



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock code: 00874)

INTERIM REPORT

2023



廣州葯葯智慧物流中心





## Important Notice

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirms that there are no false information, misleading statements or material omissions in this interim report.
- II. The Directors were present at the third meeting of the ninth session of the Board, among whom, Mr. Chen Yajin, the independent non-executive director, was unable to attend the meeting due to official business and authorized Mr. Huang Min, the independent non-executive director, to attend and exercise the right to vote. Ms. Liu Juyan, the executive director, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing, the independent non-executive directors, attended the meeting by telephone.
- III. Mr. Li Chuyuan (chairperson of the Board), Ms. Liu Fei (deputy financial officer) and Ms. Wu Chuling (deputy director of the Financial Department) declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this interim report.
- IV. After deliberation, the Board did not recommend payment of interim dividends for the six months ended 30 June 2023 and did not propose any increase in share capital from the capitalization of capital reserve.
- V. The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises and are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any substantive commitment of the Company to investors. Investors are advised to be aware of any investment risk.
- VII. There was no non-operational appropriation of funds of the Company by its controlling shareholders or its connected parties.
- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. There is no situation where more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of this interim report disclosed by the Company.

X. Warning on Significant Risks

During the Reporting Period, there was no significant risks that had a substantive and significant impact on the production and operations of the Group. Please refer to “(A) Risk exposure” under “E. OTHER MATTERS” set out in the section headed “III. Management Discussion and Analysis” in this interim report.

- XI. This interim report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

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	1	The financial statements signed and stamped by the legal representative of the Company, the responsible persons of the accounting work of the Company and the responsible person of the accounting firm;
DOCUMENTS AVAILABLE FOR INSPECTION	2	The original corporate documents disclosed and announcements published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報) and Securities Daily (證券日報) of the PRC during the Reporting Period;
	3	The documents listed above are available at the office of the Secretariat of the Company.

In this interim report, unless the context otherwise requires, the following terms have the meanings as follows:

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2023
After the Reporting Period	the period after the end of the Reporting Period and up to the date of this interim report, being 1 July 2023 to 18 August 2023
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director	a director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	a supervisor of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the PRC
Securities Law	Securities Law of the PRC
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on the HKEX
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)



## Definitions

Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Baiyunshan Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)

He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)
WLJ Ya'an	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司)
Weiling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Pharmaceutical Baiyunshan Chemical & Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd. (formerly known as Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣藥白雲山化學藥科技(珠海橫琴)有限公司(原廣州白雲山化學藥科技有限公司))
Baiyunshan Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (廣州白雲山醫療器械投資有限公司)
Baiyunshan Yihu Company	Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司)
Baiyunshan Jianhu Company	Guangzhou Baiyunshan Jianhu Medical Products Company Limited (廣州白雲山健護醫療用品有限公司)
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)

## Definitions

Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司)
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司)
Bai Di Biological	Guangzhou Baiyunshan Bai Di Biological & Pharmaceutical Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system for the development of this specification with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
Essential Drug List	the National Essential Drug List (國家基本藥物目錄) (the 2018 version), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public
National Medical Insurance	a Catalogue of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (國家基本醫療保險、工傷保險和生育保險藥品目錄) (the 2020 version), being the national standard of drugs fees payable for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC



GZ Chan Tou	Guangzhou Industrial Investment and Capital Operation Holding Group Ltd. (廣州產業投資控股集團有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
GP Fund	Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) (廣州廣藥基金股權投資合夥企業(有限合夥))
Charmacy Pharmaceutical	Charmacy Pharmaceutical Co.,Ltd. (創美藥業股份有限公司)
The Material Assets Reorganization in 2013	the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPHL that was completed in 2013



# Company Profile and Principal Financial Indicators

## A. COMPANY PROFILE

- Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED  
English Name Abbreviation: GYBYS
- Legal Representative: Li Chuyuan  
Secretary to the Board: Huang Xuezheng  
Representative of securities affairs: Huang Ruimei  
Registered address and office: No.45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
The historical changes of the registered address: No
- Telephone: (020) 6628 1218/6628 1216  
Fax: (020) 6628 1229  
E-mail: huangxz@gybys.com.cn/ huangrm@gybys.com.cn  
Postal code of office address: 510130  
Company website: <http://www.gybys.com.cn>  
Company e-mail: [sec@gybys.com.cn](mailto:sec@gybys.com.cn)  
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
- Stock exchanges, names and codes of the Company's shares: A shares: SSE  
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN  
H shares: HKEX  
Stock Code: 0874 Stock Abbreviation: BAIYUNSHAN PH
- Designated newspapers for information disclosure: China Securities Journal (中國證券報), Shanghai Securities News (上海證券報), Securities Times (證券時報), Securities Daily (證券日報)  
Websites for publishing the interim report: <http://www.sse.com.cn>  
<http://www.hkex.com.hk>  
Place for inspection of the interim report: Office of the Secretariat of the Company

# Company Profile and Principal Financial Indicators

## B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal financial data	The Reporting Period (Unaudited)	The corresponding period of 2022 (Unaudited)	Changes as compared with the corresponding period of 2022 (%)
Income from operations (RMB'000)	39,970,331	37,220,451	7.39
Net profit attributable to the shareholders of the Company (RMB'000)	2,811,248	2,589,996	8.54
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	2,598,509	2,300,375	12.96
Net cash flow from operating activities (RMB'000)	(740,710)	1,712,214	(143.26)
Net cash flow from operating activities per share (RMB/share)	(0.46)	1.05	(143.26)
Total profit (RMB'000)	3,532,692	3,332,233	6.02

Principal financial data	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Changes as compared with 31 December 2022 (%)
Net assets attributable to the shareholders of the Company (RMB'000)	33,685,903	32,065,125	5.05
Total assets (RMB'000)	73,607,239	74,665,299	(1.42)
Equity attributable to the shareholders of the Company per share (RMB/share)	20.72	19.72	5.05

Principal financial indicators	The Reporting Period (Unaudited)	The corresponding period of 2022 (Unaudited)	Changes as compared with the corresponding period of 2022 (%)
Basic earnings per share (RMB/share)	1.729	1.593	8.54
Diluted earnings per share (RMB/share)	1.729	1.593	8.54
Basic earnings per share after deducting non-recurring items (RMB/share)	1.598	1.415	12.96
Ratio of weighted average return on net assets (%)	8.40	8.53	A decrease of 0.13 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	7.76	7.58	An increase of 0.18 percentage point

Note: The above financial data and indicators are computed based on consolidated financial statements.

# Company Profile and Principal Financial Indicators

## DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

Applicable  Not applicable

Net cash flow from operating activities decreased year-on-year due to: ① WLJ Great Health, a wholly-owned subsidiary of the Company, collected accounts receivable for stock-up mostly in late 2022, resulting in a year-on-year decrease in net cash flow from operating activities for the current period as the Spring Festival came earlier in 2023 than in 2022; ② cash payments for goods purchased and services received by the subsidiaries of the Company increased year-on-year.

## C. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Applicable  Not applicable

## D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount (RMB'000)	Note (if applicable)
Profit or loss from disposal of non-current assets	11,643	
Government grants included in the profit or loss for the current period except for the government grants that are closely related to enterprise's normal business and are enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	81,380	This represents the amount of government grants received by the Company and its subsidiaries, which were transferred to non-operating income and other gains in the period.
Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt instruments	161,880	
Reverse of provision for impairment of receivables under individual impairment test	7,169	
Other non-operating income and expenses except for the above-mentioned items	(31)	
Less: Amount of income tax influence	(43,747)	
Amount of minority equity impact (after tax)	(5,555)	
<b>Total</b>	<b>212,739</b>	

Explanations of the non-recurring profit and loss items listing in Explanatory Notice on Information Disclosure of Publicly Issued Securities Company No. 1--Non-Recurring Profit and Loss classified as recurring profit and loss items

Applicable  Not applicable



# Company Profile and Principal Financial Indicators

## E. OTHERS

Applicable     Not applicable

# Management Discussion and Analysis

## A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD

### (A) Main business and Products

The Company is in the pharmaceutical manufacturing industry. Since its establishment, the Company has been committed to the medical and healthcare industry. After years of development, the Company has continued to grow in terms of both its scale and efficiency. Currently, the Group is principally engaged in: (1) the research and development, manufacturing and sales of Chinese patent medicine, Western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (2) the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical devices; (3) the research and development, production and sales of Great Health products; and (4) the health industry with investment in medical services, health management, health maintenance and elderly care etc.

#### 1. Great Southern TCM (Pharmaceutical manufacturing business)

There are 28 pharmaceutical manufacturing companies and institutions under the Company (including 3 branches, 23 subsidiaries and 2 joint ventures). The above enterprises or institutions engage in the R&D, manufacturing and sales of Chinese patent medicine and Western medicine, chemical raw materials, chemical raw materials intermediates, biological medicine and natural medicine, etc.

- (1) The Group is an epitome of the southern TCM. The Company has 12 time-honored brand enterprises in China such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc., among which, 10 of them are century-old time-honored enterprises. The Group and its joint ventures in aggregate have 323 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao Chai Hu Granule, Xiao Ke Pill, Qing Kai Ling series, Ban Lan Gen Granule series, Zi Shen Yu Tai Pill, Xia Sang Ju Granule, Hua Tuo Zai Zao Pill, Compound Danshen Tablet series, An Gong Niu Huang Pill, Bao Ji series, Nao Xin Qing Tablet series, Compound Ban Lan Gen Granule series, Mi Lian Chuan Bei Pi Pa Gao, Zhuang Yao Jian Shen Pill, Shu Jin Jian Yao Pill, etc. The Group has clear advantages in brand and variety of Chinese patent medicine in southern China and throughout the country.

# Management Discussion and Analysis

## A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

### (A) Main business and Products *(Continued)*

#### 1. Great Southern TCM (Pharmaceutical manufacturing business) *(Continued)*

- (2) The Group has a complete antibiotic production chain ranging from the production of raw material medicine to that of preparations, with products covering commonly used anti-bacterial and anti-inflammatory varieties as well as drugs for men. The Group integrated the antibiotic brands with the well-known trademark “Kang Zhi Ba (抗之霸)”, striving to create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in China. The Group's chemical medicine preparations include Sildenafil Citrate Tablets (Trade name “Jin Ge (金戈)”), Cefuroxime Sodium for injection, Paracetamol, Caffeine and Aspirin Powder, Amoxicillin series, Cefixime series, Amoxicillin and Clavulanate Potassium, etc.

#### 2. Great Health

The Great Health Industry of the Group mainly engaged in the production, R&D and sales of beverages, food and healthcare products, etc., including the subsidiaries, WLJ Great Health and Wang Lao Ji, and the main products include Wang Lao Ji Herbal Tea, Ci Ning Ji (刺檸吉) series, Li Xiao Ji series, throat lozenges and tortoise herb jelly, etc. Wang Lao Ji Herbal Tea has a relatively strong advantage in terms of brand value and product competitiveness, and accounts for a comparatively large market share of the herbal tea industry in China.

#### 3. Great Commerce (Pharmaceutical distribution business)

The Great Commerce of the Group mainly engaged in the business of pharmaceutical distribution, including wholesale, retail, and import and export of pharmaceutical products, medical devices and healthcare products, etc. Its main enterprises include the subsidiaries of the Company namely GP Corp. and Cai Zhi Lin, etc. As a leading pharmaceutical logistics Company in southern China and a core enterprise of the Great Commerce, GP Corp. mainly engages in the wholesale and retail of pharmaceutical distribution business. Cai Zhi Lin leveraged its advantages in the field of TCM to develop the businesses of production and sales of Chinese herbal medicine and TCM decoction-piece products.



# Management Discussion and Analysis

## A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

### (A) Main business and Products *(Continued)*

#### 4. Great Medical Care

The Great Medical Care of the Group is at the stage of development and investment expansion. The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicles and used various means, including new establishment, joint venture and co-operation to focus on the development of three areas, namely medical services, TCM health maintenance and modern elderly care, as well as the medical device business. Currently, we have invested/held equity interest in a number of projects including Baiyunshan Hospital, Runkang Confinement Company, Baiyunshan Yihu Company and Baiyunshan Jianhu Company, etc.

### (B) Current circumstances of the development of the industry

The pharmaceutical industry constitutes an important part of the national economy of China. Following the improvement of people's living standards and the accelerated aging of the population, the demand for healthcare is constantly growing, and the pharmaceutical industry is receiving increasing attention and occupying an important position in the national economy. The overall trend of the future development of the pharmaceutical industry is clear. The aging population and the increasing awareness of health management are driving the continuous growth of pharmaceutical demand, and the size of the pharmaceutical and health market will continue to expand. The "14th Five-Year Plan" further encourages pharmaceutical innovation and research and development, proposes the development of high-end formulation production technology, improves the level of industrialization technology, and focuses on promoting the healthy development of the innovative drug and traditional Chinese medicine industries.

In general, China's pharmaceutical industry will still be in a period of important strategic opportunities in the coming future. The construction of a healthy China, a strong manufacturing power and the national support for the development of the biopharmaceutical industry will help to gain more policy resources support for developing the pharmaceutical industry, while innovation, transformation and improvement of manufacturing level are still the directions for pharmaceutical enterprises to work on. Meanwhile, the implement of digital and intelligent technologies will also bring new development opportunities to pharmaceutical industry.

# Management Discussion and Analysis

## A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

### (B) Current circumstances of the development of the industry *(Continued)*

In the first half of 2023, as the impact of the epidemic on the industry gradually weakens, the pharmaceutical industry will return to the long-term growth trend. The long-term growth logic of the industry has not undergone fundamental changes, and innovation and high-quality development remains as the important driving force for industry growth. In the face of the still complex external environment, affected by industry policies and other factors, the pharmaceutical industry is also in an important window period of transformation and upgrading. On the one hand, the pharmaceutical industry is facing a series of challenges such as consistency evaluation, centralized volume-based procurement of drugs, rising raw material prices, medical insurance payment, etc. On the other hand, the successive issuance of policies on traditional Chinese medicine R&D and innovation, industry standardization, medical services, etc. will effectively stimulate the innovation and creativity vitality of pharmaceutical enterprises and further promote the high-quality development of the pharmaceutical industry.

From January to June 2023, the operating revenue of national pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB1,249.6 billion, representing a year-on-year decrease of 2.9%, and the total profit reached RMB179.45 billion, representing a year-on-year decrease of 17.1%. The operating revenue of national liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB795.86 billion, representing a year-on-year increase of 6.9%, and the total profit reached RMB143.13 billion, representing a year-on-year decrease of 16.7%. (Data source: the website of the National Bureau of Statistics).

### (C) Periodic characteristics

Among the Group's businesses, the Great Commerce of the Group has no obvious periodic features. Seasonal illness, like the flu, has a higher morbidity during specific seasons, and spreads quickly after its outbreak, which may result in an increase in the demand of medicines which prevent and treat diseases of this kind. Resulting from such influence, the sales of some medical products under the Great Southern TCM demonstrate certain periodicity. The Great Health has certain seasonality as demand for its main product, namely Wang Lao Ji herbal tea, relates to the weather. For example, the sales will increase when it is hot. In addition, as the Group explored the sales channels of the gift market for major festivals, the sales of Wang Lao Ji herbal tea has growth during major festivals.

# Management Discussion and Analysis

## A. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS AND INDUSTRY SITUATION DURING THE REPORTING PERIOD *(Continued)*

### (D) Position of the Company in the Industry

The Group is one of the largest pharmaceutical conglomerates in the PRC. After years of high-quality development and consolidation, the Group has basically established an entire industrial chain layout of the biomedical healthcare industry, forming four business segments of Great Southern TCM, Great Health, Great Commerce and Great Medical Care. Wang Lao Ji, a core brand of the Great Health of the Company, has been ranking the first in the ranking list of herbal tea brands under the China Brand Power Index for seven consecutive years, maintaining the leading position in the herbal tea industry.

### (E) The main performance driving factors

During the Reporting Period, the Group's revenue amounted to RMB39,970,331,000, representing an increase of 7.39% compared with the corresponding period last year. For details of reasons for changes, please refer to the relevant informational in "C. Discussion and Analysis of Operations" of this chapter.

## B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable  Not applicable

The Group's core competitiveness is principally demonstrated in the following aspects:

1. The Group possesses rich product and brand resources:
  - (1) Products: The Group has formed a complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-inflammatory, cooling and detox, parenteral nutrition, coughing, bone-setting and pain relief, rheumatism and bone pain, gynaecological and paediatric medication, and nurturing and health. The Group has more than 40 forms and more than 2,000 specifications and over 90 exclusive products.
  - (2) Brands: Currently, the Group has trademarks of 10 nationally renowned brands, 22 renowned brands in Guangdong Province and 27 renowned brands in Guangzhou City. Among them, the brand awareness and reputation of "Wang Lao Ji" and "BYS" have a greater impact and appeal among consumers nationwide, and are one of the most valuable pharmaceutical brands in the country. After the completion of The Material Assets Reorganization in 2013 and non-public offering of A Shares in 2015, the Group promoted the grand brand strategy on the basis of integrating brand resources, implementing the changes in brand marketing model from developing individual brands to grouping brands under one umbrella with collective strategy, with four business segments with unique characteristics, namely, Great Southern TCM, Great Health, Great Commerce and Great Medical Care. The Group has expanded its coverage of brand value from traditional medical products to new Great Health products.



# Management Discussion and Analysis

## B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD *(Continued)*

2. The Group possesses long history in Chinese traditional medicine and cultural soft power. The Group has 12 time-honored brand enterprises in Chinese pharmaceutical industry, among which, Chen Li Ji, Zhong Yi, Pan Gao Shou, Jing Xiu Tang, Cai Zhi Lin, Wang Lao Ji, Xing Qun, Qi Xing, Ming Xing and Guang Hua have been established for over a hundred years. Also, the Group has 6 products admitted as the nation's Intangible Cultural Heritage, namely Xia Sang Ju (夏桑菊) of Xing Qun, Da Shen Kou Yan Qing (大神口焮清) of BYS, Wang Lao Ji herbal tea, the traditional Chinese medicine culture of Chen Li Ji and Pan Gao Shou as well as the "Production Technology of Bao Zi Tang Bao Ying Dan (保滋堂保嬰丹製作技藝)" of Zhong Yi. The Group had established the Chen Li Ji Museum (陳李濟博物館), "Chen Li Ji Health Preservation Research Institute (陳李濟健康養生研究院)", "Lingnan Experience Centre of Chinese Medicine Culture (嶺南中醫藥文化體驗館)", "Shen Nong Cottage (神農草堂)", Cai Zhi Lin Chinese Medicine Culture Museum (采芝林中藥文化博物館) and "Wang Lao Ji" Herbal Tea Museum (「王老吉」涼茶博物館). The Group had also established a number of platforms for the promotion and demonstration of the long history and splendid culture of Chinese medicine and reshaping the well-known brands of Chinese medicine.
3. The Group has a relatively complete production chain system. Through the internal and external forward and backward integration, the existing major pharmaceutical assets of the Group has formed a relatively thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs, the Group and its joint ventures have nearly 80 GAP herbs bases nationwide and established a centralized procurement platform for raw and auxiliary materials, effectively ensuring the quality and supply of Chinese herbs and controlling the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has established an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs the Nobel Prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favorable resources from various parties, promoting development through the support of technology.
4. The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest pharmaceutical terminal retail network and pharmaceutical logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, cities and autonomous regions across the country, including large and medium-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry's leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country to pass the assessment of integration management system for informatization and industrialization.

# Management Discussion and Analysis

## B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD *(Continued)*

5. The Group has an ever-improving technological innovation system. The Group has continuously strengthened the construction of platforms for many years, improving the scientific research innovation system. As of the end of the Reporting Period, the Group and its joint ventures have 5 national-level research and development institutions, 1 national-level corporate technical center, 2 postdoctoral workstations, 17 provincial-level corporate technical centers, 18 provincial-level engineering technical centers, 5 provincial-level key laboratories, 1 provincial-level engineering laboratory, 14 municipal-level corporate technical centers, 15 municipal-level engineering technical research and development centers, 5 municipal-level key laboratories and 1 municipal high-level enterprise research institute. The Group possesses core technology which occupies leading position in the nation on research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO<sub>2</sub> extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs, sterile powder production technology and preparation agent technology.
6. The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has been committed to attracting talents with favorable work environment and competitive remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions, created respectful atmosphere for talent, knowledge and creation. Those measure have stimulated the creativity and innovativeness and entrepreneurial vitality of the workforce, built a business platform and led creative and high-quality development. Currently, the Group has formed a strong high-level talent team with 3 Nobel Prize winners, one innovation team from Guangdong province, 21 domestic double-hired academicians and Chinese medicine master people, 7 foreign expert consultants, 5 State Council Special Allowance experts in-service, 31 senior experts and above, and over a hundred doctors and postdoctorales.

There is no significant change in the Group's core competitiveness during the Reporting Period.

## C. DISCUSSION AND ANALYSIS OF OPERATIONS

During the Reporting Period, adhering to the general basic principle of "seeking progress while maintaining stability" and focusing on the development theme of "improving both efficiency and effectiveness", the Group not only delivered satisfactory performance of business operation and management on all fronts thanks to the coordinated efforts, but also endeavored to enhance the operation efficiency and development effectiveness, bringing about stable growth in earning results.

In the first half of 2023, the Group realized revenue of RMB39,970,331,000, representing a year-on-year increase of 7.39%; total profit of RMB3,532,692,000, representing a year-on-year increase of 6.02%; and net profit attributable to shareholders of the Company of RMB2,811,248,000, representing a year-on-year increase of 8.54%.



# Management Discussion and Analysis

## C. DISCUSSION AND ANALYSIS OF OPERATIONS (Continued)

During the Reporting Period, major activities actively promoted by the Group include:

- (I) Further consolidating the development foundation for the Great Southern TCM by adhering to in-depth cultivation, absorbing resources and optimizing products. During the Reporting Period, the Great Southern TCM made greater efforts to support and cultivate “Diva brands” and “High-Potential Products” by continuously integrating internal resources, enhancing promotion of channels and driving force of sales terminal, carrying out innovative marketing, etc.. The Group also strengthened brand building by actively boosting innovation vitality of time-honored brands to enhance the awareness and visibility of brands and products. During the Reporting Period, the Group achieved rapid year-on-year growth of sales revenue from such products as Qing Kai Ling series, An Gong Niu Huang Pills, Xiao Ke Pill, Paracetamol Caffeine and Aspirin Powder, Sildenafil Citrate Tablets (Trade name “Jin Ge”), Xiao Chai Hu Granules, Xia Sang Ju series, Mi Lian Chuan Bei Pi Pa Gao Jelly, She Dan Chuan Bei Pi Pa Gao Jelly, etc.
- (II) Continuously building on growth drivers for the Great Health by expanding sales channels and developing new products adhering to the principal of “one core with multi-elements”. During the Reporting Period, in order to further enhance penetration rate and market share of the herbal tea, Wang Lao Ji herbal tea vigorously expanded channels in the catering market while relying primarily on the existing core channels, and explored the ready-to- drink market for the herbal tea with focus on those channels like gift and banquet segments. The Group developed various customized cans to continuously strengthen the connections with different shopping scenarios such as traditional festivals. In addition, the Group also implemented an innovative marketing model in which products are targeted at young consumers. The connotation of “Ji” culture was extended so as to improve cultural influence of the brand. Continuously promoting “Wang Lao Ji”, “Ci Ning Ji” and “Li Xiao Ji” as “Ji Xiang San Bao” (吉祥三寶), the Group made active efforts to foster diversified new products such as Camellia Flavored Herbal Tea, Wang Xiao Ji Mini Can and Ci Ning Ji Electrolyzed Water to enrich product portfolio.
- (III) Boosting the transformation and development of the Great Commerce by leveraging opportunities and expanding the sales network. As regards the Great Commerce, the Group grew its footprint in the retail market by advancing the offering expansion and channel integration during the Reporting Period. The Company’s subsidiary GP Corp. branched out into the medical nutrition product and FSMP (food for special medical purpose) distribution business, and explored the FSMP co-development model. GP Corp. grasped the opportunity of prescription outflows from medical institutions, and accelerated the coordination and connection between “dual channel” and retail medical insurance, as well as the construction of operation platform. Furthermore, GP Corp. stepped up investment and mergers and acquisitions (M&A) efforts to broaden its nationwide sales network. It established Guangyao Heilongjiang Pharmaceutical Co., Ltd. (廣藥黑龍江醫藥有限公司) and Guangyao (Shaoguan) Pharmaceutical Co., Ltd. (廣藥(韶關)醫藥有限公司), respectively, both of which have come into operation. And its five wholly-owned subsidiaries located in Maoming, Zhanjiang, Dongguan, Huizhou and Shantou completed the registration in industrial and commercial authorities. Cai Zhi Lin, another subsidiary of the Company, continued its drive to transform its hospital distribution business. And it continuously won bids for Chinese medicine decoction projects from grade-A tertiary hospitals such as Guangdong Provincial Hospital of Traditional Chinese Medicine and community hospitals.



# Management Discussion and Analysis

## C. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

- (IV) Broadening the development space of the Great Medical Care through construction enhancement and brand shaping. During the Reporting Period, Baiyunshan Hospital, a member of the Great Medical Care, consistently improved software and hardware facilities benchmarked against the standards adopted for tertiary hospitals. Further progress was made in the internet hospital platform of Baiyunshan Hospital, with the internet hospital license obtained in this April. Runkang Confinement Company further enhanced its postnatal care center brand by holding special lectures and promotional events jointly with obstetrics and gynecology experts.
- (V) Continuously strengthening research and development innovation, as well as construction of research platforms. And further standardizing and enhancing medicine quality management. In the first half of 2023, the Group invested a total of RMB401 million in research and development, and obtained 6 production approvals such as the new anti-PE drugs called Dapoxetine hydrochloride, and 1 clinical trial approval. During the Reporting Period, Baiyunshan Han Fang, a subsidiary of the Company, was shortlisted in the list of “Model Enterprises for Technological Reform” issued by the State-owned Assets Supervision and Administration Commission of the State Council. Zhong Yi was awarded the Gold Medal at the Geneva International Exhibition of Inventions and the First Prize of Science and Technology awarded by the Provincial High-tech Enterprises Association in recognition of its innovative research and applications of Zi Shen Yu Tai Pill. 10 subsidiaries of the Company, including Baiyunshan Han Fang, Pan Gao Shou, and Xing Qun, etc., were officially designated as Specialized and Sophisticated SMEs of Guangdong province. Baiyunshan General Factory received the Silver Medal at the Geneva International Exhibition of Inventions for its project of “Huoxin Pill-Famous Chinese Patent Medicine for Treating Angina Pectoris of Coronary Heart Disease”. The Group organized and completed the audit of 5 standardized technical transformation projects to further standardize and tighten up product quality management; carried out the construction of pharmacovigilance system and set up the monitor system of adverse reactions; and promoted the collaborative innovation model to develop a dual prevention mechanism whereby safety risks are controlled on a grading basis and potential risks are screened through digitization and big data computing.
- (VI) Enhancing capital operation capability by establishing an industrial equity investment fund. In the first half of 2023, GP Fund established by the Company subscribed for the shares of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (沃博聯廣藥(廣州)股權投資合夥企業(有限合夥)) (“WBA GP Fund”) at a price of RMB334 million. WBA GP Fund has been registered as a private investment fund in July 2023.

# Management Discussion and Analysis

## C. DISCUSSION AND ANALYSIS OF OPERATIONS *(Continued)*

- (VII) Steadily advancing the program of human resources-based corporate development, and continuously pushing ahead with the professional manager reform.
- (VIII) Continuously enhancing the management with focus on the weakness. In order to enhance operation effectiveness and internal management efficiency, the Group carried out an improvement program of efficiency and effectiveness by deepening innovations in systems and mechanisms, etc.

Significant changes to the operations of the Company during the Reporting Period and matters with significant effects on the operations of the Company incurred during the Reporting Period and expected to have significant effects in the future.

Applicable     Not applicable

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

### (A) Analysis of principal operations

#### 1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB'000)	The corresponding period of 2022 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2022 (%)
Revenue	39,970,331	37,220,451	7.39
Including: income from principal operations	39,832,674	37,083,607	7.41
Cost of sales	31,645,497	29,515,379	7.22
Including: cost from principal operations	31,621,173	29,490,095	7.23
Selling and distribution expenses	3,263,110	3,185,948	2.42
General and administrative expenses	1,199,468	1,067,965	12.31
Financial expenses <sup>(note 1)</sup>	(39,682)	(129,434)	69.34
Research and development expenses	400,574	441,319	(9.23)
Net cash flow from operating activities	(740,710)	1,712,214	(143.26)
Net cash flow from investing activities <sup>(note 3)</sup>	(955,178)	(2,630,427)	63.69
Net cash flow from financing activities	674,988	1,094,509	(38.33)
Other income <sup>(note 4)</sup>	81,324	319,247	(74.53)
Investment income <sup>(note 6)</sup>	176,422	55,356	218.71
Gains from changes in fair value <sup>(note 7)</sup>	44,054	(952)	4,726.36
Impairment losses in respect of credit <sup>(note 8)</sup>	(100,489)	(20,540)	(389.23)
Impairment losses in respect of assets <sup>(note 9)</sup>	4,021	(1,339)	400.25
Minority interest <sup>(Note 10)</sup>	110,495	158,936	(30.48)



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (A) Analysis of principal operations *(Continued)*

#### 1. Analysis of changes in related subjects of financial statements *(Continued)*

Notes:

- (1) Financial expenses increased year-on-year due to the year-on-year decrease in interest income from deposits of the subsidiaries of the Company.
- (2) Net cash flow from operating activities decreased year-on-year due to: ①WLJ Great Health, a wholly-owned subsidiary of the Company, collected accounts receivable for stock-up mostly in late 2022, resulting in a year-on-year decrease in net cash flow from operating activities for the current period as the Spring Festival came earlier in 2023 than in 2022; ② cash payments for goods purchased and services received by the subsidiaries of the Company increased year-on-year.
- (3) Net cash flows from investing activities increased year-on-year due to: ① the subsidiaries of the Company redeemed large-denomination certificates of deposit upon maturity during the Reporting Period, resulting in an increase in net cash flows from investing activities; and ② cash dividends received by the Company increased year-on-year.
- (4) Net cash flow from financing activities decreased year-on-year due to: GP Corp., a holding subsidiary of the Company, repaid super short-term commercial paper upon maturity during the Reporting Period.
- (5) Other income decreased year-on-year due to: a year-on-year decrease in government subsidies recognized by the subsidiaries of the Company.
- (6) Investment income increased year-on-year due to: a year-on-year increase in investment income recognized from the purchase of large-denomination certificates of deposit and time deposits by the Company and its subsidiaries.
- (7) Gains from changes in fair value increased year-on-year due to: a year-on-year increase in fair value of financial assets held by the Company and its subsidiaries at the end of the Reporting Period.
- (8) Impairment losses on credit decreased year-on-year due to: a year-on-year increase in credit impairment losses on accounts receivable accrued by subsidiaries of the Company.
- (9) Impairment losses on assets increased year-on-year due to: the subsidiaries of the Company reversed part of the provision for decline in value of inventories during the Reporting Period.
- (10) Minority interests decreased year-on-year due to: the completion of the acquisition of 18.18% interests in GP Corp. by the Company in the second half of 2022, resulting in a year-on-year decrease in minority interests recognized in the Reporting Period.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (A) Analysis of principal operations *(Continued)*

#### 2. Analysis on industry, product and regional operation result

(1) *Results of principal operations by industry and by products during the Reporting Period*

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Gross profit margin	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2022 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2022 <i>(%)</i>	Gross profit margin <i>(%)</i>	Increase/(Decrease) over the corresponding period of 2022 <i>(percentage point)</i>
Great Southern TCM	6,311,375	5.98	3,086,348	0.48	51.10	An increase of 2.68 percentage points
Great Health	7,047,787	8.07	3,907,677	10.01	44.55	A decrease of 0.98 percentage points
Great Commerce	26,214,730	7.63	24,410,566	7.74	6.88	A decrease of 0.09 percentage point
Other	258,782	2.81	216,582	3.37	16.31	A decrease of 0.45 percentage point
<b>Total</b>	<b>39,832,674</b>	<b>7.41</b>	<b>31,621,173</b>	<b>7.23</b>	<b>20.61</b>	<b>An increase of 0.13 percentage point</b>

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

### (A) Analysis of principal operations (Continued)

#### 2. Analysis on industry, product and regional operation result (Continued)

(1) Results of principal operations by industry and by products during the Reporting Period (Continued)

Types of products	Results of principal operations by products					
	Income from principal operations		Cost of principal operations		Gross profit margin	
	Income from principal operations (RMB'000)	Increase/(Decrease) over the same period of 2022 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2022 (%)	Gross profit margin (%)	Increase/(Decrease) over the same period of 2022 (percentage point)
Chinese patent medicine	3,756,703	23.04	2,140,337	23.59	43.03	A decrease of 0.25 percentage point
Chemical medicine	2,554,672	(11.96)	946,011	(29.39)	62.97	An increase of 9.14 percentage points
<b>Total of Great Southern TCM</b>	<b>6,311,375</b>	<b>5.98</b>	<b>3,086,348</b>	<b>0.48</b>	<b>51.10</b>	<b>An increase of 2.68 percentage points</b>



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

### (A) Analysis of principal operations (Continued)

#### 2. Analysis on industry, product and regional operation result (Continued)

(2) The regional sales of the Group's operations during the Reporting Period are as follows:

Regions	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2022 (%)
Southern China	29,176,787	3.77
Eastern China	3,458,159	10.14
Northern China	1,960,886	29.73
North-Eastern China	729,144	136.17
South-Western China	3,131,931	9.57
North-Western China	1,211,424	16.38
Exports	164,343	54.55
<b>Total</b>	<b>39,832,674</b>	<b>7.41</b>

#### 3. Detailed description of the major changes in the principal operations, profit composition or profit sources of the Company during the Reporting Period

Applicable  Not applicable

### (B) Description of significant changes in profit resulting from non-principal operations

Applicable  Not applicable

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions

#### 1. Liquidity

As at 30 June 2023, the current ratio of the Group was 1.63 (31 December 2022: 1.53), and its quick ratio was 1.35 (31 December 2022: 1.24). During the Reporting Period, accounts receivable turnover was 64.39 in days, representing a decrease of 0.56 day as compared with the end of 2022; inventory turnover was 56.86 in days, representing a decrease of 9.72 days as compared with the end of 2022.

