableness of expected credit loss rate of accounts receivable determined by the Management, including the appropriateness of significant assumptions and the appropriateness, relevance and reliability of data used; we tested whether the Management's calculation of provision for bad debts was accurate;

(6) We assessed the reasonableness of provision for bad debts made by the Management in combination with the confirmation procedures and subsequent collection of accounts receivable; and

(7) We checked whether information related to impairment of accounts receivable had been presented appropriately in the financial statements.

### (III) Net realizable value of inventories

#### 1. Key audit matters

Please refer to section III (XIII) and V (I) 7 of notes to the financial statements for details.

As of December 31, 2023, the book balance of inventories amounted to 2,164.53 million yuan, with provision for inventory write-down of 153.83 million yuan, and the carrying amount amounted to 2,010.70 million yuan.

Inventories are measured at the lower of cost and net realizable value. The net realizable value is determined by the Management based on the amount of the estimated selling price less the cost to be incurred upon completion, estimated selling

expenses and relevant taxes and surcharges. As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified net realizable value of inventories as a key audit matter.

## 2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

(1) We obtained understandings of key internal controls related to net realizable value of inventories, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;

(2) We reviewed the outcome of the Management's previous estimates on the net realizable value or their subsequent re-estimations;

(3) We selected items to assess the reasonableness of the estimated selling price, and reviewed whether the estimated selling price was consistent with sales contract price, market selling price, historical data, etc.;

(4) We assessed the reasonableness of estimation on cost to be incurred upon completion, selling expenses and relevant taxes and surcharges made by the Management;

(5) We tested whether the calculation of net realizable value of inventories made by the Management was accurate;

(6) We identified whether there existed situations such as inventories with long stock age, decline in production, fluctuation of production cost or selling price, change in technology or market needs, etc. in combination with stocktaking, and assessed the reasonableness of estimations on net realizable value of inventories made by the Management; and

(7) We checked whether information related to net realizable value of inventories had been presented appropriately in the financial statements.

## **IV. Other Information**

The Management is responsible for the other information. The other information comprises the information included in the Company's 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 the other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 China Standards on Auditing 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.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

(I) 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.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) 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, we are required to draw attention 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.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and 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 sole responsibility for our audit

opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern 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.

Pan-China Certified Public Accountants LLP Chinese Certified Public Accountant:  
(Engagement Partner)

Hangzhou · China

Chinese Certified Public Accountant:

Date of Report: April 25, 2024

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

Zhejiang Medicine Co., Ltd.  
Consolidated balance sheet as at December 31, 2023  
*(Expressed in Renminbi Yuan)*

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances	1	1,460,026,640.19	1,438,077,266.91
Settlement funds			
Loans to other banks			
Held-for-trading financial assets	2	328,310,303.37	447,293,242.84
Derivative financial assets			
Notes receivable			
Accounts receivable	3	1,252,230,303.53	1,297,973,966.65
Receivables financing	4	167,121,689.07	202,546,429.96
Advances paid	5	94,031,721.04	86,547,292.25
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	6	239,136,451.64	67,353,495.25
Financial assets under reverse repo			
Inventories	7	2,010,704,310.63	1,994,514,513.08
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	8	49,848,344.42	120,654,424.38
Total current assets		5,601,409,763.89	5,654,960,631.32
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	9	88,230,562.69	67,878,921.13
Other equity instrument investments			
Other non-current financial assets	10	77,981,663.25	76,631,888.27
Investment property	11	94,699,107.70	97,494,769.30
Fixed assets	12	5,064,304,310.62	4,768,092,777.03
Construction in progress	13	931,694,664.92	825,705,993.24
Productive biological assets	14		
Oil & gas assets			
Right-of-use assets	15	23,444,316.51	24,235,203.41
Intangible assets	16	744,304,016.85	747,676,154.65
Development expenditures			
Goodwill	17	18,680,361.98	27,906,888.45
Long-term prepayments	18	6,215,857.62	8,854,241.55
Deferred tax assets	19	82,121,878.92	77,406,084.30
Other non-current assets	20	46,453,251.26	55,772,652.42
Total non-current assets		7,178,129,992.32	6,777,655,573.75
Total assets		12,779,539,756.21	12,432,616,205.07

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.  
Consolidated balance sheet as at December 31, 2023 (continued)  
*(Expressed in Renminbi Yuan)*

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings	22	200,223,000.00	50,063,400.00
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable	23	20,328,976.51	32,561,801.43
Accounts payable	24	1,129,821,171.61	1,028,664,706.88
Advances received			
Contract liabilities	25	43,952,226.63	61,879,310.12
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposits for agency security transaction			
Deposits for agency security underwriting			
Employee benefits payable	26	174,615,446.60	180,601,079.33
Taxes and rates payable	27	91,716,456.18	105,505,994.87
Other payables	28	442,661,673.25	447,978,805.99
Handling fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	29	370,674,923.25	550,913,156.54
Other current liabilities	30	4,448,416.19	7,196,234.21
Total current liabilities		2,478,442,290.22	2,465,364,489.37
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	31	230,222,800.00	200,186,500.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	32	322,843.87	619,943.40
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	33	84,158,052.23	54,112,127.39
Deferred tax liabilities	19		2,474,097.55
Other non-current liabilities			
Total non-current liabilities		314,703,696.10	257,392,668.34
Total liabilities		2,793,145,986.32	2,722,757,157.71
Equity:			
Share capital	34	964,975,000.00	965,128,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	35	2,005,399,439.76	1,941,160,652.45
Less: Treasury shares	36	27,632,430.00	57,692,375.00
Other comprehensive income	37	5,769,416.91	-5,274,168.68
Special reserve			
Surplus reserve	38	1,647,513,860.84	1,586,460,146.22
General risk reserve			
Undistributed profit	39	5,034,690,253.98	4,830,099,602.34
Total equity attributable to the parent company		9,630,715,541.49	9,259,881,857.33
Non-controlling interest		355,678,228.40	449,977,190.03
Total equity		9,986,393,769.89	9,709,859,047.36
Total liabilities & equity		12,779,539,756.21	12,432,616,205.07

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.  
Parent company balance sheet as at December 31, 2023  
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2022
Current assets:			
Cash and bank balances		924,569,138.67	809,534,201.82
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	1	916,786,366.85	1,030,541,785.41
Receivables financing		195,217,175.47	241,208,871.66
Advances paid		44,854,606.52	44,458,302.18
Other receivables	2	3,251,861,583.10	2,550,613,993.68
Inventories		1,272,931,833.33	1,298,156,701.61
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		9,100,181.85	9,571.89
Total current assets		6,615,320,885.79	5,974,523,428.25
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	2,447,453,164.96	2,415,372,870.29
Other equity instrument investments			
Other non-current financial assets		36,535,859.21	39,755,800.00
Investment property		4,486,762.95	4,726,575.39
Fixed assets		2,398,666,163.94	2,628,571,032.41
Construction in progress		256,030,706.00	107,604,602.64
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		320,695,340.51	398,161,805.76
Development expenditures			
Goodwill			
Long-term prepayments		2,759,795.54	4,706,669.07
Deferred tax assets		61,806,080.09	58,095,431.00
Other non-current assets		9,897,223.48	23,127,322.04
Total non-current assets		5,538,331,096.68	5,680,122,108.60
Total assets		12,153,651,982.47	11,654,645,536.85

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.

Parent company balance sheet as at December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Closing balance	December 31, 2022
Current liabilities:			
Short-term borrowings		200,223,000.00	50,063,400.00
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		585,450,543.21	548,684,908.94
Advances received			
Contract liabilities		34,656,648.74	42,999,757.75
Employee benefits payable		112,305,218.61	116,772,070.55
Taxes and rates payable		60,818,924.85	78,628,232.41
Other payables		338,877,215.61	345,379,263.13
Liabilities held for sale			
Non-current liabilities due within one year		370,374,700.00	550,637,300.00
Other current liabilities		3,474,426.23	4,967,959.11
Total current liabilities		1,706,180,677.25	1,738,132,891.89
Non-current liabilities:			
Long-term borrowings		230,222,800.00	200,186,500.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		20,629,312.23	22,312,377.39
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		250,852,112.23	222,498,877.39
Total liabilities		1,957,032,789.48	1,960,631,769.28
Equity:			
Share capital		964,975,000.00	965,128,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,198,007,845.89	1,171,851,251.65
Less: Treasury shares		27,632,430.00	57,692,375.00
Other comprehensive income			
Special reserve			
Surplus reserve		1,647,513,860.84	1,586,460,146.22
Undistributed profit		6,413,754,916.26	6,028,266,744.70
Total equity		10,196,619,192.99	9,694,013,767.57
Total liabilities & equity		12,153,651,982.47	11,654,645,536.85

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.  
Consolidated income statement for the year ended December 31, 2023  
*(Expressed in Renminbi Yuan)*

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	7,794,145,971.37	8,115,804,648.33
Including: Operating revenue	1	7,794,145,971.37	8,115,804,648.33
Interest income			
Premiums earned			
Revenue from handling fees and commissions			
II. Total operating cost		7,681,665,559.36	7,482,025,427.21
Including: Operating cost	1	5,269,878,689.98	5,318,274,426.32
Interest expenses			
Handling fees and commissions			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	78,428,557.70	69,862,910.12
Selling expenses	3	1,045,588,220.72	890,508,132.92
Administrative expenses	4	445,186,095.66	432,066,700.89
R&D expenses	5	860,072,434.06	809,279,317.22
Financial expenses	6	-17,488,438.76	-37,966,060.26
Including: Interest expenses	6	28,384,141.56	33,170,102.05
Interest income	6	16,512,032.57	13,176,958.60
Add: Other income	7	60,120,089.01	66,264,351.33
Investment income (or less: losses)	8	-3,504,843.76	-32,625,966.33
Including: Investment income from associates and joint ventures	8	-9,782,339.81	-3,806,190.10
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)	9	-10,099,353.10	-23,881,330.47
Credit impairment loss	10	28,214,492.40	-25,088,386.86
Assets impairment loss	11	-137,208,398.87	-117,141,414.11
Gains on asset disposal (or less: losses)	12	330,155,867.41	3,309,480.04
III. Operating profit (or less: losses)		380,158,265.10	504,615,954.72
Add: Non-operating revenue	13	1,795,020.58	2,126,365.27
Less: Non-operating expenditures	14	18,674,578.73	15,353,899.31
IV. Profit before tax (or less: total loss)		363,278,706.95	491,388,420.68
Less: Income tax expenses	15	86,484,579.11	128,774,678.73
V. Net profit (or less: net loss)		276,794,127.84	362,613,741.95
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		276,794,127.84	362,613,741.95
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		429,639,626.26	539,570,083.23
2. Net profit attributable to non-controlling shareholders (or less: net loss)		-152,845,498.42	-176,956,341.28
VI. Other comprehensive income after tax	16	11,713,075.31	9,419,617.42
Items attributable to the owners of the parent company		11,043,585.59	8,720,202.35
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		11,043,585.59	8,720,202.35
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve		11,043,585.59	8,720,202.35
7. Others			
Items attributable to non-controlling shareholders		669,489.72	699,415.07
VII. Total comprehensive income		288,507,203.15	372,033,359.37
Items attributable to the owners of the parent company		440,683,211.85	548,290,285.58
Items attributable to non-controlling shareholders		-152,176,008.70	-176,256,926.21
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.45	0.56
(II) Diluted EPS (yuan per share)		0.45	0.56

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.

Parent company income statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	5,284,040,896.97	5,617,920,195.62
Less: Operating cost	1	3,137,436,774.72	3,223,745,965.23
Taxes and surcharges		57,400,633.30	52,456,127.29
Selling expenses		948,185,541.62	791,386,646.71
Administrative expenses		262,568,546.86	294,153,655.29
R&D expenses	2	533,493,644.63	398,847,568.53
Financial expenses		-110,998,520.52	-124,565,713.13
Including: Interest expenses		27,935,765.38	32,441,975.78
Interest income		9,330,678.56	112,631,571.13
Add: Other income		53,642,572.82	39,593,840.40
Investment income (or less: losses)	3	-7,967,040.68	-3,627,301.71
Including: Investment income from associates and joint ventures		-9,782,339.81	-3,806,190.10
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)		1,770,200.00	-9,025,758.24
Credit impairment loss		-89,170,046.78	-68,339,910.91
Assets impairment loss		-55,251,414.85	-34,137,112.49
Gains on asset disposal (or less: losses)		330,252,158.54	3,384,514.04
II. Operating profit (or less: losses)		689,230,705.41	909,744,216.79
Add: Non-operating revenue		1,435,043.15	1,777,326.63
Less: Non-operating expenditures		17,238,950.52	13,599,509.54
III. Profit before tax (or less: total loss)		673,426,798.04	897,922,033.88
Less: Income tax expenses		62,889,651.86	99,143,175.35
IV. Net profit (or less: net loss)		610,537,146.18	798,778,858.53
(I) Net profit from continuing operations (or less: net loss)		610,537,146.18	798,778,858.53
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not to be reclassified subsequently to profit or loss			
1. Remeasurements of the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
VI. Total comprehensive income		610,537,146.18	798,778,858.53
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.  
Consolidated cash flow statement for the year ended December 31, 2023  
*(Expressed in Renminbi Yuan)*

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		7,693,353,637.20	7,934,717,885.55
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling fees and commissions			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		369,121,910.67	392,117,632.04
Other cash receipts related to operating activities	2 (1)	173,042,753.68	101,514,072.62
Subtotal of cash inflows from operating activities		8,235,518,301.55	8,428,349,590.21
Cash payments for goods purchased and services received		4,587,945,101.65	4,878,460,645.00
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling fees and commissions			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		967,759,472.28	906,910,920.76
Cash payments for taxes and rates		532,174,734.51	736,676,510.59
Other cash payments related to operating activities	2 (2)	1,513,327,829.77	1,385,698,023.83
Subtotal of cash outflows from operating activities		7,601,207,138.21	7,907,746,100.18
Net cash flows from operating activities		634,311,163.34	520,603,490.03
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments	1 (1)	191,787,567.16	438,503,829.80
Cash receipts from investment income		777,342.87	1,754,910.54
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		174,476,876.29	7,196,104.92
Net cash receipts from the disposal of subsidiaries & other business units			9,124,332.24
Other cash receipts related to investing activities	2 (3)	901,718,844.04	1,032,025,549.07
Subtotal of cash inflows from investing activities		1,268,760,630.36	1,488,604,726.57
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	1 (2)	796,869,497.22	975,993,213.93
Cash payments for investments		208,750,229.65	357,383,735.21
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities	2 (4)	781,732,000.00	1,126,382,000.00
Subtotal of cash outflows from investing activities		1,787,351,726.87	2,459,758,949.14
Net cash flows from investing activities		-518,591,096.51	-971,154,222.57
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		55,055,038.00	402,241,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		55,055,038.00	402,241,000.00
Cash receipts from borrowings		600,000,000.00	650,000,000.00
Other cash receipts related to financing activities	2 (5)		70,688,639.00
Subtotal of cash inflows from financing activities		655,055,038.00	1,122,929,639.00
Cash payments for the repayment of borrowings		600,000,000.00	725,890,000.00
Cash payments for distribution of dividends or profits and for interest expenses		193,848,560.07	351,998,977.28
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		1,933,744.69	904,773.21
Other cash payments related to financing activities	2 (6)	2,636,261.52	1,127,109.00
Subtotal of cash outflows from financing activities		796,484,821.59	1,079,016,086.28
Net cash flows from financing activities		-141,429,783.59	43,913,552.72
IV. Effect of foreign exchange rate changes on cash and cash equivalents		47,640,090.04	76,014,936.47
V. Net increase in cash and cash equivalents		21,930,373.28	-330,622,243.35
Add: Opening balance of cash and cash equivalents		1,437,909,266.91	1,768,531,510.26
VI. Closing balance of cash and cash equivalents		1,459,839,640.19	1,437,909,266.91

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## Zhejiang Medicine Co., Ltd.

Parent company cash flow statement for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	5,320,626,203.54	5,423,993,553.45
Receipts of tax refund	203,178,044.66	213,544,714.15
Other cash receipts related to operating activities	76,406,392.42	62,798,014.09
Subtotal of cash inflows from operating activities	5,600,210,640.62	5,700,336,281.69
Cash payments for goods purchased and services received	2,533,959,498.50	2,565,951,009.02
Cash paid to and on behalf of employees	598,841,743.35	615,471,521.71
Cash payments for taxes and rates	436,819,366.41	590,924,601.63
Other cash payments related to operating activities	1,236,160,627.74	989,704,572.16
Subtotal of cash outflows from operating activities	4,805,781,236.00	4,762,051,704.52
Net cash flows from operating activities	794,429,404.62	938,284,577.17
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments	6,487,439.92	23,583,755.29
Cash receipts from investment income	318,000.00	685,667.40
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	175,166,341.66	7,740,426.66
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	1,665,050,016.59	1,529,796,852.03
Subtotal of cash inflows from investing activities	1,847,021,798.17	1,561,806,701.38
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	178,058,903.39	203,611,504.01
Cash payments for investments	12,430,000.00	360,000,000.00
Net cash payments for the acquisition of subsidiaries & other business units		6,300,000.00
Other cash payments related to investing activities	2,172,550,000.00	1,823,335,410.40
Subtotal of cash outflows from investing activities	2,363,038,903.39	2,393,246,914.41
Net cash flows from investing activities	-516,017,105.22	-831,440,213.03
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowings	600,000,000.00	650,000,000.00
Other cash receipts related to financing activities		59,945,450.00
Subtotal of cash inflows from financing activities	600,000,000.00	709,945,450.00
Cash payments for the repayment of borrowings	600,000,000.00	680,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses	192,048,215.38	351,044,215.78
Other cash payments related to financing activities	1,292,850.00	
Subtotal of cash outflows from financing activities	793,341,065.38	1,031,044,215.78
Net cash flows from financing activities	-193,341,065.38	-321,098,765.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents	29,944,702.83	45,119,800.30
V. Net increase in cash and cash equivalents	115,015,936.85	-169,134,601.34
Add: Opening balance of cash and cash equivalents	809,367,201.82	978,501,803.16
VI. Closing balance of cash and cash equivalents	924,383,138.67	809,367,201.82

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.  
Consolidated statement of changes in equity for the year ended December 31, 2023  
(Expressed in Renminbi Yuan)

Items	Current period cumulative											Non-controlling interest	Total equity
	Equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of prior year	965,128,000.00				1,941,160,652.45	57,692,375.00	-5,274,168.68		1,586,460,146.22		4,830,099,602.34	449,977,190.03	9,709,859,047.36
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	965,128,000.00				1,941,160,652.45	57,692,375.00	-5,274,168.68		1,586,460,146.22		4,830,099,602.34	449,977,190.03	9,709,859,047.36
III. Current period increase (or less: decrease)	-153,000.00				64,238,787.31	-30,059,945.00	11,043,585.59		61,053,714.62		204,590,651.64	-94,298,961.63	276,534,722.53
(I) Total comprehensive income							11,043,585.59				429,639,626.26	-152,176,008.70	288,507,203.15
(II) Capital contributed or withdrawn by owners	-153,000.00				14,423,154.88	-1,292,850.00						55,055,038.00	70,618,042.88
1. Ordinary shares contributed by owners	-153,000.00				-1,190,340.00	-1,292,850.00						55,055,038.00	55,004,548.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					15,613,494.88								15,613,494.88
4. Others													
(III) Profit distribution						-567,332.50			61,053,714.62		-225,048,974.62	-1,933,744.69	-165,361,672.19
1. Appropriation of surplus reserve									61,053,714.62		-61,053,714.62		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners						-567,332.50					-163,995,260.00	-1,933,744.69	-165,361,672.19
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others					49,815,632.43	-28,199,762.50						4,755,753.76	82,771,148.69
IV. Balance at the end of current period	964,975,000.00				2,005,399,439.76	27,632,430.00	5,769,416.91		1,647,513,860.84		5,034,690,253.98	355,678,228.40	9,986,393,769.89

Legal representative:

Officer in charge of accounting:

Head of accounting department:

Zhejiang Medicine Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative											Non-controlling interest	Total equity
	Equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of prior year	965,128,000.00				1,692,469,431.52	59,976,676.48	-13,994,371.03		1,506,582,260.37		4,688,897,440.72	402,925,398.05	9,182,031,483.15
Add: Cumulative changes of accounting policies											2,204.24	1,110.40	3,314.64
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	965,128,000.00				1,692,469,431.52	59,976,676.48	-13,994,371.03		1,506,582,260.37		4,688,899,644.96	402,926,508.45	9,182,034,797.79
III. Current period increase (or less: decrease)					248,691,220.93	-2,284,301.48	8,720,202.35		79,877,885.85		141,199,957.38	47,050,681.58	527,824,249.57
(I) Total comprehensive income							8,720,202.35				539,570,083.23	-176,256,926.21	372,033,359.37
(II) Capital contributed or withdrawn by owners					31,248,607.51	59,945,450.00						402,241,000.00	373,544,157.51
1. Ordinary shares contributed by owners												402,241,000.00	402,241,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity					31,248,607.51								31,248,607.51
4. Others						59,945,450.00							-59,945,450.00
(III) Profit distribution						-2,253,075.00			79,877,885.85		-398,370,125.85	-904,773.21	-317,143,938.21
1. Appropriation of surplus reserve									79,877,885.85		-79,877,885.85		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners						-2,253,075.00					-318,492,240.00	-904,773.21	-317,143,938.21
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Current period appropriation													
2. Current period use													
(VI) Others					217,442,613.42	-59,976,676.48						-178,028,619.00	99,390,670.90
IV. Balance at the end of current period	965,128,000.00				1,941,160,652.45	57,692,375.00	-5,274,168.68		1,586,460,146.22		4,830,099,602.34	449,977,190.03	9,709,859,047.36

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Zhejiang Medicine Co., Ltd.