#### 2. Financial resources

As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB19,787,561,000 (31 December 2022: RMB20,804,699,000), of which approximately 98.47% and 1.53% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, etc., respectively.

As at 30 June 2023, the Group had bank borrowings of RMB12,142,688,000 (31 December 2022: RMB10,675,850,000) including short-term borrowings of RMB8,546,922,000 (31 December 2022: RMB8,538,065,000), long-term borrowings of RMB2,913,586,000 (31 December 2022: RMB1,639,203,000), and non-current liabilities expiring within one year of RMB682,180,000 (31 December 2022: RMB498,582,000).

#### 3. Capital structure

As at 30 June 2023, the Group's current liabilities amounted to RMB33,049,270,000 (31 December 2022: RMB37,395,116,000), representing a decrease of 11.62% as compared to the beginning of 2023, and its long-term liabilities amounted to RMB5,182,933,000 (31 December 2022: RMB3,632,325,000), representing an increase of 42.69% as compared to the beginning of 2023. Shareholders' equity attributable to the shareholders of the Company amounted to RMB33,685,903,000 (31 December 2022: RMB32,065,125,000), representing an increase of 5.05% as compared to the beginning of 2023.

#### 4. Capital expenditure

The Group expects the capital expenditure for 2023 to be approximately RMB2.677 billion, among which, the expenditure in the first half of 2023 amounted to RMB0.867 billion (in the first half of 2022: RMB0.620 billion), which was mainly applied in the construction of production bases, upgrade of equipment and set-up of information system, etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions *(Continued)*

#### 5. Description of assets and liabilities

Item	As at 30 June 2023 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	As at 31 December 2022 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	Increase/ (Decrease) as compared to 31 December 2022 <i>(%)</i>	Reasons for changes
Advances to suppliers	566,754	0.77	836,055	1.12	(32.21)	The drugs and other materials purchased by the subsidiaries of the Company by way of prepayment in 2022 were delivered during the Reporting Period, resulting in a year-on-year decrease in the amount under this item.
Other current assets	1,280,052	1.74	2,262,190	3.03	(43.42)	During the Reporting Period, the Company's subsidiaries redeemed large-denomination certificates of deposit within one year upon maturity, resulting in a year-on-year decrease in the amount under this item.
Debt investment	4,484,461	6.09	3,164,499	4.24	41.71	During the Reporting Period, the subsidiaries of the Company increased large denomination certificates of deposit and time deposits held to maturity.



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions *(Continued)*

#### 5. Description of assets and liabilities *(Continued)*

Item	As at 30 June 2023 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	As at 31 December 2022 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	Increase/ (Decrease) as compared to 31 December 2022 <i>(%)</i>	Reasons for changes
Investment properties	133,296	0.18	206,705	0.28	(35.51)	The properties leased out by the Company and its subsidiaries decreased year-on-year.
Other non-current assets	458,043	0.62	239,830	0.32	90.99	During the Reporting Period, the subsidiaries of the Company made additional payment for land acquisition.
Contract liabilities	1,400,378	1.90	5,644,202	7.56	(75.19)	(1) WLJ Great Health, a wholly-owned subsidiary of the Company, recorded sales on stock-up for the Spring Festival in late 2022, resulting in a decrease in the balance of advance payments on sales during the Reporting Period; (2) other subsidiaries of the Company recorded a decrease in advance payments on sales as compared with the end of last year.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions *(Continued)*

#### 5. Description of assets and liabilities *(Continued)*

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as	Reasons for changes
	30 June 2023 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2022 <i>(RMB'000)</i>	total assets <i>(%)</i>	compared to 31 December 2022 <i>(%)</i>	
Other current liabilities	460,476	0.63	1,325,366	1.78	(65.26)	(1) During the Reporting Period, GP Corp., a holding subsidiary of the Company, issued the new first tranche of 2023 super short-term commercial paper for RMB300 million as the 2022 super short-term commercial paper expired; (2) there was a decrease in the taxes to be written off in the advance payments received within one year by the subsidiary of the Company.
Long-term borrowings	2,913,586	3.96	1,639,203	2.20	77.74	Bank borrowings of the subsidiaries of the Company increased year-on-year.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions *(Continued)*

#### 6. Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks of exposure to fluctuations in exchange rates.

#### 7. Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

#### 8. Charge on the Group's assets

As at 30 June 2023, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the overdraft amounting to HKD300,000, letter of credit and 90 days credit in the total amount of HKD100,000,000 as well as unexpired letter of credit of USD628,000 from Bank of China (Hong Kong) Limited, secured by fixed assets and buildings with an original value amounting to HKD8,893,000 and net value amounting to HKD6,616,000 and investment properties with an original value amounting to HKD6,843,000 and net value amounting to HKD4,225,000.

#### 9. Bank loans, overdraft and other borrowings

As at 30 June 2023, the bank loans of the Group amounted to RMB12,142,688,000 (31 December 2022: RMB10,675,850,000), with an increase of RMB1,466,838,000 as compared to the beginning of 2023. The above bank loans included short-term borrowings of RMB8,546,922,000, long-term borrowings of RMB2,913,586,000 and non-current liabilities expiring within one year of RMB682,180,000.

#### 10. Gearing ratio

As at 30 June 2023, the Group's gearing ratio (total liabilities/total assets × 100%) was 51.94% (31 December 2022: 54.95%).



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (C) Analysis on financial conditions *(Continued)*

#### 11. Material investment

As at 30 June 2023, except for those disclosed in “(E) Analysis on investment” of “D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD” in the section headed “Management Discussion and Analysis” in this report, the Group did not have any other material additional investment.

#### 12. Overseas assets

Applicable    Not applicable

##### (1) Asset size

Among which, overseas assets account for RMB340,116,000, representing 0.46% of total assets.

##### (2) Description of overseas assets accounting for a higher proportion

Applicable    Not applicable

#### 13. Major assets subject to restrictions as at the end of the Reporting Period

Applicable    Not applicable

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (D) Plans for the second half of 2023

Acting on the development strategy dubbed “Year of Efficiency and Effectiveness Improvement”, the Group will give priority to the following work in the second half of 2023:

1. To consolidate the development foundation for the Great Southern TCM by enhancing development quality. The Group will continue to participate in the nationwide volume-based drug procurement or volume-based procurement under the inter-provincial medicine alliance. The Group will also seize market opportunities and further develop the channel to promote the development of various business segments such as OTC, the second terminal, the third terminal and e-commerce, etc.. In order to create new growth, greater efforts will be made to enrich the product portfolio, develop more “Diva brands” for different fields by category through separate policies, advance the stimulation of the sleep category and accelerate the cultivation of a number of potential categories. The Group energetically develops specialized active pharmaceutical ingredients (APIs) to strengthen its competitiveness.
2. To push forward the innovation and development of the Great Health. The Group will consolidate the leading position of herbal tea as the principal business and product category, seek to further explore the sales channel with focus on dominant markets, and continuously develop the brand value of “Ji Culture” and increase its market penetration to further occupy the market share. Market foundation will be further broadened for new products by strengthening the tie-in sales mode in which new products under Ci Ning Ji and Li Xiao Ji brands will be sold along with existing popular products. By doing so, the Group aims to improve the market awareness of such new products, thus driving growth in their sales.
3. To boost the transformation of the Great Commerce. The Group will further expand financing channels to improve financing capabilities, and will improve and diversify the product structure and integrate channels to further enhance interactions between purchase and sales. The Group will also grow its footprint in the retail and medical equipment markets by vigorously expanding hospital affiliated pharmacies and DTP professional pharmacies. Digital transformation will be deepened so as to optimize customer management and cost control.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (D) Plans for the second half of 2023 *(Continued)*

4. To broaden the development space of the Great Medical Care. The Group will further enhance the construction standards for Baiyunshan Hospital, enhance talent recruitment and training, and strengthen clinical research to improve the overall competitiveness of the hospital in an all-round way. The postnatal care center brand of “Baiyunshan Runkang” will be further improved and more product lines will be created to enhance the influence of Baiyunshan brand in the field of medical devices.
5. To pool innovation-related resources to push forward production-research integration, and speed up development of research, technology and quality management. The Group will improve the research efficiency and innovation effectiveness, and optimize quality management system. Based on the existing R&D platform, the Group will establish an advanced research platform system and a first-class quality management system.
6. To tighten up management to effectively control various risks. The Group will promote improvement on both efficiency and effectiveness, and drive steady enhancement in management effectiveness across the Group, thus pushing forward high-quality development of the Group.

### (E) Analysis on investment

#### 1. Overall analysis on external equity investment

Applicable    Not applicable

As at the end of the Reporting Period, the external equity investment of the Group amounted to RMB1,827,039,000, with an increase of RMB242,976,000 as compared to 31 December 2022, mainly due to the Group’s recognition of the investment income of the joint ventures and associates under equity method, which led to the increase in long-term equity investment.

(1) *Significant equity investment*

Applicable    Not applicable



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

### (E) Analysis on investment (Continued)

#### 1. Overall analysis on external equity investment (Continued)

##### (2) Significant non-equity investment

Applicable  Not applicable

Name of Investment project	Main Investor	Particulars of Investment Project	Planned Investment Amount (RMB'0000)	Progress of Project Execution
The project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	Chemical & Pharmaceutical Technology Company	Construction of chemical raw medicine production base for production and sales of cefathiamidine, sildenafil citrate and other raw medicine	73,187.91	Equipment installation and commissioning in progress.
GYBYS Biological Medicine and Health R&D Sales Headquarters Project	The Company	Establishment of an R&D platform and R&D center for innovative drugs and medical devices, an international pharmaceutical cooperation and exchange center, a technology incubator and dualinnovation base, etc.	109,985.30 (including 40,410,000 at the time of capital increase)	Curtain wall and decoration in progress.
Nansha Base (Phase I) Project of Guangzhou WJ Great Health Industry Co., Ltd.	WJ Great Health	Establishment of WJ herbal tea canning production line	74,965.73	Equipment installation in progress.
GYBYS Affordable Rental Housing and Talent Apartment Construction Project	Chemical Pharmaceutical Factory	Apartment, kindergarten, garage, community public service and other supporting facilities.	108,286.03	Construction approval in progress.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

### (E) Analysis on investment (Continued)

#### 1. Overall analysis on external equity investment (Continued)

##### (3) Financial assets evaluating at fair value

Applicable  Not applicable

Classification of assets	Opening balance (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative		Current purchase amount (RMB'000)	Current sale/redeem amount (RMB'000)	Other changes (RMB'000)	Closing balance (RMB'000)
			changes in fair value interests (RMB'000)	Impairment accrued in the current period (RMB'000)				
Financial assets held for trading	56,873	-	-	-	-	-	-	56,873
Other equity instrument investment	109,570	-	(6,213)	-	2,259	-	-	105,616
Other non-current financial assets	1,038,819	44,054	-	-	7,568	-	(78,390)	1,012,050

##### (4) Security investments

Applicable  Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB'000)	Capital source	Book value as at the beginning of the Reporting Period (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative changes in fair value interests (RMB'000)	Current purchase/increase amount (RMB'000)	Current sale Amount (RMB'000)	Current investment gains and losses (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Accounting subject
A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	Self-raised funds	1,132	105	-	-	-	-	1,237	Other noncurrent financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical Holding	150,145	Self-raised funds	132,041	42,887	-	-	-	-	174,928	Other noncurrent financial assets
A Share of HKEX	02289	Charmacy Pharmaceutical (Note)	7,568	Self-raised funds	-	597	-	7,568	-	-	8,165	Other noncurrent financial assets
<b>Total</b>	/	/	<b>161,418</b>	/	<b>133,173</b>	<b>43,590</b>	<b>-</b>	<b>7,568</b>	<b>-</b>	<b>-</b>	<b>184,331</b>	/

Note: During the Reporting Period, part of the equity of Charmacy Pharmaceutical was sold by the subsidiary of the Company, and the remaining equity was transferred into financial assets.

# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

### (E) Analysis on investment (Continued)

#### 1. Overall analysis on external equity investment (Continued)

Private fund investments

Applicable     Not applicable

Derivative investments

Applicable     Not applicable

### (F) Significant asset and equity disposal

Applicable     Not applicable

### (G) Analysis of main subsidiaries and investee companies of the Company

Applicable     Not applicable

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Equity directly held by the Company (%)	Income from Principal operations (RMB'000)	Profit from principal operations (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sale of pre-packaging food, dairy products, etc.	900,000.00	100.00	6,400,660	2,805,798	13,619,607	9,527,776	1,256,219
GP Corp.	Pharmaceutical business	Wholesale and retail business	2,449,305.50	90.92	26,174,622	1,604,766	31,843,284	6,727,994	293,162

During the Reporting Period, except in relation to WLJ Great Health and the GP Corp. as mentioned in the above table, the Company did not derive any net profit from any single subsidiary or any investment income from any single investee company which has an impact of 10% or more on net profit of the Group.

During the Reporting Period, the Group did not have other operation activities which had significant impact on net profit.



# Management Discussion and Analysis

## D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

### (H) Circumstance of structured subjects controlled by the Company

Applicable  Not applicable

## E. OTHER MATTERS

### (A) Risk exposure

Applicable  Not applicable

In the future, high-quality development will remain the main theme of the pharmaceutical industry. With the continuous deepening of a series of pharmaceutical reforms such as consistency evaluation and volume-based procurement, innovation transformation, industrial integration, and business model transformation are inevitable. Pharmaceutical companies face the pressure of industrial transformation and upgrading, which poses a challenge to the traditional business development of the Group.

In addition, the pharmaceutical industry is one of the industries most deeply affected by national policies, facing many risks such as industry policy risks, drug/service quality control risks, research and development risks, and market risks. With the deepening of the medical and health system reform, especially the implementation of policies such as volume-based procurement, adjustment of the National Medical Insurance Catalogue, and reform of medical insurance payment methods, the pharmaceutical market structure is continuously changing, and industry competition is intensifying. Currently, as social production and business activities gradually return to normal, the Group will continue to pay attention to the development of the enterprises, actively evaluate and respond to the impact of various risks on the financial situation and operating results of the Group.

### (B) Other disclosures

Applicable  Not applicable

## F. DEVELOPED/DISPOSED PROPERTIES

According to the requirements of Rule 23 of Appendix 16 to the Listing Rules of HKEX, the Company did not have any properties used for development and/or sale or investment with assets ratio, consideration ratio, profits ratio and revenue ratio exceeded 5% during the Reporting Period.

## G. AFTER THE REPORTING PERIOD, THE GROUP HAS NO MATERIAL AFTER-PERIOD MATTERS.

## A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session	Date of the meeting	Index on the designated website for publication of the resolution	Date of publication of the resolutions	Resolutions
The Annual General Meeting for year 2022	30 May 2023	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>	31 May 2023 (SSE), 30 May 2023 (HKEX)	All the resolutions of the general meeting were deliberated and passed. Please refer to the relevant announcements published on the designated websites for the particulars.

### Extraordinary general meetings requested by preferred shareholders who were reinstated

Applicable  Not applicable

### Description of general meetings

Applicable  Not applicable

## B. INFORMATION ON THE CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable  Not applicable

Name	Position	Circumstances for the Changes
Wong Hin Wing	Independent non-executive director	Retirement
Wang Weihong	Independent non-executive director	Retirement
Wong Lung Tak Patrick	Independent non-executive director	Election
Sun Baoqing	Independent non-executive director	Election

## B. INFORMATION ON THE CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY *(Continued)*

### Explanation on the changes of Directors, Supervisors and senior management of the Company

Applicable    Not applicable

At the 2022 annual general meeting held on 30 May 2023, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing were elected as the independent non-executive directors of the ninth session of the Board and their term of office commenced from the date of appointment up to the date on which members of the new session of the Board are elected. On the same date, Mr. Wong Hin Wing and Ms. Wang Weihong retired upon expiry of their term of office since they had been acting as independent non-executive directors in two consecutive sessions of the Board.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of the changes in information of Directors and Supervisors after the publication of the annual report for the year ended 31 December 2022 are set out below:

Name of Directors	Details of the changes
Wong Lung Tak Patrick	Retired as an independent non-executive director of C C Land Holdings Limited in May 2023; Appointed as an independent non-executive director of Cross-Harbour (Holdings) Limited in May 2023.

## C. PROPOSAL FOR PROFIT DISTRIBUTION AND INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE

The Board proposed not to distribute interim dividends for the six months ended 30 June 2023 nor to convert the capital reserve fund into share capital.

Profit distribution scheme, plan on increase in share capital by transfer from capital reserve prepared for the half year

Any distribution or transfer	No
Number of bonus shares to be distributed for every ten shares (shares)	/
Amount of dividends to be distributed for every ten shares (RMB) (inclusive of tax)	/
Number of shares to be transferred into share capital for every ten shares (shares)	/
Explanation on profit distribution or increase in share capital by transfer from capital reserve	/



## D. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

### (A) Matters on relevant equity incentives already disclosed in temporary announcements and where there was no progress or change in subsequent implementation

Applicable  Not applicable

### (B) Matters on equity incentives which had not been disclosed in temporary announcement or where there was progress in subsequent implementation

#### Equity incentive

Applicable  Not applicable

#### Others

Applicable  Not applicable

#### Employee stock ownership plan

Applicable  Not applicable

#### Other incentive

Applicable  Not applicable

## E. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code and “Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management Personnel” of the Company as stipulated by the Company as the codes and criteria for securities transactions by the Directors and Supervisors of the Company. After making specific inquiries to all the Directors and Supervisors, the Company confirmed that its Directors and Supervisors have fully complied with the standards relating to directors’ and supervisors’ dealing in securities as set out in the above codes and criteria during the Reporting Period.

## F. DESCRIPTION OF CORPORATE GOVERNANCE

The Company has been strictly complying with the Company Law of the PRC, the Securities Law of the PRC, related laws and regulations of the CSRC and the Listing Rules of the SSE and the Listing Rules of HKEX, continuously improving the management structure of the Company, strengthening work related to information disclosure, and regulating the operations of the Company.

As at the end of the Reporting Period, the corporate governance of the Company complied with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements set forth by the CSRC.

During the Reporting Period, the Company complied with the code provisions under the Corporate Governance Code (“the CG Code”) as set out in Appendix 14 to the Listing Rules of HKEX.

The Board will keep monitoring and reviewing the Company’s corporate governance practices to ensure compliance with the provisions of the CG Code.

The Group is committed to: (1) the research and development, manufacturing and sales of pharmaceutical products and great health products; (2) wholesale, retail, import and export of Western and Chinese pharmaceutical products and medical apparatus; and (3) investment in the health-related industry such as medical service, health management, health preservation and elderly care, etc., and adopted relatively flexible business model and strategies and a prudent risk and capital management structure. The Group is committed to strengthening the establishment of internal control publicity and guidance as well as the systems related to the internal control, and established a relatively standardized internal control management and risk prevention system; formulated its strategic objectives and detailed work plans and measures of the Group, so as to ensure the accomplishment of the strategic objectives.

The review of the business and financial situation of the Company during the Reporting Period is detailed in Section III which is entitled “Management Discussion and Analysis” in this interim report.

## F. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

During the Reporting Period, the corporate governance related work performed by the Company included:

- (A) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2022 pursuant to the requirements of the Notice on Proper Preparation of the 2022 Annual Report by Listed Companies (《關於做好上市公司2022年年度報告工作的通知》) issued by the SSE, and the Self-assessment Report on Internal Control for 2022 (《2022年度內部控制評價報告》) and the Report on Performance of Social Responsibilities and ESG (Environmental, Social and Governance) for 2022 (《2022年社會責任報告暨 ESG(環境、社會及管治)報告》) were prepared accordingly, which were disclosed after being duly considered and approved by the 27th meeting of the eighth session of the Board of the Company held on 17 March 2023.
- (B) The Company organized and prepared the general meeting, the Board meeting, the meeting of Supervisory Committee and the meeting of special committees of the Board accordingly and tracked the implementation of meeting resolutions and implementation progress. In the first half of 2023, the Company totally organized 1 general meeting of shareholders, 6 Board meetings, 5 meetings of Supervisory Committee, 4 meetings of Audit Committee, 4 meetings of Strategic Development and Investment Committee, 1 meeting of Nomination and Remuneration Committee and 1 meeting of Budget Committee.
- (C) The Company successfully completed the renewal of the Board and the Supervisory Committee, and appointed a new session of the special committees of the Board and senior executives. The Company held the Board meeting and the meeting of Supervisory Committee on 14 April 2023, the 5th (enlarged) meeting of the labor union on 25 April and the general meeting of shareholders on 30 May, elected the new members of the Board and the Supervisory Committee, and successfully completed the renewal of the Board and the Supervisory Committee. In addition, the first meeting of the new session of Board and Supervisory Committee was held respectively, in which the chairman and vice chairman of the Board as well as the chairman of the Supervisory Committee were elected, members of various special committees were appointed, and a new session of senior executives was appointed.



## F. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(D) In terms of internal control and auditing, the Company focused on the requirements of “concentrating on the weaknesses of management, overcoming the shortcomings, strengthening the weaknesses, and further improving the modernization of enterprise management systems and management capabilities”, it mainly carried out the following work:

- (1) Fully promoting the special audit of the major subordinate enterprises with focus on their operation and management, analyzing the business results, locating the reasons, evaluating the establishment and implementation of the internal control system, as well as providing reasonable audit opinions.
- (2) Locating the potential risk points of the Company relating to operation management, decision making and state-owned property management, etc., to assist the high-quality development of the Company.
- (3) Concentrating on key points and strengthening audit supervision. Carrying out annual special inspections of raised funds with focus on its legal compliance in using process; Carrying out special audit and internal control evaluation for major risks to ensure the smooth operation of the internal control system.
- (4) Expanding the scope of risk supervision, preliminarily establishing the “1+N” online risk control platform. Setting risk early warning standards to improve the timeliness and accuracy of risk early warning identification.
- (5) Carrying out risk self-examination and self-correction work, timely identifying deficiencies and risk points to improve the risk defense capabilities of enterprises.
- (6) Continuing to promote the comprehensive risk management of key enterprises, major contracts and accounts receivable, regularly tracking the operation of key enterprises, tracking and analyzing the condition of risky accounts receivable, and organizing the review and annual risk assessment of major economic contracts.

**G. THE AUDIT COMMITTEE UNDER THE NINTH SESSION OF THE BOARD COMPRISED FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM OBTAINED ACCOUNTING PROFESSIONAL QUALIFICATION. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP’S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING WITH THE MANAGEMENT, INCLUDING REVIEWING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023. THE AUDIT COMMITTEE HAD NO DISAGREEMENT WITH ACCOUNTING TREATMENT ADOPTED BY THE COMPANY.**

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION STATUS

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority

√ Applicable    □ Not applicable

#### 1. Information of pollutant emissions

As at the end of the Reporting Period, Chemical Pharmaceutical Factory, He Ji Gong (factory in Liwan district) and Baiyunshan General Factory, being branches of the Company, and Baiyunshan Han Fang, Xing Qun, Bai Di Biological, Ming Xing, Tian Xin, Guang Hua, WLJ Ya'an and Weiling, being the subsidiaries of the Company, were among the key pollutants discharging units. The key items of waste emissions being monitored are exhaust and wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong, Province, the PRC	3.00	"Integrated Emission Standard for Air Pollutants", ≤50	0.049	-	None
	Nitrogen oxides	Intermittently	1		92.8	"Integrated Emission Standard for Air Pollutants", ≤200	1.48	-	None
	Particulate matter (smoke dust)	Intermittently	5		0.92	"Integrated Emission Standard for Air Pollutants", ≤30	0.016	-	None
	Total VOCs	Intermittently	6		2.99	"Integrated Emission Standard of Air Pollutants", ≤120	0.005	-	None
	COD	Discharge after treatment	1		114.17	"Integrated Wastewater Discharge Standard (III-class criteria)", ≤500	8.12	-	None
He Ji Gong (factory in Liwan district)	COD	Discharge after treatment	1	No. 49 Liwan Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	40.25	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.15	-	None

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION STATUS (Continued)

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority (Continued)

#### 1. Information of pollutant emissions (Continued)

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Baiyunshan General Factory	Chemical oxygen demand	Intermittently	1	No. 88 Yunxiang Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	11.12	DB44/26-2001	0.89	-	None
	Total nitrogen	Intermittently	1		7.30	DB44/26-2001	0.58	-	None
	Ammonia nitrogen	Intermittently	1		0.22	DB44/26-2001	0.02	-	None
Baiyunshan Han Fang	Total phosphorus	Intermittently	1		0.12	DB44/26-2001	0.01	-	None
	Sulfur dioxide	Discharge after treatment	1	No.8 Hot spring Avenue, Conghua District, Guangzhou City, Guangdong Province, the PRC	2.60	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤100	0.02	-	None
	Nitrogen oxide	Discharge after treatment	1		124.20	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤200	0.88	-	None
	Particulate matter (smoke dust)	Discharge after treatment	3		3.40	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤200	0.09	-	None
	Total VOCs	Discharge after treatment	9		1.43	"Emission Standard for Air Pollutants of Pharmaceutical Industry" (GB37823-2019) ≤150	2.96	-	None
	COD	Discharge after treatment	1		97.75	"Wastewater Discharge Limits" (DB44/26-2001) ≤500	7.95	-	None
	Ammonia nitrogen	Discharge after treatment	1		9.23	"Wastewater Discharge Limits" (DB44/26-2001) ≤500	0.12	-	None
Xing Qun	COD	Discharge after treatment	1	No. 162 Nanzhou Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	253	"Water quality standard for sewage discharged into urban sewers GB/T 31962-015"	8.33	-	None
	Ammonia nitrogen	Discharge after treatment	1		5.77	"Water quality standard for sewage discharged into urban sewers GB/T 31962-015"	0.19	-	None



# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION STATUS (Continued)

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority (Continued)

#### 1. Information of pollutant emissions (Continued)

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Bai Di Biological	COD	Discharge after treatment	1	No.1 Wanbao North Street, Panyu District, Guangzhou City, Guangdong Province, the PRC	23.15	"Waste Water Discharge Standard of Medical Institution" 250mg/l	0.33	569.35	None
	NH3-N	Discharge after treatment	1		2.3	"Waste Water Discharge Standard of Medical Institution"/no limits for concentration	0.03	102.48	None
Ming Xing	COD	Discharge after treatment	1	No.48 Industry Avenue North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	91.9	"Integrated Wastewater Discharge Standard (III-class criteria)" 500mg/l	3.7	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.95	"Integrated Wastewater Discharge Standard (III-class criteria)" 450mg/l	0.08	-	None
Tian Xin	COD	Discharge after treatment	1	No.808 Bingjiang East Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	39.68	"Integrated Wastewater Discharge Standard (III-class criteria)"	3.71	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.45	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.01	-	None
Guang Hua	COD	Discharge after treatment	1	No.1 Nanshi Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	54	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.292	-	None
WU Ya'an	COD	Discharge after treatment	1	No.1 Deguang Road, Ya'an Economic Development Zone, Sichuan Province, the PRC	11.50	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.35	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province, the PRC	67.20	"Integrated Wastewater Discharge Standard (III-class criteria)"	2.20	4.60	None

Note: VOCs refer to volatile organic compounds, COD refers to Chemical Oxygen Demand.

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION (Continued)

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority (Continued)

#### 2. Construction and operation of pollution prevention and control facilities

√ Applicable    □ Not applicable

The Company's branches and subsidiaries carried out various pollution preventive facilities and measures to ensure that the emission of exhaust gas did not exceed the permitted limit and strictly observed the relevant requirements under the "Integrated Emission Standard for Air Pollutants" and "Integrated Wastewater Discharge Standard (III-class criteria)". Details of the pollution preventive facilities undertaken by the enterprises and their implementations are as follows:

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Chemical Pharmaceutical Factory	Sewage treatment facility tail gas treatment system DA008 (6#)	2018.02	Odor, VOCs	Washing + biofilter	3,895
	202 production waste gas treatment facility DA010 (7#)	2007.10	Particulate matter, VOCs	Bag-type dust collecting + lye spray+ activated carbon adsorption	3,672
	205 cephalosporin sterile APIs production waste gas treatment facility DA004 (5#)	2009.06	VOCs	Condensation + absorber recovery	360
	203 oral APIs production waste gas treatment facility DA003 (9#)	2014.10	VOCs, sulfuric acid mist	Condensation + lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01	VOCs, Hydrochloride	Lye spray + photo catalytic oxidation	2,579
	205 oral cephalosporin APIs production dust and waste gas treatment facility DA002 (10#)	2016.01	Particulate matter	Cellulose filter cylinder filtration	5,350
	203 oral raw medicine production dust and waste gas treatment facility DA009 (8#)	2014.10	Particulate matter	Cellulose filter cylinder filtration	4,870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007 (2#)	2009.06	Particulate matter	Cellulose filter cylinder filtration	7,205
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11	VOCs	Dichloromethane: water spray + L2 T-HPs resin adsorption method	3,000
				Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	2,200
	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	A/O Process	40

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION (Continued)

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority (Continued)

#### 2. Construction and operation of pollution prevention and control facilities (Continued)

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
He Ji Gong (factory in Liwan district)	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Contact biochemistry	25
Baiyunshan General Factory	West District Sewage Station	2000.08	COD, total nitrogen, ammonia nitrogen, Total phosphorus	A/O Process	1,200
Baiyunshan Han Fang	5th plant VOCs process organic waste gas treatment facilities (TA001)	2020.11	Benzene, VOCs, Total nonmethane hydrocarbons	Condensation recover+ lye spray+ UV photolysis+ activated carbon adsorption	6,000
	5th plant VOCs process organic waste gas treatment facilities (TA002)	2020.11	Benzene, VOCs, Total nonmethane hydrocarbons	Condensation recover+ lye spray+ UV+ activated carbon adsorption	12,000
	11th plant VOCs process organic waste gas treatment facilities (TA003)	2020.07	Particulate matter, VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	2,000
	11th plant VOCs process organic waste gas treatment facilities (TA004)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	6,700
	2nd plant VOCs process organic waste gas treatment facilities (TA005)	2020.11	Particulate matter, VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	5,000
	1st plant VOCs process organic waste gas treatment facilities (TA006)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	5,000
	1st and 3rd plant VOCs process organic waste gas treatment facilities (TA007)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	85,00
	2nd plant VOCs process organic waste gas treatment facilities (TA008)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	7,000
	Experiment plant VOCs process organic waste gas treatment facilities (TA009)	2020.11	VOCs, Total non-methane hydrocarbons	Lye spray + activated carbon	12,000
	Waste water treatment system and waste gas treatment facilities (TA010)	2017.10	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000
	Waste water treatment system and waste gas treatment facilities (TA011)	2021.05	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000



# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION *(Continued)*

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority *(Continued)*

#### 2. Construction and operation of pollution prevention and control facilities *(Continued)*

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Baiyunshan Han Fang	Sewage Treatment Station	2005.09	pH value, total phosphorus (measured in P), suspended solids, Ammonia nitrogen (NH <sub>3</sub> -N), 5-day BOD, chemical oxygen demand, total nitrogen (measured in N), total organic carbon, acute toxicity, total cyanide, animal and plant oil, chroma	Second order anaerobic + third order aerobic + third order precipitation	360
Xing Qun	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Biochemical treatment process	20
Bai Di Biological	Sewage Treatment Station	2005.09	COD, ammonia nitrogen	Aerobic biological method	120
Ming Xing	Sewage Treatment Station DW001	1995.12	COD, ammonia nitrogen	A/O Process	400 (ton/day)
	Laboratory waste gas treatment tower DA002	2020.09	Laboratory gas	Medicine + spray	22,500
	Sewage Treatment Station and waste gas treatment tower DA003	2014.08	Stench	Biological method + spray	2,600
	Air purification tower DA004	2015.09	Hydrolyzed odor	Biological method + spray	6,500
	Air purification tower DA005	2016.12	VOCs	Biological method + spray	10,000
	Air purification tower DA006	2019.06	VOCs, stench	Biological method + spray	24,000
Tian Xin	Sewage Treatment Station Discharge Port TW001	2002.03	COD, ammonia nitrogen	SBR Process (interval)	800
Guang Hua	Sewage Treatment Station	2015.09	COD	A/O Process	8.33
WU Ya'an	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	A/O Process	40
Weiling	Sewage Treatment Station	2016.06	COD, ammonia nitrogen	A/O Process	40

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION *(Continued)*

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority *(Continued)*

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

Applicable  Not applicable

The designing, construction and trial run of plants, new projects and reconstruction and expansion projects of each key pollutant-discharging unit of the Company all conducted the environmental impact assessment and the environmental inspection after completion in strict compliance with relevant laws and regulations. Environmental protection facilities for supporting construction were designed, constructed and put into trial operation at the same time as the main projects.

During the Reporting Period, the environmental protection facilities of all units were running smoothly, ensuring the legal discharge of waste water, waste air and noise and standardized management of hazardous wastes.

#### 4. Environmental emergency response plan

Applicable  Not applicable

Each key pollutant-discharging unit of the Company prepared the “Environmental Emergency Response Plan” according to standard specifications and organized drills of the environmental emergency response and rescue plan on its own.

#### 5. Environmental self-monitoring program

Applicable  Not applicable

Each key pollutant-discharging unit of the Company prepared the “Environmental Self-monitoring Program” and strictly conducted daily monitoring according to the self-monitoring program and disclosed information to the public. Meanwhile, such units entered an “Environmental Monitoring Technology and Service Contract” with a qualified third-party monitoring authority having relevant qualifications whereby such authority is entrusted to conduct a third-party test of the sewage, exhaust and noise discharged by each plant in accordance with environmental protection and administration requirements and provide the inspection report.

# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION *(Continued)*

### (A) Descriptions of environmental protection status of key pollutant-discharging companies and their subsidiaries published by the environmental protection authority *(Continued)*

#### 6. Receiving administrative penalties due to environmental issues during this Reporting Period

Applicable  Not applicable

#### 7. Other environmental information that should be disclosed to the public

Applicable  Not applicable

### (B) Descriptions of environmental protection status of companies other than the key pollutant-discharging units

Applicable  Not applicable

#### 1. Receiving administrative penalties due to environmental problems

Applicable  Not applicable

#### 2. Other environmental information disclosure with reference to the key pollutant-discharging units

Applicable  Not applicable

Other than the companies named above which are key pollutant-discharging units, all the other subsidiaries of the Company are low-energy consumption and low-emission enterprises, with the majority being provincial and municipal clean production units as well as national, provincial and municipal green enterprises. They have strictly complied with national, provincial and municipal laws and regulations related to environmental protection, and have not discharged pollutants in excess of the relevant limits.

#### 3. Reasons for environmental information which were undisclosed

Applicable  Not applicable



# Environmental and Social Responsibility

## A. ENVIRONMENTAL INFORMATION *(Continued)*

### (C) Explanation for subsequent development of or changes in environmental information disclosed during the Reporting Period

Applicable  Not applicable

### (D) Relevant information beneficial to ecological protection, pollution prevention and performance of environmental responsibility

Applicable  Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Company strictly controls the treatment and discharge of various pollutants through emission reduction from the source, green production in the intermediate process, and pollution prevention at the end. It not only meets discharge standards but also strives to minimize emissions. For example, the waste water discharged into the municipal pipeline is only required to meet the third-level discharge standard according to the law. The Company's subsidiaries strive to meet the first-level discharge standard through technical upgrading and strict management. In addition, it establishes nationwide planting bases of medicinal herbs with adaptations to varying local conditions, carries out standard plantation of Chinese medicinal herbs and conducts researches on planting technology on medicinal herbs, quality seedlings and quality traceability on Chinese medicinal herbs to promote biodiversity conservation. The Company actively advocates the concept of environmental protection, contributes to the green development of the whole society, and strives to promote the development of green economy, low-carbon economy and circular economy.

### (E) Measures taken to reduce carbon emissions and their effects during the Reporting Period

Applicable  Not applicable

The Company uses clean energy as combustion medium for boilers which adopts a brand with high thermal efficiency. For the use of power energy, it proactively purchases power-saving equipment and adopts LED lights for lighting and energy-saving electrical machinery. For power distribution equipment, it adopts capacitance compensation, provides power factors and proactively promotes the use of degradable and recyclable packaging materials in the production process.

# Environmental and Social Responsibility

## B. DETAILS ON CONSOLIDATING AND EXPANDING THE RESULTS OF ALLEVIATING POVERTY, RURAL REVITALIZATION AND OTHER WORK

Applicable    Not applicable

During the Reporting Period, the Company has continuously promoted, solidified and expanded the results of alleviating poverty and rural revitalization, and the specific works are as following:

- (I) The Group provides assistance for rural areas in Nanxing Town, Leizhou City. The Group investigated into the feasibility of building a Chinese herbal medicine planting base on the basis of the local light, soil, topography and hydrogeological conditions in Nanxing Town. In addition, more than RMB600,000 has been invested to repair teaching facilities and build football fields in Pinglan Village.
- (II) Fully leveraging its strengths in the pharmaceutical industry, the Group rolled out new Chinese herbal medicine planting projects starting with Chinese mesona (仙草) and Microcos (布渣葉) in Meizhou, Qingyuan and Xinjiang. Through technical training and targeted procurement measures, these projects have effectively stimulated the development of the local agriculture industries and increased farmers' income.
- (III) The Group provides assistance for eight villages in three towns of Sandu county, Qiannan Prefecture, Guizhou, under the collaboration and paired assistance between the eastern and western regions. Eleven projects commenced in 2022 with a total investment of RMB1 million successfully passed the acceptance inspections in the first half of this year.
- (IV) The Group actively undertakes the task of developing lychee industry in Guangdong and plays a leading role in the construction of Guangdong Cross-county Lychee Cluster Industrial Park. The Group developed "Li Xiao Ji (荔小吉)", a brand of lychee food produced from lychee, a local specialty of Lingnan, to promote the targeted linkage between production and sales, thus contributing to the integrated development between lychee-related primary, secondary and tertiary industries.

## A. PERFORMANCE OF UNDERTAKINGS

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirers and other relevant parties of the Company during or continuing during the Reporting Period

Applicable  Not applicable

#### 1. Independence of listed company

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>After completion of the Material Assets Reorganization in 2013, GPLH, the controlling shareholder of the Company, will comply with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association of GPC, and exercise shareholder's rights according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organization and business.</li> <li>The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes



# Major Events

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 2. Avoiding competition

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>After completion of the Material Assets Reorganization in 2013, GPLH and its controlled subsidiaries (hereinafter "Subsidiaries" excluding GPC and its subsidiaries and same as below) should avoid engaging in business and operations which substantially compete with those of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013, and avoid increasing investment in companies and enterprises other than the GYBYS and its subsidiaries, and engaging in business and operations which substantially compete with those of the GYBYS. GPLH will not and will procure its Subsidiaries not to engage in the same or similar business of the GYBYS to avoid direct or indirect competition with the operation and business of the GYBYS. In addition, GPLH will voluntarily forego and vigorously procure its Subsidiaries forego competition with the GYBYS if GPLH and its Subsidiaries will bring unfair impact on the GYBYS in respect of market shares, business opportunities and allocation of resources.</li> <li>GPLH shall bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by the GYBYS due to any breach of the above undertakings.</li> <li>The undertaking letter shall remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 3. Regulating connected transactions

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>After completion of the Material Assets Reorganization in 2013, GPLH and its Subsidiaries should minimize and regulate connected transactions with the Company. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreements with the Company in accordance with laws and perform the legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of SSE and the Listing Rules of HKEX and the Articles of Association of GPC, and warrant that it will not harm the legitimate rights and interests of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013 and its other shareholders.</li> <li>The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

# Major Events

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 4. Undertakings related to properties with legal defects

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPLH will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised.</li> <li>2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost or suffer any material adverse impact due to such issue.</li> <li>3. After completion of the merger, GPLH will fully compensate the Company within 2 months from the date of incurrence of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted land use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but are not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any losses.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes



## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 5. Undertakings related to trademarks by the controlling shareholder

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) upon the expiry date of 1 May 2020, or earlier when the license agreement and its supplemental agreement were determined invalidated/void/terminated by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the pre-emption right in Wang Lao Ji trademarks.</li> <li>2. On the basis of the original undertaking letter, GPLH has further made the undertaking as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such 4 other trademarks related to Wang Lao Ji, which are all obtained and owned in legal manner by GPLH after the execution day (inclusive of that day) of the Supplementary Agreement to the Agreement of Trademark Custody. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</li> </ol>

# Major Events

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
Time and period of undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Valid period for performance	N/A
Whether timely and strictly performed	Yes. In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the effective date of the judgment on the law case of ‘red can decoration’”, due to the trial of the “case on red can decoration dispute”. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of “Wang Lao Ji” trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Compliance or not	Yes
Notes	On 16 August 2017, the Supreme People’s Court of the PRC announced the judgment on the “case on red can decoration dispute”, and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company’s wholly-owned subsidiary, received the relevant civil judgment of the Supreme People’s Court of the PRC on the “case on red can decoration dispute” (For details, please refer to the Announcement of the Final Judgement on the Case of “Dispute over Wang Lao Ji Red Can Decoration” of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH’s undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer “Wang Lao Ji” series trademarks to the Company had been satisfied.

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
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On 27 December 2018, the Resolution regarding the Proposal on Purchasing Trademarks in Cash and the Relevant Agreements and Connected Transactions was considered and approved at the 18th meeting of the seventh session of the Board of the Company, by using the appraised value as the pricing basis, which was determined in the Assets Evaluation Report on Proposed Transfer of Trademarks by Guangzhou Pharmaceutical Holdings Limited Involving 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by GPLH, the controlling shareholder (including trademarks already registered in the PRC and other countries or regions and trademarks under application and pending for approval) in cash, and signed the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited and the Profit Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited. The above transaction was considered and passed at the first extraordinary general meeting in 2019 held on 28 March 2019. On 30 April 2019, the Company entered into the Confirmation of the Delivery of Assets for the Transfer of “Wang Lao Ji” Series Trademarks with GPLH, in accordance with which the transfer of the “Wang Lao Ji” trademark assets had been completed.



# Major Events

## A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (A) The undertakings made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing during the Reporting Period *(Continued)*

#### 5. Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
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On 18 August 2021, the Resolution on Postponement in Fulfilling Performance Guarantee by the Controlling Shareholder and Signing of Supplemental Agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPLH. As affected by the COVID-19 epidemic, GPLH negotiated with the Company to adjust the terms of commitments from the year 2019, 2020 and 2021 to the year 2019, 2021 and 2022. As a result, the value realized during the commitment period should be deferred accordingly, representing the commitment value in net income of trademark assets of RMB152.87 million, RMB162.65 million and RMB171.45 million in the year of 2019, 2021 and 2022, respectively.

Of 418 trademarks of Wang Lao Ji series that the Company has submitted the changing application documents to both domestic and foreign intellectual property departments, there has been 395 trademarks changed and 23 trademarks pending approval.

# Major Events

## B. APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD

√ Applicable    □ Not applicable

Name of shareholders or related parties	Relationship with the Company	Appropriation time	Reasons	Amount	New	Total amount repaid during the Reporting Period	Balance at the end of the Reporting Period	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
				at the beginning of the Reporting Period	appropriation amount during the Reporting Period						
				(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)			
HWBYS	Joint venture	(Note)	Dividends	218,767	-	173,372	45,395	45,395	Cash	45,395	-
Total	/	/	/	218,767	-	173,372	45,395	45,395	/	45,395	/
Proportion of total amount at the end of the period in the latest audited net assets											0.13%
Decision-making procedures for appropriation of funds for non-operating purposes by controlling shareholder and other related parties											-
Reasons for new appropriation of funds for non-operating purposes by substantial shareholders and their affiliated enterprises, investigation of responsible persons and explanations to measures proposed to be adopted by the Board											-
Reasons for failure to settle appropriation of funds for non-operating purposes as planned, investigation of responsibilities and explanations to measures proposed to be adopted by the Board											-
Special audit opinion of certified public accountants on appropriation of funds (if any)											-

Note: As of 31 December 2022, the total dividend that HWBYS should pay to the Company was RMB218,766,959. During the Reporting Period, since HWBYS has been building Chinese patent medicine intelligent manufacturing and warehousing logistics platform project with its own funds and has a large investment fund, HWBYS repaid part of the dividend to the Company with amount of RMB173 million based on its operation.

# Major Events

## C. ILLEGAL GUARANTEES

Applicable  Not applicable

## D. AUDIT OF THE INTERIM REPORT

Applicable  Not applicable

### (A) Explanation on appointment, dismissal of auditors

*Explanatory notes on the appointment and dismissal of auditors*

Applicable  Not applicable

As considered and approved at the third meeting of the Audit Committee in 2023, the Company suggested to renew the appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2023, and the said matter was submitted to the Board for consideration. As considered and approved at the 28th meeting of the eighth session of the Board, the 24th meeting of the eighth session of the Supervisory Committee and 2022 annual general meeting of shareholders of the Company, the Company approved the proposed renewal of appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2023. Please refer to the announcement of the Company dated 15 April 2023, the circular dated 26 April 2023 and the announcement of the voting result of 2022 annual general meeting of shareholders dated 30 May 2023.

*Statements relating to the change in the employment of accounting firm during the audit period*

Applicable  Not applicable

### (B) Explanation given by the Company on the “non-standard auditor’s report” issued by the auditors

Applicable  Not applicable



**E. EXPLANATION GIVEN BY THE COMPANY ON THE FINANCIAL REPORT IN PREVIOUS ANNUAL REPORT ON THE “NON-STANDARD AUDITOR’S REPORT” ISSUED BY THE AUDITORS**

Applicable  Not applicable

**F. MATTERS RELATING TO BANKRUPTCY AND REORGANIZATION**

Applicable  Not applicable

**G. THE GROUP’S MATERIAL LITIGATIONS, ARBITRATIONS OR MATTERS SUBJECT TO DOUBT BY MEDIA**

Material litigations or arbitrations of the Company during the Reporting Period

No Material litigations or arbitrations of the Company during the Reporting Period

**(A) Litigation and arbitration matters disclosed in temporary announcements and with no subsequent developments**

Applicable  Not applicable

**(B) Litigation or arbitration not disclosed in temporary announcement or with subsequent developments**

Applicable  Not applicable

**(C) Others**

Applicable  Not applicable

**H. INFORMATION ON PENALTIES, RECTIFICATION AND REFORM IN RESPECT OF THE COMPANY, THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR THE ACQUIRER DURING THE REPORTING PERIOD**

Applicable  Not applicable

**I. EXPLANATION ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD**

Applicable  Not applicable

# Major Events

## J. MATERIAL CONNECTED TRANSACTIONS

### (A) The related party transactions in relation to the ordinary operations

#### 1. Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

Applicable  Not applicable

#### 2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

Applicable  Not applicable

(1) During the Reporting Period, the details of the related party transactions in relation to the ordinary operations are as follows:

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Purchase commodity	Medicinal materials or medicine	Market price	3,048	0.01	Cash
HWBYS	Joint Venture	Purchase commodity	Medicinal materials or medicine	Market price	105,221	0.35	Cash
Baxter Qiao Guang	Joint Venture	Purchase commodity	Medicinal materials or medicine	Market price	68,499	0.23	Cash
Baiyunshan Yi Xin Tang	Associates	Purchase commodity	Medicinal materials or medicine	Market price	154	0.00	Cash
<b>Subtotal</b>					<b>176,922</b>		
HWBYS	Joint Venture	Receive service	Exhibition services	Market price	7,991	1.03	Cash
GPHL	Parent company	Receive service	Exhibition services	Market price	70	0.01	Cash
Hua Cheng	Controlled by same parent company	Receive service	Exhibition services	Market price	98	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Receive service	Exhibition services	Market price	109	0.01	Cash
<b>Subtotal</b>					<b>8,268</b>		
<b>Total</b>					<b>185,190</b>		

## J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

### (A) The related party transactions in relation to the ordinary operations *(Continued)*

#### 2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation *(Continued)*

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction <i>(RMB'000)</i>	Proportion to the amount of same transaction <i>(%)</i>	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Sale commodity	Medicinal materials or medicine	Market price	76,352	0.19	Cash
GPLH (Marco) International Development Industry Co., Ltd.	Controlled by same parent company	Sale commodity	Medicinal materials or medicine	Market price	290	0.00	Cash
HWBYS	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	85,305	0.21	Cash
Baxter Qiao Guang	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	280	0.00	Cash
Baiyunshan Yi Xin Tang	Associates	Sale commodity	Medicinal materials or medicine	Market price	33,749	0.08	Cash
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Controlled by same parent company	Sale commodity	Medicinal materials or medicine	Market price	6	0.00	Cash
<b>Subtotal</b>					<b>195,982</b>		
GPLH	Parent company	Provide services	Advertising Agency Service	Market price	134	0.47	Cash
Hua Cheng	Controlled by same parent company	Provide services	Advertising Agency Service	Market price	2,569	9.12	Cash
HWBYS	Joint Venture	Provide services	Advertising Agency Service	Market price	23,501	83.44	Cash
Baxter Qiao Guang	Joint Venture	Provide services	Advertising Agency Service	Market price	50	0.18	Cash
Hua Cheng	Controlled by same parent company	Provide services	Manufacturing consignment	Market price	16,176	10.91	Cash
HWBYS	Joint Venture	Provide services	Manufacturing consignment	Market price	7,808	5.27	Cash
HWBYS	Joint Venture	Provide services	Research and development services	Market price	55	0.01	Cash



# Major Events

## J. MATERIAL CONNECTED TRANSACTIONS (Continued)

### (A) The related party transactions in relation to the ordinary operations (Continued)

#### 2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation (Continued)

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint Venture	Provide services	Other services	Market price	331	0.04	Cash
Baxter Qiao Guang	Joint Venture	Provide services	Other services	Market price	2,595	0.34	Cash
Hua Cheng	Controlled by same parent company	Provide services	Other services	Market price	101	0.01	Cash
<b>Subtotal</b>					<b>53,320</b>		
Hua Cheng	Controlled by same parent company	Provide patent, trademark and other right of use	Right of trademark	Negotiated price	474	38.45	Cash
HWBYS	Joint Venture	Provide patent, trademark and other right of use	Right of trademark	Negotiated price	357	29.02	Cash
HWBYS	Joint Venture	Other	Assets leased from related parties	Negotiated price	2,871	1.60	Cash
GPHL	Parent company	Other	Assets leased from related parties	Negotiated price	3,521	1.96	Cash
<b>Subtotal</b>					<b>7,223</b>		
GPHL	Parent company	Other	Assets leased to related parties	Negotiated price	518	2.13	Cash
Baxter Qiao Guang	Joint Venture	Other	Assets leased to related parties	Negotiated price	1,816	7.47	Cash
HWBYS	Joint Venture	Other	Assets leased to related parties	Negotiated price	58	0.24	Cash
<b>Subtotal</b>					<b>2,392</b>		
<b>Total</b>					<b>258,917</b>		

Note: The above related party transactions were considered as the Group's ordinary operations, valued by the market prices, and placed no negative impact on the Group's sustainable operations.

#### 3. Matters not disclosed in temporary announcement

Applicable     Not applicable

## J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

### (B) Related party transactions on acquisition and disposal of assets or equity interests

1. **Events disclosed in temporary announcements and with no progress or change in subsequent implementation**

Applicable  Not applicable

2. **Events disclosed in temporary announcements but with progress or change in subsequent implementation**

Applicable  Not applicable

3. **Events not disclosed in temporary announcements**

Applicable  Not applicable

4. **Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed**

Applicable  Not applicable

### (C) Material related party transactions on joint external investment

1. **Events disclosed in temporary announcements and have no progress or change in subsequent implementation**

Applicable  Not applicable

2. **Events disclosed in temporary announcements but with progress or change in subsequent implementation**

Applicable  Not applicable

As the principal investor, the Company invested RMB999 million to establish the GP Fund, which invested RMB334 million to subscribe for the limited partnership shares of WBA GP Fund. The said transaction constitutes a related party transaction as recognized under the SSE Listing Rules and other relevant regulations. For details, please refer to the Company's announcements dated 2 March 2023 in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and the websites of SSE and HKEX. WBA GP Fund has completed its business registration and obtained business license on 28 June 2023, and the partners have paid up the initial capital contribution of RMB674.75 million. Furthermore, WBA GP Fund completed the filing on 14 July.

# Major Events

## J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

### (C) Material related party transactions on joint external investment *(Continued)*

#### 3. Events not disclosed in temporary announcements

Applicable     Not applicable

### (D) Credit claims and liabilities between related parties

#### 1. Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

Applicable     Not applicable

#### 2. Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

Applicable     Not applicable

#### 3. Matters not disclosed in temporary announcements

Applicable     Not applicable

### (E) The financial business between the Company and its related financial company, and between the Company's holding financial company and its related parties

Applicable     Not applicable

### (F) Other material related party transactions

Applicable     Not applicable

### (G) Others

Applicable     Not applicable



## K. THE GROUP'S ACQUISITION AND DISPOSAL OF ASSETS, CORPORATE MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD

No.	Approval body	Subject matter	Status
1	The first meeting of Strategic Development and Investment Committee in 2023	The Company acquires 100% equity of Cai Zhi Lin Medicine from Cai Zhi Lin and Guangzhou Jian Min Pharmaceutical Chain Co., Ltd. with amount of RMB28.0168 million.	In progress
		He Ji Gong, a branch of the Company, changed the independent legal entity and established a wholly-owned subsidiaries, Guangzhou Baiyunshan He Ji Gong Pharmaceutical Co., Ltd. (subject to the approval of the industrial and commercial registration authority).	Completed
2	The second meeting of Strategic Development and Investment Committee in 2023	Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, accepted the offer and sold part of its shares in Charmacy Pharmaceutical.	Completed
3	The third meeting of Strategic Development and Investment Committee in 2023	Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd., a wholly-owned subsidiary of the Company, participated in the bidding for 181 mu of Class II industrial land, with an amount of about RMB252.28 million (the specific amount is subject to the actual bidding).	Land bidding completed
4	The fourth meeting of Strategic Development and Investment Committee in 2023	The Company performed capital injection to its wholly-owned subsidiary, WLJ Great Health with raised funds, for the WLJ Great Health Nansha Base (Phase I) project.	Completed

The above transactions did not constitute transactions which required to be disclosed or approved by shareholders pursuant to Chapter 14 or Chapter 14A of the Listing Rules of HKEX.

# Major Events

## L. MATERIAL CONTRACTS AND THEIR PERFORMANCE

### (A) Trusteeship, contract and lease matters

Applicable     Not applicable

During the Reporting Period, the Group did not hold on trust, sub-contract or lease assets of other companies or vice versa, which generated profit that accounted for 10% or more of the total profits of the Group for the Reporting Period.

### (B) The major guarantees that have been performed or have not been completed during the Reporting Period

Applicable     Not applicable

### (C) Other major contracts

Applicable     Not applicable

## M. DESCRIPTION OF OTHER IMPORTANT MATTERS

### (A) The situation, reason and effect of changes in accounting policies, accounting estimates and accounting methods compared to the previous accounting period

Applicable  Not applicable

The Ministry of Finance issued the “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (hereinafter referred to as “Interpretation No. 16”) on 30 November 2022. It regulates the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction for which the initial recognition exemption is not applicable.

Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction

Interpretation 16 stipulates that for individual transactions that do not affect accounting profit or taxable income (or deductible losses) and that do not result in temporary differences between the initial recognition of assets and liabilities and do not generate temporary differences that are deductible, as well as for individual transactions that lead to temporary differences and deductible temporary differences due to the initial recognition of assets and liabilities, which arise from lease transactions in which a lessee initially recognizes a lease liability on the commencement date of the lease and includes the right-of-use asset in the lease, and transactions in which an obligation to dispose of assets exists, and a provision is recognized and included in the cost of the related asset, and other transactions falling within the scope of this interpretation, the provisions of Article 11(2) and Article 13 of Accounting Standard for Enterprises No. 18, “Income Taxes,” regarding exemption from the initial recognition of deferred tax liabilities and deferred tax assets do not apply. Enterprises should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of Accounting Standard for Enterprises No. 18, “Income Taxes,” for the temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities due to the transaction.

For individual transactions falling within the scope of this interpretation that occurred between the beginning of the earliest period reported in the financial statements during the initial implementation of this interpretation and the effective date of this interpretation, enterprises should make adjustments in accordance with the provisions of this interpretation. For lease liabilities and right-of-use assets recognized due to transactions falling within the scope of this interpretation and recognized obligations related to obligations to dispose of assets, as well as related assets generating temporary differences and deductible temporary differences recognized in the earliest period reported in the financial statements during the initial implementation of this interpretation, enterprises should adjust the accumulated impact amount in accordance with the provisions of this interpretation and Accounting Standard for Enterprises No.18, “Income Taxes,” and retain earnings at the beginning of the earliest period reported in the financial statements and other relevant financial statement items. Enterprises performing such adjustments should disclose relevant information in the notes to the financial statements.



# Major Events

## M. DESCRIPTION OF OTHER IMPORTANT MATTERS *(Continued)*

### (A) The situation, reason and effect of changes in accounting policies, accounting estimates and accounting methods compared to the previous accounting period *(Continued)*

The impact of the implementation of Interpretation 16 on the Group's consolidated balance sheet is as follows:

Item	Balance as of December 31, 2022 before accounting policy change <i>(RMB'000)</i>	Impact of Interpretation 16 Adjustment <i>(RMB'000)</i>	Balance as of January 1, 2023 after accounting policy change <i>(RMB'000)</i>
Deferred Tax Assets	865,339	214,263	1,079,602
Deferred Tax Liabilities	<u>394,588</u>	<u>214,263</u>	<u>608,851</u>

The change in accounting policy did not have significant impact on the Company's financial position, operating result and cash flow in the current period.

### (B) The situation, correct amount, reason and effect of the correction of major accounting errors occurred during the Reporting Period which should be retraced and restated

Applicable     Not applicable

## M. DESCRIPTION OF OTHER IMPORTANT MATTERS *(Continued)*

### (C) Others

Applicable    Not applicable

The Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the Resolution on Approving Guangzhou Pharmaceuticals Corporation, a subsidiary of the Company, to Conduct Asset-backed Securitization was considered and approved, and it agreed GP Corp. to conduct asset backed securitization of accounts receivable. The above-mentioned resolution was considered and approved at the second extraordinary general meeting of shareholders in 2019 held by the Company on 12 November 2019.

GP Corp. issued Xingye Yuanrong-GP Corp. phase II Special Asset Support Plan for Accounts Receivable (“Phase 2 Special Plan”) on 10 September 2021, with an effective amount of RMB1 billion during the fundraising period. After its establishment, it filed in accordance with relevant regulations and requirements of relevant regulatory authorities. On 1 February 2023, the book value of accounts receivable sold by GP Corp. was RMB0.314 billion, the received purchase value was RMB0.312 billion. The Phase 2 Special Plan expired on 8 May 2023, and has been liquidated as of now.

The Company held the 24th meeting of the eighth session of the Board on 22 November 2022, at which the Resolution on Guangzhou Pharmaceuticals Company Limited, a controlled subsidiary of the Company, to Conduct Asset-backed Securitization of Accounts Receivable was considered and approved, and it agreed GP Corp. to conduct asset-backed securitization of accounts receivable. The above-mentioned resolution was considered and approved at the first extraordinary general meeting of shareholders in 2022 held by the Company on 16 December 2022.

GP Corp. issued Xingye Yuanrong-GP Corp. phase III Special Asset Support Plan for Accounts Receivable (“Phase 3 Special Plan”) on 20 March 2023, the issuance scale is RMB1 billion. As at 30 June 2023, the total book value of accounts receivable sold by GP Corp. Phase 3 Special Plan amounted to RMB1.284 billion, the purchase value received by GP Corp. amounted to RMB1.270 billion. The proceeds generated would be applied to supplement the working capital of the GP Corp. For details, please refer to the announcements of the Company dated 19 April 2023 and 10 May 2023 published on the websites of the SSE and the HKEX.

## Major Events

### N. ACCORDING TO PARAGRAPH 41A OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THAT THERE ARE PROCEEDS BROUGHT FORWARD FROM ANY ISSUE OF EQUITY SECURITIES, A LISTED ISSUER IS REQUIRED TO DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND DETAILS OF THE USE OF SUCH PROCEEDS AS SET OUT IN PARAGRAPHS 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX

Pursuant to The Approval on the Non-public Offering of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (Zhengjianxuke [2016] No. 826) from the CSRC, the Company, through non-public offering, had issued 334,711,699 A shares, and had raised total proceeds of RMB7,885,807,628.44 and net proceeds of RMB7,863,446,528.33 (after deducting all relevant expenses). For details, please refer to the circular to the shareholders of the Company dated 26 February 2015 and the announcement of the Company dated 18 August 2016 published on the websites of SSE and HKEX.

The Company used proceeds in the amount of RMB243,900,500 in January to June 2023. As at 30 June 2023, the aggregate proceeds invested amounted to RMB7,130,350,100 and the aggregate proceeds invested after deduction of bank charges and addition of accrued interest income amounted to RMB1,345,114,100, details of which are as follows:

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2023 (RMB'0000)	Difference between the accumulated amount invested and the total amount committed for investment as at the end of the Reporting Period (RMB'0000)	Date of the projects becoming ready for intended use
1	The construction project of the Great Southern TCM research and development platform	99,757.10	78,040.40	(21,716.70)	31 December 2025 <sup>(Note 1 - 4)</sup>
2	The construction project of the Great Southern TCM production base (phase I)	64,391.67	44,682.33	(19,709.34)	—
Including:	Ming Xing relocation improvement	60,000.00	40,290.66	(19,709.34)	31 January 2024 <sup>(Note 2)</sup>
	He Ji Gong relocation improvement project	4,391.67	4,391.67	0	Change in the intended use <sup>(Note 2)</sup>
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPLH (the controlling shareholder of the Company)	108,000.00	108,000.00	0	<sup>(Note 3)</sup>



## Major Events

**N. ACCORDING TO PARAGRAPH 41A OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THAT THERE ARE PROCEEDS BROUGHT FORWARD FROM ANY ISSUE OF EQUITY SECURITIES, A LISTED ISSUER IS REQUIRED TO DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND DETAILS OF THE USE OF SUCH PROCEEDS AS SET OUT IN PARAGRAPHS 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX (Continued)**

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2023 (RMB'0000)	Difference	Date of the projects becoming ready for intended use
				between the accumulated amount invested and the total amount committed for investment as at the end of the Reporting Period (RMB'0000)	
4	The project for establishment of channels and brands	200,000.00	203,395.67	3,395.67	N/A
5	The project for establishment of information platform	2,774.99	2,774.99	0	Change in a portion of the intended use of by the Company (Note 2 and Note 3)
6	The project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd	48,901.37	27,980.67	(20,920.70)	(Note 2)
7	The project for Nansha base Phase I of WLI Health	38,400.00	10,447.12	(27,952.88)	(Note 4)
8	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	11,842.90	6,308.63	(5,534.27)	(Note 4)
9	Replenishment of liquidity	222,049.70	231,405.20	9,355.50	(Note 5)
	<b>Total</b>	<b>796,117.73</b>	<b>713,035.01</b>	<b>(83,082.72)</b>	<b>-</b>

Notes:

- The Company convened the 24th meeting of the eighth session of the Board and the 20th meeting of the eighth session of the Supervisory Committee and considered and passed the resolution on postponing the implementation date of the construction project of the Great Southern TCM research and development base to 31 December 2025. For details, please refer to the announcement of the Company dated 23 November 2022 and the circular of the Company dated 25 November 2022 on the websites of SSE and HKEX.

# Major Events

**N. ACCORDING TO PARAGRAPH 41A OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THAT THERE ARE PROCEEDS BROUGHT FORWARD FROM ANY ISSUE OF EQUITY SECURITIES, A LISTED ISSUER IS REQUIRED TO DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND DETAILS OF THE USE OF SUCH PROCEEDS AS SET OUT IN PARAGRAPHS 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX**  
*(Continued)*

Notes: *(Continued)*

2. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of the construction project of the Great Southern TCM production base (phase I) of Ming Xin's relocation improvement project to 31 January 2024, and redesignated RMB104.725 million (the actual amount is based on the balance of designated account on the day the proceeds are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the designated account on the day when proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmcentral (Zhuhai) Co., Ltd. Please refer to the announcements dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites of SSE and HKEX for details.
3. The Company's the 18th meeting of the seventh session of the Board, the 12th meeting of the seventh session of the Supervisory Committee and the first extraordinary general meeting of shareholders in 2019 considered and passed the resolution on changing the use of RMB1 billion and RMB80 million out of the proceeds for the extension project of modern medical logistics services and for the project for the establishment of the information platform respectively to the acquisition of the "Wang Lao Ji" series trademarks held by GPL, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018, 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
4. With the approval of the 14th meeting of the eighth session of the Board, the 10th meeting of the eighth session of the Supervisory Committee and the first extraordinary general meeting of shareholders in 2021, in accordance with the needs of the current fund-raising investment projects and after prudent assessment, the Company has changed the use of RMB118.429 million for the project for the construction project of the Great Southern TCM research and development platform to the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I, and changed the use of RMB384 million for the project for the construction project of the Great Southern TCM research and development platform to the project for Nansha base Phase I of WLJ Great Health. The rest of RMB318.8288 million would be used in the original project. For details, please refer to the announcement dated 2 August 2021, the circular dated 17 August 2021 and the announcement dated 30 September 2021 published by the Company on the websites of SSE and HKEX.
5. With the approval of the 24th meeting of the eighth session of the Board, the 20th meeting of the eighth session of the Supervisory Committee and the first extraordinary general meeting of shareholders in 2022, since the project for establishment of channels and brands has been completed in 2021, in order to improve the efficiency of the use of proceeds, the Company has settled it and the remaining proceeds with a total amount of RMB123.1764 million (interest accrued on proceeds for the project and the actual amount is based on the balance of designated account on the day the proceeds are transferred) was permanently replenished to working capital. For details, please refer to the announcement dated 22 November 2022 published by the Company on the websites of SSE and HKEX. During the Reporting Period, the replenishment of working capital used by the Company amounted to RMB83 million.