## Parent company statement of changes in equity for the year ended December 31, 2023

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	965,128,000.00				1,171,851,251.65	57,692,375.00			1,586,460,146.22	6,028,266,744.70	9,694,013,767.57
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	965,128,000.00				1,171,851,251.65	57,692,375.00			1,586,460,146.22	6,028,266,744.70	9,694,013,767.57
III. Current period increase (or less: decrease)	-153,000.00				26,156,594.24	-30,059,945.00			61,053,714.62	385,488,171.56	502,605,425.42
(I) Total comprehensive income										610,537,146.18	610,537,146.18
(II) Capital contributed or withdrawn by owners	-153,000.00				-7,160,538.80	-1,292,850.00					-6,020,688.80
1. Ordinary shares contributed by owners	-153,000.00				-1,190,340.00	-1,292,850.00					-50,490.00
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					-5,970,198.80						-5,970,198.80
4. Others											
(III) Profit distribution						-567,332.50			61,053,714.62	-225,048,974.62	-163,427,927.50
1. Appropriation of surplus reserve									61,053,714.62	-61,053,714.62	
2. Appropriation of profit to owners						-567,332.50				-163,995,260.00	-163,427,927.50
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others					33,317,133.04	-28,199,762.50					61,516,895.54
IV. Balance at the end of current period	964,975,000.00				1,198,007,845.89	27,632,430.00			1,647,513,860.84	6,413,754,916.26	10,196,619,192.99

Legal representative:

Officer in charge of accounting:

Head of accounting department:

# Zhejiang Medicine Co., Ltd.

## Parent company statement of changes in equity for the year ended December 31, 2023 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	965,128,000.00				1,116,521,048.66	59,976,676.48			1,506,582,260.37	5,627,858,012.02	9,156,112,644.57
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	965,128,000.00				1,116,521,048.66	59,976,676.48			1,506,582,260.37	5,627,858,012.02	9,156,112,644.57
III. Current period increase (or less: decrease)					55,330,202.99	-2,284,301.48			79,877,885.85	400,408,732.68	537,901,123.00
(I) Total comprehensive income										798,778,858.53	798,778,858.53
(II) Capital contributed or withdrawn by owners					27,395,343.80	59,945,450.00					-32,550,106.20
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity					27,395,343.80						27,395,343.80
4. Others						59,945,450.00					-59,945,450.00
(III) Profit distribution						-2,253,075.00			79,877,885.85	-398,370,125.85	-316,239,165.00
1. Appropriation of surplus reserve									79,877,885.85	-79,877,885.85	
2. Appropriation of profit to owners						-2,253,075.00				-318,492,240.00	-316,239,165.00
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others					27,934,859.19	-59,976,676.48					87,911,535.67
IV. Balance at the end of current period	965,128,000.00				1,171,851,251.65	57,692,375.00			1,586,460,146.22	6,028,266,744.70	9,694,013,767.57

Legal representative:

Officer in charge of accounting:

Head of accounting department:

## **Zhejiang Medicine Co., Ltd.**

### **Notes to Financial Statements**

For the year ended December 31, 2023

Monetary unit: RMB Yuan

#### **I. Company profile**

Zhejiang Medicine Co., Ltd. (the “Company”) was established under the document of approval numbered Zhe Zheng Wei [1997] No. 57 issued by Securities Commission of the People’s Government of Zhejiang Province. The Company was registered at Zhejiang Administration for Industry and Commerce on May 16, 1997 and headquartered in Shaoxing City, Zhejiang Province. The Company currently holds a business license with unified social credit code of 91330000142943469Q, with registered capital of 964,975,000.00 yuan, and total share of 964,975,000 shares (each with par value of one yuan), of which, 3,341,525 shares are restricted outstanding A shares, and 961,633,475 shares are unrestricted outstanding A shares. The Company’s shares were listed on the Shanghai Stock Exchange on October 21, 1999.

The Company belongs to pharmaceutical industry and is mainly engaged in the R&D, production and sales of drugs and life nutrition products, as well as drug distribution.

The financial statements were approved and authorized for issue by the 17<sup>th</sup> meeting of the ninth session of the Board of Directors dated April 25, 2024.

#### **II. Preparation basis of the financial statements**

##### **(I) Preparation basis**

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

##### **(II) Assessment of the ability to continue as a going concern**

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

#### **III. Significant accounting policies and estimates**

Important note: The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, depreciation of right-of-use assets, amortization of intangible assets, revenue recognition, etc., based on the Company’s actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, financial performance and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The functional currency of the Company and its domestic subsidiaries is Renminbi (RMB) Yuan, while the functional currency of subsidiaries engaged in overseas operations including Zmuc, Inc. is the currency of the primary economic environment in which they operate.

(V) Determination method and basis for selection of materiality

The Company prepares and discloses financial statements in compliance with the principle of materiality. The items disclosed in notes to the financial statements involving materiality judgements, determination method and basis for selection of materiality are as follows:

Disclosed items involving materiality judgements	Note No.	Determination method and basis for selection of materiality
Significant accounts receivable with provision for bad debts made on an individual basis	V (I) 3 (2)	Accounts receivable with single amount in excess of 0.3% of total assets are identified as significant accounts receivable.
Significant other receivables with provision for bad debts made on an individual basis	V (I) 6 (3) 2)	Other receivables with single amount in excess of 0.3% of total assets are identified as significant other receivables.
Significant construction in progress	V (I) 13 (2) 2)	Construction in progress with amount increased or decreased in excess of 0.5% of total assets are identified as significant construction in progress.
Significant cash flows from investing activities	V (III) 1	Cash flows from investing activities with single amount in excess of 3% of total assets are identified as significant cash flows from investing activities.
Significant subsidiaries, not wholly-owned subsidiaries	VII (IV)	Subsidiaries with total assets/total revenue/profit before tax in excess of 15% of the group's total assets/total revenue/profit before tax are identified as significant subsidiaries, significant not wholly-owned subsidiaries.
Significant events after the balance sheet date	XIV(I)	Events after the balance sheet date with single amount in excess of 0.3% of total assets are identified as significant events after the balance sheet date.

(VI) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VII) Judgement criteria for control and compilation method of consolidated financial statements

1. Judgement of control

An investor controls an investee if and only if the investor has all the following: (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the investor's returns.

2. Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VIII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the assets by the joint operation; and
- (5) its expenses, including its share of any expenses incurred jointly.

(IX) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for

payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(X) Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot exchange rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot exchange rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

(XI) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through

profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or in circumstances where the Company does not consider the financing components in contracts within one year, they are measured at the transaction price in accordance with “CASBE 14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company’s own credit risk shall be included into other comprehensive income, unless such

treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

a. the contractual rights to the cash flows from the financial assets expire; or

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt

with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items is included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions for derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

#### 4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;

(2) 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 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation

assumed in business combination, financial forecast developed using the Company's own data, etc.

## 5. Impairment of financial instruments

### (1) Measurement and accounting treatment of impairment of financial instruments

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments at fair value through other comprehensive income, leases receivable, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For leases receivable and accounts receivable resulting from transactions regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

#### 6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

#### (XII) Recognition criteria and accrual method for expected credit losses of receivables

##### 1. Receivables with expected credit losses measured on a collective basis using similar credit risk features

Categories	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Other receivables – Portfolio grouped with ages	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and expected credit loss rate of other

Categories	Basis for determination of portfolio	Method for measuring expected credit loss
		receivables, so as to calculate expected credit loss.

## 2. Comparison table of ages and expected credit loss rate of portfolio grouped with ages

Ages	Expected credit loss rate of accounts receivable (%)	Expected credit loss rate of other receivables (%)
Within 1 year (inclusive, the same hereinafter)	3.00	3.00
1-2 years	10.00	10.00
2-3 years	20.00	20.00
3-5 years	50.00	50.00
Over 5 years	100.00	100.00

Calculation method of ages of portfolios grouped with credit risk characteristics using age analysis method: ages of accounts receivable are calculated according to the principle of “first occurrence, first recovery”.

## 3. Recognition criteria for receivables with expected credit losses measured on an individual basis

For receivables whose credit risk is significantly different from that of portfolios, the Company accrues expected credit losses on an individual basis.

## (XIII) Inventories

### 1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials, supplies, etc. to be consumed in the production process or in the rendering of services.

### 2. Accounting method for dispatched inventories

Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

### 3. Inventory system

Perpetual inventory method is adopted.

### 4. Amortization method of low-value consumables and packages

#### (1) Low-value consumables

Low-value consumables are amortized with one-off method.

#### (2) Packages

Packages are amortized with one-off method.

### 5. Provision for inventory write-down

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable

value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value are determined separately and are compared with their costs to set the provision for inventory write-down to be made or reversed.

#### (XIV) Long-term equity investments

##### 1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

##### 2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying amount of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common

control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying amount of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquiree involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE 12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE 7 – Non-cash Assets Exchange”.

### 3. Subsequent measurement and recognition method of profit or loss

For a long-term equity investment with control relationship, it is accounted for with cost method; for a long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

### 4. Disposal of a subsidiary in stages resulting in the Company’s loss of control

#### (1) Judgement principles of “bundled transaction”

For disposal of a subsidiary in stages resulting in the Company’s loss of control, the Company determines whether it is a “bundled transaction” based on the agreement terms for each stage, disposal consideration obtained separately, object of the equity sold, disposal method, disposal time point, etc. If the terms, conditions and economic effect of each transaction meet one or more of the following conditions, these transactions are usually considered as a “bundled transaction”:

- 1) these transactions are entered into at the same time or in contemplation of each other;
- 2) these transactions form a single transaction designed to achieve an overall commercial effect;
- 3) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; and

4) one transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

(2) Accounting treatments of non-bundled transactions

1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 – Financial Instruments: Recognition and Measurement".

2) Consolidated financial statements

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is remeasured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

(3) Accounting treatment of bundled transaction

1) Stand-alone financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the carrying amount of long-term equity investments corresponding to the disposed investments is recognized as other comprehensive income at the stand-alone financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

2) Consolidated financial statements

Stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control over a subsidiary, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such

subsidiary.

(XV) Investment property

1. Investment property includes land use right of leased-out property and of property held for capital appreciation and buildings that have been leased out.
2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XVI) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	8-40	5	11.88-2.38
General equipment	Straight-line method	5-15	5	19.00-6.33
Special equipment	Straight-line method	5-15	5	19.00-6.33
Transport facilities	Straight-line method	6-12	5	15.83-7.92
Other equipment	Straight-line method	6	5	15.83

(XVII) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress is not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

Categories	Standards and time point of transferring construction in progress to fixed assets
Buildings and structures	When the designed usable conditions for production or office use are met
Machinery	When the design requirements or standards specified in the contract are met after installation and commissioning

(XVIII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the excess of the accumulative capital disbursements over the special borrowings by the capitalization rate of the general borrowing used.

(XIX) Biological assets

1. Biological assets refer to living animals and plants, which have a classification of consumptive biological assets, productive biological assets, and public welfare biological assets. Biological

assets are recognized only when: (1) the Company controls the asset as a result of past transactions or events; (2) it is probable that future economic benefits associated with the asset will flow to the Company; and (3) the fair value or cost of the asset can be measured reliably.

## 2. Depreciation method

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Fruit trees	Straight-line method	5	0	20

## (XX) Intangible assets

1. Intangible assets include land use right, office software, proprietary technology, etc. The initial measurement of intangible assets is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Useful life and determination basis	Amortization method
Land use right	40-50 years, statutory useful life	Straight-line method
Office software, etc.	10 years, estimated useful life	Straight-line method
Proprietary technology	10-20 years, estimated useful life	Straight-line method

## 3. Permitted scope of R&D costs

### (1) Employee benefits

Employee benefits include wages and salaries, basic endowment insurance premiums, basic medical insurance premiums, unemployment insurance premiums, occupational injuries premiums, maternity premiums and housing provident funds for the Company's R&D personnel, as well as labor costs for external R&D personnel.

If R&D personnel serve for multiple R&D projects at the same time, employee benefits are recognized based on their working hour records provided by the Company's administrative department, and proportionately allocated among different R&D projects.

If personnel directly engaged in R&D activities and external R&D personnel are engaged in non-R&D activities at the same time, the Company, based on their working hour records at different positions, allocates personnel costs actually incurred between R&D expenses and production and operating expenses using reasonable methods such as the ratio of actual working hours.

### (2) Direct input costs

Direct input costs refer to relevant expenses actually incurred by the Company for R&D activities, which include: 1) materials, fuel and power costs directly consumed by R&D activities; 2) development and manufacturing costs of molds and craft equipment used for intermediate tests and trial production, acquisition costs of samples and general testing methods that do not

constitute fixed assets, and inspection costs of trial production; and 3) operation and maintenance, adjustment, inspection, testing and repairing costs of instruments and equipment used for R&D activities.

### (3) Depreciation and amortization

Depreciation refers to the depreciation of instruments, equipment and in-use buildings used for R&D activities.

For instruments, equipment and in-use buildings both used for R&D activities and non-R&D activities, necessary records shall be kept on their usage, and depreciation actually incurred is allocated between R&D expenses and production and operating expenses in a reasonable manner based on the actual working hours, the usable area, etc.

Amortization of assets refers to the amortization of software, intellectual property, and non-patented technology (proprietary technology, licenses, design and calculation methods, etc.) used for R&D activities.

### (4) Design and testing expenses

Design expenses refer to expenses incurred for the conception, development and manufacturing of new products and techniques, design of processes, technical specifications, process specification formulation, operational characteristics, etc., including expenses incurred for creative design activities to obtain innovative, creative and breakthrough products.

Testing expenses include clinical trial fees for new drug development, on-site testing fees for exploration and production technologies, etc.

### (5) R&D outsourcing expenses

R&D outsourcing expenses refer to expenses incurred for R&D activities outsourced to other domestic or foreign organizations or individuals (outcomes of R&D activities are owned by the Company and closely related to the Company's main business operations).

### (6) Other expenses

Other expenses refer to expenses other than those mentioned above that are directly related to R&D activities, including technical books and materials fees, data translation fees, expert consultation fees, high-tech R&D insurance premiums, R&D outcomes search, demonstration, evaluation, appraisal and acceptance fees, intellectual property application, registration and agency fees, conference fees, business travelling fees, communication fees, etc.

4. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable

future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XXI) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, productive biological assets at cost model, right-of-use assets, intangible assets with finite useful lives, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is to be estimated. For goodwill recognized in business combination and intangible assets with indefinite useful lives, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related asset group or asset group portfolio.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

(XXII) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within the beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XXIII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following

steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the fair value of defined benefit plan assets from the present value of the defined benefit plan obligation as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of the period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

#### 4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

#### 5. Other long-term employee benefits

When other long-term employee benefits provided to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the cost of employee benefits arising from other long-term employee benefits as the followings: (1) service cost; (2) net interest on the net liability or net assets of other long-term employee benefits; and (3) changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

#### (XXIV) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

#### (XXV) Share-based payment

##### 1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

##### 2. Accounting treatment for settlements, modifications and cancellations of share-based payment plans

###### (1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service or fulfills certain performance conditions, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

###### (2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service or fulfills certain performance conditions, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

### (3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

### (XXVI) Revenue

#### 1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in

satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the customer obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payments for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the customer, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

## 2. Revenue measurement principle

(1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.

(2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.

(4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

### 3. Revenue recognition method

The Company is mainly engaged in production and sale of APIs and pharmaceutical preparations, which is a performance obligation satisfied at a point in time. Revenue from domestic sales is recognized when the Company has delivered goods to the designated address as agreed by contract and such delivered goods have been verified for acceptance by customers, and the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company.

Revenue from overseas sales is recognized when the Company has declared goods to the customs based on contractual agreements and goods have left the port, the amount of revenue from sales of products has been determined, and the Company has collected the payments or has obtained the right to the payments, and related economic benefits are highly probable to flow to the Company.

#### (XXVII) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

#### (XXVIII) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

#### 2. Government grants related to assets

Government grants related to assets are government grants with which the Company purchases, constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into

profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

### 3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

### 5. Policy interest subvention

In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

### (XXIX) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence indicating that it is probable that future taxable income will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (1) business combination; and (2) the transactions or items directly recognized in equity.

5. Deferred tax assets and deferred tax liabilities shall offset each other and be presented on a net basis when the following conditions are all met: (1) the Company has the legal right to settle off current tax assets against current tax liabilities; (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on either: 1) the same taxable entity; or 2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### (XXX) Leases

##### 1. The Company as the lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

##### (1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the initial measurement of the lease liabilities; 2) any lease payments made at or before the commencement date, less any lease incentives received; 3) any initial direct costs incurred by the lessee; and 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Company depreciates the right-of-use asset using the straight-line method. If it is reasonable to be certain that the ownership of the underlying asset can be acquired by the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

## (2) Lease liabilities

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: 1) actual fixed payments; 2) amounts expected to be payable under residual value guarantees; 3) an index or a rate used to determine lease payments; 4) assessment result or exercise of purchase option, extension option or termination option, the Company remeasures the lease liability based on the present value of lease payments after changes, and adjusts the carrying amount of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset is reduced to zero but there shall be a further reduction in the lease liability, the remaining amount shall be recognized into profit or loss.

## 2. The Company as the lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

### (1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

### (2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

### 3. Sale and leaseback

#### (1) The Company as the lessee

In accordance with the “CASBE 14 – Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the original carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

Otherwise, the Company continues the recognition of the transferred assets, and recognizes a financial liability equal to the amount of transfer income in accordance with the “CASBE 22 – Financial Instruments: Recognition and Measurement” at the same time.

#### (2) The Company as the lessor

In accordance with the “CASBE 14 – Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company accounts for the purchase of assets in accordance with other applicable standards, and accounts for the lease of assets in accordance with the “CASBE 21 – Leases”.

Otherwise, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the amount of transfer income in accordance with the “CASBE 22 – Financial Instruments: Recognition and Measurement”.

#### (XXXI) Work safety fund

The Company appropriates work safety fund in accordance with the “Circular on Management Measures on the Appropriation and Use of Work Safety Fund” (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management. Standard work safety fund is included in the cost or profit or loss, meanwhile accounted for under “special reserve”. When work safety fund is used as an expense, it is to offset special reserve directly. When work safety fund is qualified to be included in the cost of fixed assets, it is accounted for under “construction in progress” and transferred to fixed assets when related safety projects reach the designed useful conditions; meanwhile, the cost included in fixed assets is to offset “special reserve”, and accumulated depreciation shall be recognized at the same amount. Such fixed assets shall not be depreciated in future periods.

#### (XXXII) Segment reporting

Operating segments are determined based on the structure of the Company’s internal organization,

management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and
3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

(XXXIII) Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

(XXXIV) Changes in accounting policies arising from changes in CASBEs

The Company has adopted the regulations about accounting for sale and leaseback transactions in the “Interpretation of China Accounting Standards for Business Enterprises No. 17” issued by the Ministry of Finance since 2023. Such change in accounting policies has no impact on the Company’s financial statements.

**IV. Taxes**

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%, 9%, 6%, 0%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of lease income	1.2%, 12%
Urban maintenance and construction tax	Turnover tax actually paid	7%, 5%, 1%

Taxes	Tax bases	Tax rates
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%, 1%
Enterprise income tax	Taxable income	25%, 20%, 15%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Abbreviation	Income tax rate
Parent company		15%
Zhejiang Changhai Pharmaceuticals Co., Ltd.	Changhai Pharmaceuticals Company	15%
Zhejiang Novus Pharmaceuticals Co., Ltd.	Novus Pharmaceuticals Company	15%
Shanghai Laiyi Center for Biopharmaceutical R&D Co., Ltd.	Shanghai Laiyi Company	15%
Zhejiang Zhongxian Biotechnology Co., Ltd.	Zhongxian Biotechnology Company	15%
Zhejiang Keming Biopharmaceuticals Co., Ltd.	Keming Biopharmaceuticals Company	15%
Hangzhou Laiyi Logistics Co., Ltd.	Laiyi Logistics Company	20%
Xinchang Laiyi Ecological Agriculture Development Co., Ltd.	Laiyi Agriculture Company	20%
Xinchang Acipenser and Huso Biotechnology Co., Ltd.	Acipenser and Huso Biotechnology Company	20%
Zhejiang Delixin Enterprise Management Co., Ltd.	Delixin Company	20%
Zhejiang New Novus Trading Co., Ltd.	New Novus Company	20%
Zhejiang Changbei Biology Co., Ltd.	Changbei Biology Company	25%
Zhejiang Laiyi Import and Export Co., Ltd.	Laiyi Import and Export Company	25%
Zhejiang Laiyi Investment Co., Ltd.	Laiyi Investment Company	25%
Zhejiang SLTH Technology Co., Ltd.	SLTH Company	25%
Zhejiang Laiyi Medicine Co., Ltd.	Laiyi Medicine Company	25%
Shanghai Vital Health Management Co., Ltd.	Shanghai Vital Company	25%
NovoCodex Biopharmaceuticals Co., Ltd.	NovoCodex Company	25%
Zhejiang Fangyuanxin Biopharmaceutical Co., Ltd.	Fangyuanxin Company	25%
ZMC-Europe GmbH		Profit tax shall be levied according to the laws of the place of registration
ZMUC, Inc.		Profit tax shall be levied according to the laws of the place of registration
Other overseas companies		Profit tax shall be levied according to the laws of the place of registration

Taxpayers	Abbreviation	Income tax rate
Taxpayers other than the above-mentioned		25%

(II) Tax preferential policies

1. In December 2023, the Company passed the review of high-tech enterprises and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Department of Science and Technology of Zhejiang Province, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service of State Taxation Administration. The certificate number is GR202333011136, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2023 to December 31, 2025. The enterprise income tax of the Company is levied at a reduced rate of 15% in 2023.

2. Pursuant to the “Announcement on the VAT Extra Deductions Policy for Advanced Manufacturing Enterprises” issued by the Ministry of Finance and the State Taxation Administration in September 2023 (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 43), from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to enjoy an 5% extra deduction of creditable input VAT for the current period from their VAT payable. The Company and subsidiaries including Novus Pharmaceuticals Company, Changhai Pharmaceuticals Company and Zhongxian Biotechnology Company are advanced manufacturing enterprises, and are allowed to enjoy an 5% extra deduction of creditable input VAT for the current period from their VAT payable of relevant businesses.

3. Pursuant to the “Announcement on the Filing of High-tech Enterprises Accredited by Zhejiang Provincial Accreditation Agency in 2022”, the subsidiary Changhai Pharmaceuticals Company passed the review of high-tech enterprise in December 2022, and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Department of Science and Technology of Zhejiang Province, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service of State Taxation Administration. The certificate number is GR202233010575, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2022 to December 31, 2024. The enterprise income tax of Changhai Pharmaceuticals Company is levied at a reduced rate of 15% in 2023.

4. In December 2023, the subsidiary Novus Pharmaceuticals Company passed the review of high-tech enterprises, and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Department of Science and Technology of Zhejiang Province, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service of State Taxation Administration. The certificate number is GR202333012174, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2023 to December 31, 2025. The enterprise income tax of Novus Pharmaceuticals Company is levied at a reduced rate of 15% in 2023.

5. In November 2021, the subsidiary Shanghai Laiyi Company passed the review of high-tech enterprises and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, and Shanghai Municipal Tax Service of State Taxation Administration. The certificate number is GR202131001274, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2021 to December 31, 2023. The enterprise income tax of Shanghai Laiyi Company is levied at a reduced rate of 15% in 2023.

6. In December 2021, the subsidiary Zhongxian Biotechnology Company was accredited as a high-tech enterprise, and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Department of Science and Technology of Zhejiang Province, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service of State Taxation Administration. The certificate number is GR202133007047, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2021 to December 31, 2023. The enterprise income tax of Zhongxian Biotechnology Company is levied at a reduced rate of 15% in 2023.

7. In December 2023, the subsidiary Keming Biopharmaceuticals Company was accredited as a high-tech enterprise, and obtained the “High-tech Enterprise Certificate” jointly approved and issued by Department of Science and Technology of Zhejiang Province, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Tax Service of State Taxation Administration. The certificate number is GR202333002425, with a valid period of three years. The enterprise income tax preferential period is from January 1, 2023 to December 31, 2025. The enterprise income tax of Keming Biopharmaceuticals Company is levied at a reduced rate of 15% in 2023.

8. Pursuant to the “Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementation of Preferential Income Tax Policies for Small Enterprises With Meager Profit” (Cai Shui [2022] No. 13) and the “Announcement of the Ministry of Finance and the State Taxation Administration on Tax Policies for Further Supporting Development of Small Enterprises With Meager Profit and Individually-owned Businesses” (Cai Shui [2023] No. 12), the preferential policy under which the enterprise income tax of small enterprises with meager profit is levied at 20% based on 25% of taxable income will be extended until December 31, 2027. The subsidiaries Laiyi Agriculture Company, Acipenser and Huso Biotechnology Company, Delixin Company, Laiyi Logistics Company and New Novus Company, etc. are small enterprises with meager profit and enjoy the above-mentioned preferential policies for enterprise income tax in 2023.

9. Pursuant to the “Notice of the Ministry of Finance and the State Taxation Administration on Issuing the Scope of Primary Processing of Agricultural Products Under Preferential Policies for Enterprise Income Tax (Trial)” (Cai Shui [2008] No. 149), the “Supplementary Notice of the Ministry of Finance and the State Taxation Administration on the Scope of Primary Processing of Agricultural Products Under Preferential Policies for Enterprise Income Tax” (Cai Shui [2011] No.

26), and the “Announcement on Preferential Policies for Enterprise Income Tax in Agriculture, Forestry, Animal Husbandry and Fishery Projects” (Announcement of the State Taxation Administration [2011] No. 48), the subsidiary Laiyi Agriculture Company is eligible to enjoy the preferential policy of exemption from enterprise income tax for income from the primary processing business of agricultural products.

10. Pursuant to the “Announcement of the Ministry of Finance and the State Taxation Administration on Clarifying the Policies on VAT Reduction and Exemption for Small-scale Taxpayers” (Announcement of the Ministry of Finance and the State Taxation Administration [2023] No. 1), from January 1, 2023 to December 31, 2023, taxpayers in the productive service industry are allowed to allowed to enjoy an 5% extra deduction of creditable input VAT for the current period from their VAT payable. The subsidiary SLTH Company is allowed to enjoy an 5% extra deduction of creditable input VAT for the current period from its VAT payable of relevant businesses.

## V. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand	135,377.15	83,589.76
Cash in bank	1,459,394,962.85	1,437,296,651.75
Other cash and bank balances	496,300.19	697,025.40
Total	1,460,026,640.19	1,438,077,266.91
Including: Deposited overseas	54,309,465.52	82,379,848.86

(2) Details on cash and bank balances with restrictions

Items	Closing balance	Opening balance
ETC deposits	187,000.00	168,000.00
Subtotal	187,000.00	168,000.00

2. Held-for-trading financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	328,310,303.37	447,293,242.84
Including: Structured deposits	150,000,000.00	270,000,000.00
Fund investment	64,031,595.01	57,069,743.29
Financial products	50,000,000.00	40,703,131.60
Share investment	30,253,924.56	33,558,756.54

Items	Closing balance	Opening balance
Trust investment	15,202,933.78	15,202,933.78
Asset management plan	18,821,850.02	30,758,677.63
Total	328,310,303.37	447,293,242.84

### 3. Accounts receivable

#### (1) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	1,282,292,964.06	1,333,015,340.95
1-2 years	7,948,846.88	3,505,408.41
2-3 years	1,501,099.47	1,477,487.29
3-5 years	4,008,822.13	3,341,368.51
Over 5 years	428,136.67	434,476.36
Total	1,296,179,869.21	1,341,774,081.52

#### (2) Provision for bad debts

##### 1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,066,810.48	0.31	4,066,810.48	100.00	
Receivables with provision made on a collective basis	1,292,113,058.73	99.69	39,882,755.20	3.09	1,252,230,303.53
Total	1,296,179,869.21	100.00	43,949,565.68	3.39	1,252,230,303.53

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	2,024,264.41	0.15	2,024,264.41	100.00	
Receivables with provision made on a collective basis	1,339,749,817.11	99.85	41,775,850.46	3.12	1,297,973,966.65
Total	1,341,774,081.52	100.00	43,800,114.87	3.26	1,297,973,966.65

##### 2) No significant accounts receivable with provision made on an individual basis in the current

period.

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	1,282,292,964.06	38,468,788.99	3.00
1-2 years	7,948,846.88	794,884.68	10.00
2-3 years	1,055,141.21	211,028.24	20.00
3-5 years	816,106.58	408,053.29	50.00
Subtotal	1,292,113,058.73	39,882,755.20	3.09

(3) Changes in provision for bad debts

1) Details

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for bad debts made on an individual basis	2,024,264.41	2,221,746.86	-179,200.79			4,066,810.48
Receivables with provision for bad debts made on a collective basis	41,775,850.46	-1,893,095.26				39,882,755.20
Total	43,800,114.87	328,651.60	-179,200.79			43,949,565.68

2) No significant provisions collected or reversed in the current period.

(4) Details of the top 5 debtors with largest balances of accounts receivable

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Customer A	141,855,148.67	10.94	4,255,654.46
Customer B	47,899,675.57	3.70	1,436,990.27
Customer C	22,396,935.14	1.73	671,908.05
Customer D	21,475,188.21	1.66	679,591.57
Customer E	21,420,000.00	1.65	642,600.00
Subtotal	255,046,947.59	19.68	7,686,744.35

4. Receivables financing

(1) Details

Items	Closing balance	Opening balance
Bank acceptance	167,121,689.07	202,546,429.96
Total	167,121,689.07	202,546,429.96

## (2) Endorsed or discounted but undue receivables financing at the balance sheet date

Items	Closing balance derecognized
Bank acceptance	282,362,493.53
Subtotal	282,362,493.53

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of relatively high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

## 5. Advances paid

## (1) Age analysis

Ages	Closing balance				Opening balance			
	Book balance	% to total	Provision for impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	91,538,697.43	97.35		91,538,697.43	85,534,760.23	98.83		85,534,760.23
1-2 years	2,106,801.12	2.24		2,106,801.12	595,874.69	0.69		595,874.69
2-3 years	78,739.03	0.08		78,739.03	71,872.89	0.08		71,872.89
Over 3 years	307,483.46	0.33		307,483.46	344,784.44	0.40		344,784.44
Total	94,031,721.04	100.00		94,031,721.04	86,547,292.25	100.00		86,547,292.25

## (2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Supplier A	5,779,931.78	6.15
Supplier B	5,707,860.33	6.07
Supplier C	4,700,000.00	5.00
Supplier D	4,182,743.36	4.45
Supplier E	4,093,698.97	4.35
Subtotal	24,464,234.44	26.02

## 6. Other receivables

## (1) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Relocation compensations receivable	194,221,834.31	
Security deposits	32,219,613.71	80,651,728.33
Temporary borrowings	31,191,403.78	32,191,403.78
Export tax refund receivable	28,421,497.79	29,960,616.63

Nature of receivables	Closing balance	Opening balance
Temporary payments receivable	6,093,509.17	4,144,987.45
Others		1,787,482.29
Total	292,147,858.76	148,736,218.48

(2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	228,880,851.37	43,778,992.12
1-2 years	8,609,742.77	15,955,545.52
2-3 years	15,238,859.00	12,273,445.68
3-5 years	12,377,688.33	1,418,250.78
Over 5 years	27,040,717.29	75,309,984.38
Total	292,147,858.76	148,736,218.48

(3) Provision for bad debts

1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	31,191,403.78	10.68	18,102,375.95	58.04	13,089,027.83
Receivables with provision made on a collective basis	260,956,454.98	89.32	34,909,031.17	13.38	226,047,423.81
Total	292,147,858.76	100.00	53,011,407.12	18.15	239,136,451.64

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	148,736,218.48	100.00	81,382,723.23	54.72	67,353,495.25
Total	148,736,218.48	100.00	81,382,723.23	54.72	67,353,495.25

2) No significant other receivables with provision made on an individual basis in the current period.

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	260,956,454.98	34,909,031.17	13.38
Including: Within 1 year	228,880,851.37	6,866,425.53	3.00
1-2 years	3,609,742.77	360,974.27	10.00
2-3 years	238,859.00	47,771.80	20.00
3-5 years	1,186,284.55	593,142.28	50.00
Over 5 years	27,040,717.29	27,040,717.29	100.00
Subtotal	260,956,454.98	34,909,031.17	13.38

(4) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	1,313,369.77	1,595,554.55	78,473,798.91	81,382,723.23
Opening balance in the current period				
--Transferred to stage 2	-108,292.28	108,292.28		
--Transferred to stage 3		-23,885.90	23,885.90	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	5,661,348.04	-1,318,986.66	-32,706,304.59	-28,363,943.21
Provision recovered or reversed in the current period				
Provision written off in the current period			7,372.90	7,372.90
Other changes				
Closing balance	6,866,425.53	360,974.27	45,784,007.32	53,011,407.12
Provision proportion (%)	3.00	10.00	76.75	18.15

Division basis for three stages:

Stage 1 is where credit risk of other receivables with age within 1 year has not increased significantly since initial recognition.

Stage 2 is where credit risk of other receivables with age of 1-2 years has increased significantly since initial recognition, but such receivables are not considered credit-impaired.

Stage 3 is where other receivables with age over 2 years and with provision for bad debts made on

an individual basis are considered credit-impaired since initial recognition.

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Closing book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Shaoxing Paojiang Venture Construction & Development Ltd.	Relocation compensations receivable [Note 1]	194,221,834.31	Within 1 year	66.48	5,826,655.03
Zhejiang Laiyi Biotechnology Co., Ltd. (the "Laiyi Biotechnology Company")	Temporary borrowings	31,191,403.78	[Note 2]	10.68	18,102,375.95
Export tax refund receivable	Export tax refund receivable	28,421,497.79	Within 1 year	9.73	852,644.93
Shaoxing Binhai New City Management Committee	Security deposits	24,968,250.00	[Note 3]	8.55	24,698,250.00
Lunan New Time Bio-Tech Co., Ltd.	Security deposits	2,950,000.00	1-2 years	1.01	295,000.00
Subtotal		281,752,985.88		96.45	49,774,925.91

Note 1: Please refer to section XV (II) 1 of notes to the financial statements for details.

Note 2: It includes balance of 5,000,000.00 yuan with age of 1-2 years, balance of 15,000,000.00 yuan with age of 2-3 years, and balance of 11,191,403.78 yuan with age of 3-5 years.

Note 3: It includes balance of 540,000.00 yuan with age of 4-5 years and balance of 24,428,250.00 yuan with age over 5 years.

7. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	199,927,830.22	55,740.86	199,872,089.36	230,694,066.10	54,705.37	230,639,360.73
Work in process	760,051,024.41	91,329,929.99	668,721,094.42	633,751,428.97	66,500,018.97	567,251,410.00
Goods on hand	1,204,555,962.42	62,444,835.57	1,142,111,126.85	1,257,445,289.70	60,821,547.35	1,196,623,742.35
Total	2,164,534,817.05	153,830,506.42	2,010,704,310.63	2,121,890,784.77	127,376,271.69	1,994,514,513.08

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or transfer-out	Others	
Raw materials	54,705.37	1,035.49				55,740.86
Work in process	66,500,018.97	60,956,157.39		36,126,246.37		91,329,929.99
Goods on hand	60,821,547.35	50,928,890.90		49,305,602.68		62,444,835.57
Total	127,376,271.69	111,886,083.78		85,431,849.05		153,830,506.42

2) Determination basis of net realizable value and reasons for the reversal or transfer-out of provision for inventory write-down

Please refer to section III (XIII) 5 of notes to the financial statements for details on determination basis of net realizable value in the current period. Current decrease of provision for inventory write-down is due to transfer-out along with sales or use of inventories.