Save for the above, as at 30 June 2023, the use of the proceeds through the non-public offering of A shares above was in line with the intended use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies (Announcement of CSRC [2022] No.15) issued by the CSRC and the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange (Shang Zheng Fa [2022] No. 2) and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds for the first half of 2023 (the full text of which had been uploaded to the website of SSE).

# Changes in Share Capital and Shareholders

## A. CHANGES IN SHARE CAPITAL

### (A) Changes in share capital

#### 1. Changes in share capital

During the Reporting Period, there had been no changes in the Company's share capital.

#### 2. Explanation on changes in shares capital

Applicable  Not applicable

#### 3. Impact of changes in ordinary shares on financial indicators such as earnings per share and net assets per share during the period from the Reporting Period to the disclosures date of the interim report (if any)

Applicable  Not applicable

#### 4. Other disclosures the Company deems necessary or required by securities regulators

Applicable  Not applicable

### (B) Changes in shares subject to selling restrictions

Applicable  Not applicable



# Changes in Share Capital and Shareholders

## B. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2023, the Company had 91,239 shareholders in total, of which 91,188 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed foreign share (H shares).

(B) Table on the shareholdings of the top ten shareholders and the top ten shareholders of the Company whose shares are in full circulation (or not subject to selling restrictions) as at the end of the Reporting Period.

Shareholders	Increase/ (Decrease) during the Reporting Period) <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions <i>(share)</i>	Number of shares pledged or locked shares <i>(share)</i>	Nature of shares
GPHL	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	2,000	219,771,290	13.52	0	0	Others
GZ Chengfa	0	73,313,783	4.51	0	0	Others
China Securities Finance Corporation Limited	0	47,277,962	2.91	0	0	Others
Hong Kong Securities Clearing Company	3,020,602	35,102,944	2.16	0	0	Others
GZ Chan Tou	(23,888,815)	18,833,747	1.16	0	0	State-owned legal person
China Construction Bank Corporation – E Fund CSI 300 Medicine and Health Trading Open Index Investment fund	4,840,619	10,046,674	0.62	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
Zhongou AMC – Agricultural Bank–Zhongou China Securities Plan	0	8,680,636	0.53	0	0	Others
Boshi AMC – Agricultural Bank –Boshi China Securities Financial Asset Management Plan	0	8,662,836	0.53	0	0	Others

# Changes in Share Capital and Shareholders

## B. INFORMATION ON SHAREHOLDERS (Continued)

### (B) Table on the shareholdings of the top ten shareholders and the top ten shareholders of the Company whose shares are in full circulation (or not subject to selling restrictions) as at the end of the Reporting Period. (Continued)

The top ten shareholders of the Company not subject to selling restrictions			
Shareholders	Number of shares without selling restrictions (share)	Class and number of shares	
		Class of shares	The number of shares (share)
GPHL	732,305,103	Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,771,290	Overseas listed foreign shares	219,771,290
GZ Chengfa	73,313,783	Ordinary shares denominated in RMB	73,313,783
China Securities Finance Corporation Limited	47,277,962	Ordinary shares denominated in RMB	47,277,962
Hong Kong Securities Clearing Company Limited	35,102,944	Ordinary shares denominated in RMB	35,102,944
GZ Chan Tou	18,833,747	Ordinary shares denominated in RMB	18,833,747
China Construction Bank Corporation – E Fund CSI 300 Medicine and Health Trading Open Index Investment fund	10,046,674	Ordinary shares denominated in RMB	10,046,674
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Ordinary shares denominated in RMB	8,795,136
Zhongou AMC – Agricultural Bank–Zhongou China Securities Plan	8,680,636	Ordinary shares denominated in RMB	8,680,636
Boshi AMC – Agricultural Bank –Boshi China Securities Financial Asset Management Plan	8,662,836	Ordinary shares denominated in RMB	8,662,836
Top ten shareholders in the buyback special account		N/A	
Explanation on the above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right		N/A	
Explanation on the connection or persons acting in concert among the above shareholders:	(1)	According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.	
	(2)	The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Rules Governing the Disclosure of Changes in Shareholders' Shareholding in Listed Companies".	
Preferred shareholders with their voting rights restored and the number of shares they hold		N/A	

# Changes in Share Capital and Shareholders

## B. INFORMATION ON SHAREHOLDERS (Continued)

### (C) The number of shares held by the top ten shareholders subject to selling restrictions

Applicable  Not applicable

### (D) Strategic investors or general legal persons who became the top ten shareholders as a result of placement of new shares

Applicable  Not applicable

(E) As at 30 June 2023, the interests and short positions held by the persons (not being the directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
GPHL	A shares	732,305,103 (Long position)	Beneficial owner	About 52.09	–
GZ Chengfa	A shares	73,313,783 (Long position)	Beneficial owner	About 5.21	–
Norges Bank	H shares	35,281,000 (Long position)	Beneficial owner	–	About 16.04
Citigroup Inc <sup>(Note 1 and Note 2)</sup>	H shares	26,254,893 (Long position)	Other <sup>(Note 2)</sup>	–	About 11.93
		0 (Short position)	–	–	0
		26,250,239 (Lending pool)	Approved lending agent	–	About 11.93
LSV ASSET MANAGEMENT	H shares	9,095,000 (Long position)	Investment manager	–	About 4.14
		4,157,000 (Long position)	Other <sup>(Note 3)</sup>	–	About 1.89



# Changes in Share Capital and Shareholders

## B. INFORMATION ON SHAREHOLDERS *(Continued)*

### (E) *(Continued)*

Notes:

1. According to the notice of corporate substantial shareholders submitted by the Citigroup Inc..
  - (1) Interests in long position in 3,614 H shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 90% by Citigroup Financial Products Inc. ("Citigroup Financial"). Citigroup Financial was owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings") and Citigroup Holdings was wholly owned by Citigroup Inc. Therefore, Citigroup Bahamas, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup Markets under the SFO.
  - (2) Interests in long position in 1,040 H shares and short position in 960 H shares in the Company were held by Citigroup Global Markets Hong Kong Limited ("Citigroup HK"). Citigroup HK was owned as to 100% by Citigroup Financial. Therefore, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup HK under the SFO.
  - (3) Interests in long position in 26,250,239 H shares were held by Citibank, N.A. which was wholly-owned by Citicorp LLC. Citicorp LLC was wholly-owned by Citigroup Inc.. Therefore, Citicorp LLC and Citigroup Inc. were deemed to be interested in the shares held by Citibank, N.A. under the SFO.
2. In conclusion, Citigroup Inc. directly or indirectly held a long position of 26,254,893 H shares in the Company, of which 4,654 shares were indirectly held via its controlled corporations and 26,250,239 shares were held in the capacity of approved lending agent. In which 2,000 long position H shares in the Company are unlisted derivatives to be settled in cash.
3. Interests in 2,912,000 long position H shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in 542,000 long position H shares in the Company were held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund") and interests in 703,000 long position H shares in the Company were held by LSV International(AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT separately controls the 100% general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund. Therefore, LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund were deemed to be interested in the shares held by LSV ASSET MANAGEMENT under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2023, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

# Changes in Share Capital and Shareholders

## C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

### (A) Interests in shares (A shares) of the current and the former Directors, Supervisors

Name	Position	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period (share)	Reasons for change
Li Chuyuan	Chairperson	0	0	0	N/A
Yang Jun	Vice chairperson	0	0	0	N/A
Cheng Ning	Vice chairperson	0	0	0	N/A
Liu Juyan	Executive Director	0	0	0	N/A
Zhang Chunbo	Executive Director	0	0	0	N/A
Wu Changhai	Executive Director	0	0	0	N/A
Li Hong	Executive Director, General Manager	0	0	0	N/A
Chen Yajin	Independent non-executive Director	0	0	0	N/A
Huang Min	Independent non-executive Director	0	0	0	N/A
Wong Lung Tak Patrick	Independent non-executive Director (Appointed on 30 May 2023)				
Sun Baoqing	Independent non-executive Director (Appointed on 30 May 2023)				
Cai Ruiyu	Chairperson of the Supervisory Committee	0	0	0	N/A
Cheng Jinyuan	Supervisor	0	0	0	N/A
Jian Huidong	Supervisor	0	0	0	N/A
Huang Haiwen	Deputy general manager	0	0	0	N/A
Zheng Haoshan	Deputy general manager	0	0	0	N/A
Zheng Jianxiong	Deputy general manager	2,300	2,300	0	Note
Huang Xuezhen	Secretary to the Board	0	0	0	N/A
Wong Hin Wing	Independent non-executive Director (Retired on 30 May 2023)	0	0	0	N/A
Wang Weihong	Independent non-executive Director (Retired on 30 May 2023)	0	0	0	N/A

Note: Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

# Changes in Share Capital and Shareholders

## C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT *(Continued)*

### (B) Information on grant of incentive to the Directors, Supervisors and senior management during the Reporting Period

Applicable  Not applicable

### (C) Interests and short positions of Directors, Supervisors and senior management in the shares, underlying shares and debentures of the Company

As at 30 June 2023, none of the directors, supervisors, chief executive of the Company and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code to be notified to the Company and the HKEX.

## D. EMPLOYEES OF THE GROUP

### (A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 23,493. The total salary payment for the first half of 2023 was approximately RMB2.05 billion.

### (B) The remuneration policy

The remuneration of the employees of the Group includes salary, subsidies, bonuses and other fringe benefits such as five social insurances and one housing fund, enterprise annuity and supplementary medical insurance. The Group, while complying with the relevant laws and regulations, paid different rate of remuneration for different employees, based on their performance, qualification, position and other factors. Meanwhile, the Group provides professional and management channels for the career development of employees, as a breakthrough to the predicament in the talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employee care such as staff shuttle buses, talent flats and various interest activity groups. The Group adheres to equal employment, values multicultural integration, respects the diverse background of each enterprise, treats employees of different nationalities, races, religious beliefs, genders and ages fairly, and firmly opposes any form of discrimination.



# Changes in Share Capital and Shareholders

## **D. EMPLOYEES OF THE GROUP** *(Continued)*

### **(C) Employees training plan**

The Group attaches great importance to employees' various career development needs. The Group established corporate university and enterprise Communist Party school and developed a sound training management system. Depending on the character is this of each type of talents, the Group combined the internal and external trainings to build a comprehensive talent training system, covering employees at all levels from the production line workers to the senior management of the enterprise, so as to promote the growth of employees at all levels and the Company together.

## **E. DURING THE REPORTING PERIOD, THERE WAS NO CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY.**

## **F. PUBLIC FLOAT**

Based on the publicly available information and to the best knowledge of the directors of the Company, the Company had maintained sufficient public float as at the latest practicable date prior to the issue of this interim report.

## **G. PRE-EMPTIVE RIGHTS**

According to the Articles of Association of the Company and the laws of the PRC, there is no pre-emptive right which would oblige the Company to issue new shares to existing shareholders on a pro-rata basis.

## **H. THERE WAS NO PURCHASE, DISPOSAL AND REDEMPTION OR CANCELLATION OF THE LISTED SHARES OF THE COMPANY BY THE COMPANY OR ITS SUBSIDIARIES DURING THE REPORTING PERIOD. THE COMPANY DID NOT HAVE MATERIAL ACQUISITION OR DISPOSAL OF ANY SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES.**

## Relevant Information on Preferred Shares

DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY INFORMATION RELATED TO PREFERRED SHARES.

## Relevant Information of Company Bonds

DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY INFORMATION RELATED TO BONDS.



# Consolidated Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Current assets:</b>			
Cash at bank and on hand	V.1	<b>20,885,970,650.47</b>	22,499,552,770.75
Financial assets held for trading	V.2	<b>56,872,680.00</b>	56,872,680.00
Derivative financial assets			
Notes receivable	V.3	<b>1,073,075,075.44</b>	1,127,351,252.18
Accounts receivable	V.4	<b>16,102,516,428.17</b>	14,857,591,768.49
Accounts receivable financing	V.5	<b>3,195,363,578.01</b>	3,182,767,002.04
Advances to suppliers	V.6	<b>566,753,553.82</b>	836,054,949.33
Other receivables	V.7	<b>895,098,281.77</b>	917,243,401.47
Including: Interest receivable			
Dividends receivable	V.7	<b>45,395,204.00</b>	218,766,959.00
Inventories	V.8	<b>9,162,561,183.07</b>	10,671,572,518.76
Contract assets			
Assets held for sales			
Current portion of non-current assets	V.9	<b>601,895,696.46</b>	653,115,558.10
Other current assets	V.10	<b>1,280,051,830.88</b>	2,262,189,612.17
<b>Total current assets</b>		<b>53,820,158,958.09</b>	57,064,311,513.29
<b>Non-current assets:</b>			
Debt investment	V.11	<b>4,484,461,266.69</b>	3,164,498,751.59
Other debt investment			
Long-term receivables			
Long-term equity investment	V.12	<b>1,827,039,294.01</b>	1,584,063,326.22
Other equity instrument investment	V.13	<b>105,616,019.24</b>	109,569,842.38
Other non-current financial assets	V.14	<b>1,012,050,079.42</b>	1,038,818,757.16
Investment properties	V.15	<b>133,295,788.06</b>	206,705,464.62
Fixed assets	V.16	<b>3,883,914,373.77</b>	3,709,183,725.56
Construction in progress	V.17	<b>2,151,198,962.01</b>	2,108,326,591.35
Bearer biological assets	V.18	<b>2,280,360.00</b>	2,455,065.00
Oil and gas assets			
Right-of-use assets	V.19	<b>732,657,342.55</b>	750,159,146.25
Intangible assets	V.20	<b>2,629,683,512.39</b>	2,585,098,403.38
Development expenditure	V.21	<b>256,043,427.44</b>	240,668,063.93
Goodwill	V.22	<b>829,473,066.90</b>	829,473,066.90
Long-term prepaid expenses	V.23	<b>178,308,788.74</b>	166,798,201.40
Deferred tax assets	V.24	<b>1,103,014,906.44</b>	865,338,772.26
Other non-current assets	V.25	<b>458,043,294.11</b>	239,830,085.45
<b>Total non-current assets</b>		<b>19,787,080,481.77</b>	17,600,987,263.45
<b>Total Assets</b>		<b>73,607,239,439.86</b>	74,665,298,776.74

# Consolidated Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Current liabilities:</b>			
Short-term borrowings	V.26	<b>8,546,921,931.54</b>	8,538,065,161.82
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	V.27	<b>3,062,972,031.88</b>	3,760,482,808.87
Accounts payable	V.28	<b>11,949,167,174.73</b>	11,200,347,828.21
Advances from customers			
Contract liabilities	V.29	<b>1,400,377,746.17</b>	5,644,201,576.24
Employee benefits payable	V.30	<b>1,077,316,728.29</b>	1,009,349,656.60
Taxes payable	V.31	<b>422,347,573.83</b>	375,710,536.16
Other payables	V.32	<b>5,245,257,663.37</b>	4,834,860,628.52
Including: Interest payable	V.32		
Dividends payable	V.32	<b>216,474,922.21</b>	54,681,191.50
Liabilities held for sales			
Current portion of non-current liabilities	V.33	<b>884,433,084.72</b>	706,731,706.03
Other current liabilities	V.34	<b>460,475,641.22</b>	1,325,366,108.82
<b>Total current liabilities</b>		<b><u>33,049,269,575.75</u></b>	<b><u>37,395,116,011.27</u></b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V.35	<b>2,913,585,693.67</b>	1,639,203,064.38
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities	V.36	<b>577,752,241.57</b>	545,843,252.45
Long-term payables	V.37	<b>20,371,964.60</b>	20,396,504.60
Long-term employee benefits payable	V.38	<b>298,364.34</b>	318,220.83
Provisions	V.39	<b>45,594,744.48</b>	47,783,187.15
Deferred income	V.40	<b>923,889,397.87</b>	930,926,291.01
Deferred tax liabilities	V.24	<b>648,184,490.47</b>	394,588,189.23
Other non-current liabilities	V.41	<b>53,256,187.85</b>	53,265,976.60
<b>Total non-current liabilities</b>		<b><u>5,182,933,084.85</u></b>	<b><u>3,632,324,686.25</u></b>
<b>Total Liabilities</b>		<b><u>38,232,202,660.60</u></b>	<b><u>41,027,440,697.52</u></b>

# Consolidated Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Shareholders' equity:</b>			
Share capital	V.42	<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus	V.43	<b>10,105,714,430.90</b>	10,105,714,430.90
Less: Treasury shares			
Other comprehensive income	V.44	<b>(13,291,775.46)</b>	(12,900,928.58)
Special reserve			
Surplus reserve	V.45	<b>2,084,386,972.83</b>	2,084,386,972.83
Undistributed profits	V.46	<b>19,883,302,428.91</b>	18,262,133,346.76
<b>Total equity attributable to shareholders of the parent company</b>		<b>33,685,903,006.18</b>	32,065,124,770.91
<b>Minority interest</b>		<b>1,689,133,773.08</b>	1,572,733,308.31
<b>Total Shareholders' Equity</b>		<b>35,375,036,779.26</b>	33,637,858,079.22
<b>Total Liabilities and Shareholders'</b>		<b>73,607,239,439.86</b>	74,665,298,776.74

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# Consolidated Income Statement

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	V.47	<b>39,970,330,587.93</b>	37,220,450,549.68
Less: Operating costs	V.47	<b>31,645,497,412.24</b>	29,515,378,779.95
Taxes and surcharges	V.48	<b>173,845,071.46</b>	159,605,764.96
Selling and distribution expenses	V.49	<b>3,263,109,748.52</b>	3,185,948,061.06
General and administrative expenses	V.50	<b>1,199,468,387.87</b>	1,067,964,512.35
R&D expenses	V.51	<b>400,573,995.79</b>	441,319,390.36
Financial expenses	V.52	<b>(39,681,640.87)</b>	(129,433,504.39)
Including: Interest expense	V.52	<b>225,453,050.91</b>	207,955,559.92
Interest income	V.52	<b>270,967,777.04</b>	354,817,498.21
Add: Other income	V.53	<b>81,323,507.16</b>	319,246,813.47
Investment income ("-" for loss)	V.54	<b>176,422,078.39</b>	55,355,804.65
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.54	<b>72,049,845.07</b>	66,721,169.39
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(5,870,048.86)</b>	
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)	V.55	<b>44,053,710.42</b>	(952,231.74)
Impairment losses in respect of credit ("-" for loss)	V.56	<b>(100,488,916.74)</b>	(20,540,257.06)
Impairment losses in respect of assets ("-" for loss)	V.57	<b>4,021,314.75</b>	(1,339,343.47)
Gains on disposal of assets ("-" for loss)	V.58	<b>439,942.15</b>	554,973.05
<b>II. Operating profit ("-" for loss)</b>		<b>3,533,289,249.05</b>	3,331,993,304.29
Add: Non-operating income	V.59	<b>9,161,401.77</b>	9,609,130.75
Less: Non-operating expenses	V.60	<b>9,759,081.36</b>	9,369,794.70
<b>III. Total profit ("-" for loss)</b>		<b>3,532,691,569.46</b>	3,332,232,640.34
Less: Income tax expenses	V.61	<b>610,948,519.48</b>	583,300,834.15

# Consolidated Income Statement

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>IV. Net profit ("-" for net loss)</b>		<b>2,921,743,049.98</b>	2,748,931,806.19
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		<b>2,921,743,049.98</b>	2,748,931,806.19
2. Net profit from discontinued operation ("-" for loss)			
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's		<b>2,811,248,056.83</b>	2,589,996,058.70
2. Minority interest ("-" for loss)		<b>110,494,993.15</b>	158,935,747.49
<b>V. Other comprehensive income, net of tax</b>		<b>(501,345.28)</b>	4,550,379.61
(I) Other comprehensive income, net of tax attributable to the parent company's shareholders	V.44	<b>(390,846.88)</b>	5,365,156.87
1. Other comprehensive income that will not be reclassified to profit or loss	V.44	<b>(5,280,975.02)</b>	(174,219.35)
(1) Changes arising from the remeasurement of defined benefit obligation			
(2) Other comprehensive income that will not be reclassified to profit or loss under equity method			
(3) Change in fair value of other equity instrument investments	V.44	<b>(5,280,975.02)</b>	(174,219.35)
(4) Change in fair value of the company's own credit risk			
2. Other comprehensive income that may be reclassified into		<b>4,890,128.14</b>	5,539,376.22
(1) Other comprehensive income that may be reclassified to profit or loss under equity method			
(2) Change in fair value of other debt investments	V.44	<b>(4,122,818.96)</b>	(2,786,826.92)
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit loss of other debt investments	V.44	<b>3,015,878.54</b>	612,802.38
(5) Cash flow hedge reserve			
(6) Difference arising from the translation of foreign currency financial statements	V.44	<b>5,997,068.56</b>	7,713,400.76
(7) Others			
(II) Other comprehensive income, net of tax attributable to minority	V.44	<b>(110,498.40)</b>	(814,777.26)

# Consolidated Income Statement

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>VI. Total comprehensive income</b>		<b><u>2,921,241,704.70</u></b>	<b><u>2,753,482,185.80</u></b>
1. Total comprehensive income attributable to shareholders of the parent company		<b>2,810,857,209.95</b>	2,595,361,215.57
2. Total comprehensive income attributable to minority shareholders		<b>110,384,494.75</b>	158,120,970.23
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share	V.62	<b>1.729</b>	1.593
2. Diluted earnings per share	V.62	<b>1.729</b>	1.593

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# Consolidated Statement of Cash Flow

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>I. Cash flow from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>34,903,594,782.22</b>	33,989,948,540.00
Receipts of taxes refunds		<b>13,731,196.79</b>	41,637,507.65
Other cash receipts relating to operating activities	V.63	<b>551,155,845.85</b>	994,689,666.73
<b>Subtotal of cash inflow from operating activities</b>		<b>35,468,481,824.86</b>	35,026,275,714.38
Cash payments for goods purchased and services received		<b>29,679,143,224.56</b>	27,273,658,932.42
Cash payments to and on behalf of employees		<b>2,967,516,288.27</b>	2,835,857,143.58
Payments of all types of taxes		<b>1,756,671,059.69</b>	1,500,638,519.58
Other cash payments relating to operating activities	V.63	<b>1,805,861,523.34</b>	1,703,906,680.94
<b>Subtotal of cash outflow from operating activities</b>		<b>36,209,192,095.86</b>	33,314,061,276.52
<b>Net cash flow from operating activities</b>		<b>(740,710,271.00)</b>	1,712,214,437.86
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		<b>1,310,779,217.52</b>	83,500,000.00
Cash receipts from returns on investments		<b>199,459,644.08</b>	13,015,697.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>5,103,109.86</b>	1,087,473.45
Net cash receipts from the disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	V.63	<b>32,063.05</b>	14,007.36
<b>Subtotal of cash inflow from investment activities</b>		<b>1,515,374,034.51</b>	97,617,178.09
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		<b>759,293,360.38</b>	550,584,636.29
Cash payments to acquire investments		<b>1,711,259,088.65</b>	2,175,559,088.75
Net cash payments for acquisitions of subsidiaries and other business units			1,900,000.00
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investment activities</b>		<b>2,470,552,449.03</b>	2,728,043,725.04
<b>Net cash flow from investing activities</b>		<b>(955,178,414.52)</b>	(2,630,426,546.95)

# Consolidated Statement of Cash Flow

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise		<b>19,960,000.00</b>	
Including: cash receipts from minorities making investment in subsidiaries		<b>19,960,000.00</b>	
Cash receipts from borrowing		<b>6,481,627,302.81</b>	5,993,665,943.16
Other cash receipts relating to financing activities	V.63	<b>2,423,604,835.06</b>	2,334,506,543.26
<b>Subtotal of cash inflow from financing activities</b>		<b>8,925,192,137.87</b>	8,328,172,486.42
Cash repayments of amounts borrowed		<b>4,715,914,116.66</b>	4,622,417,506.07
Cash payments for distribution of dividends, profits or interest expenses		<b>1,212,303,973.50</b>	1,146,263,512.64
Including: payments for distribution of dividends or profit to minorities of subsidiaries		<b>4,568,858.66</b>	6,040,049.31
Other cash payments relating to financing activities	V.63	<b>2,321,985,926.86</b>	1,464,982,961.10
<b>Subtotal of cash outflow from financing activities</b>		<b>8,250,204,017.02</b>	7,233,663,979.81
<b>Net cash flow from financing activities</b>		<b>674,988,120.85</b>	1,094,508,506.61
<b>IV. Effect of foreign exchange rate changes on cash</b>		<b>3,763,022.04</b>	5,229,741.11
<b>V. Net increase in cash and cash equivalents</b>	V.64	<b>(1,017,137,542.63)</b>	181,526,138.63
Add: opening balance of cash and cash equivalents	V.64	<b>20,804,699,012.64</b>	21,013,364,042.22
<b>VI. Closing balance of cash and cash equivalents</b>	V.64	<b>19,787,561,470.01</b>	21,194,890,180.85

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Changes in Shareholders' Equity

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Current period												
	Equity attributable to the Shareholders of Parent Company					Total Shareholders' Equity							
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity	Total Shareholders' Equity
I. Balance at 31 December 2022	1,625,790,949.00			10,105,714,430.90			(12,900,928.58)	2,084,386,972.83	18,262,133,246.76	32,065,124,770.91	1,572,733,308.31	3,637,888,079.22	
Add: Changes in accounting policies													
Correction of prior year's errors													
Contribution of businesses under common control													
Others													
II. Balance at 1 January 2023	1,625,790,949.00			10,105,714,430.90			(12,900,928.58)	2,084,386,972.83	18,262,133,246.76	32,065,124,770.91	1,572,733,308.31	3,637,888,079.22	
III. Increase (decrease) in the current year ("+" for losses)							(390,846.88)		1,621,169,882.15	1,620,778,235.27	116,400,464.77	1,737,178,700.04	
(1) Total comprehensive income							(390,846.88)		2,811,248,056.83	2,810,857,209.95	110,384,894.75	2,921,241,704.70	
(2) Shareholders' contributions and reduction in capital											19,960,000.00	19,960,000.00	
1. Capital contribution from owners											19,960,000.00	19,960,000.00	
2. Capital contribution from other equity instruments holders													
3. Share-based payment recognized in shareholders' equity													
4. Others													
(3) Profit distribution									(1,190,078,974.68)	(1,190,078,974.68)	(5,317,492.42)	(1,195,396,467.10)	
1. Appropriation to surplus reserve													
2. Profit distribution to shareholders													
3. Others													
(4) Interd carry-forward of shareholders' equity													
1. Transfer from capital reserve to capital (or share capital)													
2. Transfer from surplus reserve to capital (or share capital)													
3. Surplus reserve used to offset accumulated losses													
4. Transfer from changes in defined benefit obligation to retained earnings													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(5) Special reserve													
1. Current appropriation													
2. Current utilization													
(6) Others													
IV. Balance at 30 June 2023	1,625,790,949.00			10,105,714,430.90			(13,291,775.46)	2,084,386,972.83	19,883,302,428.91	33,685,903,006.18	1,689,133,773.08	35,375,086,779.26	

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Li Fei**

Head of accounting department:  
**Wu Chuling**



# Consolidated Statement of Changes in Shareholders' Equity

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Prior period												
	Equity attributable to the Shareholders of Parent Company					Other equity instruments					Total Shareholders' Equity		
	State capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits		Subtotal	Minority Equity
<b>I. Balance at 31 December 2021</b>	1,625,790,949.00				9,956,953,383.38		(17,476,356.88)		1,908,713,749.53	15,988,202,733.48	29,062,184,498.51	2,264,484,100.48	31,326,668,598.99
Add: Changes in accounting policies													
Correction of prior year's errors													
Contribution of businesses under common control													
Others													
<b>II. Balance at 1 January 2022</b>	1,625,790,949.00				9,956,953,383.38		(17,476,356.88)		1,908,713,749.53	15,988,202,733.48	29,062,184,498.51	2,264,484,100.48	31,326,668,598.99
<b>III. Increase (decrease) in the current year ("+" for losses)</b>					51,345.64		5,365,156.87			1,473,077,616.74	1,478,484,177.25	153,633,855.92	1,632,128,013.17
(1) Total comprehensive income							5,365,156.87						
(2) Shareholders' contributions and reduction in capital													
1. Capital contribution from owners													
2. Capital contribution from other equity instruments holders													
3. Share-based payment recognized in shareholders' equity													
4. Others													
(3) Profit distribution													
1. Appropriation to surplus reserve													
2. Profit distribution to shareholders													
3. Others													
(4) Internal transfer of shareholders' equity													
1. Transfer from capital reserve to capital (or state capital)													
2. Transfer from surplus reserve to capital (or state capital)													
3. Surplus reserve used to offset accumulated losses													
4. Transfer from changes in defined benefit obligation to retained earnings													
5. Transfer from other comprehensive income to retained earnings													
6. Others													
(5) Special reserve													
1. Current appropriation													
2. Current utilization													
(6) Others													
<b>IV. Balance at 30 June 2022</b>	1,625,790,949.00				9,957,004,727.02		(12,111,200.01)		1,908,713,749.53	17,061,280,410.22	30,540,678,655.76	2,418,117,956.40	32,588,796,572.16

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Current assets:</b>			
Cash at bank and on hand		<b>5,749,366,523.93</b>	5,383,835,840.29
Financial assets held for trading			
Derivative financial assets			
Notes receivable		<b>978,905,648.63</b>	383,960,482.81
Accounts receivable	XIV.1	<b>225,437,689.71</b>	110,342,009.47
Accounts receivable financing		<b>272,294,521.24</b>	400,430,516.35
Advances to suppliers		<b>8,976,938.61</b>	25,142,631.80
Other receivables	XIV.2	<b>474,840,202.23</b>	694,151,804.66
Including: Interest receivable			
Dividends receivable	XIV.2	<b>208,450,102.43</b>	381,821,857.43
Inventories		<b>471,124,803.04</b>	453,541,870.41
Contract assets			
Assets held for sales			
Current portion of non-current assets		<b>551,252,085.31</b>	653,115,558.10
Other current assets		<b>250,363,535.32</b>	1,252,199,926.87
<b>Total current assets</b>		<b>8,982,561,948.02</b>	9,356,720,640.76
<b>Non-current assets:</b>			
Debt investments		<b>3,024,903,214.14</b>	2,664,048,188.99
Other debt investments			
Long-term receivables			
Long-term equity investments	XIV.3	<b>13,240,210,357.80</b>	12,416,592,333.76
Other equity instrument investments		<b>105,616,019.24</b>	109,569,842.38
Other non-current financial assets		<b>992,075,004.45</b>	948,618,737.07
Investment properties		<b>175,875,896.87</b>	180,144,976.22
Fixed assets		<b>428,697,909.94</b>	451,915,223.45
Construction in progress		<b>572,039,107.05</b>	483,668,937.68
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		<b>28,645,303.17</b>	14,273,444.83
Intangible assets		<b>1,778,250,220.16</b>	1,785,870,534.48
Development expenditure		<b>6,541,785.24</b>	6,135,559.73
Goodwill			
Long-term prepaid expenses		<b>6,413,067.95</b>	7,285,114.19
Deferred tax assets		<b>182,816,070.44</b>	180,714,236.05
Other non-current assets		<b>101,760,736.71</b>	121,431,926.78
<b>Total non-current assets</b>		<b>20,643,844,693.16</b>	19,370,269,055.61
<b>Total Assets</b>		<b>29,626,406,641.18</b>	28,726,989,696.37

# Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Current liabilities:</b>			
Short-term borrowings		250,000,000.00	276,411,860.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		527,202,270.57	410,593,055.43
Advances from customers			
Contract liabilities		191,890,702.43	357,386,911.37
Employee benefits payable		156,107,279.25	117,591,605.78
Taxes payable		103,280,704.74	125,630,045.49
Other payables		6,186,623,932.01	5,000,908,693.82
Including: Interest payable			
Dividends payable		162,231,740.14	1,093,954.89
Liabilities held for sales			
Current portion of non-current liabilities		311,261,577.29	305,654,210.33
Other current liabilities		28,094,892.62	48,054,862.21
<b>Total current liabilities</b>		<b>7,754,461,358.91</b>	<b>6,642,231,244.43</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities		17,389,991.73	8,038,030.87
Long-term payables		7,777,684.39	7,802,224.39
Long-term employee benefits payable			
Provisions		859,466,877.19	759,731,949.19
Deferred income		53,253,271.74	56,380,333.95
Deferred tax liabilities		62,348,535.76	46,900,429.23
Other non-current liabilities		409,373.14	340,642.90
<b>Total non-current liabilities</b>		<b>1,000,645,733.95</b>	<b>879,193,610.53</b>
<b>Total Liabilities</b>		<b>8,755,107,092.86</b>	<b>7,521,424,854.96</b>