8. Other current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Input VAT to be credited	26,451,896.94		26,451,896.94	106,832,821.41		106,832,821.41
Prepaid enterprise income tax	23,396,447.48		23,396,447.48	13,792,937.44		13,792,937.44
Prepayments				28,665.53		28,665.53
Total	49,848,344.42		49,848,344.42	120,654,424.38		120,654,424.38

9. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	103,219,271.66	14,988,708.97	88,230,562.69	67,878,921.13		67,878,921.13
Total	103,219,271.66	14,988,708.97	88,230,562.69	67,878,921.13		67,878,921.13

(2) Details

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
ZMC-USA LLC	9,525,590.77				75,251.19	
Zhejiang Nachuang New Energy Co., Ltd.	38,176,335.44				-2,533,643.91	

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
(the “Nachuang New Energy Company”)						
Laiyi Biotechnology Company	20,176,994.92				-4,993,843.25	
Zhejiang Laiyimei Biopharmaceutical Co., Ltd. (the “Laiyimei Company”)			12,000,000.00		-2,330,103.84	
Total	67,878,921.13		12,000,000.00		-9,782,339.81	

(Continued)

Investees	Increase/Decrease				Closing balance	
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others [Note]	Carrying amount	Provision for impairment
ZMC-USA LLC					9,600,841.96	
Nachuang New Energy Company	33,317,133.04				68,959,824.57	
Laiyi Biotechnology Company			14,988,708.97	-194,442.70		14,988,708.97
Laiyimei Company					9,669,896.16	
Total	33,317,133.04		14,988,708.97	-194,442.70	88,230,562.69	14,988,708.97

Note: It refers to the recognition of unrealized profit offset under upstream transactions in the preceding period.

#### 10. Other non-current financial assets

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss	77,981,663.25	76,631,888.27
Including: Equity investments	77,981,663.25	76,631,888.27
Subtotal	77,981,663.25	76,631,888.27

#### 11. Investment property

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	108,236,455.78	11,069,721.69	119,306,177.47
Increase			
Decrease			
Closing balance	108,236,455.78	11,069,721.69	119,306,177.47

Items	Buildings and structures	Land use right	Total
Accumulated depreciation and amortization			
Opening balance	19,293,187.71	2,518,220.46	21,811,408.17
Increase	2,570,615.76	225,045.84	2,795,661.60
Accrual or amortization	2,570,615.76	225,045.84	2,795,661.60
Decrease			
Closing balance	21,863,803.47	2,743,266.30	24,607,069.77
Carrying amount			
Closing balance	86,372,652.31	8,326,455.39	94,699,107.70
Opening balance	88,943,268.07	8,551,501.23	97,494,769.30

## 12. Fixed assets

### (1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening balance	2,835,216,134.58	549,439,231.65	5,403,858,517.74	49,682,291.36	213,529,559.16	9,051,725,734.49
Increase	142,965,747.78	178,271,106.11	661,638,510.37	3,474,926.86	6,337,040.21	992,687,331.33
1) Acquisition	49,656.39	24,939,955.17	76,887,912.71	3,458,700.04	4,186,712.63	109,522,936.94
2) Transferred in from construction in progress	141,114,355.21	153,061,384.03	584,057,423.89		2,150,327.58	880,383,490.71
3) Translation reserve	1,801,736.18	269,766.91	693,173.77	16,226.82		2,780,903.68
Decrease	57,724,130.41	3,781,902.23	107,195,362.58	1,814,218.21	689,893.54	171,205,506.97
1) Disposal/ Scrapping	45,935,135.34	1,535,123.44	46,398,461.46	1,814,218.21	689,893.54	96,372,831.99
2) Transferred to construction in progress	11,788,995.07	2,246,778.79	60,796,901.12			74,832,674.98
Closing balance	2,920,457,751.95	723,928,435.53	5,958,301,665.53	51,343,000.01	219,176,705.83	9,873,207,558.85
Accumulated depreciation						
Opening balance	808,823,850.26	329,106,976.12	2,861,254,329.19	26,862,902.01	175,254,867.01	4,201,302,924.59
Increase	123,837,740.09	41,390,212.72	461,372,380.46	4,108,608.64	11,020,860.82	641,729,802.73
1) Accrual	123,357,893.26	41,282,101.12	461,088,991.99	4,106,446.44	11,020,860.82	640,856,293.63
2) Translation reserve	479,846.83	108,111.60	283,388.47	2,162.20		873,509.10
Decrease	22,145,573.90	2,825,079.47	63,906,095.77	1,605,599.60	654,180.44	91,136,529.18
1) Disposal/ Scrapping	18,492,856.18	1,133,652.02	36,775,533.23	1,605,599.60	654,180.44	58,661,821.47
2) Transferred to construction in progress	3,652,717.72	1,691,427.45	27,130,562.54			32,474,707.71
Closing balance	910,516,016.45	367,672,109.37	3,258,720,613.88	29,365,911.05	185,621,547.39	4,751,896,198.14
Provision for impairment						

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Opening balance	23,473,315.59	548,631.63	58,201,980.58	103,624.19	2,480.88	82,330,032.87
Increase						
Accrual						
Decrease	21,927,326.57	5,234.07	3,364,754.85	25,667.29		25,322,982.78
1) Disposal/ Scrapping	21,927,326.57	5,234.07	2,135,153.94	25,667.29		24,093,381.87
2) Transferred to construction in progress			1,229,600.91			1,229,600.91
Closing balance	1,545,989.02	543,397.56	54,837,225.73	77,956.90	2,480.88	57,007,050.09
Carrying amount						
Closing balance	2,008,395,746.48	355,712,928.60	2,644,743,825.92	21,899,132.06	33,552,677.56	5,064,304,310.62
Opening balance	2,002,918,968.73	219,783,623.90	2,484,402,207.97	22,715,765.16	38,272,211.27	4,768,092,777.03

(2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Buildings and structures	52,352,906.48	39,394,001.59		12,958,904.89	
General equipment	8,986,216.49	8,278,539.42		707,677.07	
Special equipment	99,277,750.85	90,124,368.57	61,427.38	9,091,954.90	
Other equipment	13,509,640.96	12,219,328.68		1,290,312.28	
Subtotal	174,126,514.78	150,016,238.26	61,427.38	24,048,849.14	

(3) Fixed assets leased out under operating leases

Items	Closing carrying amount
Buildings and structures	24,295,148.04
Subtotal	24,295,148.04

(4) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	745.53 million yuan	In progressing
Subtotal	745.53 million yuan	

13. Construction in progress

(1) Details

Items	Closing balance	Opening balance
Construction in progress	923,916,257.39	814,590,144.35
Construction materials	7,778,407.53	11,115,848.89
Total	931,694,664.92	825,705,993.24

(2) Construction in progress

1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Industrial park supporting projects	140,019,036.56		140,019,036.56	44,050,987.38		44,050,987.38
Novus Company high-end preparation project	114,284,742.43		114,284,742.43			
Life nutrition products plant phase II project	109,647,021.07		109,647,021.07			
Biological fermentation series products project with an annual output 1,400 tons	77,215,249.41		77,215,249.41	5,237,978.24		5,237,978.24
Carotenoids and vitamin products project with an annual output of 3,000 tons and supporting construction projects	67,190,524.42		67,190,524.42	183,816,477.24		183,816,477.24
Life nutrition products plant phase I project	74,448,462.32		74,448,462.32	24,083,594.38		24,083,594.38
Miglitol project of Changhai Pharmaceuticals Company with an annual output of 50 tons	58,469,911.19		58,469,911.19	58,227,183.21		58,227,183.21
PC project with an annual output of 40,000 tons	45,927,689.88		45,927,689.88	15,183,277.69		15,183,277.69
Newly-established polyunsaturated fatty acids project with an annual output of 5,000 tons	31,216,906.27		31,216,906.27	1,064,643.64		1,064,643.64
Teicolanin project of Changhai Pharmaceuticals Company with an annual output of 5 tons	29,515,007.61		29,515,007.61	28,146,652.04		28,146,652.04
Aseptic freeze-dried API project of Changhai Pharmaceuticals Company	27,097,588.95		27,097,588.95			
Food-grade synthetic VE green technical transformation project with an annual output of 5,000 tons	21,353,716.21		21,353,716.21			
331 upgrading and technical transformation project (CA2303) with an annual output of 5,000 tons	15,328,708.54		15,328,708.54			
Vitamin A and its derivatives products (feed grade) with an annual output of 9,800 tons	12,759,702.67		12,759,702.67	11,292,196.69		11,292,196.69
Recombinant humanized anti-HER2 monoclonal antibody-AS269 conjugate preparation industrialization project with an annual output of 600,000 bottles	8,684,869.01		8,684,869.01	6,190,839.16		6,190,839.16
VE precursors-2 supporting raw materials HP project with an annual output of 13,500 tons	967,492.93		967,492.93	1,306,713.42		1,306,713.42
Vancomycin hydrochloride project with an annual output of 60 tons				224,215,801.98		224,215,801.98
Nemofloxacin side chain				30,279,390.93		30,279,390.93

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
(MAP) project of Changhai Pharmaceuticals Company with an annual output of 20 tons						
Demethylaureomycin project with an annual output of 80T				22,139,742.50		22,139,742.50
Wastewater anaerobic treatment project				12,872,514.44		12,872,514.44
Health product integration project - production workshop project				9,307,362.09		9,307,362.09
Deep processing construction project with an annual output of 200 tons of thioketone co-products, 195 tons of acetic acid and 300 tons of refined sterol				15,399,088.37		15,399,088.37
Construction project with an annual output of 560 tons of high-end molecular materials and 265 tons of sodium nitrate				16,022,071.89		16,022,071.89
Green pharmaceutical and safety technology incubation base project				46,708,464.85		46,708,464.85
Piecemeal projects	89,789,627.92		89,789,627.92	59,045,164.21		59,045,164.21
Subtotal	923,916,257.39		923,916,257.39	814,590,144.35		814,590,144.35

## 2) Changes in significant projects

Projects	Budgets (in ten thousand yuan)	Opening balance	Increase	Transferred to fixed assets	Closing balance
Industrial park supporting projects	35,340.00	44,050,987.38	118,303,735.40	22,335,686.22	140,019,036.56
Novus Company high-end preparation project	21,330.00		114,284,742.43		114,284,742.43
Life nutrition products plant phase II project	11,780.00		109,647,021.07		109,647,021.07
Biological fermentation series products project with an annual output 1,400 tons	59,379.00	5,237,978.24	71,977,271.17		77,215,249.41
Life nutrition products plant phase I project	20,000.00	24,083,594.38	69,566,341.65	19,201,473.71	74,448,462.32
Carotenoids and vitamin products project with an annual output of 3,000 tons and supporting construction projects	22,948.00	183,816,477.24	64,971,171.87	181,597,124.69	67,190,524.42
Deep processing construction project with an annual output of 200 tons of thioketone co-products, 195 tons of acetic acid and 300 tons of refined sterol	8,000.00	15,399,088.37	55,669,972.87	71,069,061.24	
Green pharmaceutical and safety technology incubation base project	7,721.70	46,708,464.85	23,804,137.84	70,512,602.69	
Vancomycin hydrochloride project with an annual output of 60 tons	27,300.00	224,215,801.98	21,105,960.96	245,321,762.94	

Projects	Budgets (in ten thousand yuan)	Opening balance	Increase	Transferred to fixed assets	Closing balance
Nemofloxacin side chain (MAP) project of Changhai Pharmaceuticals Company with an annual output of 20 tons	8,200.00	30,279,390.93	53,724,002.60	84,003,393.53	
Subtotal		573,791,783.37	703,054,357.86	694,041,105.02	582,805,036.21

(Continued)

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in the current period	Annual capitalization rate (%)	Source of funds
Industrial park supporting projects	45.94	46.00				Other sources
Novus Company high-end preparation project	53.58	55.00				Other sources
Life nutrition products plant phase II project	93.08	94.00				Other sources
Biological fermentation series products project with an annual output 1,400 tons	13.00	15.00				Other sources
Life nutrition products plant phase I project	108.64	98.00				Other sources
Carotenoids and vitamin products project with an annual output of 3,000 tons and supporting construction projects	108.41	98.00				Other sources
Deep processing construction project with an annual output of 200 tons of thioketone co-products, 195 tons of acetic acid and 300 tons of refined sterol	88.84	100.00				Other sources
Green pharmaceutical and safety technology incubation base project	91.43	100.00				Other sources
Vancomycin hydrochloride project with an annual output of 60 tons	109.69	100.00				Other sources
Nemofloxacin side chain (MAP) project of Changhai Pharmaceuticals Company with an annual output of 20 tons	102.44	100.00				Other sources
Subtotal						

(3) Construction materials

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction materials	7,778,407.53		7,778,407.53	11,542,320.58	426,471.69	11,115,848.89
Total	7,778,407.53		7,778,407.53	11,542,320.58	426,471.69	11,115,848.89

14. Productive biological assets

Items	Planting industry	Total
Cost		
Opening balance	155,715.00	155,715.00
Increase		
Decrease		
Closing balance	155,715.00	155,715.00
Accumulated depreciation		
Opening balance	155,715.00	155,715.00
Increase		
Decrease		
Closing balance	155,715.00	155,715.00
Carrying amount		
Closing balance		
Opening balance		

15. Right-of-use assets

Items	Buildings and structures	Land	Total
Cost			
Opening balance	1,469,319.53	24,276,810.93	25,746,130.46
Increase			
Decrease			
Closing balance	1,469,319.53	24,276,810.93	25,746,130.46
Accumulated depreciation			
Opening balance	505,831.36	1,005,095.69	1,510,927.05
Increase	289,046.42	501,840.48	790,886.90
Accrual	289,046.42	501,840.48	790,886.90
Decrease			
Closing balance	794,877.78	1,506,936.17	2,301,813.95
Carrying amount			
Closing balance	674,441.75	22,769,874.76	23,444,316.51
Opening balance	963,488.17	23,271,715.24	24,235,203.41

## 16. Intangible assets

Items	Land use right	Proprietary technology	Office software, etc.	Total
Cost				
Opening balance	633,143,209.96	356,000,123.14	15,408,862.06	1,004,552,195.16
Increase	85,720,764.18		1,948,178.77	87,668,942.95
1) Acquisition	85,387,000.00		1,848,426.33	87,235,426.33
2) Translation reserve	333,764.18		99,752.44	433,516.62
Decrease	17,001,279.30		419,026.85	17,420,306.15
Disposal	17,001,279.30		419,026.85	17,420,306.15
Closing balance	701,862,694.84	356,000,123.14	16,938,013.98	1,074,800,831.96
Accumulated amortization				
Opening balance	104,273,798.13	144,941,936.35	7,660,306.03	256,876,040.51
Increase	15,106,623.73	64,514,883.60	1,183,577.13	80,805,084.46
1) Accrual	15,106,623.73	64,514,883.60	1,083,825.56	80,705,332.89
2) Translation reserve			99,751.57	99,751.57
Decrease	6,765,283.01		419,026.85	7,184,309.86
Disposal	6,765,283.01		419,026.85	7,184,309.86
Closing balance	112,615,138.85	209,456,819.95	8,424,856.31	330,496,815.11
Carrying amount				
Closing balance	589,247,555.99	146,543,303.19	8,513,157.67	744,304,016.85
Opening balance	528,869,411.83	211,058,186.79	7,748,556.03	747,676,154.65

## 17. Goodwill

### (1) Details

Investees or events resulting in goodwill	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Zhongxian Biotechnology Company	36,030,862.76	17,350,500.78	18,680,361.98	36,030,862.76	8,123,974.31	27,906,888.45
Total	36,030,862.76	17,350,500.78	18,680,361.98	36,030,862.76	8,123,974.31	27,906,888.45

### (2) Cost

Investees or events resulting in goodwill	Opening balance	Increase due to business combination in the current period	Decrease	Closing balance
			Disposal	
Zhongxian Biotechnology Company	36,030,862.76			36,030,862.76
Total	36,030,862.76			36,030,862.76

## (3) Provision for impairment

Investees or events resulting in goodwill	Opening balance	Increase	Decrease	Closing balance
		Accrual	Disposal	
Zhongxian Biotechnology Company	8,123,974.31	9,226,526.47		17,350,500.78
Total	8,123,974.31	9,226,526.47		17,350,500.78

## (4) Related information of asset groups or asset group portfolios which include goodwill

Asset groups or asset group portfolios	Composition of asset groups or asset group portfolios and its basis	Operating segment and its basis	Whether asset groups or asset group portfolios are consistent with those at acquisition date/at goodwill impairment testing date in previous years
Asset groups of Zhongxian Biotechnology Company	Related assets and liabilities of Zhongxian Biotechnology Company; independent operation can bring independent cash flows	Domestic production; the Company uses segments to manage the asset groups in the production and operation	Yes

## (5) Recoverable amount determined based on the present value of estimated future cash flows and specific determination method

Items	Carrying amount of asset groups or asset group portfolios which include goodwill	Recoverable amount	Provision for impairment
Asset groups of Zhongxian Biotechnology Company	365,226,526.47	356,000,000.00	9,226,526.47
Subtotal	365,226,526.47	356,000,000.00	9,226,526.47

(Continued)

Items	Forecast period	Parameters including revenue growth rate and gross margin for forecast period and their determination basis	Parameters including revenue growth rate and gross margin for stable period and their determination basis	Discount rate and its determination basis
Asset groups of Zhongxian Biotechnology Company	5 years	The compound growth rate of revenue is 79.73%-3.69% [Note], and the gross margin is 8.74%-22.74%, which are determined based on historical experience and forecast of market development	Growth rate for stable period is 0%, with revenue and cost remain stable after the forecast period; gross margin for stable period is 22.74%, with revenue and gross margin remain stable after the forecast period, and the gross margin for the stable period is basically consistent with that for the forecast period	10.30%; determined based on pre-tax weighted average cost of capital
Subtotal				

Note: As Zhongxian Biotechnology Company is in the capacity expansion period from 2024 to 2025, the revenue growth rate is relatively high.

18. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Pollution discharge rights	8,783,417.86		2,593,652.97		6,189,764.89
Decoration fees	70,823.69		44,730.96		26,092.73
Total	8,854,241.55		2,638,383.93		6,215,857.62

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Adjustment in expenses	284,489,511.17	43,087,998.57	225,722,839.75	34,195,034.60
Provision for impairment of assets	106,886,622.22	18,764,507.88	103,228,155.54	17,951,816.17
Unrealized profit from internal transactions	90,565,182.04	14,477,905.22	94,948,662.42	15,907,315.36
Restricted shares			27,395,343.80	4,109,301.57
Government grants	25,736,812.23	4,371,271.83	22,312,377.39	3,346,856.61
Changes in fair value of other non-current financial assets	9,375,200.00	1,406,280.00	11,145,400.00	1,671,810.00
Lease liabilities	623,067.12	155,766.78	895,799.94	223,949.99
Total	517,676,394.78	82,263,730.28	485,648,578.84	77,406,084.30

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of held-for-trading financial assets			8,015,720.56	2,003,930.14
Changes in fair value of other non-current financial assets			1,024,203.77	256,050.94
Right-of-use assets	567,405.42	141,851.36	856,465.92	214,116.47
Total	567,405.42	141,851.36	9,896,390.25	2,474,097.55

## (3) Deferred tax assets or liabilities after offset

Items	Closing balance		Opening balance	
	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset
Deferred tax assets	141,851.36	82,121,878.92		77,406,084.30
Deferred tax liabilities	141,851.36			2,474,097.55

## (4) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	295,516,488.33	232,087,458.81
Unrealized profit from internal transactions	18,184,395.85	18,137,662.05
Deductible losses	3,490,711,929.39	2,853,388,148.75
Total	3,804,412,813.57	3,103,613,269.61

## (5) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2024	1,254,710.43	1,562,564.69	
Year 2025		2,444,285.02	
Year 2026	42,791,679.66	52,380,629.97	
Year 2027	126,477,841.32	177,948,721.85	
Year 2028	253,254,934.84	242,159,638.46	
Year 2029	291,315,563.07	291,313,063.07	
Year 2030	515,923,559.43	515,235,110.35	
Year 2031	746,530,097.63	742,587,397.35	
Year 2032	867,624,228.46	827,756,737.99	
Year 2033	645,539,314.55		
Total	3,490,711,929.39	2,853,388,148.75	

## 20. Other non-current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for engineering and equipment	46,288,208.06		46,288,208.06	54,558,599.06		54,558,599.06
Prepayments for software	165,043.20		165,043.20	1,214,053.36		1,214,053.36
Total	46,453,251.26		46,453,251.26	55,772,652.42		55,772,652.42

21. Assets with title or use right restrictions

(1) Details on assets with restrictions at the balance sheet date

Items	Closing book balance	Closing carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	187,000.00	187,000.00	Frozen	ETC deposits
Total	187,000.00	187,000.00		

(2) Details on assets with restrictions at the beginning of the period

Items	Opening book balance	Opening carrying amount	Type of restrictions	Reasons for restrictions
Cash and bank balances	168,000.00	168,000.00	Frozen	ETC deposits
Total	168,000.00	168,000.00		

22. Short-term borrowings

Items	Closing balance	Opening balance
Credit borrowings - principal	200,000,000.00	50,000,000.00
Accrued interest	223,000.00	63,400.00
Total	200,223,000.00	50,063,400.00

23. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	20,328,976.51	32,561,801.43
Total	20,328,976.51	32,561,801.43

24. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Payments for materials	481,531,546.80	404,665,229.68
Payments for goods	242,172,460.82	265,254,754.54
Payments for engineering and equipment	406,117,163.99	358,744,722.66
Total	1,129,821,171.61	1,028,664,706.88

(2) No material closing balance with age over one year.

25. Contract liabilities

Items	Closing balance	Opening balance
Payments for goods received in advance	43,952,226.63	61,879,310.12
Total	43,952,226.63	61,879,310.12

## 26. Employee benefits payable

### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	171,797,100.95	900,472,472.02	902,989,065.64	169,280,507.33
Post-employment benefits - defined contribution plan	8,803,978.38	61,416,683.59	64,885,722.70	5,334,939.27
Total	180,601,079.33	961,889,155.61	967,874,788.34	174,615,446.60

### (2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	152,577,570.62	780,677,558.50	784,448,492.17	148,806,636.95
Employee welfare fund		41,618,458.61	41,618,458.61	
Social insurance premium	2,427,692.59	35,666,749.65	35,482,671.78	2,611,770.46
Including: Medicare premium	2,241,396.21	33,906,433.67	33,705,263.18	2,442,566.70
Occupational injuries premium	170,795.62	1,740,707.91	1,758,981.17	152,522.36
Maternity premium	15,500.76	19,608.07	18,427.43	16,681.40
Housing provident fund	43,743.10	30,436,700.64	30,435,723.04	44,720.70
Trade union fund and employee education fund	16,748,094.64	12,073,004.62	11,003,720.04	17,817,379.22
Subtotal	171,797,100.95	900,472,472.02	902,989,065.64	169,280,507.33

### (3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	8,515,423.63	59,374,705.68	62,738,179.19	5,151,950.12
Unemployment insurance premium	288,554.75	2,041,977.91	2,147,543.51	182,989.15
Subtotal	8,803,978.38	61,416,683.59	64,885,722.70	5,334,939.27

## 27. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	36,692,636.39	46,353,112.68
Enterprise income tax	11,881,811.96	21,746,401.65
Individual income tax withheld for tax authorities	497,174.48	381,858.42
Urban maintenance and construction tax	2,536,855.83	2,419,269.83
Housing property tax	24,141,266.21	23,055,758.35
Land use tax	12,399,321.65	7,414,936.57
Education surcharge	1,234,011.51	1,418,238.68
Local education surcharge	822,674.34	945,492.48

Items	Closing balance	Opening balance
Stamp duty, etc.	1,510,703.81	1,770,926.21
Total	91,716,456.18	105,505,994.87

## 28. Other payables

### (1) Details

Items	Closing balance	Opening balance
Dividend payable	29,971.18	29,971.18
Other payables	442,631,702.07	447,948,834.81
Total	442,661,673.25	447,978,805.99

### (2) Dividend payable

Items	Closing balance	Opening balance
Other public shares	29,971.18	29,971.18
Subtotal	29,971.18	29,971.18

### (3) Other payables

Items	Closing balance	Opening balance
Market development and promotion fees	280,207,130.80	230,130,447.65
Security deposits	100,269,894.68	119,807,276.64
Restricted shares	27,632,430.00	57,692,375.00
Temporary borrowings	8,000,000.00	8,000,000.00
Temporary receipts payable	602,908.05	3,691,596.15
Others	25,919,338.54	28,627,139.37
Subtotal	442,631,702.07	447,948,834.81

## 29. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year - credit borrowings	370,000,000.00	550,000,000.00
Accrued interest	374,700.00	637,300.00
Lease liabilities due within one year	300,223.25	275,856.54
Total	370,674,923.25	550,913,156.54

## 30. Other current liabilities

Items	Closing balance	Opening balance
Output VAT to be recognized	4,448,416.19	7,196,234.21
Total	4,448,416.19	7,196,234.21

### 31. Long-term borrowings

Items	Closing balance	Opening balance
Credit borrowings - principle	230,000,000.00	200,000,000.00
Accrued interest	222,800.00	186,500.00
Total	230,222,800.00	200,186,500.00

### 32. Lease liabilities

Items	Closing balance	Opening balance
Lease payments	353,362.90	671,406.79
Less: Unrecognized financing expenses	30,519.03	51,463.39
Total	322,843.87	619,943.40

### 33. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	54,112,127.39	37,508,953.00	7,463,028.16	84,158,052.23	Government allocation
Total	54,112,127.39	37,508,953.00	7,463,028.16	84,158,052.23	

### 34. Share capital

#### (1) Details

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Conversion of reserve to share	Others	Subtotal	
Total shares	965,128,000				-153,000	-153,000	964,975,000

#### (2) Other remarks

Pursuant to the “Proposal on Repurchase and Cancellation of the Restricted Shares Granted to Part of the Incentive Objects but not yet Unlocked and Adjustments on the Repurchase Price” deliberated and approved by the 12<sup>th</sup> meeting of the ninth session of the Board of Directors dated April 25, 2023, in 2023, the Company repurchased and cancelled 153,000 restricted shares granted to 17 resigned employees including Qi Ningbo but not yet unlocked, each with par value of one yuan, at a price of 8.45 yuan per share (share incentive grant price of 8.78 yuan per share, less cash dividend of 0.33 yuan per share in 2021), totaling 1,292,850.00 yuan. As a result, paid-in capital was decreased by 153,000.00 yuan, capital reserve - share premium was decreased by 1,190,340.00 yuan, and undistributed profit was increased by 50,490.00 yuan. The above-mentioned changes in share capital had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report (PCCPACVR [2023] 392) was issued thereon.

### 35. Capital reserve

#### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (share premium)	1,062,921,508.19	21,425,145.00	1,190,340.00	1,083,156,313.19
Other capital reserve	878,239,144.26	75,586,109.64	31,582,127.33	922,243,126.57
Total	1,941,160,652.45	97,011,254.64	32,772,467.33	2,005,399,439.76

#### (2) Other remarks

1) As the corresponding shares of the first unlocking period of the Company's restricted share incentive plan phase II were unlocked, the corresponding share-based payments of 21,425,145.00 yuan was transferred from other capital reserve to capital premium (share premium).

2) Capital premium (share premium) was decreased by 1,190,340.00 yuan. Please refer to section V (I) 34 of notes to the financial statements for details.

3) Other capital reserve was increased by 75,586,109.64 yuan due to the following events:

a. As the Company implemented the equity incentive plan in the current period, the equity-settled share-based payment expenses of 3,161,582.50 yuan corresponding to the first unlocking period were recognized.

b. As the Company's investee Nachuang New Energy Company increased its capital through introducing investors, the difference on the proportionate share of net assets of 33,317,133.04 yuan before and after the capital increase was included in capital reserve.

c. As non-controlling shareholder of the subsidiary NovoCodex Company paid the capital contribution, the difference on the proportionate share of net assets of 16,985,523.17 yuan before and after the capital contribution was included in capital reserve.

d. As the subsidiary NovoCodex Company implemented equity incentives, etc. in the current period, capital reserve was increased by 22,121,870.93 yuan based on the Company's holding proportion over NovoCodex Company due to the recognition of equity-settled share-based payment expenses in the current period.

4) Other capital reserve is decreased by 31,582,127.33 yuan due to the following events:

a. Due to the unlocking of the corresponding shares in the first unlocking period of the equity incentive plan implemented by the Company, the corresponding share-based payments of 21,425,145.00 yuan was transferred from other capital reserve to capital premium (share premium).

b. As the corresponding shares in the second unlocking period of the equity incentive plan implemented by the Company failed to meet the performance conditions in the current period, the equity-settled share-based payment expenses of 9,131,781.30 yuan accrued on corresponding shares in 2022 were reversed in the current period.

c. As the Company acquired 20% of equity of the subsidiary Shanghai Laiyi Company from its non-controlling shareholders, the difference of 93,777.74 yuan between the consideration of 430,000.00 yuan and the proportionate share of net assets was included in capital reserve.

d. As the subsidiary Delixin Company repurchased shares related to the employee stock ownership platform of Changhai Pharmaceuticals Company at the repurchase price of 171,500.00 yuan, the difference of 393,246.04 yuan between the price and the proportionate share of net assets was included in capital reserve.

e. As the subsidiary Changhai Pharmaceuticals Company amortized and recognized equity-settled share-based payment expenses of 1,840,356.80 yuan in the current period, and reversed share-based payment expenses of 2,464,822.76 yuan due to failure in meeting performance conditions, capital reserve was decreased by 538,177.25 yuan based on the Company's holding proportion over Changhai Pharmaceuticals Company.

### 36. Treasury shares

#### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Restricted shares	57,692,375.00		30,059,945.00	27,632,430.00
Total	57,692,375.00		30,059,945.00	27,632,430.00

#### (2) Other remarks

Treasury shares were decreased by 30,059,945.00 yuan in the current period due to the following events:

- 1) Treasury shares were decreased by 28,199,762.50 yuan due to the unlocking and listing for circulation of corresponding shares in the first unlocking period of the Company's equity incentive plan.
- 2) Treasury shares were decreased by 1,292,850.00 yuan due to the Company's repurchase and cancellation of 153,000 restricted shares of resigned personnel.
- 3) In the current period, treasury shares were decreased by 567,332.50 yuan due to the recognition of cash dividend of personnel with restricted shares not yet unlocked.

### 37. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative					Closing balance
		Current period cumulative before income tax	Less: OCI previously recognized but transferred to profit or loss in the current period	Less: Income tax expenses	Attributable to parent company after tax	Attributable to non-controlling shareholders after tax	
Items to be reclassified subsequently to profit or loss	-5,274,168.68	11,713,075.31			11,043,585.59	669,489.72	5,769,416.91
Including: Translation reserves	-5,274,168.68	11,713,075.31			11,043,585.59	669,489.72	5,769,416.91
Total	-5,274,168.68	11,713,075.31			11,043,585.59	669,489.72	5,769,416.91

### 38. Surplus reserve

#### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,136,603,395.64	61,053,714.62		1,197,657,110.26
Discretionary surplus reserve	449,856,750.58			449,856,750.58
Total	1,586,460,146.22	61,053,714.62		1,647,513,860.84

(2) Current increase of 61,053,714.62 yuan was due to the appropriation of the statutory surplus reserve at 10% of the net profit generated by the parent company in 2023.

### 39. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	4,830,099,602.34	4,688,897,440.72
Add: Increase due to adjustment (or less: decrease)		2,204.24
Opening balance after adjustment	4,830,099,602.34	4,688,899,644.96
Add: Net profit attributable to owners of the parent company	429,639,626.26	539,570,083.23
Less: Appropriation of statutory surplus reserve	61,053,714.62	79,877,885.85
Dividend payable on ordinary shares [Note]	163,995,260.00	318,492,240.00
Closing balance	5,034,690,253.98	4,830,099,602.34

Note: Pursuant to the shareholders' meeting of 2022, the Company decided to distribute cash dividend of 1.7 yuan per 10 shares to all shareholders based on the total share capital registered at the date of its implementation of equity distribution in the future, with cash dividend of 164,045,750.00 yuan actually distributed, and to withdraw cash dividend of 50,490.00 yuan corresponding to the 153,000 restricted RMB ordinary shares (A shares) repurchased from incentive objects in the current period. Please refer to section V (I) 34 (2) of notes to the financial

statements for details.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	7,762,034,335.22	5,235,009,431.80	8,072,577,571.61	5,261,603,719.61
Other operations	32,111,636.15	34,869,258.18	43,227,076.72	56,670,706.71
Total	7,794,145,971.37	5,269,878,689.98	8,115,804,648.33	5,318,274,426.32
Including: Revenue from contracts with customers	7,785,102,146.23	5,267,047,295.98	8,106,400,582.60	5,315,478,764.72

(2) Breakdown of revenue

1) Breakdown of revenue from contracts with customers by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
APIs	3,687,967,509.16	2,546,480,762.75	4,292,094,307.51	2,777,746,868.71
Pharmaceutical preparations	4,057,840,753.51	2,681,883,320.92	3,760,479,657.29	2,472,627,875.48
Others	39,293,883.56	38,683,212.31	53,826,617.80	65,104,020.53
Subtotal	7,785,102,146.23	5,267,047,295.98	8,106,400,582.60	5,315,478,764.72

2) Breakdown of revenue from contracts with customers by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	7,785,102,146.23	8,106,400,582.60
Subtotal	7,785,102,146.23	8,106,400,582.60

(3) Contract liabilities with opening balance of 49,762,613.76 yuan were carried over to revenue in the current period.

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	17,939,435.55	18,442,056.97
Education surcharge	9,562,209.32	10,760,086.41
Local education surcharge	6,374,806.16	7,173,390.95
Housing property tax	27,534,889.05	24,730,687.21
Land use tax	10,010,795.77	2,822,628.86

Items	Current period cumulative	Preceding period comparative
Stamp duty, etc.	7,006,421.85	5,934,059.72
Total	78,428,557.70	69,862,910.12

### 3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Market development and promotion fees	896,457,710.87	743,585,417.97
Employee benefits	60,298,835.88	63,342,489.91
Business entertainment expenses	34,296,084.09	33,680,338.19
Advertising and publicity expenses	21,254,707.92	19,593,099.41
Business travelling expenses	12,017,754.00	6,281,898.33
Others	21,263,127.96	24,024,889.11
Total	1,045,588,220.72	890,508,132.92

### 4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	238,208,691.64	215,197,385.87
Share-based payment expenses	10,580,159.64	26,010,937.53
Amortization and assets depreciation	80,103,886.46	85,801,291.88
Office expenses and business travelling expenses	42,753,954.98	43,136,061.36
Business entertainment expenses	18,132,808.87	14,209,253.14
Consultation fees	17,783,570.52	14,449,267.09
Repairing costs	9,377,179.93	10,380,242.37
Others	28,245,843.62	22,882,261.65
Total	445,186,095.66	432,066,700.89

### 5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	136,249,676.41	132,692,647.33
Share-based payment expenses	26,883,780.04	7,284,842.44
Direct inputs	315,083,749.78	272,092,713.47
Amortization and assets depreciation	120,330,789.01	148,238,197.03
Design and testing expenses	186,875,526.50	190,589,668.34
Other expenses related to R&D activities	56,602,952.47	44,095,281.45
Outsourced R&D expenses	18,045,959.85	14,285,967.16

Items	Current period cumulative	Preceding period comparative
Total	860,072,434.06	809,279,317.22

#### 6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	28,335,765.38	33,111,964.07
Amortization of unrecognized financing expenses	48,376.18	58,137.98
Less: Interest income	16,512,032.57	13,176,958.60
Gains and losses on foreign exchange	-36,585,432.73	-66,595,319.05
Others	7,224,884.98	8,636,115.34
Total	-17,488,438.76	-37,966,060.26

#### 7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to income	33,990,704.49	59,787,919.51	33,990,704.49
Government grants related to assets	7,463,028.16	4,970,116.00	
Refund of handling fees for withholding individual income tax	836,020.59	1,506,315.82	
VAT extra deductions	17,830,335.77		
Total	60,120,089.01	66,264,351.33	33,990,704.49

#### 8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-9,782,339.81	-3,806,190.10
Investment income from financial instruments	777,342.87	1,889,723.54
Investment income from disposal of financial instruments	-2,497,870.60	-39,061,200.86
Including: Financial assets classified as at fair value through profit or loss	-2,497,833.55	-39,061,200.86
Interest on discounting of notes	-37.05	
Investment income from disposal of long-term equity investments		2,564,646.09
Income from financial products	7,998,023.78	5,787,055.00
Total	-3,504,843.76	-32,625,966.33

9. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets	-13,634,273.87	-24,399,734.24
Other non-current financial assets	3,534,920.77	518,403.77
Total	-10,099,353.10	-23,881,330.47

10. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	28,214,492.40	-25,088,386.86
Total	28,214,492.40	-25,088,386.86

11. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-111,886,083.78	-109,017,439.80
Provision for impairment of long-term equity investments	-14,988,708.97	
Impairment loss of goodwill	-9,226,526.47	-8,123,974.31
Impairment loss of construction materials	-1,107,079.65	
Total	-137,208,398.87	-117,141,414.11

12. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	330,155,867.41	3,309,480.04	330,155,867.41
Total	330,155,867.41	3,309,480.04	330,155,867.41

13. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	124,182.42	672,996.15	124,182.42
Write-off of payables	893,770.44	939,153.55	893,770.44
Others	777,067.72	514,215.57	777,067.72
Total	1,795,020.58	2,126,365.27	1,795,020.58