# Balance Sheet

30 June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	30 June 2023	31 December 2022
<b>Shareholders' equity:</b>			
Share capital		<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus		<b>9,819,327,969.93</b>	9,819,327,969.93
Less: Treasury shares			
Other comprehensive income		<b>(20,337,619.85)</b>	(15,056,644.84)
Special reserve			
Surplus reserve		<b>1,711,778,538.24</b>	1,711,778,538.24
Undistributed profits		<b>7,734,739,711.00</b>	8,063,724,029.08
<b>Total Shareholders' Equity</b>		<b>20,871,299,548.32</b>	21,205,564,841.41
<b>Total Liabilities and Shareholders' Equity</b>		<b>29,626,406,641.18</b>	28,726,989,696.37

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Income Statement

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	XIV.4	<b>2,257,325,099.88</b>	2,227,972,697.03
Less: Operating costs	XIV.4	<b>767,456,467.38</b>	784,483,901.40
Taxes and surcharges		<b>25,408,736.11</b>	23,023,761.33
Selling and distribution expenses		<b>475,125,080.45</b>	463,166,439.68
General and administrative expenses		<b>200,680,501.32</b>	172,682,838.74
R&D expenses		<b>147,873,803.69</b>	140,656,987.29
Financial expenses		<b>(61,897,413.00)</b>	(72,330,138.03)
Including: Interest expense		<b>8,105,264.15</b>	11,655,619.71
Interest income		<b>70,077,314.39</b>	84,107,217.44
Add: Other income		<b>15,790,355.14</b>	24,462,944.58
Investment income ("-" for loss)	XIV.5	<b>234,218,679.28</b>	216,178,321.88
Including: Share of profit or loss of associates and joint ventures	XIV.5	<b>74,610,859.49</b>	78,335,592.31
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(2,402,025.39)</b>	
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)		<b>43,456,267.38</b>	(2,019,575.18)
Impairment losses in respect of credit		<b>(1,510,490.29)</b>	(372,023.52)
Impairment losses in respect of assets		<b>4,410,834.60</b>	2,314,602.99
Gains on disposal of assets ("-" for loss)			
<b>II. Operating profit ("-" for loss)</b>		<b>999,043,570.04</b>	956,853,177.37
Add: Non-operating income		<b>470,747.07</b>	1,143,854.41
Less: Non-operating expenses		<b>1,260,559.12</b>	1,758,248.39
<b>III. Total profit ("-" for loss)</b>		<b>998,253,757.99</b>	956,238,783.39
Less: Income tax expenses		<b>137,159,101.39</b>	121,687,660.66
<b>IV. Net profit ("-" for net loss)</b>		<b>861,094,656.60</b>	834,551,122.73
1. Net profit from continuing operations ("-" for loss)		<b>861,094,656.60</b>	834,551,122.73
2. Net profit from discontinued operation ("-" for loss)			

# Income Statement

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>V. Other comprehensive income, net of tax</b>		<b>(5,280,975.01)</b>	(174,219.35)
(1) Other comprehensive income that will not be reclassified to profit or loss		<b>(5,280,975.01)</b>	(174,219.35)
1. Changes arising from the remeasurement of defined benefit obligation			
2. Other comprehensive income that will not be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments		<b>(5,280,975.01)</b>	(174,219.35)
4. Change in fair value of the company's own credit risk			
(2) Other comprehensive income that may be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments			
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>855,813,681.59</b>	834,376,903.38
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share			
2. Diluted earnings per share			

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# Statement of Cash Flow

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>I. Cash flow arising from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>1,316,723,330.41</b>	1,398,461,304.51
Receipts of taxes refunds		<b>174,788.10</b>	517,320.24
Other cash receipts relating to operating activities		<b>288,804,548.94</b>	333,024,748.89
<b>Subtotal of cash inflow from operating activities</b>		<b>1,605,702,667.45</b>	1,732,003,373.64
Cash payments for goods purchased and services received		<b>110,430,569.64</b>	165,632,543.72
Cash payments to and on behalf of employees		<b>252,039,796.34</b>	246,542,309.24
Payments of all types of taxes		<b>320,699,281.20</b>	215,418,308.55
Other cash payments relating to operating activities		<b>232,582,052.72</b>	130,250,768.36
<b>Subtotal of cash outflow from operating activities</b>		<b>915,751,699.90</b>	757,843,929.87
<b>Net cash flow from operating activities</b>		<b>689,950,967.55</b>	974,159,443.77
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		<b>1,154,311,713.85</b>	
Cash receipts from returns on investments		<b>785,334,358.54</b>	721,059,544.75
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>125,852.89</b>	56,080.00
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		<b>3,399,135.27</b>	4,218,785.15
<b>Subtotal of cash inflow from investment activities</b>		<b>1,943,171,060.55</b>	725,334,409.90
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		<b>57,811,307.15</b>	93,881,079.97
Cash payments to acquire investments		<b>1,141,930,088.65</b>	1,792,507,088.75
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investment activities</b>		<b>1,199,741,395.80</b>	1,886,388,168.72
<b>Net cash flow from investing activities</b>		<b>743,429,664.75</b>	(1,161,053,758.82)

# Statement of Cash Flow

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowing			26,000,000.00
Other cash receipts relating to financing activities			
<b>Subtotal of cash inflow from financing activities</b>			<b>26,000,000.00</b>
Cash repayments of amounts borrowed		<b>26,000,000.00</b>	101,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		<b>1,034,200,548.66</b>	971,301,890.83
Other cash payments relating to financing activities		<b>7,149,400.00</b>	3,522,767.11
<b>Subtotal of cash outflow from financing activities</b>		<b>1,067,349,948.66</b>	1,075,824,657.94
<b>Net cash flow from financing activities</b>		<b>(1,067,349,948.66)</b>	(1,049,824,657.94)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>366,030,683.64</b>	(1,236,718,972.99)
Add: opening balance of cash and cash equivalents		<b>5,383,220,433.89</b>	8,991,462,127.17
<b>VI. Closing balance of cash and cash equivalents</b>		<b>5,749,251,117.53</b>	7,754,743,154.18

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Statement of Changes in Shareholders' Equity

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Current period							Total Shareholders' Equity		
	Other equity instruments			Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve		Undistributed profits	
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve					
I. Balance at 31 December 2022	1,625,790,949.00				9,819,327,969.93	(15,056,644.84)		1,711,778,538.24	8,063,724,029.08	21,205,564,841.41
Add: Changes in accounting policies										
Correction of prior year errors										
Others										
II. Balance at 1 January 2023	1,625,790,949.00				9,819,327,969.93	(15,056,644.84)		1,711,778,538.24	8,063,724,029.08	21,205,564,841.41
III. Increase (decrease) in the current year ("-" for losses)						(5,280,975.01)			(338,984,318.08)	(334,265,293.09)
(1) Total comprehensive income						(5,280,975.01)			861,094,656.60	853,813,681.59
(2) Shareholders' contributions and reduction in capital										
1. Capital contribution from owners										
2. Capital contribution from other equity instruments holders										
3. Share-based payment recognized in shareholders' equity										
4. Others										
(3) Profit distribution										
1. Appropriation to surplus reserve										
2. Profit distribution to shareholders										
3. Others										
(4) Internal carry-forward of shareholders' equity										
1. Transfer from capital reserve to capital (or share capital)										
2. Transfer from surplus reserve to capital (or share capital)										
3. Surplus reserve used to offset accumulated losses										
4. Transfer from changes in defined benefit obligation to retained earnings										
5. Transfer from other comprehensive income to retained earnings										
6. Others										
(5) Special reserve										
1. Current appropriation										
2. Current utilization										
(6) Others										
IV. Balance at 30 June 2023	1,625,790,949.00				9,819,327,969.93	(20,337,619.85)		1,711,778,538.24	7,794,739,711.00	20,871,299,548.32

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# Statement of Changes in Shareholders' Equity

January to June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

Item	Prior period										
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Total Shareholders' Equity
I. Balance at 31 December 2021	1,625,790,949.00				9,819,327,969.93		(1,362,017.61)		1,558,105,314.93	7,599,583,401.27	20,579,445,617.52
Add: Changes in accounting policies											
Correction of prior year's errors											
Others											
II. Balance at 1 January 2022	1,625,790,949.00				9,819,327,969.93		(1,362,017.61)		1,558,105,314.93	7,599,583,401.27	20,579,445,617.52
III. Increase / (decrease) in the current year ("+" for losses)							(174,219.35)			(282,367,239.23)	(282,541,478.38)
(1) Total comprehensive income							(174,219.35)			834,551,122.73	834,376,903.38
(2) Shareholders' contributions and reduction in capital											
1. Capital contribution from owners											
2. Capital contribution from other equity instruments holders											
3. Share-based payment recognized in shareholders' equity											
4. Others											
(3) Profit distribution											
1. Appropriation to surplus reserve											
2. Profit distribution to shareholders											
3. Others											
(4) Internal carry-forward of shareholders' equity											
1. Transfer from capital reserve to capital (or share capital)											
2. Transfer from surplus reserve to capital (or share capital)											
3. Surplus reserve used to offset accumulated losses											
4. Transfer from changes in defined benefit obligation to retained earnings											
5. Transfer from other comprehensive income to retained earnings											
6. Others											
(5) Special reserve											
1. Current appropriation											
2. Current utilization											
(6) Others											
IV. Balance at 30 June 2022	1,625,790,949.00				9,819,327,969.93		(1,536,236.96)		1,558,105,314.93	7,317,216,142.04	20,295,904,138.94

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION

### 1. Company overview

According to the Circular Tigaisheng [1997] No.139 issued by the State Commission for Restructuring the Economic Systems, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “the Company”) was incorporated solely by Guangzhou Pharmaceutical Holdings Limited (hereinafter referred to as “GPHL”). The 8 Chinese Patent Medicine (“CPM”) manufacturing companies and 3 pharmaceutical trading companies under GPHL were restructured and the stated-owned equity interest in the assets of these companies were injected into the Company. The Company obtained its business license on 1 September 1997 and the registered number is 440101000005674.

According to the Circular Tigaisheng [1997] No.145 issued by the State Commission for Restructuring the Economic Systems and Circular Zhengweifa [1997] No.56 issued by the Securities Regulatory Commission of the State Council, the Company issued 219,900,000 shares on Hong Kong Stock Exchange (H shares) in October 1997. As approved by China Securities Regulatory Commission on 10 January 2001, 78,000,000 ordinary shares (A share) of the Company were issued and the Company was listed on Shanghai Stock Exchange on 6 February 2001. The stock abbreviation is “GZ Phar.”, and the stock code was 600332.

The Company executed and completed a material asset restructuring transaction in 2013, which includes: (1) The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan Co., Ltd. (hereinafter referred to as “Baiyunshan”), a subsidiary of GPHL, in May 2013. (2) The Company issued an addition of 34,839,645 A shares to GPHL, as consideration payment, to acquire the buildings and trademarks which were owned by GPHL or GPHL had the right to dispose of, and 100% equity interest of Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as “Guangyao Baiyunshan Hong Kong Company”) (Previously named “Polian Development Co., Ltd.”), a subsidiary of GPHL, and 12.5% equity interest of Baxter Healthcare Co., Ltd. (hereinafter referred to as “Baxter Healthcare”) held by GPHL. The Company completed the registration of the shares on 5 July 2013. After the completion of the above-mentioned assets restructuring processes, the Company’s total amount of outstanding shares was 1,291,340,650 shares. The stock abbreviation was changed into “BYS”.

According to the Indemnification Agreement in Respect of the Difference Between Actual Number of Net Income of Assets to be Purchased and Forecast of Net Income entered into between the Company and GPHL, the Company repurchased 261,400 shares of A shares held by GPHL for a total of RMB1, which was cancelled on 27 April 2015. The registration procedures of repurchase and cancellation were completed on 7 May 2015. After the completion of the above-mentioned restructuring, the Company’s general capital is 1,291,079,250 shares.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION *(Continued)*

### 1. Company overview *(Continued)*

The Company offered 334,711,699 common shares (A share) non-publicly in 2016. Capital stock was increased by 334,711,699 shares, and the Company's general capital increased to 1,625,790,949 shares.

The parent company and the ultimate controlling party are GPLH and Guangzhou State-owned Assets Supervision and Administration Commission respectively.

The approved business scope of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") as included in the consolidated financial statements includes: (1) Research, development, manufacturing and sales of Chinese and Western medicine, chemical raw medicine, natural medicine, biological medicine, intermediate product of chemical raw medicine; (2) The wholesale, retail, import and export business of Western medicine, Chinese medicines and medical instruments; (3) Research, development, manufacturing and sale of Great Health products; (4) Investment in medical, health management and youth preservation, etc.

The main CPM products of manufacturing enterprises include: Zi Shen Yu Tai Pills ("滋腎育胎丸"), Xiao Chai Hu Granules ("小柴胡顆粒"), Xiao Ke Pill ("消渴丸"), Qing Kai Ling series ("清開靈系列"), Hua Tuo Zai Zao Pill ("華佗再造丸"), Xia Sang Ju Granules ("夏桑菊顆粒"), Bao Ji series, ("保濟系列"), Xiao Er Qi Xing Cha Granules ("小兒七星茶顆粒"), An Gong Niu Huang Pills ("安宮牛黃丸"), Zhuang Yao Jian Shen Pills ("壯腰健腎丸"), Shu Jin Jian Yao Pills ("舒筋健腰丸"), Mi Lian Chuan Bei Pi Pa Gao Jelly ("蜜煉川貝枇杷膏"), etc. The main products of western medicine manufacturing enterprises are cefixime series, sildenafil citrate, acafol powder series, amoxicillin, cefuroxime sodium, etc. The main products of pre-packaged food manufacturers include Wang Lao Ji Herbal Tea ("王老吉涼茶"), Ci Ning Ji series ("刺檸吉系列"), etc.

The financial statements were authorized for issue by the Company's Board on 18 August 2023.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation

Information about the subsidiaries of the Company please refer to Note VII “Equity in Other Entities”.

Changes on the scope of consolidated financial statements at current period please refer to Note VI “Changes in the Scope of Consolidation”.

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou Baiyunshan Chen Li Ji Great Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (hereinafter referred to as “Guangzhou Han Fang”)	Direct holding
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Indirect holding
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Indirect holding
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct holding
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Qi Xing”)	Indirect holding
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (hereinafter referred to as “Jing Xiu Tang”)	Direct holding
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jiujigong Health Industry Co., Ltd.	Indirect holding
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as “Pan Gao Shou”)	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as “Wang Lao Ji”)	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Pharmaceutical Co, Ltd.	Indirect holding

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Grand Pharmacy Chain Co., Ltd.	Indirect holding
Guangyao (Hainan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Indirect holding

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Logistics Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (hereinafter referred to as “Cai Zhi Lin”)	Direct holding
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Indirect holding
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Indirect holding
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Guangyao Cai Zhi Lin (Meizhou) Pharmaceutical Co., Ltd.	Indirect holding
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Indirect holding
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (hereinafter referred to as “Guangzhou Bai Di”)	Direct holding
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Biological Products Co., Ltd. (hereinafter referred to as “Baiyunshan Biological”)	Indirect holding
Tibet Linzhi Guangyao Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as “WLJ Great Health”)	Direct holding
Wang Lao Ji Great Health Industry (Ya’an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Indirect holding



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as "Yi Gan")	Direct holding
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (hereinafter referred to as "BYS M&H Industry")	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as "Xing Zhu")	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as "Wang Lao Ji Investment")	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as “Guangyao Baiyunshan Hong Kong Company”)	Direct holding
Guangzhou Baiyunshan Macao Co., Ltd.	Indirect holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as “Guangyao Haima”)	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Research Institute (“Guangyao General Institute”)	Direct holding
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Medical Instruments Investment Co., Ltd. (hereinafter referred to as “Medical Instruments investment”)	Direct holding
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Indirect holding
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Direct holding
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Direct holding
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Direct holding

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## II. BASIS OF PREPARATION

### 1. Basis of Preparation

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission. The financial statements also comply with the applicable disclosure provisions of the securities listing rules issued by the Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

### 2. Going Concern

The Group has the ability to continue as a going concern in the next 12 months since the end of the reporting period. There is no material event that may cast significant doubt upon the Group's ability to continue as a going concern.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries are engaged in pharmaceutical operations. Based on the characteristics of the Company's actual productions and operations, the Company and its subsidiaries have determined several specific accounting policies and accounting estimates for revenue recognition and other transactions and events according to ASBE. For more details, please refer to Note III. 26 "Revenue". For description of significant accounting judgments and estimates made by the management, please refer to Note III. 32 "Significant Accounting Judgment and Estimates".

### 1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company's financial position as of 30 June 2023, and performance results and cash flows for the period then ended.

### 2. Accounting Period

Accounting periods are classified into annual periods and interim periods. An interim period is a reporting period shorter than a complete accounting year. The Company has adopted the calendar year as its accounting year, i.e., from 1 January to 31 December.

The accounting period of this financial statements is from 1 January 2023 to 30 June 2023.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 3. Operating Cycle

A normal operating cycle refers to the time period between the acquisition of assets for processing and their realization in cash or cash equivalents. The group's operating cycle is of 12 months' duration, which is used as the classification standard for liquidity of assets and liabilities.

### 4. Functional Currency

RMB is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries choose RMB as the functional currency. The Company's foreign subsidiaries choose HKD as the functional currency according to the primary economic environment in which the Company's foreign subsidiaries operate. The financial statements are prepared in RMB.

### 5. Business Combination

A business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

#### (1) Business combination under common control

A business combination under common control is a business combination in which all the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the absorbing party is the party that acquires the control right of other involved enterprises on combination date. The combined party is other enterprises involved in the combination. The combination date refers to the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained in a business combination by the absorbing party shall be measured at their book values as recorded by the party being absorbed on the combination date. The difference between the book value of the net assets obtained and the book value of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to the capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that are directly attributable to the combination shall be charged against profit or loss in the period in which the cost is incurred.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 5. Business Combination *(Continued)*

#### (2) Business combination not under common control

A business combination not under common control is a business combination in which all the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of other enterprises participating in the combination is the acquirer. Other enterprises participating in the combination are the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination not under common control, combination cost is the aggregate of the fair value of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree on the acquisition date. Service expense including audit fees, legal fees, valuation and consulting fees, and other administrative expenses attributable to the business combination shall be charged against profit or loss in the period in which the service expense is incurred. The transaction expense of the equity securities or debt securities issued by the acquirer as combination consideration shall be included in the initial cost of equity securities or debt securities issued. The contingent consideration in the business combination shall be included into the combination cost at its fair value on the acquisition date. In case that within 12 months after the acquisition date, any new or further evidence is found regarding the existing situation as on the acquisition date, which causes adjustment on contingent consideration, goodwill shall be adjusted accordingly. The combination cost incurred by the acquirer and the identifiable net assets acquired in the combination are initially measured at fair value on the acquisition date. The positive difference between the combination cost and the fair value of the identifiable net assets it obtains from the acquiree on the acquisition date is recognized as goodwill. As for the negative difference between the combination cost and the fair value of the identifiable net assets it obtains from the acquiree, it is necessary to review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination cost. If the combination cost is still less than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be recorded through profit or loss for the current year.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 5. Business Combination *(Continued)*

#### (2) Business combination not under common control *(Continued)*

Where the deductible temporary difference of the acquiree obtained by the acquirer is not recognized on the ground that the recognition condition of deferred tax asset has not been met on the acquisition date, within 12 months after the acquisition date, if further information is obtained to indicate that the relevant situation on the acquisition date existed and the economic interest brought by the deductible temporary difference of the acquirer on the acquisition date is expected to be realized, the amount of the difference shall be recognized as relevant deferred tax asset and goodwill shall be deducted by the same amount. If the goodwill is insufficient to be deducted, the difference is recognized through profit or loss for the current year; otherwise, the difference recognized as the deferred tax asset which is related to business combination shall be recognized through profit or loss for the current year.

For the business combinations not under common control and completed through multiple transactions, according to *Notice of the Ministry of Finance of the People's Republic of China on Issuing Interpretations No.5 on Accounting Standards for Business Enterprises* (Caikuai [2012] No.19) and the criteria about "package deal" in Article 51 of *Accounting Standards for Business Enterprises No.33 – Consolidated Financial statements* (refer to Note III, 6 (2), whether these multiple transactions are included in "package deal" shall be judged. If they are included in "package deal", the accounting treatment shall be conducted in accordance with the descriptions of previous paragraphs of this Part and Note III. 14 "Long-term Equity Investment"; if they are not included in "package deal", relevant accounting treatment shall be conducted differently in separate financial statements and consolidated financial statements.

In separate financial statements, the sum of the book value of the equity investment of the acquiree held before the acquisition date and the investment cost incurred on the acquisition date shall be the initial investment cost of such an investment. If the equity of the acquiree held before the acquisition date involves other comprehensive income, when handling this project, relevant accounting treatment for other comprehensive income shall be conducted on the same base as the acquiree disposes of relevant assets and liabilities directly (all shares shall be transferred into investment income for the current year, except the corresponding shares changed by net liabilities or net assets in benefit plan redesigned by the acquiree under equity method).



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 5. Business Combination *(Continued)*

#### (2) Business combination not under common control *(Continued)*

In consolidated financial statements, the equity of the acquiree held before the acquisition date shall be remeasured at fair value of the equity on the acquisition date, and the difference between fair value and book value shall be recorded in the current income from investment. If the equity of the acquiree held before the acquisition date involves other comprehensive income, relevant accounting treatment for other comprehensive income shall be conducted on the same base as the acquiree disposes of relevant assets and liabilities directly (all shares shall be transferred into investment income for the current year which consists of the acquisition date, except the corresponding shares changed by net liabilities or net assets in benefit plan redesigned by the acquiree under equity method).

### 6. Preparation Method for Consolidated Financial Statements

#### (1) The principle for determining the scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control. Control means the Company has power over the investee, by participating in the relevant activities of the investee and have variable returns, and the ability to use the power to influence the return amount of the investee. The combination scope includes the Company and all subsidiaries. A subsidiary is a corporate body controlled by the Company.

The Company will reassess combination scope if relevant elements on the control definition has changed due to the change of the relevant facts and circumstances.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 6. Preparation Method for Consolidated Financial Statements *(Continued)*

#### (2) The method for preparation of consolidated financial statements

From the date the Company obtains the actual control over a subsidiary's net assets and production operation decision-making power the Company includes the subsidiary into the consolidated scope; from the date the Company loses control over a subsidiary, the subsidiary shall cease to be consolidated. For a subsidiary disposed of, the operating results and cash flows before the disposal date are appropriately included in the consolidated income statement and the consolidated cash flow statement; for a subsidiary disposed during the current year, no adjustments are made to the opening balance of the consolidated balance sheet. Where a subsidiary is acquired through a business combination not under common control, the subsidiary's operating results and cash flows after the combination date are appropriately included in the consolidated income statement and the consolidated cash flow statement, and no adjustments is made to the opening balance and comparative figures of the consolidated financial statements. Where a subsidiary is acquired through a business combination under common control, the subsidiary's operating results and cash flows from the beginning of the reporting period to the combination date are appropriately included in the consolidated income statement and the consolidated cash flow statement, and adjustments is made to the comparative figures of the consolidated financial statements accordingly.

When preparing the consolidated financial statements, if a subsidiary and the Company adopt the inconsistent accounting policies or accounting periods, the Company shall adjust the financial statements of the subsidiary based on its own accounting period and accounting policies. For a business combination not under common control, the subsidiary shall be adjusted based on the fair value of the identifiable net asset and adjustments to financial statements shall be made.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 6. Preparation Method for Consolidated Financial Statements *(Continued)*

#### (2) The method for preparation of consolidated financial statements *(Continued)*

All material balances, transactions, and unrealized profits within the scope of consolidated financial statements shall be eliminated in the preparation of consolidated financial statements.

Portion of shareholders' equity and current net profit or loss not attributable to the Company shall be solely presented in shareholders' equity of consolidated balance sheet and net profit of consolidated income statements, respectively. When the amount of loss for the current year attributable to minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess shall be allocated against the minority interests.

If the Company loses control over a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity shall be remeasured at its fair value at the date when control is lost. The difference obtained through the total amount of consideration received from the disposal of equity and the fair value of the remaining equity, less the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current year when control is lost. Other comprehensive income related to the original subsidiary will be transferred into the current profit and loss in investment at the date the Company lost control over the subsidiary. (That is, in addition to the remeasurement of changes in the net liabilities or net assets of the defined benefit plan in the original subsidiary, the rest will be transferred into investment income for the current year.) After that, for the remaining part of this part of equity, according to *Accounting Standards For Enterprise No.2-Long Term Equity Investment* or *Accounting Standards For Enterprises No.22-Recognition And Measurement Of Financial Instrument* and related regulation for subsequent measurement, and there are details in Notes III.14 "Long-term capital investment" or Notes III.10 "Financial instruments".



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 6. Preparation Method for Consolidated Financial Statements *(Continued)*

#### (2) The method for preparation of consolidated financial statements *(Continued)*

If the Company loses control over a subsidiary in multiple transactions in which it disposes equity investments in the subsidiary in stages, the Company is required to determine whether each transaction shall be included in a package deal. If one or more than one of the following conditions are met by all of the terms and conditions of the transactions and their economic effects in regard to the disposal of equity investment in subsidiaries, the accounting treatment for these transactions shall be conducted as a package deal: ① These transactions are carried out simultaneously or in the condition that each part will be impacted; ② These transactions as a whole will achieve a complete business results; ③ The occurrence of one transaction are dependent on at least one transaction; ④ One transaction may seem to be uneconomic when considered solely, but it can be recognized as economic when considered with other transactions. If one transaction is not included in the package transaction, each of transaction will be according to the “Partly disposal of subsidiaries of a long-term equity investment without losing control” and each of the transaction will respectively follow the part disposal subsidiaries of a long-term equity investment under the control not lost (refer to Notes III. 14. (2) ④) and “losing control due to disposal of part of equity investments or other reasons” of the original subsidiaries suited for the principle as accounting treatment. If disposal of equity investments in a subsidiary at other each transaction belonged to a package transaction until the Company losing control, thus each transaction shall be dealt with accounting treatment in which each transaction is recognized as one that dispose of subsidiaries until lose control. However, the difference between the disposals prices of prior before control lost with Company net asset shall be recognized as other comprehensive income, the profit and loss of current year shall be transferred when control is lost.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 7. Classification and Accounting Treatment of Joint Arrangements and Joint Operation

A Joint arrangement is an arrangement of which two or more parties have joint control. The Company divides joint venture arrangement into joint operation and joint venture based on the rights enjoyed and obligations assumed in joint venture arrangements. A joint operation is a joint arrangement whereby the Company has rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the Company has rights to the net assets of the arrangement.

The Company's investments in joint ventures are measured under equity method. Please refer to Note III. 14. (2) ② "Long-term equity investments measured under equity method" for accounting policies for joint venture investment.

As a joint venture party, for joint operation, the Company recognizes the assets held solely and liabilities assumed solely and recognizes the Company's share of any assets held jointly and liabilities assumed jointly; recognizes the Company's revenue from the sale of its share of the output arising from the joint operation; recognizes the Company's share of the revenue from the sale of the output by the joint operation; recognizes the expenses incurred solely by the Company and the Company's share of any expenses incurred jointly.

When the Company invests or sells assets towards joint operation as a party of the joint-venture (this asset does not constitute business, the same below), or upon purchasing assets by joint operation but before selling such assets to the third party, the Company only recognizes the part belonging to other participants of joint operation in profit or loss caused by this transaction. Where such assets belong to the impairment losses for assets according to Accounting Standard for Business Enterprises No. 8 – Impairment of Assets and other regulations, the Company will recognize losses in full amount for investment or sales of assets from the Company to joint operation. For assets purchased by the Company from joint operation, the Company will recognize these losses according to its shareholding proportion.

### 8. Recognition Criteria for Cash and Cash Equivalents

The Company's cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, short-term (generally due within three months after the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 9. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements

#### (1) Methods for Translation of Foreign Currency Transactions

For the foreign currency transaction incurred in the Company, the amount in foreign currency shall be translated into the amount in functional currency at initial recognition as per the spot rate on the transaction date (usually refers to the central parity rate published by the People's Bank of China on that day. The same below); but for foreign exchange businesses and transactions involving foreign exchange, the amount in foreign currency shall be translated into the amount in functional currency as per the actual exchange rate for recording.

#### (2) Methods for Translation of Monetary Items and Non-Monetary Items in Foreign Currency

As for monetary items in foreign currency on the balance sheet date, the amount in foreign currency shall be translated into the functional currency at the spot rate on the balance sheet date; where, the differences arising from the translation shall be recognized through profit or loss for the current year, except that ① differences between foreign exchange incurred from specific borrowings in foreign currency related to assets purchased and construction where capitalization criterion are met shall be treated as per the borrowings capitalization principle; ② differences in foreign exchange arising from other book balance change other than amortized cost for foreign currency monetary items available-for-sale shall be included into other comprehensive incomes.

When preparing the consolidated financial statements involving the overseas operation, if there are foreign-currency monetary items essentially constituting a net investment in an overseas operation, the exchange difference incurred due to the exchange rate change shall be listed in other comprehensive income. When overseas operations are disposed, the difference shall be transferred to the profit or loss for the current year.

The foreign currency non-monetary items measured at historical cost shall continue to be translated at the spot exchange rates at the dates of the transactions. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the date when the fair value has been determined, and the difference between the translated reporting currency amount and the original one shall be treated as the changes in fair value and included in the current profit or loss or recognized as other comprehensive income.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 9. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements *(Continued)*

#### (3) Translation Method of Financial Statements Denominated in Foreign Currency

When preparing the consolidated financial statements involving the overseas operation, if there are foreign-currency monetary items essentially constituting a net investment in an overseas operation, the exchange difference incurred due to the exchange rate change shall be presented in other comprehensive income as “difference arising from the translation of foreign currency financial statements”. When overseas operations are disposed, the difference shall be transferred to the profit or loss for the current year.

The foreign currency adopted in the foreign currency financial statements for overseas operation shall be translated into RMB as per the following methods: Assets and liabilities on the balance sheet shall be translated at the spot rate at the balance sheet date; shareholders' equity items shall be translated at the spot rate occurred except for the item of “undistributed profit”. The income and expense items in the profit statement shall be translated at the average rate in the current year. The opening balance of undistributed profits are the closing balance of undistributed profits translated at the prior year; for closing balance of undistributed profits, each item shall be calculated and presented as per the translated profits; and the difference between the asset items and the sum of liability items and shareholders' equity items after translation shall be recognized into other comprehensive incomes as translation difference from translation of foreign financial statements. When disposing overseas operation and losing the control, difference arising from the translation of foreign currency financial statements, which are presented under shareholders' equity in the balance sheet and related to the overseas operation, shall be transferred to the profit or loss for the current year in whole or in proportion of the disposed overseas operation.

Cash flows in foreign currencies shall be translated using the average exchange rate for the current reporting period on the transaction date. The amount influenced by the changes in exchange rate on cash flows shall be presented individually in cash flow statement as a reconciling item.

Opening balance and prior year's actual amount are presented in line with the amount after the translation of prior year financial statements.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 9. Foreign Currency Transaction and Translation of Foreign Currency Financial Statements *(Continued)*

#### (3) Translation Method of Financial Statements Denominated in Foreign Currency *(Continued)*

For the preparation of consolidated financial statements, when the disposal of all shareholders' equities with respect to the overseas operations by the Company, as well as parts of equity investments, results in a lost in control over the overseas operations, the Company shall convert the difference, which is presented under the items of the owner's equities of the parent company in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the profit or loss of the period for disposal.

When overseas operational control is retained but the proportion of overseas operational equity held by the Company decreases due to disposal of partial equity investments or other reasons, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be recognized as minority shareholder equity. The difference shall not be transferred into current profit or loss. In the event that the disposed overseas operation involves partial equities of affiliated enterprises and joint ventures, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be transferred into the current profit or loss for disposal as per the disposed proportion of overseas operation.

### 10. Financial Instruments

The Company shall recognize a financial asset or financial liability at the date when the Company enters into a contract concerning about financial instruments.

#### (1) Classification, recognition and measurement of financial assets

Based on the business model of the Company's management on the financial asset and the features of the cash flows of the financial asset, the Company classifies financial assets into the following categories: financial assets measured at amortized cost; financial assets at fair value through other comprehensive income; financial assets at fair value through profit or loss for the current period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### (1) Classification, recognition and measurement of financial assets *(Continued)*

Financial assets are initially recognized at fair value. Relevant transaction cost of financial assets at fair value through profit and loss for the current period, shall be recognized into profit and loss for the current period. Relevant transaction cost of financial assets listed in other categories shall be included in the amount recognized initially. For accounts receivable or notes receivable arising from the sale of products or rendering of services, exclusive of or without consideration of material financing elements, the initial recognition shall be the amount of consideration to which the company is expected to be entitled.

##### ① *Financial assets measured at amortized cost*

The business model that the company adopts to manage the financial assets measured at amortized cost is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The cash flow generated on a specific date is only the payment of principal and interest based on the amount of principal outstanding. For such financial assets, the company adopts the effective interest rate method and carries out subsequent measurement according to the amortized cost. The profit or loss generated by the amortization or impairment shall be recognized in the current profit and loss.

##### ② *Financial assets at fair value through other comprehensive income*

The company's business model for managing such financial assets is to take the receipt of contract cash flow and sell, and the contract cash flow characteristics of such financial assets are consistent with the basic debit, credit arrangements. The company measures such financial assets according to the fair value and the changes are recognized in other comprehensive income, but the impairment loss or gain, exchange profit and loss and the interest income calculated according to the real interest rate method are recognized in the current profit and loss.

In addition, the company designated some non-tradable equity instruments as financial assets measured at fair value through other comprehensive income. The company shall recognize the relevant dividend income of such financial assets into the current profit and loss, and recognize the change of fair value in other comprehensive income. When the recognition of the financial asset is terminated, the accumulated gains or losses previously recognized in other comprehensive income shall be transferred from other comprehensive income to retained earnings and shall not be recognized in current profit and loss.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### (1) Classification, recognition and measurement of financial assets *(Continued)*

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

The company classifies the financial assets, except for financial assets measured at amortized cost or at fair value through other comprehensive income as mentioned above, into the financial assets measured at fair value through profit or loss for the current period. In addition, the company shall designate some financial assets as financial assets measured at fair value through profit or loss for the current period upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

#### (2) Classification, recognition and measurement of financial liabilities

Financial liabilities shall be classified into other financial liabilities and financial liabilities measured at fair value through profit or loss for the current period upon initial recognition. For financial liabilities measured at fair value through profit or loss for the current period, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

##### ① *Financial liabilities measured at fair value through profit or loss for the current period*

Financial liabilities measured at fair value through profit or loss for the current period comprise financial liabilities held for trading (including derivatives belonging to financial liabilities) and financial liabilities measured at fair value through profit or loss for the current period upon initial recognition.

Financial liabilities held for trading (including derivatives belonging to financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### (2) Classification, recognition and measurement of financial liabilities *(Continued)*

##### ① *Financial liabilities measured at fair value through profit or loss for the current period (Continued)*

For financial liabilities designated to be measured at fair value through profit or loss for the current period, liabilities caused by changes in the company's own credit risk of the changes in fair value recognized in other comprehensive income, when the liability is terminated for recognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains or losses of such financial liabilities (including the amount affected by the change in the credit risk of the enterprise) into the current profit and loss.

##### ② *Other financial liabilities*

In addition to financial liabilities whose transfer of financial assets does not meet the conditions for termination of recognition or arising from the continuing involvement in the transfer of financial assets and other financial liabilities other than the financial security contract are classified as financial liabilities measured by amortized cost, carry out subsequent measurement according to the amortized cost, and record the profits or losses generated by the termination of recognition or amortization into the current profit and loss.

#### (3) The confirmation basis and measurement method of financial assets transfer

Financial assets that meet one of the following conditions shall be terminated for recognition: ① the contract right of receiving the cash flow of the financial asset is terminated; ② the financial assets have been transferred, and the ownership of financial assets almost all the risks and rewards transferred to the transferee; ③ the financial asset has been transferred, although the enterprise has neither transferred nor retained almost all risks and rewards in the ownership of the financial asset, it has given up its control over the financial asset.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### **(3) The confirmation basis and measurement method of financial assets transfer** *(Continued)*

If the enterprise neither transfers nor retains nearly all the risks and rewards in the ownership of the financial assets and does not give up its control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuing involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets and the consideration received due to the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income shall be recognized into the current profit and loss.

If the partial transfer of financial assets meets the conditions for the termination of recognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the terminated recognition and the non-terminated recognition, and the difference between the consideration received as a result of the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income and the apportioned book amount shall be recognized in the current profit and loss.

The company shall determine whether almost all risks and rewards in the ownership of the financial assets sold by means of recourse or transferred by endorsement of the financial assets held by the company have been transferred. Where almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; If almost all risks and rewards in the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; If there is no transfer or retention of nearly all risks and rewards in the ownership of the financial asset, the enterprise shall continue to judge whether it has retained control of the asset and conduct accounting treatment according to the principles described in the preceding paragraphs.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### (4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall terminate the recognition of such financial liability (or part thereof). The company (borrower) signs an agreement with the lender to replace the original financial liability by assuming the new financial liability. If the contract terms of the new financial liability and the original financial liability are substantially different, the company shall terminate the confirmation of the original financial liability and simultaneously confirm a new financial liability. If the company materially modifies the contract terms of the original financial liabilities (or part thereof), the original financial liabilities shall be terminated, and a new financial liability shall be recognized according to the revised terms.

Where the recognition of financial liabilities (or part thereof) is terminated, the company shall recognize the difference between its book value and the consideration paid (including the transferred non-cash assets or liabilities) into the current profit and loss.

#### (5) Offsetting of financial assets and liabilities

When the company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable, at the same time, the company plans to net or cash at the same time when the financial assets and liquidation of the financial liability, financial assets and financial liabilities to offset each other after amount listed in the balance sheet. In addition, financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 10. Financial Instruments *(Continued)*

#### (6) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive or transfer a liability to pay for the sale of an asset in an orderly transaction on the measurement date. Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. A quote in an active market is a price that is readily available on a regular basis from an exchange, broker, trade association, pricing service, etc., and represents the market price traded in a fair trade. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. Valuation techniques include reference to the prices used in recent market transactions by parties familiar with and willing to trade, reference to the current fair value of other financial instruments that are substantially the same, cash flow discounting and option pricing models, etc. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use non-input values where relevant observable input values are not available or are not feasible to obtain.

#### (7) Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the company's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the company shall be treated as changes in the equity and the transaction fees related to the equity transactions shall be deducted from the equity. The company does not recognize changes in the fair value of equity instruments.

The Company's equity instruments distribute dividends (including "interests" generated by instruments classified as equity instruments) during the existence period as profit distribution treatment.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 11. Determination of expected credit losses and accounting treatment

The financial asset that the Company needs to confirm the impairment loss are financial assets measured at amortized cost, debt instrument investment measured at fair value and recognized in other comprehensive income and the leasing receivables, mainly includes notes receivables, accounts receivables, other receivables, creditor's rights investment, other creditor's rights investment, long-term receivables, etc. In addition, for the contract assets and part of the financial security contracts, the provisions for impairment and the recognition of credit impairment losses shall be made in accordance with the accounting policies described in this part.

#### (1) The recognition method of provision for impairment

Based on the expected credit loss, the Company shall calculate the provision for impairment and confirm the credit impairment loss in accordance with its applicable expected credit loss measurement method for the above-mentioned items.

Credit loss refers to the difference between all contract cash flows receivable under the contract discounted at the effective interest rate and all cash flows expected to be collected, which is the present value of the entire cash shortage. The financial assets purchased or produced by the Company with credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustment.

The general method of measuring the expected credit loss refers to whether the credit risk of financial assets (including contract assets and other applicable items, the same below) evaluated by the Company on each balance sheet date has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the whole duration; If the credit risk has not increased significantly since the initial recognition, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss in the next 12 months. The company shall take into account all reasonable and substantiated information, including forward-looking information, in the evaluation of expected credit losses.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision according to the expected credit loss in the next 12 months.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 11. Determination of expected credit losses and accounting treatment *(Continued)*

#### (2) Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition

If the probability of default of a financial asset within the expected duration as determined on the balance sheet date is significantly higher than the probability of default within the expected duration as determined at the initial recognition, the credit risk of the financial asset increases significantly. Except in special cases, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in the whole duration to determine whether the credit risk has increased significantly subsequent to the initial recognition.

#### (3) Portfolio approach to assessing expected credit risk on a portfolio basis

The company evaluates credit risk separately for the credit risk of significantly different notes receivables, accounts receivables and other receivables with the following characteristics. Such as: related party accounts receivable; accounts receivables in dispute with the other party or involving litigation or arbitration; notes receivables, accounts receivables that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

In addition to individual financial assets that assess credit risk, the Company classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

#### (4) Accounting treatment of the impairment of financial assets

In order to reflect the changes in the credit risk of financial instruments since initial recognition, the company remeasures expected credit losses on each balance sheet date, and the increase or reversal of the loss provision thus formed shall be used as impairment losses or gains. Into the current profit and loss, and based on the type of financial instrument, deduct the book value of the financial asset listed in the balance sheet or include it in provision for impairment (loan commitments or financial guarantee contracts) or in other comprehensive income (Debt investments measured at fair value and whose changes are included in other comprehensive income).

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 11. Determination of expected credit losses and accounting treatment *(Continued)*

#### (5) Method for determining the credit loss of financial assets

Based on the expected credit loss, the company makes the impairment accounting treatment and recognize the loss provisions on the financial assets (including receivables) measured at amortized cost, classified at fair value and whose changes are included in other comprehensive income (including receivables financing) and lease receivables.

The company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition at each balance sheet date. The process of credit impairment of financial instruments is divided into three stages. Different stages of financial instrument impairment are applied in different accounting treatment method: (A) In the first stage, if the credit risk of a financial instrument has not increased significantly after initial recognition, the company shall measure the loss provision based on the expected credit loss of the financial instrument in the next 12 months, and shall calculate interest income based on its book balance (that is, without deducting impairment provisions) and the actual interest rate; (B) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the company will use the expected credit losses measure loss provisions and calculate interest income based on their book balances and actual interest rates; (C) In the third stage, if credit impairment occurs after initial recognition, the company shall measure the loss provisions according to the expected credit loss of the financial instrument throughout its lifetime, and shall use its amortized cost (book balance minus provision for impairment) to calculate interest income with the actual interest rate.

#### ① *Method for measuring loss provision of financial instruments with lower credit risk*

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

If the default risk of a financial instrument is low, the debtor's ability to fulfill its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment over a long period of time, the borrower may not necessarily reduce the performance of its contractual cash flow obligations, this financial instrument should be considered as lower credit risk.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 11. Determination of expected credit losses and accounting treatment *(Continued)*

#### (5) Method for determining the credit loss of financial assets *(Continued)*

##### ② *Receivables and contract assets that do not contain significant financing components*

For receivables or contract assets without significant financing components formed by transactions regulated by "Enterprise Accounting Standards No. 14-Revenue", the company adopts a simplified method, which is to always measure loss provisions based on expected credit losses throughout its lifetime.

According to the nature of financial instruments, the company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a portfolio of financial assets. The company divides notes receivable and accounts receivable into several portfolios based on the characteristics of credit risk, and calculates expected credit impairments based on the portfolios. The basis for the portfolio as follows:

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

<b>Aging</b>	<b>expected credit loss rate of aging portfolio (%)</b>
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 11. Determination of expected credit losses and accounting treatment (Continued)

#### (5) Method for determining the credit loss of financial assets (Continued)

##### ③ Methods for measuring loss provisions for other financial assets

For financial assets other than the above, such as: debt investment, other debt investment, other receivables, long-term receivables except lease receivables, etc., the company measures loss provisions in accordance with the general method, that is, the “three-stage” model.

The company divides other receivables into several portfolios based on the nature of the payment and calculates the expected credit loss on the basis of the portfolio. The basis for the portfolio as follows:

Other receivables portfolio 1: Aging portfolio

Other receivables portfolio 2: Portfolio of financial assets with extremely low credit risk

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: deposit portfolio

Portfolio (aging portfolio): expected credit loss rate:

<b>Aging</b>	<b>expected credit loss rate of aging portfolio on other receivables (%)</b>
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 12. Inventories

#### (1) Category of inventories

Inventories mainly includes materials in transit, raw materials, work in progress, Semi-finished goods, finished goods, low-value consumables, packaging materials, Consigned processing material, goods on consignment, commodity stocks, goods in transit, etc.

#### (2) Method/formula used to assign cost for inventories

The inventory shall be initially measured at actual costs when acquired. The cost of inventory comprises all costs of purchase, costs of conversion and other costs. Cost is determined using the weighted average method. The cost of finished goods, commodity stocks and work in progress comprises raw material, direct labor and overhead allocated based on normal capacity.

#### (3) Recognition of net realizable value of inventory and accruing method of provision for the loss on decline in value of inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. An enterprise shall determine the net realizable value of inventories based on solid evidence obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

Inventories are required to be measured at the lower of cost and net realizable value on the balance sheet date. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made. The provision for the loss on decline in value of inventory is assessed based on the difference between the cost of single inventory item and its net realizable value.

After the provision for the loss on decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for the loss on decline in value is reversed and the reversal is included in current profit or loss.

#### (4) The perpetual inventory system is adopted

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 12. Inventories *(Continued)*

#### (5) Amortization method for low value consumables

Low-value consumables are amortized by the immediate write-off amortization method upon usage. Packaging materials are amortized by the immediate write-off amortization method upon usage.

### 13. Assets Held for Sale and Disposal Company

If the Company recovers its book value primarily through the sale instead of the continuous use of a non-current asset or disposal group (including the exchange of non-monetary assets with commercial substance, the same below), then the assets shall be classified as assets held for sale. The specific criteria are all of the following conditions are achieved: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already decided on the sale plan and obtained the purchase commitment; the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other methods in a transaction, and liabilities that are directly related to these assets are transferred in the transaction. If the asset group or asset group to which the disposal group belongs is allocated the goodwill acquired in the business combination in accordance with *Accounting Standards for Business Enterprises No. 8 - Impairment of Assets*, the disposal group shall include the goodwill allocated to the disposal group.

Upon initial measurement or re-measurement of non-current assets held for sale or disposal group on the balance sheet date, if the book value is higher than the net amount of fair value minus sales expense, the book value shall be written down to the net amount of fair value minus sales expense; the amount written down is recognized as impairment losses for assets and included in current profit or loss. Meanwhile, impairment reserves for assets held for sale is accrued. For the disposal group, firstly, the recognized impairment losses for assets deduct the book value of the goodwill in the disposal group. Then the loss proportionally deducts the book value of the various non-current assets in the disposal group under the measurement regulations based on *Accounting Standards for Business Enterprises No. 42 - Non-current Assets Held for Sale, Disposal Companies and Termination of Operations* (hereinafter referred to as the "holding for sale"). If the fair value of the disposal group held for sale on the subsequent balance sheet date minus the sales proceeds increases, the amount previously written down shall be recovered. This part of amount should be reversed within the impairment losses of non-current assets which are applicable for held for sale measurement criteria after these assets are classified as assets held for sale. The reversal amount is recognized in current profit or loss. Meanwhile, the book value of these non-current assets (except goodwill) in disposal group should be increased proportionally according to the book value of each non-current asset which is applicable to held for sale measurement criteria. The book value of goodwill that has been deducted and the impairment losses recognized before the non-current assets classified as held for sale category cannot be reversed.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 13. Assets Held for Sale and Disposal Company *(Continued)*

Depreciation or amortization shall not be accrued for non-current assets held for sale or non-current assets in the disposal group held for sale. The interest of liabilities and other expenses in the disposal group held for sale shall be recognized.

When a non-current asset or disposal group no longer meets the conditions for the held for sale category, the Company no longer divides it into the held for sale category or removes the non-current assets from disposal groups held for sale., and the asset or asset group is measured by the following two items: (1) the amount of book value classified as held for trading after depreciation, amortization, impairment or other adjustments to be recognized based on the hypothesis that they are not classified as held for trading; (2) the recoverable amount, whichever is lower.

### 14. Long-term Equity Investments

Long-term equity investments in this part refers to the long-term equity investments that the Company can exercise control, joint control or significant influence over the investee. When the Company can no longer exercise control, joint control or significant influence over the investee, the long-term equity investment shall be treated as financial asset measured at fair value through profit or loss for the current year, and for non-transactional long-term equity investment among which, the Company can designate it to be financial asset measured at fair value through other comprehensive income upon initial recognition. Please refer to Note III. 10. Financial instrument for accounting policies.

Joint control refers to joint control owned by the Company over an arrangement as per relevant agreements and relevant activities of this arrangement must be determined upon consent of participants sharing the right of control. The term “significant influence” refers to the power to participate in making determinations on the financial and operating policies of an investment entity, but not to control or do joint control together with other parties over the formulation of these policies.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (1) Recognition of Investment Cost

If the long-term equity investment is obtained from the business combination involving enterprises under the common control, the share of book value of shareholder's equity of the acquiree in consolidated financial statements of the ultimate controlling party under the combination date shall be deemed as the initial investment cost of the long-term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the Company issues equity securities as the consideration for combination, the book value of the shareholder's equity of the combined party on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. With the total face value of the shares issued as equity, the difference between the initial investment cost of long-term equity investment and the total face value of the shares issued shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to "a package deal": where it belongs to "a package deal", the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to "a package deal", the book value of the shareholder's equity of the acquiree on the combination date in consolidated financial statements of the ultimate controlling party shall be the initial investment cost of long-term equity investments. The difference among the initial investment cost of long-term equity investments, the book value of long-term equity investment which has reached the amount before the combination and total book value of new payment consideration obtained under the acquisition date shall be adjusted as capital reserve. If the capital reserve is insufficient to set it off, the retained earnings shall be adjusted. As the other comprehensive income is measured under equity method or recognized as financial assets measured at fair value through profit or loss for the current year, the accounting treatment on the equity investments held before the combination date shall not be conducted.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (1) Recognition of Investment Cost *(Continued)*

For long-term equity investment obtained through business combination not involving enterprises under the common control, the cost of combination shall be deemed as the initial investment cost of long-term equity investments on the acquisition date, and the cost of combination is the aggregate of the fair values, include the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. If shares of the acquiree are obtained step by step through several transactions, which results in the combination of enterprises under the different control, it shall be treated respectively as per whether it belongs to “a package deal”: where it belongs to “a package deal”, the accounting treatment for each transaction shall be conducted as a transaction obtaining the right of control. Where it does not belong to “a package deal”, the sum of the book value of equity investment of the acquiree held originally and additional investment costs shall be initial investment costs of long-term equity investment if the accounting method is changed as cost approach. If equity held originally is accounted for using equity method, the accounting treatment shall not be conducted on the other comprehensive income related to it.

The intermediary costs for the business combination including the expenses for audit, legal services and consultancy services and other relevant management costs by the merging party and the acquirer shall be recorded into current profit or loss.

Equity investments other than long-term equity investment from business combination are initially measured at cost. Such cost is respectively recognized at the purchase price in cash actually paid by the Company, fair value of equity securities issued by the Company, specified value in investment contracts or agreements, fair value or original book value of transferred assets in non-monetary asset exchange and transactions and fair value of the long-term equity investment itself based on different means of acquiring that long-term equity investment. Expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investment are also included into investment cost. In case of being able to implement significant influence or common control to the invested entity due to additional investment but which does not constitute control, cost of long-term equity investment shall be the sum of fair value of original held equity investment recognized as per the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* and newly increased investment cost.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss

Where an investing enterprise can exercise joint control (except those that constitutes the joint operators) or significant influence over the investee, a long-term equity investment shall be accounted for using the equity method. In addition, the Company uses the cost model in the financial statements to calculate long-term equity investment that can control the investee.

##### ① *Long-term Equity Investment Income Accounted by Cost Method*

The long-term equity investment accounted by the cost model shall be measured at the initial investment cost. And the additional or recovered investments shall be used to adjust the cost of long-term equity investment. Except for the cash dividends or distributions declared and not yet distributed in the considerations paid to acquire the investment, the cash dividend or distributions declared by the investee that belong to the investee shall be recognized as the investment gains.

##### ② *Long-term Equity Investment Accounted by Equity Method*

If the initial cost of a long-term equity investment, accounted by equity method, is more than attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the attributable share of the fair value of the investee's identifiable net assets for the investment in the investee, the difference shall be recorded into current profit or loss and the cost of the long-term equity investment shall be adjusted simultaneously.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

##### ② Long-term Equity Investment Accounted by Equity Method *(Continued)*

When it is accounted by equity method, the investment gains and other comprehensive incomes shall be recognized respectively, and the book value of long-term equity investment shall be adjusted according to the net profit or loss and other comprehensive incomes realized by the investee, which shall be enjoyed or shared. The enjoyed part shall be accounted according to profits or cash dividends announced to be assigned by the investee with the corresponding decrease of the book value of long-term equity investment. For other changes of shareholder's equity excluding net profit or loss of investee, other comprehensive income and profits distributed, the book value of long-term equity investments shall be adjusted and included into capital reserve. The Company shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognize the attributable share of the net profit or loss of the investee after it adjusts the net profits of the investee. If the accounting policies and accounting period adopted by the investee do not consistent with the investor, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company, and according to which the investment profits and other comprehensive incomes shall be recognized. If investment and sales of assets cannot be constructed as business in transactions between the Company, associates and joint ventures, the unrealized profit or loss of internal transaction shall be offset through calculating the part attributable to the Company based on sharing ratio so as to recognize the profit or loss of investment. Where the unrealized losses from the internal transactions between the Company and the invested entity belong to the impairment losses from the transferred assets, they shall not be written off. Where the assets contributed by the Company towards joint ventures or associates constitute business, and the investor acquires long-term equity investment but not the control right thereof, the fair value of the contribution shall be the initial investment cost of the newly added long-term equity investment. The balance of book value between initial investment cost and the contribution shall be recorded into current profit or loss in full amount. If the assets sales, from the Company to joint ventures or associates, constitute business, the total difference between consideration achieved and book value of business shall be recorded into current profit or loss. Where the assets purchased by the Company from associates and joint ventures constitute business, accounting treatment shall be carried out based on *Accounting Standards for Business Enterprises No.20 – Business Combination* and recognize the profit or loss in relation to the transaction in full amount.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

##### ② Long-term Equity Investment Accounted by Equity Method *(Continued)*

The Company shall recognize the net losses of the investee until the book value of the long-term equity investment and other long-term equity which substantially forms the net investment made to the investee are reduced to zero. In addition, if the Company has the extra obligation towards its investee to undertake extra losses, the extra obligation shall be recognized as Provisions according to expected obligation and recorded into current profit or loss. If the investee realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

##### ③ Minority Equity Purchase

When preparing consolidated financial statements, as for the difference between the long-term equity investment increased newly due to purchase minority equity and the net asset proportion continuously calculated from the purchase date (or combination date) by subsidiary based and enjoyed by the Company based on newly increasing shareholding ratio, capital reserve is adjusted. If the capital reserve is insufficient to write down, the retained income shall be adjusted.

##### ④ Disposal of Long-term Equity Investment

In the consolidated financial statements, the parent company disposes the long-term equity investment of the subsidiary without losing control right. The difference between the disposing amount and the net asset of the subsidiary enjoyed correspondingly in disposing long-term equity investment is recorded into shareholder's equity; If the parent company loses its control right on the subsidiary due to the disposal of the long-term equity investment of the subsidiary, the relevant accounting policy as indicated in Note III, 6 (2) "Method for Preparation of Consolidated Financial Statements" shall be followed for handling.

When disposing of a long-term equity investment under other circumstances, for equity being disposed, the difference between its book value and actual purchase price shall be recorded into current profit or loss.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

##### ④ Disposal of Long-term Equity Investment *(Continued)*

If long-term equity investment is accounted by equity method while the residual equity after disposal is still accounted for by equity method, the accounting treatment of other comprehensive income included in shareholder's equity originally shall be conducted as per proportion on the same base as investee disposes of relevant assets and liabilities directly. Other shareholder's equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution, shall be translated into current profit or loss as per proportion.

If long-term equity investment is accounted by the cost model while the residual equity after disposal is still accounted by the cost model, the accounting treatment of other comprehensive incomes which are recognized for being accounted by equity method or recognition and measurement standards of financial instruments shall be conducted on the same base as investee disposes of relevant assets and liabilities directly, and other comprehensive incomes shall be carried over into current profit or loss as per proportion. Owners' equity, which is recognized for changes of other shareholder's equity of the investee excluding net profit or loss, other comprehensive incomes and profits distribution when the equity method is adopted, shall be carried over into current profit or loss as per proportion.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

##### ④ Disposal of Long-term Equity Investment *(Continued)*

When the Company loses the control over investee for disposal of some shares, the accounting method shall be changed as equity method in compiling individual financial statements and the remaining shares shall be deemed to be adjusted by equity method upon being obtained if the remaining shares after disposal still have joint control or significant impacts on investee. While the remaining shares after disposal do not have joint control or significant impacts on investee anymore, the accounting treatment shall be conducted as per regulations related to recognition and measurement standards of financial instruments and its difference between fair value and book value on the date of losing the control shall be included into current profit or loss. For other comprehensive income recognized as being accounted by equity method or recognition and measurement standards of financial instruments before the Company obtains the control over investee, its accounting treatment shall be conducted on the same base as investee disposes of relevant assets and liabilities directly upon losing the control over investee, and other shareholder's entity in net assets of investee accounted for by equity method, excluding net profit or loss, other comprehensive income and profits distribution, shall be carried over into current profit or loss in the event of losing the control over investee. Of which, if the residual equity investment after disposal is calculated by equity method, other comprehensive income and shareholder's equity shall be transferred by proportion; where the residual equity investment after disposal changes to be conducted with accounting treatment according to standard of recognition and measurement of financial instruments, other comprehensive income and shareholder's equity shall be transferred.

Where the Company's common control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will change to be calculated by standard of recognition and measurement of financial instruments, the balance between the fair value and book value thereof on the date the common control or significant influence is lost shall be included into current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the relevant assets or liabilities when ceasing to use equity method; for the shareholder's equity recognized by other changes on shareholder's equity rather than net profit or loss, other comprehensive income and profit distribution of the investee shall be transferred into current investment income when ceasing to use equity method.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 14. Long-term Equity Investments *(Continued)*

#### (2) Subsequent Measurement and Method of Recognition of Profit or Loss *(Continued)*

##### ④ Disposal of Long-term Equity Investment *(Continued)*

If the Company's disposal of equity investments in a subsidiaries leading to losing control, the foregoing transaction is package deal, accounting treatment shall be conducted for each transaction as the transaction that the disposal of the subsidiary with loss of control right; before loss of control right, the difference between each price disposal and the book value of long-term equity investment correspondingly in equity disposed shall be firstly recognized in the other comprehensive income and then wholly transferred into current profit or loss when losing control right.

### 15. Investment Property

Investment property is property held to earn rentals or for capital appreciation or both, including the land use rights which have been rented, land use right held for transfer after capital gain, and buildings which have been rented.

Investment property is measured initially at cost. Subsequent costs related to investment property are recognized in the cost of the investment property, if the economic benefits of the asset will probably flow in and the cost can be measured reliably. Other subsequent costs are recognized through profit or loss in the periods in which they are incurred.

After initial recognition, the Company uses the cost model to measure the investment property, and depreciates and amortizes the investment property according to provisions that buildings should be consistent with land use rights.

Please refer to Note III. 21 "Long-term Asset Impairment" for the methods of impairment test and preparing provisions for the impairment of investment property.

When an owner-occupied property or an inventory are transferred into an investment property, or when an investment property is transferred into an owner-occupied property, the book value prior to the transfer is recognized as the book value after the transfer.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 15. Investment Property *(Continued)*

When an investment property is transferred into an owner-occupied property, the investment property is reclassified as fixed asset or intangible asset since the date of transfer. When the purpose of an owner-occupied property is transferred to generate rent or receive capital gain, the fixed asset or the intangible asset is transferred to investment property since the date of transfer. After the transfer, investment property measured at cost, recognizes the book value prior to the transfer as the book value after the transfer; for investment property transferred to be measured under fair value model, the fair value at the transfer date shall be recognized as the book value after transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the book value of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

### 16. Fixed Assets

#### (1) Recognition Criteria of Fixed Assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 16. Fixed Assets *(Continued)*

#### (2) Depreciation Method of Fixed Assets

From the next month of bringing the fixed asset to the expected conditions for use, the fixed assets are depreciated using the straight-line method over their estimated useful lives. Estimated useful life net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation Method	Depreciation period <i>(years)</i>	Residual rate <i>(%)</i>	Annual depreciation rate <i>(%)</i>
Buildings	Straight-line method	10-70	0~10	1.29~10
Machinery equipment	Straight-line method	4-18	0~10	5~25
Transportation equipment	Straight-line method	5-10	0~10	9~20
Electronic equipment	Straight-line method	5-10	0~10	9~20
Office equipment	Straight-line method	4-8	0~10	11.25~25
Decoration	Straight-line method	5	0.00	20.00

Estimated net residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### (3) Impairment Testing and Accounting Treatment

As for impairment testing method and accounting treatment, please refer to Note III. 21 "Long-term Asset Impairment".

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 16. Fixed Assets *(Continued)*

#### (4) Others

The subsequent expenses related to a fixed asset, if the economic benefits pertinent to the fixed asset are probably to flow into the enterprise and the cost of the fixed asset can be measured reliably, shall be included in the cost of the fixed asset and the book value of the replaced parts shall be derecognized. Any other subsequent expenses shall be recorded into current profit or loss.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying value and related taxes is recognized in current profit or loss.

The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each financial year and treats the changes as changes of in accounting estimate.

### 17. Construction in Progress

The cost of construction in progress is recognized based on actual project expenditure, including each project expenditure during the construction, capitalized borrowing costs before the construction get ready for its intended use and other relevant expenses.

When a construction in progress is available for use, it is recognized in fixed assets and depreciated from the next months. The construction budget, construction cost, construction actual cost, etc. of a construction in progress, which is available for use but not yet completed the final accounts, is recognized at the estimated cost in fixed assets since the date when it is available for use. Provision for depreciation is accrued according to the Company's depreciation policies of fixed assets. The estimated value is adjusted to actual costs subsequent to the completion of settlement.

Please refer to Note III. 21 "Long-term Asset Impairment" for the impairment test method and impairment provision method of construction in progress.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 18. Borrowing Costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, they shall be capitalized: (i) Where the expenditures for the asset are being incurred; (ii) Where the borrowing costs are being incurred; and (iii) where the construction activities which are necessary to prepare the asset for its intended use or sale have commenced capitalization of borrowing costs shall cease when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs shall be recognized as expenses in the period in which it is incurred.

The amount of interest of specific-purpose borrowings to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. An enterprise shall determine the amount of interest to be capitalized on general-purpose borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

During the period of capitalization, the exchange differences on foreign currency specific-purpose borrowings shall be all capitalized; the exchange differences on foreign currency general-purposes borrowings shall be recorded into current profit or loss.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months until the acquisition, construction or production is resumed.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 19. Biological assets

#### Bearer biological assets

Bearer biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services or renting, including economic forests, firewood forests, livestock production and working animals. Bearer biological assets are initially measured at cost. The cost of a Bearer biological asset created or propagated by itself is the necessary expenses directly attributable to the asset before the asset reaches its intended production and operation, including borrowing costs that meet the capitalization conditions.

The Bearer biological assets are depreciated over their useful lives using the straight-line method after reaching the intended production and operation objectives. The service life, estimated net residual value rate and annual depreciation rate of various types of Bearer biological assets are listed as follows:

Category	Service life	Estimated Net Residual Rate (%)	Annual Depreciation Rate (%)
Cha Zhigan tree	10 years	5.00	9.50

The Company reviews the useful life, estimated net residual value and depreciation method of the Bearer biological assets at least at the end of the year, and changes the accounting estimates as changes occur.

The difference between the disposal income of the sale, loss, death or damage of the Bearer biological assets, net of its carrying amount and related taxes, is recognized in profit or loss for the current period.

On each balance sheet date, the Company checks the Bearer biological assets for signs of possible impairment. If the asset shows signs of impairment, its recoverable amount is estimated. The estimated recoverable amount of an asset is based on a single asset. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs. If the recoverable amount of the asset is lower than its carrying amount, the asset impairment provision is made based on the difference and recognized in profit or loss for the current period.

Once the above asset impairment loss is confirmed, it will not be reversed in the future accounting period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 19. Biological assets *(Continued)*

#### **Bearer biological assets** *(Continued)*

If the Bearer biological assets are changed, as the expendable biological assets, the cost after changing the use is determined according to the book value when the use is changed; if the Bearer biological assets are changed as the public welfare biological assets, then according to the Accounting Standards for Business Enterprises No. 8 No. - Asset Impairment stipulates whether impairment is considered. When impairment occurs, provision for impairment is made, and then the book value after provision for impairment is determined.

### 20. Intangible Assets

#### **(1) Intangible Assets**

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

The intangible assets shall be initially measured at cost. The expenses pertinent to an intangible asset shall form part of the cost of the intangible assets, if it is probable that the economic profit related to the asset will flow to the Company and the cost can be measured reliably. In addition, the expenditure of other items shall be recorded into current profit or loss in the period in which it is incurred.

The acquisition of land use right is usually recognized as intangible assets for accounting purposes. Building such as self-constructed plant, relevant expenditure incurred for obtaining land use right and construction cost of the building shall be recognized as intangible asset and fixed asset for accounting purposes. Cost incurred on purchased building shall be allocated between land use right and building. The cost shall be recognized as fixed asset if it cannot be reasonably allocated.

An intangible asset with a finite useful life shall be amortized using straight line method based on the original value, less estimated residual value and the accumulative amount of impairment provision within the estimated useful life. An intangible asset with an indefinite useful life shall not be amortized.