#### 14. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	9,266,360.23	8,781,782.98	9,266,360.23
Losses on damage or retirement of non-current assets	6,707,414.43	5,349,068.83	6,707,414.43
Others	2,700,804.07	1,223,047.50	2,700,804.07
Total	18,674,578.73	15,353,899.31	18,674,578.73

#### 15. Income tax expenses

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	93,926,931.06	146,741,695.74
Deferred income tax expenses	-7,442,351.95	-17,967,017.01
Total	86,484,579.11	128,774,678.73

##### (2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	363,278,706.95	491,388,420.68
Income tax expenses based on tax rate applicable to the parent company	54,491,806.06	73,708,263.10
Effect of different tax rate applicable to subsidiaries	-14,086,458.03	-6,567,349.92
Effect of prior income tax reconciliation	14,374,354.29	738,237.86
Effect of non-taxable income	1,304,815.25	468,078.41
Effect of non-deductible costs, expenses and losses	28,885,403.38	33,337,468.01
Effect of utilization of deductible losses not previously recognized as deferred tax assets	-4,908,823.60	-42,163.40
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets in the current period	133,024,196.53	146,419,220.97
Effect of extra deductions of technology development expenses	-126,600,714.77	-119,287,076.30
Income tax expenses	86,484,579.11	128,774,678.73

#### 16. Other comprehensive income after tax

Please refer to section V (I) 37 of notes to the financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. Cash receipts or payments related to significant investing activities

(1) Cash receipts from withdrawal of investments

Items	Current period cumulative	Preceding period comparative
Share investment	114,465,684.87	141,576,551.32
Fund investment	64,869,499.86	204,032,866.73
Equity investment	6,487,439.92	23,631,051.91
Assets management plan	5,964,942.51	69,263,359.84
Subtotal	191,787,567.16	438,503,829.80

(2) Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets

Items	Current period cumulative	Preceding period comparative
Acquisition of construction in progress and fixed assets	709,634,070.89	857,400,669.94
Acquisition of intangible assets	87,235,426.33	106,402,403.99
Acquisition of pollution discharge rights		12,190,140.00
Subtotal	796,869,497.22	975,993,213.93

2. Other cash receipts or payments related to operating activities, investing activities and financing activities

(1) Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Government grants and refund of handling fees for withholding individual income tax	72,335,678.08	67,300,235.33
Withdrawal of land deposit	48,421,501.00	10,742,920.00
Interest income	16,512,032.57	13,052,536.68
Lease income	9,546,893.35	9,904,165.04
Receipt of temporary advance payments	24,555,810.52	
Others	1,670,838.16	514,215.57
Total	173,042,753.68	101,514,072.62

(2) Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Operating period expenses	1,501,360,665.47	1,332,469,761.31
Donation expenditures	9,266,360.23	8,781,782.98
Temporary payments		43,223,432.04
Others	2,700,804.07	1,223,047.50
Total	1,513,327,829.77	1,385,698,023.83

(3) Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Recovery of principal and interest of financial products at maturity	900,718,844.04	999,805,425.25
Recovery of temporary borrowings and interest	1,000,000.00	32,220,123.82
Total	901,718,844.04	1,032,025,549.07

(4) Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Purchase of financial products	781,732,000.00	1,121,382,000.00
Payments for temporary borrowings		5,000,000.00
Total	781,732,000.00	1,126,382,000.00

(5) Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Equity incentive payment		59,945,450.00
Temporary borrowings		8,000,000.00
Funds from termination of land lease		2,743,189.00
Total		70,688,639.00

(6) Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Cash expenditures for share repurchase	1,292,850.00	
Interest on intercompany call loans	400,000.00	400,000.00
Payments for acquisition of non-controlling interest in subsidiaries	601,500.00	406,000.00
Lease payments for lease of right-of-use assets recognized in the current period	341,911.52	321,109.00
Total	2,636,261.52	1,127,109.00

3. Supplementary information to the cash flow statement

Supplementary information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flows from operating activities:		
Net profit	276,794,127.84	362,613,741.95
Add: Provision for assets impairment	108,993,906.47	142,229,800.97
Depreciation of fixed assets, oil and gas assets, productive biological assets	643,256,881.81	600,858,390.41
Depreciation of right-of-use assets	790,886.90	795,733.62
Amortization of intangible assets	80,930,378.73	79,948,854.57

Supplementary information	Current period cumulative	Preceding period comparative
Amortization of long-term prepayments	2,638,383.93	3,749,707.13
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-330,155,867.41	-3,309,480.04
Fixed assets retirement loss (Less: gains)	6,583,232.01	4,676,072.68
Losses on changes in fair value (Less: gains)	10,099,353.10	23,881,330.47
Financial expenses (Less: gains)	-8,201,291.17	-33,549,638.92
Investment losses (Less: gains)	3,504,843.76	32,625,966.33
Decrease of deferred tax assets (Less: increase)	-4,463,334.85	2,116,815.34
Increase of deferred tax liabilities (Less: decrease)	-2,474,097.55	-18,642,297.55
Decrease of inventories (Less: increase)	-263,727,186.09	-330,704,440.80
Decrease of operating receivables (Less: increase)	-29,423,476.78	-161,983,289.17
Increase of operating payables (Less: decrease)	101,695,174.61	-218,049,409.41
Others	37,469,248.03	33,345,632.45
Net cash flows from operating activities	634,311,163.34	520,603,490.03
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	1,459,839,640.19	1,437,909,266.91
Less: Cash at the beginning of the period	1,437,909,266.91	1,768,531,510.26
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	21,930,373.28	-330,622,243.35

#### 4. Composition of cash and cash equivalents

##### (1) Details

Items	Closing balance	Opening balance
1) Cash	1,459,839,640.19	1,437,909,266.91
Including: Cash on hand	135,377.15	83,589.76

Items	Closing balance	Opening balance
Cash in bank on demand for payment	1,459,207,962.85	1,437,128,651.75
Other cash and bank balances on demand for payment	496,300.19	697,025.40
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	1,459,839,640.19	1,437,909,266.91

(2) Cash and bank balances not considered as cash and cash equivalents

Items	Closing balance	Opening balance	Reasons for not considered as cash and cash equivalents
ETC deposits	187,000.00	168,000.00	Frozen for ETC
Subtotal	187,000.00	168,000.00	

5. Changes in liabilities related to financing activities

Items	Opening balance	Increase		Decrease		Closing balance
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term borrowings	50,063,400.00	200,000,000.00	5,731,405.63	55,571,805.63		200,223,000.00
Long-term borrowings (including long-term borrowings due within one year)	750,823,800.00	400,000,000.00	22,204,359.75	572,430,659.75		600,597,500.00
Lease liabilities (including lease liabilities due within one year)	895,799.94		48,376.18	321,109.00		623,067.12
Other payables	8,000,000.00		400,000.00	400,000.00		8,000,000.00
Subtotal	809,782,999.94	600,000,000.00	28,384,141.56	628,723,574.38		809,443,567.12

6. Amount of endorsed commercial acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	697,596,216.50	795,336,010.57
Including: Payments for goods	475,942,601.20	636,820,914.85
Payments for acquisition of fixed assets and other long-term assets	221,653,615.30	158,515,095.72

(IV) Others

1. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			355,312,221.12
Including: USD	36,267,924.33	7.0827	256,874,827.65

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
EUR	12,525,116.23	7.8592	98,437,393.47
Accounts receivable			359,489,195.46
Including: USD	38,668,458.57	7.0827	273,877,091.51
EUR	10,893,233.91	7.8592	85,612,103.95
Accounts payable			17,162,853.15
Including: USD	33,412.86	7.0827	236,653.26
EUR	2,153,679.75	7.8592	16,926,199.89

## 2. Leases

### (1) The Company as the lessee

1) Please refer to section V (I) 15 of notes to the financial statements for details on right-of-use assets.

2) Please refer to section III (XXX) of notes to the financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are as follows:

Items	Current period cumulative	Preceding period comparative
Expense relating to short-term leases	10,609,635.06	13,498,725.46
Total	10,609,635.06	13,498,725.46

### 3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities	48,376.18	58,137.98
Total cash outflows related to leases	11,317,936.53	13,294,046.64

4) Please refer to section IX (II) of notes to the financial statements for details on maturity analysis of lease liabilities and related liquidity risk management.

### (2) The Company as the lessor

#### 1) Operating lease

##### a. Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	9,043,825.14	9,404,065.73

b. Assets leased out under operating leases

Items	Closing balance	December 31, 2022
Fixed assets	24,295,148.04	16,497,167.14
Intangible assets	4,111,744.44	4,184,485.56
Investment property	94,699,107.70	97,494,769.30
Subtotal	123,106,000.18	118,176,422.00

Please refer to section V (I) 12 of notes to the financial statements for details on fixed assets leased out under operating leases.

c. Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	December 31, 2022
Within 1 year	10,074,860.17	8,347,713.86
1-2 years	8,921,383.17	8,102,680.91
2-3 years	8,801,883.17	7,913,746.28
3-4 years	4,118,951.32	7,724,183.97
4-5 years	756,000.00	2,564,534.31
Total	32,673,077.83	34,652,859.33

**VI. R&D costs**

Items	Current period cumulative	Preceding period comparative
Employee benefits	136,249,676.41	132,692,647.33
Share-based payment expenses	26,883,780.04	7,284,842.44
Direct inputs	315,083,749.78	272,092,713.47
Depreciation and assets amortization	120,330,789.01	148,238,197.03
Design and testing expenses	186,875,526.50	190,589,668.34
Other expenses related to R&D activities	56,602,952.47	44,095,281.45
Outsourced R&D expenses	18,045,959.85	14,285,967.16
Total	860,072,434.06	809,279,317.22
Including: R&D costs to be expensed	860,072,434.06	809,279,317.22

**VII. Interest in other entities**

(I) Composition of the consolidation scope

1. The Company has brought 27 subsidiaries including Changhai Pharmaceuticals Company into the consolidation scope.

## 2. Basic information of subsidiaries

No.	Subsidiaries	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
1	Novus Pharmaceuticals Company	Shaoxing, Zhejiang	Manufacturing	62.87		Establishment
2	Changhai Pharmaceuticals Company [Note 1]	Shaoxing, Zhejiang	Manufacturing	80.93	5.33	Establishment
3	NovoCodex Company [Note 2]	Shaoxing, Zhejiang	Manufacturing	45.92	0.35	Establishment
4	Laiyi Agriculture Company	Xinchang, Zhejiang	Agriculture	100.00		Establishment
5	Acipenser and Huso Biotechnology Company [Note 3]	Xinchang, Zhejiang	Agriculture		100.00	Establishment
6	Laiyi Import and Export Company	Xinchang, Zhejiang	Trade	100.00		Establishment
7	Laiyi Medicine Company	Hangzhou, Zhejiang	Trade	100.00		Establishment
8	Laiyi Logistics Company [Note 4]	Hangzhou, Zhejiang	Transportation		100.00	Establishment
9	Shanghai Vital Company [Note 5]	Minhang, Shanghai	Trade		50.29	Establishment
10	Shanghai Laiyi Company	Minhang, Shanghai	R&D	90.00		Establishment
11	Laiyi Investment Company	Hangzhou, Zhejiang	Investment	66.50		Establishment
12	ZMC-Europe GmbH	Hamburg, Germany	Manufacturing	93.96		Establishment
13	Hong Kong Bochang Trading Co., Ltd.	Hong Kong SAR	Trade	100.00		Establishment
14	SLTH Company	Shaoxing, Zhejiang	Consulting service	100.00		Establishment
15	Fangyuanxin Company	Shaoxing, Zhejiang	Manufacturing	100.00		Establishment
16	Keming Biopharmaceuticals Company	Xinchang, Zhejiang	Manufacturing	100.00		Establishment
17	ZMUC, Inc.	USA	Trade	100.00		Establishment
18	ZMC-UK Co., Ltd.	UK	Trade	100.00		Establishment
19	NovoCodex, Inc. [Note 6]	USA	R&D		48.83	Establishment
20	Delixin Company	Shaoxing, Zhejiang	Business administration	100.00		Establishment
21	Shaoxing Liyan Biopharmaceutical Technology Partnership (LP) [Note 7]	Shaoxing, Zhejiang	Investment		53.13	Establishment
22	Shaoxing Lide Biopharmaceutical Technology Partnership (LP) [Note 8]	Shaoxing, Zhejiang	Investment		37.12	Establishment
23	Shaoxing Ligong Biopharmaceutical Partnership (LP) [Note 9]	Shaoxing, Zhejiang	Investment		40.79	Establishment
24	Changbei Biology Company	Shaoxing, Zhejiang	Manufacturing	100.00		Establishment
25	Zhejiang Kedao Biomedical Co., Ltd.	Xinchang, Zhejiang	Manufacturing	75.00		Establishment
26	Zhongxian Biotechnology Company	Shaoxing, Zhejiang	Manufacturing	100.00		Business combination not under common

No.	Subsidiaries	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
						control
27	New Novus Company [Note 10]	Shaoxing, Zhejiang	Trade		62.87	Establishment

Note 1: At the balance sheet date, the Company directly holds 80.93% of equity of Changhai Pharmaceuticals Company, and indirectly holds 5.33% of equity of Changhai Pharmaceuticals Company through the stock ownership platform controlled by its wholly-owned subsidiary Delixin Company. Therefore, the Company holds 86.26% of equity of Changhai Pharmaceuticals Company at the balance sheet date.

Note 2: At the balance sheet date, the Company directly holds 45.92% of equity of NovoCodex Company, and indirectly holds 0.35% of equity of NovoCodex Company through its subsidiary Laiyi Investment Company. Therefore, the Company holds 46.27% of equity of NovoCodex Company at the balance sheet date.

Note 3: Acipenser and Huso Biotechnology Company is a wholly-owned subsidiary invested by Laiyi Agriculture Company. At the balance sheet date, the Company directly holds 100% of equity of Laiyi Agriculture Company. Therefore, the Company indirectly holds 100% of equity of Acipenser and Huso Biotechnology Company.

Note 4: Laiyi Logistics Company is a wholly-owned subsidiary invested by Laiyi Medicine Company. At the balance sheet date, the Company directly holds 100% of equity of Laiyi Medicine Company. Therefore, the Company indirectly holds 100% of equity of Laiyi Logistics Company.

Note 5: Novus Pharmaceuticals Company holds 80% of equity of its subsidiary Shanghai Vital Company. At the balance sheet date, the Company holds 62.87% of equity of Novus Pharmaceuticals Company. Therefore, the Company indirectly holds 50.29% of equity of Shanghai Vital Company.

Note 6: NovoCodex, Inc. is a wholly-owned subsidiary invested by NovoCodex Company. At the balance sheet date, the Company holds 46.27% of equity of NovoCodex Company. Therefore, the Company indirectly holds 46.27% of equity of NovoCodex, Inc.

Note 7: Shaoxing Liyan Biopharmaceutical Technology Partnership (LP) (the “Liyan Partnership”) was invested by Delixin Company. At the balance sheet date, Delixin Company’s investment in Liyan Partnership accounted for 53.13% of the total amount of investment. Therefore, the Company indirectly holds 53.13% of equity of Liyan Partnership.

Note 8: Shaoxing Lide Biopharmaceutical Technology Partnership (LP) (the “Lide Partnership”) was invested by Delixin Company. At the balance sheet date, Delixin Company’s investment in

Lide Partnership accounted for 37.12% of the total amount of investment. Therefore, the Company indirectly holds 37.12% of equity of Lide Partnership.

Note 9: Shaoxing Ligong Biopharmaceutical Partnership (LP) (the “Ligong Partnership”) was invested by Delixin Company. At the balance sheet date, Delixin Company’s investment in Ligong Partnership accounted for 40.79% of the total amount of investment. Therefore, the Company indirectly holds 40.79% of the equity of Ligong Partnership.

Note 10: New Novus Company is a wholly-owned subsidiary invested by Novus Pharmaceuticals Company. At the balance sheet date, the Company holds 62.87% of equity of Novus Pharmaceuticals Company. Therefore, the Company indirectly holds 62.87% of equity of New Novus Company.

(2) Basis for the control of an investee while holding its half or less than half voting rights

1) Ligong Partnership and Lide Partnership are both equity incentive stock ownership platforms of Changhai Pharmaceuticals Company. The general partner is Delixin Company, a wholly-owned subsidiary of the Company. The incentive objects are limited partners and do not participate in daily management. Therefore, it is judged that the Company holds half or less than half voting rights but still has control over the investee.

2) The Company and its controlled subsidiary Laiyi Investment Company hold 46.27% of equity of NovoCodex Company in total, and other shareholders are dispersed, with the maximum holding proportion not exceeding 6.20%. Therefore, it is judged that the Company holds half or less than half voting rights but is still the actual controller of NovoCodex Company.

(II) Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Holding proportion (%)
New Novus Company	Investment and establishment	February 2023	2 million yuan	62.87

(III) Transactions resulting in changes in subsidiaries’ equity but without losing control

1. Changes in subsidiaries’ equity

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Changhai Pharmaceuticals Company	May 2023	86.18%	86.26%
NovoCodex Company	May 2023	48.87%	46.27%
Shanghai Laiyi Company	August 2023	70.00%	90.00%
Novus Pharmaceuticals Company	September 2023	62.22%	62.87%

2. Please refer to section V (I) 35 of notes to the financial statements for details on the effect of

transactions on non-controlling interest and equity attributable to parent company.