At the year end, it is necessary to review the useful life and amortization method of the intangible asset with limited useful life. In case of any change, it shall be treated as changes in accounting estimation. In addition, according to the available conditions, Intangible assets with conclusive evidence that cannot be reasonably estimated for their useful lives shall be recognized as intangible asset with uncertain useful life.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 20 Intangible Assets *(Continued)*

#### (1) Intangible Assets *(Continued)*

The Company owns the trademarks of Baiyunshan, Dashen products and series of Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, Jianzhiqiao, Guo Ying, Jian Min, and Wang Lao Ji Series, Da Zai, Weiyi Series etc. The Company believes that these product trademarks shall be used and bring expected economic benefits inflows in the foreseeable future. Therefore, these trademarks are recognized as intangible assets with uncertain useful life.

#### (2) Research and development expenditure

The expenditures of the research and development project inside the Company can be divided into research expenditure and development expenditure.

The specific qualifying criteria for the classification of expenditure on the research phase and expenditure on the development phase is as follows: Expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the original medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Expenditures on the development phase are all the attributable expenditures incurred after the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the original medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Research expenditures shall be recorded into profit or loss for the periods in which the expenditures are incurred.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 20 Intangible Assets *(Continued)*

#### (2) Research and development expenditure *(Continued)*

Development expenditures are capitalized when the all following conditions are met, otherwise it will be recorded into the profits and losses in the current year:

- 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 economic benefits. Among other things, the enterprise 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 phase.

If the expenditures cannot be distinguished between research phase and development phase, the Company recognizes all expenditures into current profit or loss.

#### (3) Impairment test method and impairment provision assessing method of intangible asset

Please refer to Note III. 21 “Long-term Asset Impairment” for the impairment test method and impairment provision method of intangible asset.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 21. Long-term Asset Impairment

The Company assesses impairment indicators for fixed asset, construction in progress, the intangible asset with limited-service life, the investment properties measured at cost pattern, the long-term equity investment in subsidiaries, associates and joint ventures and the non-current and non-financial asset, such as goodwill on the balance sheet date. If the Company finds evidence on asset impairment, the recoverable amount of the asset shall be measured, and impairment test shall be conducted. Impairment test shall be conducted annually for goodwill, the intangible asset with uncertain service life and the intangible asset not reaching available condition, no matter there is impairment indication.

Where the measurement result of the impairment test indicates that an asset's recoverable amount is lower than its book value, impairment reserve shall be withdrawn based on its differences and recorded into the impairment loss. The recoverable amount shall be determined on the basis of the higher one of the net amounts of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is recognized based on the price as stipulated in the sales agreement in the fair transaction; where there is no sales agreement but there is an active market of assets, the fair value is recognized based on the price bidden by the buyer of the asset; where there is no sales agreement and no active market of assets, the fair value of an asset shall be estimated in light of the best information available of asset. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the assets into a marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Asset impairment provision is calculated and recognized based on single asset. In case of the difficulty to estimate the recoverable amount of single asset, the recoverable amount of asset group is recognized in accordance with the asset group that such asset belongs to. The asset group refers to the minimum asset portfolio that can independently generate cash inflow.

When conducting impairment test for goodwill separately listed in financial statements, the book value of the goodwill shall be apportioned to asset groups or asset group portfolios which are expected to benefit from the synergistic effect of business combination. When the test result indicates that the recoverable amount of asset groups or asset group portfolios containing goodwill apportioned is less than its book value, relevant impairment loss of goodwill shall be recognized. The impairment loss of goodwill shall offset the book value of the portion of goodwill apportioned to the asset groups or asset group portfolios, and then offset the book value of other assets according to the proportion of the book value of other asset in asset groups or asset group portfolios after deducting the goodwill.

Once the above asset impairment loss is confirmed, the part that the value is restored in the future period is not allowed to be transferred back.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 22. Long-Term Prepaid Expenses

Long-term prepaid expenses include expenses such as improvements on leasehold fixed assets and expenses that have been occurred but borne in the current year and in the subsequent periods with amortization term of over one year. Amortization is carried out over the expected beneficial period, and disclosed as the net value of the actual expenditures minus accumulated amortization.

### 23. Contract Liability

Contract liabilities refer to the Company's obligation to transfer goods to customers for consideration received or receivable from customer. If the customer has paid contract consideration or the Company has obtained unconditional right to receive payment prior to the Company transferring goods to the customer, the Company shall recognize payment received or receivable into contract liabilities at the earlier date between the date when the customer makes payment or the due date of payment. Contract assets and contract liabilities under the same contract shall be disclosed in net value. Contract assets and contract liabilities under different contracts cannot be offset.

### 24. Employee Benefits

The employee benefits of the Company mainly include short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits, including:

Short-term benefits mainly include employee salaries, bonus, allowances and subsidies, staff welfare, social insurance contributions such as premiums or contributions on medical insurance, maternity insurance premiums, work injury insurance, housing funds, labor union running cost, employee education costs, non-monetary benefits, etc. The Company shall recognize, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to profit or loss for the current year or in the cost of relevant asset. Where, the non-monetary benefits shall be measured at its fair value.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 24. Employee Benefits (Continued)

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs. In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs. The Company's Hong Kong company, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, provides mandatory provident fund contributions to eligible Hong Kong employees in accordance with the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong. The cost settlement of all plans is deducted from the income statement for the relevant period. The planned assets are held independently by independently managed funds and managed separately from the assets of the Company. At the same time, according to the *Employment Ordinance* of Hong Kong, for an employee who is eligible to receive a long service payment at the time of termination of employment, such payment shall be made when the employment is terminated. The Guangzhou Pharmaceutical Baiyunshan Hong Kong Company has made provision for long-term service payments that are expected to be paid in the future. The provision is calculated based on the estimation of the best service wages might be earned by the employee for rendering of services to the Company as of the settlement date.

Where the labor relationship with employees is terminated prior to the expiration of the labor contract with employees, or compensation suggestions are made to encourage employees to accept the cutback voluntarily, the employee payroll liabilities incurred by the dismissal welfare shall be recognized and recorded into the current profit or loss when the Company cannot withdraw unilaterally the dismissal welfare provided for the termination plan of labor relations or cutback suggestions, or when the Company recognizes the cost related to reorganization involving the payment of dismissal welfare, whichever is earlier. However, if it is anticipated that the dismissal welfare cannot be fully paid within 12 months after the end of the annual report period, such welfare shall be handled as other long-term Employee Payroll.

The internal retirement plan for employee shall be treated by the same principle as the above dismissal welfare. The Company will pay the salary and contribute social insurance for the internal retirement from the service stopped to be provided by such employee to normal retirement. Such fee is recorded in the current profit or loss (dismissal welfare) when conforming to the reorganization condition of estimated liability.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 24. Employee Benefits *(Continued)*

Accounting treatment shall be conducted on other long-term employee payrolls provided to employees by the Company according to defined contribution plans if such plans are conformed, and besides, accounting treatment shall be conducted according to defined benefit plans.

### 25. Provisions

An obligation related to a contingency shall be recognized as an estimated liability when all of the following conditions are satisfied: (1) the obligation is a present obligation of the enterprise; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

As at the balance sheet date, the contingent liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Company shall take into full consideration the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement shall be recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the book value of the provision.

### 26. Revenue

If the following conditions are met by the contract between the Company and the customer, revenue is recognized when the customer obtains control over relevant products: (a) the parties to the contract have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred have been specified in the contract; (c) the entity can identify the payment terms for the goods or services to be transferred; (d) the contract has commercial substance, such as the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract; and (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 26. Revenue *(Continued)*

At the starting date of contract, the Company recognizes individual performance obligations in the contract, and allocates transaction price into each individual performance obligation based on the relevant proportion of the price of good promised in each individual performance obligation when selling separately. The influence of factors such as variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and customer consideration payables are taken into consideration when determining the transaction price.

For each individual performance obligations in the contract, the transaction price shall be recognized into revenue based on performance progress of each individual performance obligation within relevant performance period when one of the following conditions is met: (a) Customer can obtain and consume the economic benefit from the performance of the company at the same time the company performs the contractual obligations; (b) Customer has control over the work in progress when the company performs the contractual obligations; (c) The goods produced from the company's performance of contractual obligations have irreplaceable application. And the company are entitled to receive payments for the accumulated completed portion of the whole contract. Methods of measuring progress include output methods and input methods. When progress cannot be reliably measured, if the cost incurred is expected to be compensated, the amount of cost incurred shall be recognized as revenue until the progress can be reliably measured.

If none of the above-mentioned conditions are met, the portion of transaction price allocated to the individual performance obligation shall be recognized as revenue when the customer obtains the control over relevant goods. When judging whether the customer has obtained the right to control the goods, the enterprise shall consider the following indications: (a) The enterprise is entitled to charge for the goods at present, that is, the customer is obliged to pay for the goods at present; (b) The enterprise has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods; (c) The enterprise has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods; (d) The enterprise has transferred the major risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the major risks and rewards of the ownership of the goods; (e) The customer has accepted the goods; (f) Other indications showing that the customer has obtained the right to control the goods.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 26. Revenue *(Continued)*

#### (1) Sale of goods

Revenue from the sale of goods shall be recognized when the Company has transferred the control of goods to the customer.

#### (2) Rendering of services

As the Company performs the contract, the customer obtains and consumes the benefits brought by the Company's performance, the Company regards it as an obligation performed within a certain period of time, and recognizes revenue according to the progress of the contract.

### 27. Government Grants

Government grants are transfer of monetary assets or non-monetary assets from the government to an enterprise at no consideration. However, capital contributions from the government as an owner of the enterprise are excluded. The government grant is classified into government grant related to assets and government grant related to incomes. Government grants of monetary assets are measured at the amount received or receivable. Government grants of non-monetary assets are measured at fair value. If reliably fair value cannot be obtained, nominal amount shall be used for measurement. Government grants measured at nominal amount shall be recognized through profit or loss for the current year.

The specific standard that the Company make classification of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

The specific standard that the Company make classification of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 27. Government Grants *(Continued)*

The assets-related government grants shall reduce assets-related book value or shall be recognized as deferred income. For those recognized as deferred income, charged into current profit or loss on stages using reasonable and systemic methods during its assets-related useful lives (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income).

The income-related government grants for compensation to the related expenses or loss of the Company in the subsequent periods shall be recognized as deferred income and current profit or loss during the recognition of related expenses or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss; those for compensation to the related expenses or loss incurred of the Company shall be recognized as current profit or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant. The government subsidies that contain both the portion pertinent to assets and the portion pertinent to income shall be subject to accounting treatment respectively according to different portions; and those that are difficult to be distinguished shall be classified as the government subsidies pertinent to income related as a whole.

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenses.

If it is necessary to refund any government subsidy which has been recognized, and there is deferred income, the book balance of the deferred income shall be offset, and the excessive part shall be included in the current profits and losses, or if the book value of relevant assets is offset against when the government subsidy is initially recognized, the book value of the assets shall be adjusted. Under any other circumstance, it shall be directly included in the current profits and losses.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 28. Deferred Tax Assets/Deferred Tax Liabilities

#### (1) Current Income Tax

On the balance sheet date, the current tax liabilities (or assets) incurred in the current year or prior years shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. The taxable income of enterprises, the basis of the measurement of the current tax, shall be measured according to the adjusted accounting profit before tax for current year by tax law.

#### (2) Deferred tax assets and deferred tax liabilities

As for the temporary difference arising from the difference between the book value of some asset or liability and its tax base and the difference between the book value of an item that has not been recognized as an asset or liability with its tax base determined in light of the tax law and its tax base, it is allowed to recognize it as the deferred income tax assets or the deferred income tax liabilities by balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. Besides, deferred tax liabilities will not be recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Except the above-mentioned cases, the deferred tax liabilities generated from other all taxable temporary difference are recognized by the Company.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 28. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

#### (2) Deferred tax assets and deferred tax liabilities *(Continued)*

Related to the initial recognition of the assets or liabilities arising from the following transactions that is not business combination and the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected at the time of transaction, the deductible temporary differences are not allowed to recognize relevant deferred tax assets. As for the deductible temporary differences related to the investments in a subsidiary, associated enterprises and joint enterprises, corresponding deferred tax asset shall not be recognized if the temporary differences are unlikely to be reversed in the excepted future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences. Except the above-mentioned cases, the Company shall recognize the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain, and which can be deducted from the deductible temporary difference.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred tax assets shall be reexamined at the balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

#### (3) Tax expenses

Tax expenses include current tax and deferred tax.

Except that other comprehensive income is recognized, the current tax and deferred income tax related to the transactions or events directly recorded in the other comprehensive income or shareholders' equity and the book value of goodwill is adjusted due to the deferred income tax arising from business combination, other current taxes and deferred income tax expenses or incomes are recorded in the profit or loss for the period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 28. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

#### (4) Offset of Income Tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

### 29. Lease

A lease is a contract in which the company transfers or acquires the right to control the use of one or more identified assets within a certain period in exchange for or payment of consideration.

#### (1) Accounting Treatments of Operating Leases for Lessees

On the beginning date of the lease term, the company recognizes the right to use the assets and lease liabilities of the lease, excluding the simplified short-term lease low-value asset lease.

The use right asset is initially measured at a cost, which includes: ① the initial measurement amount of the lease liability; ② if the lease incentive exists in the lease payment amount paid on or before the beginning date of the lease term, the amount related to the lease incentive already enjoyed will be deducted; ③ initial direct cost; ④ the expected cost of disassembling and removing the leased asset, recovering the site where the leased asset is located or restoring the leased asset to the state agreed in the lease terms. The company withdraws the depreciation of the right to use assets by referring to the relevant depreciation provisions of accounting standards for business enterprises no. 4 -- fixed assets (see Note III, 16 "fixed assets" for details); According to the provisions of "accounting standards for enterprises no. 8 - asset impairment" to determine whether the right to use assets impairment, and identified impairment losses for accounting treatment (see Note III, 21 "long-term asset impairment").



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 29. Lease *(Continued)*

#### (1) Accounting Treatments of Operating Leases for Lessees *(Continued)*

The initial measurement of the lease liability is based on the present value of the outstanding lease payment at the beginning of the lease term. The amount of lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① If the lease incentive exists in the fixed payment amount and the actual fixed payment amount, the amount related to the lease incentive shall be deducted; ② variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio at the beginning of the lease period; ③ the exercise price of the option, provided that the company reasonably determines that it will exercise the option; ④ the payment required to exercise the option to terminate the lease, provided that the term of the lease reflects that the company will exercise the option to terminate the lease; ⑤ according to the company's guarantee residual value is expected to pay. The company calculates the interest expense of the leasing liability during the lease term according to the fixed periodic interest rate and includes it into the current profit and loss.

The company shall record the variable lease payment not included in the measurement of lease liabilities into the current profit and loss when it actually occurs.

For short-term lease and low-value asset lease, the company chooses to simplify the process and record the profits and losses of the current period in accordance with the straight-line method during the lease period.

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances.

If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly.

If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 29. Lease *(Continued)*

#### (2) The company records the leasing business as the lessor

##### ① *leasing classification*

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease refers to the lease that transfers virtually all the risks and rewards related to the ownership of the leased assets. The term “operating lease” refers to any lease other than finance lease.

##### ② *operating lease*

The company adopts the straight-line method to recognize the rental income for each period of the lease term. The initial direct expenses related to the operating lease are capitalized at the time of occurrence and are recorded into the profits and losses of the current period in accordance with the same basic stages as recognized rental income during the whole lease period. The variable lease payment amount acquired related to the operating lease and not included in the lease receipt shall be recorded into the current profit and loss when actually incurred.

##### ③ *financial lease*

On the commencement date of the lease term, the company shall confirm the receivables of the finance lease and terminate the confirmation of the finance lease assets. The finance lease receivables are initially measured by the sum of the present value discounted by the embedded interest rate of the lease, which is the unsecured residual value and the unreceived lease receipt at the beginning of the lease term. The amount of lease payment includes: a. fixed amount of payment and substantial fixed amount of payment to be paid by the lessee. If there is A lease incentive, the amount related to the lease incentive will be deducted; B. Variable lease payments, subject to an index or ratio, determined at the time of initial measurement based on the index or ratio at the date of commencement of the lease period; C. The exercise price of the option, provided that it is reasonably determined that lessee will exercise the option; D. The amount payable by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; E. Residual value of security provided to lessor by lessee, parties related to lessee and an independent third party capable of performing its security obligations.

The variable lease payment acquired by the company, which is not included in the measurement of net lease investment, shall be recorded into the current profit and loss when actually incurred.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 30. Other Important Accounting Policies and Accounting Estimates

#### (1) Discontinued operations

Discontinued operations is a component that meets one of the following conditions and can be separately distinguished and disposed of by the Company or classified as held for sale: ① this component represents an independent principal business or a separate principal operation area; ② this component is part of an associated program to be disposed of for an independent main business or a separate main business area; ③ this component is a subsidiary acquired for resale.

For the accounting treatment of discontinued operations, please refer to the descriptions in Note III. 13. “Assets Held for Sale and Disposal Company”.

### 31. Changes in Significant Accounting Policies and Accounting Estimates

#### Changes in important accounting policies

##### (1) *Interpretation No. 16 of the Accounting Standards for Business Enterprises*

The Ministry of Finance issued the “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (hereinafter referred to as “Interpretation No. 16”) on November 30, 2022. It regulates the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction for which the initial recognition exemption is not applicable.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 31. Changes in Significant Accounting Policies and Accounting Estimates *(Continued)*

#### Changes in important accounting policies *(Continued)*

##### (1) Interpretation No. 16 of the Accounting Standards for Business Enterprises *(Continued)*

- ① Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction.

Interpretation 16 stipulates that for individual transactions that do not affect accounting profit or taxable income (or deductible losses) and that do not result in temporary differences between the initial recognition of assets and liabilities and do not generate temporary differences that are deductible, as well as for individual transactions that lead to temporary differences and deductible temporary differences due to the initial recognition of assets and liabilities, which arise from lease transactions in which a lessee initially recognizes a lease liability on the commencement date of the lease and includes the right-of-use asset in the lease, and transactions in which an obligation to dispose of assets exists, and a provision is recognized and included in the cost of the related asset, and other transactions falling within the scope of this interpretation, the provisions of Article 11(2) and Article 13 of Accounting Standard for Enterprises No. 18, "Income Taxes," regarding exemption from the initial recognition of deferred tax liabilities and deferred tax assets do not apply. Enterprises should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of Accounting Standard for Enterprises No. 18, "Income Taxes," for the temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities due to the transaction.

For individual transactions falling within the scope of this interpretation that occurred between the beginning of the earliest period reported in the financial statements during the initial implementation of this interpretation and the effective date of this interpretation, enterprises should make adjustments in accordance with the provisions of this interpretation. For lease liabilities and right-of-use assets recognized due to transactions falling within the scope of this interpretation and recognized obligations related to obligations to dispose of assets, as well as related assets generating temporary differences and deductible temporary differences recognized in the earliest period reported in the financial statements during the initial implementation of this interpretation, enterprises should adjust the accumulated impact amount in accordance with the provisions of this interpretation and Accounting Standard for Enterprises No. 18, "Income Taxes," and retain earnings at the beginning of the earliest period reported in the financial statements and other relevant financial statement items. Enterprises performing such adjustments should disclose relevant information in the notes to the financial statements.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### 31. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

#### Changes in important accounting policies (Continued)

(1) Interpretation No. 16 of the Accounting Standards for Business Enterprises (Continued)

- ① Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction. (Continued)

The impact of the implementation of Interpretation 16 on this Group is as follows:

#### Consolidated Balance Sheet

Item	Balance as of December 31, 2022 before accounting policy change	Impact of Interpretation 16 Adjustment	Balance as of January 1, 2023 after accounting policy change
Deferred Tax Assets	865,338,772.26	214,263,337.02	1,079,602,109.28
Deferred Tax Liabilities	394,588,189.23	214,263,337.02	608,851,526.25

### 32. Significant Accounting Judgments and Estimates

In the application of the accounting policies, due to the intrinsic uncertainty of business operations, the Company needs to judge, estimate, and make assumptions on the book value of report item which cannot be reliably measured. These judgments, estimations, and assumptions are made based on the Company management's historical experiences, and with references of other related factors. These judgments, estimations and assumptions can have impact on the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. It is probable that the actual results arising from the uncertainty of these estimates are different from the current estimates of the Company's management, and then lead to significant adjustments to the book value of assets or liabilities influenced in future.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates *(Continued)*

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

The following are the critical judgments that the Company has made in the process of judging, evaluating and assuming as at balance sheet date:

#### (1) Revenue recognition

As stated in Note III. 26 - Revenue, the Company makes the following significant accounting judgments and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognized where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Company make judgments primarily based on historical experiences and works to. Changes in these significant judgments and estimates can have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

#### (2) Impairment of financial assets

Expected credit loss model is adopted by the Company to evaluate the impairment of financial assets. Adopting expected credit loss model requires making significant judgment and evaluation, considering all the reasonable and supportable information, including forward-looking information. To conclude the expected change in of credit risk of the debtor, the Company shall make such judgment and evaluation based on historical data with factors such as change in economy policies, macroeconomic indicators, industry risk, external market environment, technology environment, customer condition, etc.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates *(Continued)*

#### (3) Provision for decline in value of inventories

The Company accrues inventory falling price reserves of inventories with higher cost than net realizable value and obsolete and unsalable inventories according to their cost and net realizable value, whichever is lower, based on inventory accounting policies. The impairment of inventory to net realizable value is based on the evaluation of its sale ability and net realizable value. The identification of impairment of inventory calls for the management to make judgment and estimation after receiving sound evidence and considering the purpose of holding the inventory and the influence factors of events after balance sheet date. Difference between the actual results and the original estimation will be calculated, provided or reversed by the influence on the book value of inventories and inventory falling price reserves in the estimated change period.

#### (4) Fair value of financial instruments

The Company recognizes the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an investment in equity instruments or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

#### (5) Provision for the impairment of long-term assets

The Company will judge whether there exists indication showing that the impairment might incur on non-current assets rather than financial assets on the balance sheet date. Except impairment test conducted each year, when there exists indication of impairment, then impairment test should be conducted too for intangible asset that service life is uncertain. Impairment test should be conducted on non-current assets rather than financial assets if the Company finds evidence that book value is unrecoverable.

When the book value of assets or asset group is higher than recoverable amount, which is the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, it indicates that the impairment incurs.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates *(Continued)*

#### (5) Provision for the impairment of long-term assets *(Continued)*

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

#### (6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

#### (7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates *(Continued)*

#### (8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

#### (9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## IV. TAXES

### 1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax (“VAT”)	Taxable income	(1) Sales of goods: 13%, 9% (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.

According to the Announcement of the Ministry of Finance of the People’s Republic of China, the State Administration of Taxation and General Administration of Customs on Policies about Deepening the Value-added Tax (VAT) Reform (No. 39 [2019], Ministry of Finance of the People’s Republic of China, the State Administration of Taxation and General Administration of Customs), the applicable tax rate will be adjusted to 13%/9% from April 1, 2019.

### Corporate income tax

Taxpayer	Income tax rate
The Company, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, WLJ Great Health, Tian Xin, Guang Hua, Ming Xing, Guangyao General Institute, Guangxi Ying Kang, Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Calculated and paid at 15% of the taxable income
The Group’s domestic subsidiaries other than the above-mentioned enterprises	Calculated and paid at 25% of the taxable income
The Group’s enterprises located in Hong Kong	Calculated and paid at 16.5% of the taxable income
The Group’s enterprises located in Macao	Calculated and paid at 3% - 12% of the taxable income

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## IV. TAXES (Continued)

### 2. Important Tax Preferential Treatments and Approval Documents

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New technology enterprises can enjoy preferential corporate income tax policies and pay corporate income tax at a reduced rate of 15%.

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR202044005583), Xing Qun (No. GR202044001705), Zhong Yi (No. GR202044006988), Chen Li Ji (No. GR202044002810), Guangzhou Han Fang (No. GR202044003115), Qi Xing (NO. GR202044000117), Jing Xiu Tang (No. GR202044006124), Pan Gao Shou (No. GR202044002092), Wang Lao Ji (No. GR202044006736), WLJ Great Health (No. GR202244003684), Tian Xin (No. GR202044001663), Guang Hua (No. GR202144001816), Ming Xing (No. GR202044000339), Guangyao General Institute (No. GR GR202144002939) , Guangxi Ying Kang (No. GR202145001254), Weiling Pharmaceutical Co., Ltd. (No. GR202244012147).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd. and Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2023.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	<b>653,104.56</b>	1,037,872.77
Cash at bank	<b>19,757,741,593.70</b>	20,710,292,430.48
Other currency balance (note)	<b>1,127,575,952.21</b>	1,788,222,467.50
Total	<b>20,885,970,650.47</b>	22,499,552,770.75
Including: Total amount of cash kept in foreign countries	<b>190,538,122.21</b>	111,627,660.26

Notes: Other currency balance RMB1,127,575 thousand (31 December 2022: RMB1,788,222 thousand) is comprised of the Group's third-party payment accounts, deposits, foreign exchange deposits, credit card deposits, letters of credit, guarantee deposits, term deposits, large denomination certificates of deposit, housing funds, bank acceptance bill deposit, frozen account funds and the others.

As on 30 June 2023, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,098,409 thousand (31 December 2022: RMB1,694,854 thousand). Breakdown of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Closing balance of last year
Deposit for notes payable	<b>931,891,710.61</b>	1,519,436,125.06
Guarantee deposits	<b>65,908,280.90</b>	72,410,170.86
Term deposit \ Certificate of deposit	<b>53,111,123.29</b>	59,168,204.95
Letters of credit	<b>45,203,859.35</b>	42,329,142.20
Frozen account funds	<b>1,333,854.50</b>	547,000.00
Housing funds	<b>932,505.12</b>	932,296.12
Other	<b>27,846.69</b>	30,818.92
Total	<b>1,098,409,180.46</b>	1,694,853,758.11



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Transactional financial assets

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	<b>56,872,680.00</b>	56,872,680.00
Including: Debt instrument investment	<b>4,000,000.00</b>	4,000,000.00
Other (note)	<b>52,872,680.00</b>	52,872,680.00
Total	<b>56,872,680.00</b>	56,872,680.00

Note: The main others are mainly performance compensation of RMB52,872,680.00. In December 2020, Hainan ChenFei Investment Holding Co., Ltd., Chengdu Huixin Huiyuan Investment Co., Ltd., Shanxi Taoyunshang Information Technology Co., Ltd., Foshan Wenjian Commerce Co., Ltd. and Meizhou Haofeng Pharmaceutical Information Co., Ltd. respectively subscribed 142,624,225 new shares of the Pharmaceutical Company at a total price of RMB357,986,804.75 based on the total equity of their five subsidiaries. The above-mentioned original minority shareholders and their controlling parties ("performance compensation payers") have performance commitments on the performance of the above-mentioned five subsidiaries in 2020, 2021 and 2022: if the performance of the above-mentioned five subsidiaries fails to meet the promised performance within the commitment period, the performance compensation payer shall pay cash compensation to the Pharmaceutical Company as agreed. The Pharmaceutical Company recognizes the contingent consideration related to the performance commitment as the financial assets measured at fair value and the changes of which are included in the current profit and loss in 2021 in combination with the possibility of achievement of the performance of the above five subsidiaries in the whole commitment period, the credit risk and solvency of the performance compensation payer and other factors. As the performance bet is expected to expire within one year, it is reclassified from "Other non-current financial assets" to "Financial assets held for trading" in 2022.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable

#### (1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	989,465,233.14	1,048,485,178.04
Commercial acceptance notes	84,549,840.71	79,996,148.27
Less: Bad debt reserves	939,998.41	1,130,074.13
<b>Total</b>	<b>1,073,075,075.44</b>	<b>1,127,351,252.18</b>

Note: The Company hold certain bank acceptance notes receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These bank acceptance notes receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB1,445,980 thousand.

#### (2) Notes receivable pledged at the period end

Item	Amount pledged at the period end
Bank acceptance notes	53,189,197.41
Commercial acceptance notes	—
<b>Total</b>	<b>53,189,197.41</b>

#### (3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	3,097,514,900.43	255,220,569.34
Commercial acceptance notes	—	—
<b>Total</b>	<b>3,097,514,900.43</b>	<b>255,220,569.34</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end (Continued)

Notes:

- ① Pursuant to provisions of the Negotiable Instruments Law of the People's Republic of China, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted.
- ② The Group believes that the fair value of the continuing involvement is not significant, as the Group has transferred substantially all the risks and awards of the above-mentioned notes receivable which have been endorsed or discounted. The Group does not recognize any assets or liabilities arising from the continuing involvement in book. If the Group considers that almost all the risks and remuneration have not been completely transferred, the Group has not terminated the confirmation of notes receivable, and the Group confirms the receivable financing of RMB255,221 thousand, and the short-term borrowings, accounts payable of RMB255,221 thousand.
- ③ The maximum loss from the continuing involvement of the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value of RMB3,352,735 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 30 June 2023 which shall be matured by 30 June 2024.
- ⑤ For the year from January to June 2023, no profit or loss is recognized at the date of the transfer. The Group did not recognize any current or accumulated income or expenses arising from the continuing involvement of derecognized financial assets.
- ⑥ The above-mentioned notes receivable, which have been endorsed or discounted, occurred roughly balanced in the current period and the distribution is roughly balanced either.

- (4) As on 30 June 2023, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB2,522,488 thousand (31 December 2022: RMB2,146,033 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	27 Apr 2023	27 Jul 2023	28,641,242.56
Customer 2	13 Jan 2023	10 Jul 2023	20,452,090.40
Customer 3	21 Mar 2023	21 Sep 2023	18,705,000.00
Customer 4	5 Jun 2023	5 Dec 2023	15,000,000.00
Customer 5	23 Feb 2023	23 Aug 2023	15,000,000.00



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. Notes Receivable *(Continued)*

(5) As on 30 June 2023 and 31 December 2022, there are no commercial acceptance notes endorsed by the Group but not matured.

(6) As on 30 June 2023, bank acceptance notes discounted by the Group but not matured was RMB830,247 thousand (31 December 2022: RMB1,219,804 thousand). The top five drawers by balances are as follows:

<b>Drawers</b>	<b>Billing date</b>	<b>Maturity date</b>	<b>Closing balance</b>
Customer 1	21 Mar 2023	21 Sep 2023	18,705,000.00
Customer 2	16 May 2023	16 Aug 2023	14,039,626.65
Customer 3	31 Jan 2023	31 Jul 2023	11,000,000.00
Customer 4	21 Jun 2023	21 Dec 2023	10,000,000.00
Customer 5	17 Jan 2023	17 Jul 2023	10,000,000.00

(7) As on 30 June 2023, the group has no discounted but not yet expired commercial acceptance notes (31 December 2022: RMB200 thousand).

(8) As on 30 June 2023 and 31 December 2022, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,074,015,073.85	100.00	939,998.41	0.09	1,073,075,075.44
Including: portfolio 1	84,549,840.71	7.87	939,998.41	1.11	83,609,842.30
portfolio 2	989,465,233.14	92.13	-	-	989,465,233.14
<b>Total</b>	<b>1,074,015,073.85</b>	<b>100.00</b>	<b>939,998.41</b>	<b>0.09</b>	<b>1,073,075,075.44</b>

Cont.

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,128,481,326.31	100.00	1,130,074.13	0.10	1,127,351,252.18
Including: portfolio 1	79,996,148.27	7.09	1,130,074.13	1.41	78,866,074.14
portfolio 2	1,048,485,178.04	92.91	-	-	1,048,485,178.04
<b>Total</b>	<b>1,128,481,326.31</b>	<b>100.00</b>	<b>1,130,074.13</b>	<b>0.10</b>	<b>1,127,351,252.18</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

① The Group had no notes receivable which are subject to separate provision at the end of the period.

② Portfolio 1: Notes receivable which are subject to provision by aging portfolio

Item	Closing balance		
	Book balance	Provision for bad debts	Expected credit loss (%)
Within one year	83,499,840.71	834,998.41	1.00
1 To 2 years	1,050,000.00	105,000.00	10.00
Total	<u>84,549,840.71</u>	<u>939,998.41</u>	<u>1.11</u>

③ Portfolio 2: Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Closing balance		
	Notes receivable	Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	989,465,233.14	–	–
Total	<u>989,465,233.14</u>	<u>–</u>	<u>–</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (10) Provision for bad debts

Item	Closing balance of last year	Current Movement			Closing balance
		Provision	Return or Recovery	Pay-off or write off	
Provision for bad debts of notes receivable	1,130,074.13	(190,075.72)	–	–	<b>939,998.41</b>
Total	<u>1,130,074.13</u>	<u>(190,075.72)</u>	<u>–</u>	<u>–</u>	<b><u>939,998.41</u></b>

(11) No actual written-off notes receivable in this period.