(IV) Significant not wholly-owned subsidiaries

1. Details

Subsidiaries	Holding proportion of non-controlling shareholders	Non-controlling shareholders' profit or loss	Dividend declared to non-controlling shareholders	Closing balance of non-controlling interest
Changhai Pharmaceuticals Company	13.74%	-14,292,818.51		-45,683,871.56
Novus Pharmaceuticals Company	37.13%	-12,753,721.70	1,933,744.69	240,349,608.61
ZMC-Europe GmbH	6.04%	-2,833,835.97		10,092,013.30
Laiyi Investment Company	33.50%	-6,745,639.23		9,008,177.58
NovoCodex Company	53.73%	-116,190,581.27		141,858,622.79

2. Main financial information of significant not wholly-owned subsidiaries

(1) Assets and liabilities

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Changhai Pharmaceuticals Company	372,836,127.86	1,196,875,953.37	1,569,712,081.23	1,865,259,041.17	36,923,800.00	1,902,182,841.17
Novus Pharmaceuticals Company	122,868,852.53	575,845,066.23	698,713,918.76	77,938,404.68	3,320,000.00	81,258,404.68
ZMC-Europe GmbH	311,125,807.00	35,291,760.00	346,417,567.00	179,339,552.58		179,339,552.58
Laiyi Investment Company	179,485,438.33	48,210,851.92	227,696,290.25	200,483,364.06	322,843.87	200,806,207.93
NovoCodex Company	297,039,522.67	61,771,241.91	358,810,764.58	80,953,986.61	10,091,705.87	91,045,692.48

(Continued)

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Changhai Pharmaceuticals Company	295,941,595.24	1,141,291,697.92	1,437,233,293.16	1,640,586,620.78	24,800,000.00	1,665,386,620.78
Novus Pharmaceuticals Company	210,700,370.19	508,183,975.74	718,884,345.93	59,470,220.76	800,000.00	60,270,220.76
ZMC-Europe GmbH	447,693,804.86	35,764,904.32	483,458,709.18	280,252,301.43		280,252,301.43
Laiyi Investment Company	178,206,539.28	44,167,148.98	222,373,688.26	172,253,328.49	3,094,040.95	175,347,369.44
NovoCodex Company	361,108,013.35	70,715,943.04	431,823,956.39	34,624,509.82	6,006,000.00	40,630,509.82

## (2) Profit or loss and cash flows

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changhai Pharmaceuticals Company	331,710,755.03	-103,692,966.36	-103,692,966.36	-125,004,006.08
Novus Pharmaceuticals Company	187,946,134.94	-39,224,866.40	-39,224,866.40	8,467,075.61
ZMC-Europe GmbH	645,772,364.07	-46,915,483.89	-36,128,393.33	-52,663,552.88
Laiyi Investment Company	184,309.24	-20,136,236.50	-20,136,236.50	-5,351,760.75
NovoCodex Company	47,169.81	-194,211,515.38	-194,181,274.19	-135,586,340.49

(Continued)

Subsidiaries	Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Changhai Pharmaceuticals Company	261,750,855.73	-174,262,471.81	-174,262,471.81	-81,754,612.02
Novus Pharmaceuticals Company	150,831,253.22	-79,706,115.82	-79,706,115.82	7,711,375.13
ZMC-Europe GmbH	948,654,641.25	51,356,052.98	51,356,052.98	-35,338,084.11
Laiyi Investment Company	185,549.01	-43,101,165.97	-43,101,165.97	-11,182,654.09
NovoCodex Company	106,603.77	-234,901,623.61	-233,989,428.61	-223,072,366.29

## (V) Interest in joint ventures or associates

## 1. Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/ Current period cumulative	Opening balance/ Preceding period comparative
Associates		
Total carrying amount of investments	88,230,562.69	67,878,921.13
Proportionate shares in the following items		
Net profit	-9,782,339.81	-3,806,190.10
Other comprehensive income		
Total comprehensive income	-9,782,339.81	-3,806,190.10

## VIII. Government grants

### (1) Government grants increased in the current period

Items	Amount
Government grants related to assets	37,508,953.00
Including: Included into deferred income	37,508,953.00
Government grants related to income	33,990,704.49
Including: Included into other income	33,990,704.49
Total	71,499,657.49

### (II) Liabilities related to government grants

Items	Opening balance	Increase	Amount included into other income	Amount included into non-operating revenue
Deferred income	54,112,127.39	37,508,953.00	7,463,028.16	
Subtotal	54,112,127.39	37,508,953.00	7,463,028.16	

(Continued)

Items	Amount offsetting expenses	Amount offsetting assets	Other changes	Closing balance	Related to assets/Related to income
Deferred income				84,158,052.23	Related to assets
Subtotal				84,158,052.23	

### (III) Government grants included into profit or loss

Items	Current period cumulative	Preceding period comparative
Government grants included into other income	41,453,732.65	64,758,035.51
Total	41,453,732.65	64,758,035.51

## IX. Risks related to financial instruments

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

### (I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the

other party by failing to discharge an obligation.

## 1. Credit risk management practice

### (1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

### (2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- 1) significant financial difficulty of the debtor;
- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

## 2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss given default, and exposure to default risk. The Company develops a model of the probability of default, loss given default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g., counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V(I) 3 and 6 of notes to the financial statements for details on the reconciliation table of opening balance and closing balance of loss allowances of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31, 2023, 19.68% (December 31, 2022: 16.20%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings	800,820,500.00	822,532,250.00	585,790,000.00	236,742,250.00	
Notes payable	20,328,976.51	20,328,976.51	20,328,976.51		

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Accounts payable	1,129,821,171.61	1,129,821,171.61	1,129,821,171.61		
Other payables	442,661,673.25	442,661,673.25	442,661,673.25		
Lease liabilities (including lease liabilities due within one year)	623,067.12	671,406.82	330,742.28	340,664.54	
Subtotal	2,394,255,388.49	2,416,015,478.19	2,178,932,563.65	237,082,914.54	

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings	800,887,200.00	819,658,571.53	618,572,460.42	201,086,111.11	
Notes payable	32,561,801.43	32,561,801.43	32,561,801.43		
Accounts payable	1,028,664,706.88	1,028,664,706.88	1,028,664,706.88		
Other payables	447,978,805.99	447,978,805.99	447,978,805.99		
Lease liabilities (including lease liabilities due within one year)	895,799.94	1,099,552.16	321,109.00	664,888.31	113,554.85
Subtotal	2,310,988,314.24	2,329,963,437.99	2,128,098,883.72	201,750,999.42	113,554.85

### (III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

#### 1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest rates. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring. The Company's interest risk in cash flows relates mainly to bank borrowings with floating interest rate. As of December 31, 2023, balance of borrowings with interest accrued at floating interest rate totaled 250 million yuan (December 31, 2022: 500 million yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

#### 2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to

foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 1 of notes to the financial statements for details on foreign currency financial assets and liabilities at the balance sheet date.

(IV) Financial assets transfer

1. Basic condition of financial assets transfer

Ways of financial assets transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Judgement basis of derecognition
Discounting	Bank acceptance	15,647.85	Derecognized	Non-recourse bank acceptance discounting
Subtotal		15,647.85		

2. Financial assets derecognized due to transfer

Items	Ways of financial assets transfer	Amount derecognized	Gains or losses related to derecognition
Receivables financing	Discounting	15,647.85	37.05
Subtotal		15,647.85	37.05

**X. Fair value disclosure**

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as at the balance sheet date			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement				
1. Held-for-trading financial assets and other non-current financial assets	126,487,573.63		279,804,392.99	406,291,966.62
Financial assets classified as at fair value through profit or loss	126,487,573.63		279,804,392.99	406,291,966.62
Share investment	30,253,924.56			30,253,924.56
Fund investment	64,031,595.01			64,031,595.01
Asset management plan	18,821,850.02			18,821,850.02
Equity investment	13,380,204.04		64,601,459.21	77,981,663.25
Trust and financial products			215,202,933.78	215,202,933.78
2. Receivables financing			167,121,689.07	167,121,689.07
Total assets at recurring fair value measurement	126,487,573.63		446,926,082.06	573,413,655.69

(II) Basis for determining level 1 fair value at recurring and non-recurring fair value measurement

The equity instrument investments held by the Company refer to stocks of listed companies, which have quotations in the open market and are subject to level 1 fair value measurement.

(III) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair value measurement

As the operating environment, operating conditions and financial position of the investees have not changed significantly, the investment cost is considered as the reasonable estimate for fair value measurement.

## **XI. Related party relationships and transactions**

### (I) Related party relationships

#### 1. Parent company

##### (1) Details

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Xinchang Changxin Investment Development Co., Ltd.	Xinchang, Zhejiang	Industrial investment	69,256,100.00	21.65	21.65

(2) The Company's ultimate controlling party is natural person Li Chunbo.

2. Please refer to section VII of notes to the financial statements for details on the Company's subsidiaries.

#### 3. Associates of the Company

(1) Please refer to section VII of notes to the financial statements for details on the Company's associates.

Details of associates carrying out related party transactions with the Company in the current period or in the preceding period but with balance in the current period are as follows:

Associates	Relationships with the Company
ZMC-USA LLC	Associate
Laiyi Biotechnology Company	Associate
Laiyimei Company	Associate

### (II) Related party transactions

#### 1. Purchase and sale of goods, rendering and receiving of services

##### (1) Details

##### 1) Purchase of goods and receiving of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
Laiyi Biotechnology Company	Purchase of goods	26,939,315.82	27,845,046.49
Subtotal		26,939,315.82	27,845,046.49

2) Sale of goods and rendering of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
ZMC-USA LLC	Sale of goods	59,528,029.49	70,448,664.64
Laiyi Biotechnology Company	Sale of goods	20,900.18	19,269.56
	Rendering of technical services	479,377.35	133,918.49
Subtotal		60,028,307.02	70,601,852.69

2. Related party leases

Lessees	Types of assets leased	Lease income for the current period	Lease income for the preceding period
Laiyimei Company	Plant	28,899.08	

3. Call loans between related parties

Related parties	Opening balance	Increase	Decrease	Closing balance	Fund possession charge	Maturity date
Call loans due from related parties						
Laiyi Biotechnology Company	32,191,403.78		1,000,000.00	31,191,403.78		9/30/2023 [Note]

Note: The Company has been actively collecting the call loans.

4. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	33.9051 million	29.9964 million

(III) Balances due to or from related parties

1. Balances due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	ZMC-USA LLC	16,363,515.97	490,905.48	21,671,049.36	650,131.48
Accounts receivable	Laiyimei Company	28,899.08	866.97		
Accounts receivable	Laiyi Biotechnology Company	743,052.29	65,792.95	751,193.22	22,535.80
Advances paid	Laiyi Biotechnology Company	3,971,360.00			
Other receivables	Laiyi Biotechnology Company	31,191,403.78	18,102,375.95	32,191,403.78	6,519,101.89
Subtotal		52,298,231.12	18,659,941.35	54,613,646.36	7,191,769.17

2. Balances due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	Laiyi Biotechnology Company		1,463,661.46
Subtotal			1,463,661.46

## XII. Share-based payment

### (I) Overall information

Objects	Quantity and amount of equity instruments							
	Granted in the current period		Vested in the current period		Unlocked in the current period		Expired in the current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
495 incentive objects including Chu Zhenhua, etc.					3,337,250.00	28,199,762.50	153,000.00	1,292,850.00
Total					3,337,250.00	28,199,762.50	153,000.00	1,292,850.00

### (II) Equity-settled share-based payment

#### 1. Details

Determination method and key parameters of grant-date fair value of equity instruments	The closing price of the Company's shares on the day when the proposal is approved by the Board of Directors
Determination method for the number of equity instruments expected to vest	Statistics are carried out according to the latest changes in the number of employees with equity instruments expected to vest
Reasons for significant difference between the estimates in the current period and preceding period	Performance conditions are not achieved in the current period
Capital reserve accumulated due to equity-settled share-based payment	21,425,145.00

#### 2. Remarks on share-based payment of parent company

Pursuant to the "Proposal on Granting Restricted Shares to Incentive Objects" deliberated and approved by the sixth meeting of the ninth session of the Board of Directors held on February 15, 2022 under the authorization of the first extraordinary shareholders' meeting of 2022, it is agreed to take February 15, 2022 as the grant date and grant 6.83 million restricted shares to 495 incentive objects at the grant price of 8.78 yuan per share. In February 2022, the Company has received subscription totaling 59,945,450.00 yuan for 6.83 million restricted shares from all the 495 incentive objects. The actual receipt of the above-mentioned equity incentive payments had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 61 was issued thereon.

Pursuant to the Company's equity incentive plan, restricted shares are unlocked by two phases with unlocking proportion of 50% and 50% respectively after 12 months from the grant date when the unlocking conditions specified in the incentive plan are met. The details are as follows:

Time of unlocking	Performance conditions for unlocking	Unlocking proportion
From the first trading day after 12 months from the first grant date to the last trading day within 24 months from the grant date	Either of the following two conditions should be met: 1. Based on the average operating revenue in 2019 and 2020, the growth rate of operating revenue in 2022 is not less than 10%; or 2. Based on the average net profit in 2019 and 2020, the growth rate of net profit in 2022 is not less than 10%.	50%
From the first trading day after 24 months from the first grant date to the last trading day within 36 months from the grant date	Either of the following two conditions should be met: 1. Based on the average operating revenue in 2019 and 2020, the growth rate of operating revenue in 2023 is not less than 20%; or 2. Based on the average net profit in 2019 and 2020, the growth rate of net profit in 2023 is not less than 20%.	50%

If the Company fails to meet the above performance conditions, the restricted shares of all incentive objects that are scheduled to be unlocked in the corresponding assessment year shall not be unlocked, and shall be repurchased and cancelled by the Company in accordance with the principles stipulated in the incentive plan, and shall not be deferred to the next period for unlocking.

Under the premise of achieving the performance conditions at the company level, the performance assessment results at the individual level of the incentive object in the previous assessment year should reach “passed”.

Pursuant to the “Proposal on Repurchase and Cancellation of the Restricted Shares Granted to Part of the Incentive Objects but not yet Unlocked and Adjustments on the Repurchase Price” deliberated and approved by the 12<sup>th</sup> meeting of the ninth session of the Board of Directors dated April 25, 2023, in 2023, the Company repurchased 153,000 restricted shares granted but not yet unlocked from 17 employees who resigned for individual reasons.

Pursuant to the “Proposal on the Achievement of Unlocking Conditions for the First Unlocking Period of the Company’s Restricted Share Incentive Plan Phase II” deliberated and approved by the 12<sup>th</sup> meeting of the ninth session of the Board of Directors dated April 25, 2023, in accordance with the provisions of the Company’s Restricted Equity Incentive Plan of 2022 and under the authorization of the Company’s first extraordinary shareholders’ meeting of 2022, unlocking conditions for the first unlocking period of the incentive plan have been achieved, and 3,337,250 restricted shares can be unlocked.

(III) Total share-based payments recognized in the current period

Objects	Equity-settled share-based payment	Cash-settled share-based payment
495 incentive objects including Chu Zhenhua, etc. (the first unlocking period)	3,161,582.50	
495 incentive objects including Chu Zhenhua, etc. (the second unlocking period – performance assessment conditions are not met)	-9,131,781.30	
Total	-5,970,198.80	

(IV) Others

1. Share-based payment of Changhai Pharmaceuticals Company

Pursuant to the “Proposal on the Implementation of Employee Equity Incentive Plan of the Subsidiary Changhai Pharmaceuticals Company” deliberated and approved by the tenth meeting of the eighth session of the Board of Directors of the Company in April 2020, employee incentives for Changhai Pharmaceuticals Company are implemented in the following ways: (1) the Company established a wholly-owned subsidiary Delixin Company as the management company of equity incentive for its subsidiaries. As a general partner, this management company established stock ownership platforms for incentive objects, i.e., Lide Partnership, Liyan Partnership and Ligong Partnership; (2) the stock ownership platforms acquired 12.6% of equity of Changhai Pharmaceuticals Company from the Company. The pricing of equity transfer was based on the appraised value of Changhai Pharmaceuticals Company and was determined to be 0.35 yuan for each partnership share. Stock options of Changhai Pharmaceuticals Company totaling 68.80 million shares were granted to 96 incentive objects, and 11.00 million shares were reserved.

(1) For 68.80 million shares initially granted: they will be vested in three phases at 30%, 35% and 35% respectively when the vesting conditions specified in the incentive plan are met. If the grant conditions are met, the management company will transfer the partnership share corresponding to its stock ownership platform to the incentive objects after confirmation, and the grant price of the shares allocated through assessment is consistent with the grant price of shares initially allocated. If the incentive objects or Changhai Pharmaceuticals Company fails to pass the assessment, the pre-granted shares for equity incentive will not be granted, and the total shares for equity incentive granted to incentive objects will be decreased accordingly.

(2) For reserved shares of 11.00 million shares: pursuant to the “Proposal on the Implementation of Employee Equity Incentive Plan of the Subsidiary Changhai Pharmaceuticals Company” deliberated and approved by the tenth meeting of the eighth session of the Board of Directors of the Company and the resolution of the Chairman’s Office Meeting of Changhai Pharmaceuticals Company dated April 8, 2021, Changhai Pharmaceuticals Company took April 8, 2021 as the grant date to grant 5.90 million stock options of the original reserved portion of Changhai

Pharmaceuticals Company to 48 incentive objects at a price of 0.35 yuan per share. The reserved portion of the granted equity is to be vested in two phases at proportion of 50% and 50% respectively when the vesting conditions specified in the incentive plan are met.

(3) As of December 31, 2023, a total of 72.31 million shares have been granted (0.49 million shares have been withdrawn due to the resignation of the incentive objects in the current period, and a total of 2.39 million shares have been accumulatively withdrawn). Meanwhile, Changhai Pharmaceuticals Company failed to meet the performance conditions of the final phase, i.e., “Changhai Pharmaceuticals Company shall achieve profitability by the end of June 2023”. Therefore, Changhai Pharmaceuticals Company reversed share-based payment expenses of the third phase of the initial grant and the second phase of the reserved portion in the current period. Changhai Pharmaceuticals Company accumulatively recognized the share-based payment expenses of 4,373,691.71 yuan (of which, share-based payment expenses of 624,465.96 yuan were reversed in the current period), with the accumulated amount of 3,769,334.99 yuan (of which, 538,177.25 yuan was reversed in the current period) included in capital reserve according to the holding proportion over Changhai Pharmaceuticals Company.

## 2. Share-based payment of NovoCodex Company

(1) Pursuant to the resolution of the shareholders’ meeting of NovoCodex Company dated August 5, 2021, NovoCodex Company was approved to implement the “Equity Incentive Plan”, and the incentive equity was derived from the equity of NovoCodex Company indirectly held by the stock ownership platform through the subscription of NovoCodex Company’s increased registered capital. Under the incentive plan, taking August 5, 2021 as the grant date, a total of 731,474 shares of NovoCodex Company were available for equity incentive with a grant price of 37 yuan per share. In 2021, NovoCodex Company had granted 400,000 shares to 24 incentive objects, and the remaining portion was reserved equity.

As of December 31, 2023, NovoCodex Company has fully granted the reserved portion of the equity to the relevant incentive objects. NovoCodex Company recognized share-based payment expenses of 41,335,532.79 yuan in the current period due to the aforementioned events relating to equity incentive.

(2) Some employees of NovoCodex Company indirectly acquired the corresponding equity of NovoCodex Company through acquiring equity of the stock ownership platforms Shaoxing Jingyi Biological Pharmaceutical Partnership (LP) and Shaoxing Guanyi Biological Pharmaceutical Partnership (LP). In accordance with the relevant provisions of “CASBE 11 – Share-based Payment”, NovoCodex Company recognized share-based payment expenses of 2,728,380.00 yuan in the current period.

Share-based payment expenses recognized by NovoCodex Company for the aforementioned events relating to share-based payment in the current period totaled 44,063,912.79 yuan, with

22,121,870.93 yuan included in capital reserve of the Company based on the holding proportion over NovoCodex Company.

### **XIII. Commitments and contingencies**

#### (I) Significant commitments

As of the balance sheet date, the Company has no significant commitments to be disclosed.

#### (II) Contingencies

As of the balance sheet date, the Company has no significant contingencies to be disclosed.

### **XIV. Events after the balance sheet date**

#### (I) Profit distribution after the balance sheet date

Profit or dividend planned to be distributed	144,245,662.50
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### **XV. Other significant events**

#### (I) Segment information

##### 1. Identification basis for reportable segments

Reportable segments are identified according to the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on geographic segments, revenue from main operations and costs of main operations are allocated between segments based on locations where sales are realized, and assets and liabilities are allocated based on locations of operating entities.

##### 2. Financial information of reportable segments

###### Geographic segment

Items	Domestic	Overseas	Inter-segment offsetting	Total
Operating revenue	5,633,187,188.66	3,068,729,006.92	907,770,224.21	7,794,145,971.37
Including: Revenue from contracts with customers	5,624,143,363.52	3,068,729,006.92	907,770,224.21	7,785,102,146.23
Operating cost	3,750,158,859.63	2,447,047,194.75	927,327,364.40	5,269,878,689.98
Total assets	12,671,740,291.92	540,728,013.62	432,928,549.33	12,779,539,756.21
Total liabilities	2,769,265,012.22	329,720,309.16	305,839,335.06	2,793,145,986.32

(II) Other significant transactions and events that may be influential for investors in decision-making

##### 1. Relocation of the vitamin factory

Due to the adjustment of the industrial layout of the region where the Company's vitamin factory was located, the tripartite agreement "Asset Acquisition Agreement of Zhejiang Medicine Co., Ltd." was entered into among the Company, Shaoxing Paojiang Venture Construction &

Development Co., Ltd. (the “Paojiang Venture”) and Shaoxing Yuecheng District Doumen Sub-district Office (the “Doumen Sub-district”) on April 21, 2023. The Agreement stipulated that Paojiang Venture should acquire the relevant assets of the Company’s vitamin factory located at 58 Shuangyan Road, Doumen Town, Yuecheng District, Shaoxing (Dinggang and Dongyan lot of Doumen Town, Paojiang, Shaoxing), including: land, housing property and other facilities. The total payment under the agreement was 400,997,335.00 yuan, and was agreed to be paid by three installments: 30% of the payment, i.e., 120,299,200.50 yuan, shall be made within 10 workdays after the agreement is signed and comes into effect and is reviewed and approved by the Doumen Sub-district; 20% of the payment, i.e., 80,199,467.00 yuan, shall be made after the transfer of all property right of real estates and the removal of right restrictions such as mortgage and seizure; the remaining 50% of the payment, i.e., 200,498,667.50 yuan, shall be made within 10 workdays after the submission of the “Building Vacancy Acceptance Receipt” before August 31, 2023. After deducting the cancelled payment for early vacancy and relocation awards of 562,717.00 yuan due to failure in early vacancy and relocation during the relocation progress, the Company was entitled to relocation compensations totaling 400,434,618.00 yuan in respect of such event.

As of December 31, 2023, the Company has registered such change on land use right and building (structure) ownership of the above relocation land, and obtained the “Building Vacancy Acceptance Receipt” signed by the three parties. As of December 31, 2023, the Company had received relocation compensations totaling 200,498,667.50 yuan; and the remaining compensations of 193,936,128.50 yuan had been collected in January 2024. As the 35 KV double-circuit electric subscriber number involved in the relocation has not yet been transferred, the corresponding relocation compensations of 5,999,822.00 yuan has not been recognized.

## **XVI. Notes to items of parent company financial statements**

### (I) Notes to items of parent company balance sheet

#### 1. Accounts receivable

##### (1) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	943,569,975.12	1,060,793,563.77
1-2 years	1,632,147.21	1,117,439.65
2-3 years	68,198.12	707,916.07
3-5 years	906,819.33	891,698.63
Total	946,177,139.78	1,063,510,618.12

(2) Provision for bad debts

1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	906,819.33	0.10	906,819.33	100.00	
Receivables with provision made on a collective basis	945,270,320.45	99.90	28,483,953.60	3.01	916,786,366.85
<b>Total</b>	<b>946,177,139.78</b>	<b>100.00</b>	<b>29,390,772.93</b>	<b>3.11</b>	<b>916,786,366.85</b>

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	891,698.63	0.08	891,698.63	100.00	
Receivables with provision made on a collective basis	1,062,618,919.49	99.92	32,077,134.08	3.02	1,030,541,785.41
<b>Total</b>	<b>1,063,510,618.12</b>	<b>100.00</b>	<b>32,968,832.71</b>	<b>3.10</b>	<b>1,030,541,785.41</b>

2) No significant accounts receivable with provision made on an individual basis in the current period.

3) Accounts receivable with provision made on a collective basis using age analysis method

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	945,270,320.45	28,483,953.60	3.01
Including: Within 1 year	943,569,975.12	28,307,099.26	3.00
1-2 years	1,632,147.21	163,214.72	10.00
2-3 years	68,198.12	13,639.62	20.00
<b>Subtotal</b>	<b>945,270,320.45</b>	<b>28,483,953.60</b>	<b>3.01</b>

## (3) Changes in provision for bad debts

Items	Opening balance	Increase/Decrease				Closing balance
		Accrual	Recovery or reversal	Write-off	Others	
Receivables with provision for bad debts made on an individual basis	891,698.63	15,120.70				906,819.33
Receivables with provision for bad debts made on a collective basis	32,077,134.08		3,593,180.48			28,483,953.60
<b>Total</b>	<b>32,968,832.71</b>	<b>15,120.70</b>	<b>3,593,180.48</b>			<b>29,390,772.93</b>

## (4) Details of the top 5 debtors with largest balances of accounts receivable

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
ZMC-Europe GmbH	145,532,500.22	15.38	4,365,975.01
ZMUC, Inc.	132,370,067.67	13.99	3,971,102.03
Changhai Pharmaceuticals Company	91,001,820.78	9.62	2,730,054.62
Laiyi Import and Export Company	79,960,757.93	8.45	2,398,822.74
Laiyi Medicine Company	54,078,963.08	5.72	1,622,368.89
Subtotal	502,944,109.68	53.16	15,088,323.29

## 2. Other receivables

## (1) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Intercompany balances of subsidiaries	3,302,963,803.41	2,688,219,967.04
Relocation compensations receivable	194,221,834.31	
Temporary borrowings	31,191,403.78	32,191,403.78
Security deposits	30,563,500.00	36,216,100.00
Export tax refund	21,418,505.06	29,960,616.63
Temporary advance payment receivable	3,039,468.03	2,814,731.16
<b>Total</b>	<b>3,583,398,514.59</b>	<b>2,789,402,818.61</b>

## (2) Age analysis

Ages	Closing book balance	Opening book balance
Within 1 year	2,311,136,717.53	1,682,377,166.38
1-2 years	457,178,745.49	752,343,744.68
2-3 years	752,026,780.00	268,477,000.00

Ages	Closing book balance	Opening book balance
3-5 years	11,966,692.43	53,634,344.17
Over 5 years	51,089,579.14	32,570,563.38
Total	3,583,398,514.59	2,789,402,818.61

(3) Provision for bad debts

a. Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	31,191,403.78	0.87	18,102,375.95	58.04	13,089,027.83
Receivables with provision made on a collective basis	3,552,207,110.81	99.13	313,434,555.54	8.82	3,238,772,555.27
Total	3,583,398,514.59	100.00	331,536,931.49	9.25	3,251,861,583.10

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	2,789,402,818.61	100.00	238,788,824.93	8.56	2,550,613,993.68
Total	2,789,402,818.61	100.00	238,788,824.93	8.56	2,550,613,993.68

b. No significant other receivables with provision made on an individual basis in the current period.

c. Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	3,552,207,110.81	313,434,555.54	8.82
Including: Within 1 year	2,311,136,717.53	69,334,101.52	3.00
1-2 years	452,178,745.49	45,217,874.55	10.00
2-3 years	737,026,780.00	147,405,356.00	20.00
3-5 years	775,288.65	387,644.33	50.00
Over 5 years	51,089,579.14	51,089,579.14	100.00

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Subtotal	3,552,207,110.81	313,434,555.54	8.82

(4) Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	50,471,314.99	75,234,374.47	113,083,135.47	238,788,824.93
Opening balance in the current period				
--Transferred to stage 2	-13,565,362.36	13,565,362.36		
--Transferred to stage 3		-73,702,678.00	73,702,678.00	
--Reversed to stage 2				
--Reversed to stage 1				
Provision made in the current period	32,428,148.89	30,120,815.72	30,199,141.95	92,748,106.56
Provision recovered in the current period				
Provision reversed in the current period				
Provision written off in the current period				
Other changes				
Closing balance	69,334,101.52	45,217,874.55	216,984,955.42	331,536,931.49
Provision proportion (%)	3.00	10.00	26.46	9.25

Division basis for three stages:

Stage 1 is where credit risk of other receivables with age within 1 year has not increased significantly since initial recognition.

Stage 2 is where credit risk of other receivables with age of 1-2 years has increased significantly since initial recognition, but such receivables are not considered credit-impaired.

Stage 3 is where other receivables with age over 2 years and with provision for bad debts made on an individual basis are considered credit-impaired since initial recognition.

## (5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Changhai Pharmaceuticals Company	Intercompany balances of subsidiaries	1,630,907,664.76	[Note]	45.51	229,322,640.76
Keming Biopharmaceuticals Company	Intercompany balances of subsidiaries	522,000,000.00	Within 1 year	14.57	15,660,000.00
Fangyuanxin Company	Intercompany balances of subsidiaries	429,600,000.00	Within 1 year	11.99	12,888,000.00
Zhongxian Biotechnology Company	Intercompany balances of subsidiaries	284,000,000.00	Within 1 year	7.93	8,520,000.00
Laiyi Investment Company	Intercompany balances of subsidiaries	200,000,000.00	Within 1 year	5.58	6,000,000.00
Subtotal		3,066,507,664.76		85.58	272,390,640.76

Note: It includes balance of 420,600,000.00 yuan with age within 1 year, balance of 449,000,000.00 yuan with age of 1-2 years, balance of 736,878,780.00 yuan with age of 2-3 years, and balance of 24,428,884.76 yuan with age over 5 years.

## 3. Long-term equity investments

## (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,364,722,602.27	5,500,000.00	2,359,222,602.27	2,364,292,602.27	5,500,000.00	2,358,792,602.27
Investments in associates	92,115,061.25	3,884,498.56	88,230,562.69	56,580,268.02		56,580,268.02
Total	2,456,837,663.52	9,384,498.56	2,447,453,164.96	2,420,872,870.29	5,500,000.00	2,415,372,870.29

## (2) Investments in subsidiaries

Investees	Opening balance		Increase/ Decrease				Closing balance	
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Provision for impairment	Others	Carrying amount	Provision for impairment
Shanghai Laiyi Company	1,180,175.57	5,500,000.00	430,000.00				1,610,175.57	5,500,000.00
Hong Kong Bochang Trading Co., Ltd.	75,546.00						75,546.00	
Laiyi Medicine Company	360,000,000.00						360,000,000.00	
Laiyi Import and Export Company	10,000,000.00						10,000,000.00	

Investees	Opening balance		Increase/ Decrease				Closing balance	
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Provision for impairment	Others	Carrying amount	Provision for impairment
ZMC-Europe GmbH	55,933,700.00						55,933,700.00	
Novus Pharmaceuticals Company	653,084,743.58						653,084,743.58	
Changhai Pharmaceuticals Company	515,951,822.03						515,951,822.03	
NovoCodex Company	76,703,782.66						76,703,782.66	
Laiyi Investment Company	13,300,000.00						13,300,000.00	
Fangyuanxin Company	250,000,000.00						250,000,000.00	
Keming Biopharmaceuticals Company	150,000,000.00						150,000,000.00	
Laiyi Agriculture Company	4,550,000.00						4,550,000.00	
ZMUC, Inc.	26,514,000.00						26,514,000.00	
Delixin Company	21,000,000.00						21,000,000.00	
Zhongxian Biotechnology Company	165,000,000.00						165,000,000.00	
Changbei Biology Company	50,000,000.00						50,000,000.00	
SLTH Company	5,498,832.43						5,498,832.43	
Subtotal	2,358,792,602.27	5,500,000.00	430,000.00				2,359,222,602.27	5,500,000.00

(3) Investments in associates

Investees	Opening balance		Increase/Decrease			
	Carrying amount	Provision for impairment	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
ZMC-USA LLC	9,525,590.77				75,251.19	
Nachuang New Energy Company	38,176,335.44				-2,533,643.91	
Laiyi Biotechnology Company	8,878,341.81				-4,993,843.25	
Laiyimei Company			12,000,000.00		-2,330,103.84	
Total	56,580,268.02		12,000,000.00		-9,782,339.81	

(Continued)

Investees	Increase/Decrease				Closing balance	
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others	Carrying amount	Provision for impairment
ZMC-USA LLC					9,600,841.96	
Nachuang New Energy Company	33,317,133.04				68,959,824.57	
Laiyi Biotechnology Company			3,884,498.56			3,884,498.56
Laiyimei Company					9,669,896.16	
Total	33,317,133.04		3,884,498.56		88,230,562.69	3,884,498.56

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	5,077,297,690.05	2,918,966,913.96	5,407,630,275.52	2,987,973,501.98
Other operations	206,743,206.92	218,469,860.76	210,289,920.10	235,772,463.25
Total	5,284,040,896.97	3,137,436,774.72	5,617,920,195.62	3,223,745,965.23
Including: Revenue from contracts with customers	5,282,203,346.80	3,136,623,487.68	5,615,892,221.38	3,222,932,678.19

(2) Breakdown of revenue from contracts with customers

1) Breakdown of revenue by goods or services

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
APIs	3,443,096,431.82	2,453,031,125.79	3,924,145,615.94	2,583,441,134.41
Pharmaceutical preparations	1,634,194,621.29	465,929,151.23	1,477,038,958.71	398,086,666.71
Others	204,912,293.69	217,663,210.66	214,707,646.73	241,404,877.07
Subtotal	5,282,203,346.80	3,136,623,487.68	5,615,892,221.38	3,222,932,678.19

2) Breakdown of revenue by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time	5,282,203,346.80	5,615,892,221.38
Subtotal	5,282,203,346.80	5,615,892,221.38

(3) Contract liabilities with opening balance of 31,726,720.85 yuan were carried over to revenue in the current period.

## 2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	65,890,651.08	65,510,426.85
Share-based payment expenses	-1,159,411.87	4,387,267.50
Direct inputs	242,050,028.92	201,612,608.85
Depreciation and assets amortization	110,566,435.94	99,100,292.43
Design and testing expenses	73,981,963.75	5,695,208.84
Other expenses relating to R&D activities	30,635,051.21	15,540,535.90
Outsourced R&D expenses	11,528,925.60	7,001,228.16
Total	533,493,644.63	398,847,568.53

## 3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-9,782,339.81	-3,806,190.10
Investment income from financial instruments	318,000.00	685,667.40
Investment income from disposal of financial instruments	1,497,299.13	-506,779.01
Including: Financial assets classified as at fair value through profit or loss	1,497,299.13	-506,779.01
Total	-7,967,040.68	-3,627,301.71

## XVII. Other supplementary information

### (I) Non-recurring profit or loss

#### 1. Schedule of non-recurring profit or loss

##### (1) Details

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	323,572,635.40	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, enjoyed based on certain standards, and continuously affecting gains or losses of the Company)	33,990,704.49	
Gains on changes in fair value of financial assets and financial liabilities held by non-financial enterprises, and gains from disposal of financial assets and financial liabilities, excluding those arising from hedging business related to operating activities	-12,597,223.70	
Fund possession charge from non-financial entities and included in profit or loss		
Gains on assets consigned to the third party for investment or management	7,998,023.78	

Items	Amount	Remarks
Gains on designated loans		
Losses on assets incurred due to force majeure such as natural disasters		
Reversed provision for impairment of receivables based on impairment testing on an individual basis	179,200.79	
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Gains on non-cash assets exchange		
Gains on debt restructuring		
One-off expenses incurred due to the discontinuation of relevant operating activities, such as severance payments		
One-off effects on profit or loss due to amendments of laws and regulations on taxation, accounting, etc.		
Share-based payments recognized at one time due to cancellation or modification of equity incentive plan		
Gains arising from changes in the fair value of employee benefits payable after the vesting date for cash-settled share-based payment		
Gains on changes in fair value of investment properties with subsequent measurement using the fair value model		
Gains on transactions with unfair value		
Contingent gains on non-operating activities		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-10,296,326.14	
Other profit or loss satisfying the definition of non-recurring profit or loss	-27,682,065.00	
Subtotal	315,164,949.62	
Less: Enterprise income tax affected	52,835,284.62	
Non-controlling interest affected (after tax)	-14,009,398.05	
Net non-recurring profit or loss attributable to shareholders of the parent company	276,339,063.05	

(2) Significant non-recurring profit or loss

Significant profit or loss on disposal of non-current assets refers to gains on disposal of assets of 330,264,959.98 yuan recognized due to completion of relocation of the Company's vitamin factory in the current period, which is identified as non-recurring profit or loss.

2. Effect on non-recurring profit or loss in 2022 due to implementation of “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)”

Items	Amount
Net non-recurring profit or loss attributable to the owner of the parent company in 2022	25,330,379.62
Net non-recurring profit or loss attributable to the owner of the parent company calculated based on the “Interpretation Pronouncement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit or Loss (2023 Edition)” in 2022	18,846,745.54
Difference	6,483,634.08

(II) ROE and EPS

1. Details

Profit of the reporting period	Weighted average ROE (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	4.54	0.45	0.45
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	1.62	0.16	0.16

2. Calculation process of weighted average ROE

Items	Symbols	Current period cumulative	
Net profit attributable to shareholders of ordinary shares	A	429,639,626.26	
Non-recurring profit or loss	B	276,339,063.05	
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	153,300,563.21	
Opening balance of net assets attributable to shareholders of ordinary shares	D	9,259,881,857.33	
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E		
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F		
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G	164,045,750.00	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	6	
Others	Effect on net assets due to the reversal of equity incentive costs of parent company	I1	-5,970,198.80
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J1	6
	Effect on net assets due to the amortization of equity incentive costs of subsidiaries	I2	21,583,693.68
	Number of months counting from the next	J2	6

Items	Symbols	Current period cumulative
month when the net assets were increased or decreased to the end of the reporting period		
Difference arising from the absorption of investment by non-controlling shareholders of the subsidiaries	I3	16,985,523.17
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J3	7
Difference arising from the acquisition of non-controlling interest of subsidiaries	I4	-393,246.04/ -93,777.74
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J4	7/4
Effect on net assets due to cash dividends of restricted shares	I5	567,332.50
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J5	6
Effect on net assets due to restricted shares - unlocking	I6	28,199,762.50
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J6	8
Changes in equity due to capital increase by other shareholders of associate	I7	33,317,133.04
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J7	12
Translation reserve	I8	11,043,585.59
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J8	6
Number of months in the reporting period	K	12
Weighted average net assets	$L = D + A/2 + E \times F/K - G \times H/K \pm I \times J / K$	9,468,055,545.73
Weighted average ROE	$M = A/L$	4.54%
Weighted average ROE after deducting non-recurring profit or loss	$N = C/L$	1.62%

### 3. Calculation process of basic EPS and diluted EPS

#### (1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	429,639,626.26
Non-recurring profit or loss	B	276,339,063.05
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	153,300,563.21
Opening balance of total shares	D	958,300,500.00 [Note]
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	3,337,250
Number of months counting from the next month when the shares were increased to the end of the reporting period	G	8
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the shares were decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	$L=D+E+F \times \frac{G}{K}-H \times \frac{I}{K}-\frac{J}{K}$	960,525,333.33
Basic EPS	M=A/L	0.45
Basic EPS after deducting non-recurring profit or loss	N=C/L	0.16

Note: It is the balance of opening balance of share capital of 965,128,000 shares less treasury shares of 6,827,500 shares.

(2) Calculation process of diluted EPS is the same as that of basic EPS.

Zhejiang Medicine Co., Ltd.

April 25, 2024