### 4. Accounts receivable

(1) The aging analysis of accounts receivable based on booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>14,888,993,754.19</b>	14,264,525,699.18
1 to 2 years	<b>1,390,651,405.28</b>	775,311,306.02
2 to 3 years	<b>197,119,113.27</b>	113,372,003.93
3 to 4 years	<b>37,563,997.16</b>	30,258,600.43
4 to 5 years	<b>14,434,991.47</b>	36,224,266.27
Over 5 years	<b>242,737,079.71</b>	212,044,861.90
Total book balance of accounts receivable	<b><u>16,771,500,341.08</u></b>	<u>15,431,736,737.73</u>
Less: Provision for bad debts	<b><u>668,983,912.91</u></b>	<u>574,144,969.24</u>
Total	<b><u>16,102,516,428.17</u></b>	<b><u>14,857,591,768.49</u></b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	302,041,586.68	1.80	279,040,915.84	92.38	23,000,670.84
Accounts receivable subject to provision by portfolio	16,469,458,754.40	98.20	389,942,997.07	2.37	16,079,515,757.33
Including: portfolio 1	16,469,458,754.40	98.20	389,942,997.07	2.37	16,079,515,757.33
Total	<u>16,771,500,341.08</u>	<u>100.00</u>	<u>668,983,912.91</u>	<u>3.99</u>	<u>16,102,516,428.17</u>

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	307,608,004.47	1.99	283,480,882.04	92.16	24,127,122.43
Accounts receivable subject to provision by portfolio	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Including: portfolio 1	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Total	<u>15,431,736,737.73</u>	<u>100.00</u>	<u>574,144,969.24</u>	<u>3.72</u>	<u>14,857,591,768.49</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

① Accounts receivable subject to separate provision at the end of the period

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	Litigation is involved. Please refer to Note XIII (8). 1.(2) ①(g)
Customer 2	28,685,974.59	6,321,439.94	22.04	Amount is expected to be unrecoverable.
Customer 3	25,686,364.29	25,686,364.29	100.00	Litigation is involved. Please refer to Note XIII (8). 1.(2) ①(c) (d) (e)
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved. Please refer to Note XIII (8). 1 (2) ①(f) (g)
Customer 5	18,611,963.06	18,611,963.06	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 6	10,182,695.97	10,182,695.97	100.00	Litigation is involved. Please refer to Note XIII (8). 1.(2) ①(j)
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved. Please refer to Note XIII (8). 1.(2) ①(k)
Customer 8	6,359,961.88	5,723,825.69	90.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 9	5,762,294.75	5,762,294.75	100.00	Amount is expected to be unrecoverable.
Customer 10	4,130,812.22	4,130,812.22	100.00	Amount is expected to be unrecoverable.
Others	28,788,889.31	28,788,889.31	100.00	Amount is expected to be unrecoverable.
<b>Total</b>	<b><u>302,041,586.68</u></b>	<b><u>279,040,915.84</u></b>		



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

##### ② Accounts receivable subject to provision by portfolio

Portfolio 1 : aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss (%)	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	14,860,463,403.15	148,601,125.82	1.00	14,235,527,815.83	142,273,905.59	1.00
1 to 2 years	1,365,668,476.02	136,575,090.95	10.00	733,542,289.17	73,354,229.01	10.00
2 to 3 years	172,427,568.17	51,728,270.45	30.00	96,433,350.23	28,929,965.08	30.00
3 to 4 years	33,532,716.07	16,766,358.08	50.00	22,867,120.65	11,433,560.43	50.00
4 to 5 years	5,472,196.09	4,377,756.87	80.00	5,428,651.44	4,342,921.15	80.00
Over 5 years	31,894,394.90	31,894,394.90	100.00	30,329,505.94	30,329,505.94	100.00
Total	<u>16,469,458,754.40</u>	<u>389,942,997.07</u>		<u>15,124,128,733.26</u>	<u>290,664,087.20</u>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (3) Provision for bad debts accrued, return or recovered or reversed this period

Category	Closing balance of last year	Current movement				Closing balance
		Provision	Return or recovery	Pay-off or write-off	Other decreases	
Provision for bad debts of accounts receivable	574,144,969.24	102,039,503.89	7,096,065.08	104,495.14		668,983,912.91
Total	574,144,969.24	102,039,503.89	7,096,065.08	104,495.14		668,983,912.91

Including: Significant recovery or return of provision for bad debt in the current period:

Company	Return or recovery	Basis of original provision and its rationality	Reason	Collected by
Customer 1	7,046,152.28	It is expected to be unrecoverable	Recovery	Cash
Total	7,046,152.28			

#### (4) Accounts receivable written off in the current period:

Item	Amount written off
Accounts receivable written off	104,495.14

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (5) The top five customers by balances at the period end are as follows

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	291,025,956.58	1.74	2,910,259.57
Customer 2	235,910,311.19	1.41	20,127,737.38
Customer 3	223,365,652.12	1.33	2,233,656.52
Customer 4	198,086,750.58	1.18	3,204,014.03
Customer 5	194,688,344.12	1.16	1,952,348.93
Total	<u>1,143,077,014.59</u>	<u>6.82</u>	<u>30,428,016.43</u>

#### (6) Accounts receivables derecognized due to transfer of financial assets in the current period.

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
Accounts Receivable Factoring	Sold	<u>44,513,931.28</u>	<u>(706,458.18)</u>
Total		<u>44,513,931.28</u>	<u>(706,458.18)</u>

GP Corp. transferred receivables to financial institutions through factoring in an open, non-recourse type. Since GP Corp. has substantially transferred almost all of the risks and rewards in the ownership of those accounts receivable, and the recognition of those accounts receivable in GP Corp. has terminated.

#### (7) The Group had no assets or liabilities arising from the transfer of the accounts receivable with the continuing involvement for the current period.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Receivables Financing

#### (1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	<b>1,445,980,210.68</b>	1,876,840,270.36
Accounts receivable	<b>1,749,383,367.33</b>	1,305,926,731.68
Total	<b><u>3,195,363,578.01</u></b>	<b><u>3,182,767,002.04</u></b>

#### (2) Accounts receivables derecognized due to transfer of financial assets in the current period.

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition (Loss listed in“-“)
ABS increment base assets	sold	<u>1,366,059,885.28</u>	<u>(15,684,519.41)</u>
Total		<b><u>1,366,059,885.28</u></b>	<b><u>(15,684,519.41)</u></b>

In 2023, GP Corp. issued the second phase of accounts receivable asset-backed securities (“ABS”), and GP Corp. transferred part of collection rights of the accounts receivable to financial institutions, and the risks and rewards related to the ownership of those accounts receivable have been substantially transferred. GP Corp. no longer has the right of continue involvement to those accounts receivable, and no longer assumes the obligation of continue involvement. Therefore, GP Corp. terminates to confirm the transfer of receivables to the Accounts Receivable Asset Support Special Plan (hereinafter referred to as the “Special Plan”). During the establishment of the special plan to the end of the circular purchase period, the special plan has the right to make a circular purchase of new-qualified assets from GP Corp. In addition, GP Corp. subscribed for the secondary asset-backed securities of the special plan in 2023 amounted to RMB4,000,000.00, and recall the previous ABS sub-asset-backed securities. GP Corp. classified as the financial assets at fair value through profit or loss, and is stated in non-current financial assets of the financial statements based on its maturity date.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Advances to suppliers

#### (1) The aging analysis of advances to suppliers based on booking date is as follow

Aging	Closing balance		Closing balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	551,868,097.14	97.37	748,897,952.75	89.58
1 to 2 years	9,943,682.63	1.75	79,538,846.05	9.51
2 to 3 years	711,463.69	0.13	6,136,395.61	0.73
Over 3 years	4,230,310.36	0.75	1,481,754.92	0.18
Total	<u>566,753,553.82</u>	<u>100.00</u>	<u>836,054,949.33</u>	<u>100.00</u>

#### (2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	88,426,433.99	15.60
Supplier 2	62,658,457.69	11.06
Supplier 3	17,939,082.00	3.17
Supplier 4	10,929,845.00	1.93
Supplier 5	10,880,425.50	1.92
Total	<u>190,834,244.18</u>	<u>33.68</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables

Item	Closing balance	Closing balance of last year
Interests receivable	–	–
Dividends receivable	<b>45,395,204.00</b>	218,766,959.00
Other receivables	<b>849,703,077.77</b>	698,476,442.47
Total	<b>895,098,281.77</b>	917,243,401.47

#### (1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as “HWBYS”)	<b>45,395,204.00</b>	218,766,959.00
Less: Provision for bad debts	–	–
Total	<b>45,395,204.00</b>	218,766,959.00



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>735,983,781.67</b>	575,916,441.72
1 to 2 years	<b>57,760,525.03</b>	79,440,583.73
2 to 3 years	<b>30,823,912.07</b>	18,256,037.13
3 to 4 years	<b>14,568,598.73</b>	11,968,369.08
4 to 5 years	<b>13,218,573.53</b>	12,103,308.08
Over 5 years	<b>37,318,482.98</b>	39,449,523.13
Subtotal	<b>889,673,874.01</b>	737,134,262.87
Less: Provision for bad debts	<b>39,970,796.24</b>	38,657,820.40
Total	<b>849,703,077.77</b>	698,476,442.47

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	<b>637,877,034.07</b>	517,849,656.05
Margin, deposit and down payment	<b>128,159,076.30</b>	140,279,126.78
Advances to employees	<b>38,663,915.09</b>	25,242,645.68
Petty cash	<b>10,639,007.76</b>	3,305,911.82
Receivables due from related parties	<b>9,563,949.62</b>	10,019,571.89
Tax refund for exports	<b>616,026.19</b>	221,357.30
Others	<b>64,154,864.98</b>	40,215,993.35
Total	<b>889,673,874.01</b>	737,134,262.87

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### ③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Opening balance on 1 Jan 2023	8,391,041.52	–	30,266,778.88	38,657,820.40
Provision at current period	1,386,263.84	–	–	1,386,263.84
Reversal of bad debt provision at current period	–	–	73,288.00	73,288.00
Pay off at current period	–	–	–	–
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance on 30 June 2023	<u>9,777,305.36</u>	<u>–</u>	<u>30,193,490.88</u>	<u>39,970,796.24</u>

##### ④ Provision for bad debts

Item	Closing balance of last year	Current movement				Closing balance
		Provision	Return of recovery	Pay-off or write-off	Other Less	
Provision for bad debts of other receivables	38,657,820.40	1,386,263.84	73,288.00	–	–	39,970,796.24
Total	<u>38,657,820.40</u>	<u>1,386,263.84</u>	<u>73,288.00</u>	<u>–</u>	<u>–</u>	<u>39,970,796.24</u>

⑤ There is no significant return or recovery of bad debt reserves in the current period.

⑥ There is no written off of other receivables actually in the current period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

⑦ The top five debtors by balances are as follows:

Company	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Other receivables 1	Purchase rebates receivable from suppliers	33,663,428.00	Within 1 year	3.78	336,634.28
Other receivables 2	Purchase rebates receivable from suppliers	30,015,149.58	Within 1 year	3.37	240,948.12
Other receivables 3	Purchase rebates receivable from suppliers	29,883,759.69	Within 1 year	3.36	298,837.60
Other receivables 4	Purchase rebates receivable from suppliers	28,210,353.19	Within 1 year	3.17	282,044.45
Other receivables 5	Purchase rebates receivable from suppliers	25,609,525.94	Within 1 year	2.88	256,095.26
<b>Total</b>		<b>147,382,216.40</b>		<b>16.56</b>	<b>1,414,559.71</b>

⑧ The Group had no other receivables related to government grants for this period.

⑨ The Group had no other receivables that had been derecognized due to transfer of financial assets for this period.

⑩ The Group had no assets or liabilities arising from the transfer other receivable with the continuing involvement for this period.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Inventories

#### (1) Disclosure of inventories by categories is as follows:

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories		Book balance	Provision for decline in value of inventories	
		Book value	Book value		Book balance	Book value
Raw materials	892,267,532.35	8,614,452.16	883,653,080.19	884,088,494.23	8,614,452.16	875,474,042.07
Turnover materials	195,244,653.21	2,287,090.96	192,957,562.25	244,925,818.68	2,287,090.96	242,638,727.72
Consignment processing material	24,154,500.69	-	24,154,500.69	33,865,870.92	-	33,865,870.92
Work in progress	582,976,744.22	-	582,976,744.22	650,654,541.25	-	650,654,541.25
Commodity stocks	7,536,656,888.43	57,837,592.71	7,478,819,295.72	8,933,428,991.77	64,489,654.97	8,868,939,336.80
Total	<u>9,231,300,318.90</u>	<u>68,739,135.83</u>	<u>9,162,561,183.07</u>	<u>10,746,963,716.85</u>	<u>75,391,198.09</u>	<u>10,671,572,518.76</u>

#### (2) Provision for decline in value of inventories

Item	Closing balance of last year	Increase in this period		Decrease in this period		Closing balance
		Provision	Other	Reversed	Written-off	
Raw materials	8,614,452.16	-	-	-	-	8,614,452.16
Commodity stocks	64,489,654.97	593,734.26	-	7,245,796.52	-	57,837,592.71
Turnover materials	2,287,090.96	-	-	-	-	2,287,090.96
Consignment processing material	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
Total	<u>75,391,198.09</u>	<u>593,734.26</u>	<u>-</u>	<u>7,245,796.52</u>	<u>-</u>	<u>68,739,135.83</u>

(3) In current period end, there is no capitalization of borrowing costs in the inventory.

(4) No amortization of contract performance costs in this period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	<b>601,895,696.46</b>	542,076,391.43
Other Non-current assets due within one year	–	111,039,166.67
Total	<b><u>601,895,696.46</u></b>	<b><u>653,115,558.10</u></b>

The important debt investments are as follows:

Item	Closing balance				Closing balance of last year			
	Par value	nominal interest rate	effective rate of interest; true rate of interest	date due	Par value	nominal interest rate	effective rate of interest; true rate of interest	date due
Certificate of deposit	160,000,000.00	3.65%	3.65%	2023-9-11	160,000,000.00	3.65%	3.65%	2023-9-11
Certificate of deposit	160,000,000.00	3.65%	3.65%	2023-9-11	160,000,000.00	3.65%	3.65%	2023-9-11
Certificate of deposit	100,000,000.00	3.65%	3.65%	2023-9-10	100,000,000.00	3.65%	3.65%	2023-9-10
Certificate of deposit	80,000,000.00	3.65%	3.65%	2023-9-11	80,000,000.00	3.65%	3.65%	2023-9-11
Total	<b><u>500,000,000.00</u></b>				<b><u>500,000,000.00</u></b>			

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. Other Current Assets

Item	Closing balance	Closing balance of last year
Certificate of deposit	<b>641,913,671.24</b>	1,574,937,430.76
Balance of outstanding VAT debit	<b>555,952,350.96</b>	490,102,881.85
Prepaid income tax	<b>12,409,843.99</b>	79,536,048.73
Input VAT to be certified	<b>65,251,527.71</b>	74,049,235.84
Undisposed assets for whole relocation (Note)	<b>1,498,397.39</b>	1,498,397.39
Refunds payable	–	3,266,283.84
Others	<b>3,026,039.59</b>	38,799,333.76
Total	<b><u>1,280,051,830.88</u></b>	<b><u>2,262,189,612.17</u></b>

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on June 29, 2020.

### 11. Debt investment

#### (1) Classification of debt investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Fixed deposit held to maturity	2,407,141,357.01	–	2,407,141,357.01	1,728,853,366.70	–	1,728,853,366.70
Certificate of deposit held to maturity	2,077,319,909.68	–	2,077,319,909.68	1,435,645,384.89	–	1,435,645,384.89
Total	<b><u>4,484,461,266.69</u></b>	<b><u>–</u></b>	<b><u>4,484,461,266.69</u></b>	<b><u>3,164,498,751.59</u></b>	<b><u>–</u></b>	<b><u>3,164,498,751.59</u></b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Long-term Equity Investment

Investee	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment	
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits			Provision for impairment
I. Joint ventures										
HMBYS	226,175,983.07	-	-	45,383,409.07	-	-	-	-	-	271,559,392.14
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	65,407,556.29	-	-	9,731,636.92	-	-	-	-	-	75,139,193.21
Chengdu Hejien	17,380,273.45	-	-	(365,426.56)	-	-	-	-	-	17,014,846.89
WBA Guangyao (Guangzhou) Equity Investment Partnership Enterprise (Limited Partnership)	-	334,000,000.00	-	-	-	-	-	-	-	334,000,000.00
Subtotal	308,963,812.81	334,000,000.00	-	54,749,619.43	-	-	-	-	-	697,713,432.24
II. Associates										
Jinying Fund Management Co., Ltd	80,268,643.37	-	-	1,603,122.84	-	-	-	-	-	81,871,766.21
Guangzhou Baiyunshan Weiyi Medical Investment Management Co., Ltd.	2,070,479.77	-	-	6,235.28	-	-	-	-	-	2,076,715.05
Yunnan Hongqiang Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	856,447,221.40	-	(90,663,835.45)	26,157,436.41	-	-	-	-	-	791,940,822.36
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	86,360,500.42	-	-	(3,362,522.91)	-	-	-	-	-	82,997,977.51

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Long-term Equity Investment (Continued)

Investee	Closing balance of last year	Change in the current period							Closing balance	Closing balance of provision for impairment	
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits	Provision for impairment			Others
Guangdong Guangqiao Jishi-Equity Investment Fund Management Co., Ltd.	6,066,788.53	-	-	(90,857.71)	-	-	-	-	-	5,975,930.82	-
Guangzhou Guangqiao Jizang equity investment partnership (limited partnership)	43,738,037.72	-	-	(2,216,659.94)	-	-	-	-	-	41,521,377.78	-
Guangzhou Difen Health Industry Co., Ltd.	99,447.44	-	-	(12,144.51)	-	-	-	-	-	87,302.93	-
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	41,067,224.19	-	-	(741,821.67)	-	-	-	-	-	40,325,402.52	-
Chuangmei Medicines Co., Ltd.	74,674,825.02	-	(66,546,074.08)	-	-	-	-	(8,128,750.94)	-	-	-
Guangzhou Zhongheng Medical Instruments Industry Development Co., Ltd.	234,537.01	-	-	(2,032.92)	-	-	-	-	-	232,504.09	-
Guangzhou Guangqiao Industry Investment Partnership (limited Partnership)	84,071,808.54	-	-	(1,775,746.04)	-	-	-	-	-	82,296,062.50	-
Subtotal	1,275,099,513.41	-	(157,209,909.53)	19,565,008.83	-	-	-	(8,128,750.94)	-	1,129,325,861.77	-
Total	1,584,063,326.22	334,000,000.00	(157,209,909.53)	74,314,628.26	-	-	-	(8,128,750.94)	-	1,827,059,294.01	-

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Other Equity Instruments investments

Item	Investment cost	Closing balance of last year	Closing balance	Dividend income recognized in the current period	Amount of cumulative profits and losses transferred from other comprehensive income to retained earnings for this period	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	116,622,495.50	98,016,033.60	<b>94,185,649.85</b>	3,182,137.46	–	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,000,000.00	10,900,000.00	<b>10,900,000.00</b>	–	–	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	468,181.90	653,808.78	<b>530,369.39</b>	–	–	Long-term holdings for strategic purposes
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Total	<u>127,090,677.40</u>	<u>109,569,842.38</u>	<u><b>105,616,019.24</b></u>	<u>3,182,137.46</u>	<u>                    </u>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for this year	<b>1,012,050,079.42</b>	1,038,818,757.16
Including: Debt instrument investment	<b>460,000,000.00</b>	538,390,000.00
Equity instrument investments	<b>552,050,079.42</b>	500,428,757.16
Total	<b>1,012,050,079.42</b>	1,038,818,757.16

Other important Non-Current Financial Assets are as follows:

Category	Item	Closing balance	Closing balance of last year
Debt instrument investment	Certificates of deposit	<b>460,000,000.00</b>	538,390,000.00
Equity instrument investments	Guangzhou Baxter Medical Supply	<b>223,000,000.00</b>	223,000,000.00
Equity instrument investments	C.Q.Pharmaceutical Holding Co.,Ltd	<b>174,928,380.90</b>	132,041,036.40
Total		<b>857,928,380.90</b>	893,431,036.40

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. Investment Properties

#### (1) Investment property measured using the cost model

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Opening balance	413,242,878.09	18,344,900.69	13,865,460.63	445,453,239.41
2. Increase	54,616,855.03	1,522,492.46	1,204,325.28	57,343,672.77
(1) Purchase	-	-	1,204,325.28	1,204,325.28
(2) Changes in foreign exchange rate	231,477.49	-	-	231,477.49
(3) transferred into inventory, fixed assets and working in progress	54,385,377.54	1,522,492.46	-	55,907,870.00
(4) Other	-	-	-	-
3. Decrease	205,802,833.17	-	-	205,802,833.17
(1) Disposal	1,124,815.60	-	-	1,124,815.60
(2) transferred into inventory, fixed assets and working in progress	204,678,017.57	-	-	204,678,017.57
(3) Other	-	-	-	-
4. Closing balance	262,056,899.95	19,867,393.15	15,069,785.91	296,994,079.01
II. Accumulated depreciation and amortization				
1. Opening balance	227,818,615.29	10,929,159.50	-	238,747,774.79
2. Increase	6,372,495.40	449,308.76	-	6,821,804.16
(1) Provision or amortization	6,260,196.86	167,647.65	-	6,427,844.51
(2) Changes in foreign exchange rate	112,298.54	-	-	112,298.54
(3) transferred into inventory, fixed assets and working in progress	-	281,661.11	-	281,661.11
(4) Other	-	-	-	-
3. Decrease	81,871,288.00	-	-	81,871,288.00
(1) Disposal	300,502.60	-	-	300,502.60
(2) transferred into inventory, fixed assets and working in progress	81,570,785.40	-	-	81,570,785.40
(3) Other	-	-	-	-
4. Closing balance	152,319,822.69	11,378,468.26	-	163,698,290.95

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. Investment Properties (Continued)

#### (1) Investment property measured using the cost model (Continued)

Item	Buildings	Land use right	Working in progress	Total
III. Provision for impairment				
1. Opening balance	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	109,737,077.26	8,488,924.89	15,069,785.91	133,295,788.06
2. Opening balance of book value	185,424,262.80	7,415,741.19	13,865,460.63	206,705,464.62

Notes:

- ① Depreciation is RMB6,260 thousand for Jan to June 2023 (Jan to June 2022: RMB5,032 thousand). Amortization is RMB168 thousand for Jan to June 2023 (Jan to June 2022: RMB131 thousand).
- ② Increase in original value and accumulated depreciation of investment property due to change in foreign exchange rate is RMB231 thousand and RMB112 thousand respectively for Jan to June 2023 (Jan to June 2022: decreased RMB303 thousand and RMB149 thousand respectively).
- ③ Most of the investment properties with land use right are located in Mainland China with useful life vary from 10 to 50 years.
- ④ The original value and accumulated depreciation or impairment for the self-used real estate converted to investment properties in this period are RMB55,908 thousand and RMB282 thousand respectively (There were no instances of the Group's self-used real estate or long-term deferred expenses being converted to investment properties from January to June 2022).

### 16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	<b>3,912,189,310.78</b>	3,753,155,113.01
Disposal of fixed assets		
Less: Provision for impairment	<b>28,274,937.01</b>	43,971,387.45
Total	<b>3,883,914,373.77</b>	3,709,183,725.56



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets

##### ① Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	3,642,188,402.28	3,217,050,777.29	126,793,730.43	353,052,465.39	360,530,476.84	60,495,587.16	7,760,111,439.39
2. Increase	312,383,475.51	132,243,635.85	5,655,992.57	17,101,164.39	24,621,677.74	114,905.88	492,120,851.94
(1) Purchases	480,741.13	29,121,716.14	3,555,296.39	3,224,956.60	21,336,431.38	-	57,719,141.64
(2) Transfer of construction, use assets, development expenditure, investment real estate	311,600,877.53	103,121,919.71	2,100,696.18	13,876,207.79	3,252,827.17	114,905.88	434,067,434.26
(3) Changes in foreign exchange rate	301,856.85	-	-	-	32,419.19	-	334,276.04
3. Decrease	768,555.09	27,167,210.75	3,335,161.73	22,516,112.69	7,402,023.76	-	61,189,064.02
(1) Disposal or scrap	768,555.09	27,167,210.75	3,335,161.73	4,086,392.69	7,402,023.76	-	42,759,344.02
(2) Transfer to working in progress	-	-	-	18,429,720.00	-	-	18,429,720.00
4. Closing balance	3,953,803,322.70	3,322,127,202.39	129,114,561.27	347,637,517.09	377,750,130.82	60,610,493.04	8,191,043,227.31
II. Accumulated depreciation							
1. Opening balance	1,594,412,501.73	1,831,086,940.89	82,853,926.65	214,591,600.20	238,455,352.64	45,556,004.27	4,006,956,326.38
2. Increase	152,275,492.30	123,657,800.83	4,005,184.04	9,665,903.50	20,782,202.23	1,828,145.06	312,214,727.96
(1) Provision	152,109,141.45	123,657,800.83	4,005,184.04	9,665,903.50	20,744,829.42	1,828,145.06	312,011,004.30
(2) Changes in foreign exchange rate	166,350.85	-	-	-	37,372.81	-	203,723.66
3. Decrease	270,331.26	22,982,679.44	3,348,391.34	6,710,811.84	7,004,923.93	-	40,317,137.81
(1) Disposal or scrap	270,331.26	22,982,679.44	3,348,391.34	3,977,542.28	7,004,923.93	-	37,583,868.25
(2) Transfer to working in progress	-	-	-	2,733,269.56	-	-	2,733,269.56
4. Closing balance	1,746,417,662.77	1,931,762,062.28	83,510,719.35	217,546,691.86	252,232,630.94	47,384,149.33	4,278,853,916.53
III. Provision for impairment							
1. Opening balance	11,767,229.72	4,692,682.32	-	27,509,975.41	1,500.00	-	43,971,387.45
2. Increase	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decrease	-	-	-	15,696,450.44	-	-	15,696,450.44
(1) Disposal or scrap	-	-	-	-	-	-	-
(2) Transfer to working in progress	-	-	-	15,696,450.44	-	-	15,696,450.44
4. Closing balance	11,767,229.72	4,692,682.32	-	11,813,524.97	1,500.00	-	28,274,937.01
IV. Book value							
1. Closing balance of book value	2,195,618,430.21	1,385,672,457.79	45,603,841.92	118,277,300.26	125,515,999.88	13,226,343.71	3,883,914,373.77
2. Opening balance of book value	2,036,008,670.83	1,381,271,154.08	43,939,803.78	110,950,889.78	122,073,624.20	14,939,582.89	3,709,183,725.56

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets (Continued)

##### ① Fixed assets (Continued)

Notes:

- ① The original price of transferring from construction in progress to fixed assets in Jan-June 2023 is RMB193,735 thousand (Jan-June 2022: RMB241,361 thousand).
- ② Decrease in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB334 thousand and RMB204 thousand respectively in Jan- June 2023 (Jan-June 2022: decreased RMB362 thousand and RMB175 thousand respectively).
- ③ Fixed assets depreciation accrued in Jan-June 2023 is RMB312,011 thousand (Jan- June 2022: RMB202,275 thousand), which is comprised of depreciation in operating cost RMB182,653 thousand, depreciation in selling expenses RMB71,831 thousand, depreciation in general and administrative expenses RMB38,420 thousand and depreciation in R&D expenditure RMB19,108 thousand (Jan - June 2022: depreciation in operating cost RMB79,498 thousand, depreciation in selling expenses RMB59,524 thousand, depreciation in General administrative expenses RMB45,722 thousand and depreciation in R&D expenditure RMB17,531 thousand).

#### (2) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings (Temporarily Unused)	430,613.36	291,309.85	-	139,303.51	/
Machinery and equipment (Temporarily Unused)	12,377,715.12	8,108,289.35	1,733,694.86	2,535,730.91	/
Unused fixed assets (Temporarily Unused)	168,770.00	2,918.78	-	165,851.22	/
Total	<u>12,977,098.48</u>	<u>8,402,517.98</u>	<u>1,733,694.86</u>	<u>2,840,885.64</u>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

(3) There is no fixed assets leased out under operating lease in this period.

(4) Fixed assets which do not have a certificate of property right

Item	Amounts for do not have certificate of property right	Reason for do not have certificate of property right
Buildings	28,838,637.37	Not handled yet as necessary procedures were not complete
<b>Total</b>	<b><u>28,838,637.37</u></b>	

(5) As on 30 June 2023, The Group has buildings with the original costs of HK\$8,893 thousand and the net book value of HK\$6,616 thousand(Converted into RMB6,100 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$4,225 thousand(Converted into RMB3,896 thousand) pledged as collateral, and obtained a credit line with a limit of HK\$300 thousand, the letter of credit and the total amount of 90-day credits of HK\$100,000 thousand, and an issued but unexpired letter of credit of USD 628 thousand from the Bank of China (Hong Kong) Co., Ltd.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	<b>2,167,866,946.83</b>	2,109,298,125.73
Construction material	–	–
Less: Provision for impairment	<b>16,667,984.82</b>	971,534.38
Total	<b>2,151,198,962.01</b>	2,108,326,591.35

#### (1) Construction in progress

##### ① Basic information of the Construction in progress

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	<b>2,167,866,946.83</b>	<b>16,667,984.82</b>	<b>2,151,198,962.01</b>	2,109,298,125.73	971,534.38	2,108,326,591.35
Total	<b>2,167,866,946.83</b>	<b>16,667,984.82</b>	<b>2,151,198,962.01</b>	2,109,298,125.73	971,534.38	2,108,326,591.35

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress (Continued)

##### ② Changes of significant construction in progress in the current year

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment	Project progress	Accumulated amount of interest capitalized	Including: capitalized amount of interest in the current period	ration	Source of funds
Construction of Bio-island R&D												
Headquarters	1,099,853,000.00	415,456,532.72	72,641,200.30	-	-	488,097,733.02	65.45	70.00	-	-	-	Self-raised funds, issuing shares
Ming Xing relocation improvement	686,410,000.00	390,607,344.64	76,311,723.55	-	78,926,495.00	387,992,573.19	67.30	67.30	-	-	-	Self-raised funds, issuing shares
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.												
Nansha Base Project	731,879,100.00	313,838,919.52	27,843,877.31	-	-	341,682,796.83	66.56	92.00	-	-	-	Self-raised funds, issuing shares
TCMScienceand Technology Industrial Park of Gansu Guangyao	750,000,000.00	290,148,110.61	38,469,898.68	-	-	328,618,009.29	58.96	58.96	-	-	-	Self-raised funds, issuing shares
Bai Yun Shan												
New plant construction project	186,809,000.00	69,740,401.26	14,646,510.56	-	-	84,386,911.82	70.55	71.00	827,100.00	275,700.00	3%	Self-raised funds, issuing shares
Chinese medicine modernization	426,135,900.00	49,659,457.18	14,938,883.68	-	-	64,598,340.86	15.42	23.10	-	-	-	Self-raised funds
GMP phase II construction project												
Lanzhou production base	287,620,000.00	148,614,460.26	36,261,042.12	122,507,805.09	3,067,092.62	59,300,604.67	81.66	90.00	-	-	-	Self-raised funds
Baiyunshan Heji public relocation project	350,000,000.00	52,011,591.80	3,949,929.67	-	-	55,961,521.47	27.04	38.00	-	-	-	Self-raised funds
Food matching production line project												
Intelligent Workshop Technical Transformation Project	699,521,600.00	34,615,346.65	5,251,631.74	-	-	39,866,978.39	19.08	19.08	-	-	-	Self-raised funds, issuing shares
Monoclonal antibody project	42,400,000.00	33,575,318.60	1,717,990.21	-	-	35,293,308.81	83.24	90.00	-	-	-	Self-raised funds
Litchi juice production line and installation project												
Production line expansion Project	30,000,000.00	13,890,204.45	80,707.97	-	-	13,970,912.42	63.38	63.38	-	-	-	Self-raised funds
Intelligent three-dimensional warehouse project												
Shantou production line project	20,356,000.00	5,177,922.72	4,167,268.14	-	-	9,345,190.86	45.91	30.00	-	-	-	Self-raised funds
Extension project R of Hospital service												
Intelligent three-dimensional warehouse project	102,740,000.00	8,923,747.04	44,140.58	-	-	8,967,887.62	9.79	10.00	-	-	-	Self-raised funds
Shantou production line project	20,000,000.00	-	6,640,707.96	-	-	6,640,707.96	37.52	37.52	-	-	-	Self-raised funds
Extension project R of Hospital service	208,320,000.00	20,805,464.14	8,965,888.87	9,322,446.07	14,709,174.30	5,739,732.64	71.51	71.51	-	-	-	Self-raised funds
Total	-	1,909,031,669.85	319,212,563.93	132,305,826.37	97,006,764.48	1,998,931,642.93	-	-	827,100.00	275,700.00	-	-

Note: Other reductions in construction in progress this period were mainly due to the amount of projects in progress transferred to intangible assets by the Group.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress (Continued)

③ There is no provision for impairment of construction in progress in current period.

As the fixed assets are transferred to the construction-in-progress project, the impairment preparation of the fixed assets is accordingly transferred to the construction-in-progress project.

④ Impairment of construction in progress

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Expansion of the Guang Hua sewage station	251,734.38	–	–	<b>251,734.38</b>	Project stopped
Equipment to be installed	719,800.00	–	–	<b>719,800.00</b>	Due to the closure of the equipment supplier, and the production equipment could not be put into operation
Xilin Bottle Lamp Inspection and Leak Detection Integrated Machine	–	9,810,281.50	–	<b>9,810,281.50</b>	Previously impaired fixed assets that were written down due to being idle have been transferred to work in progress
Foreign Object Automatic Lamp Inspection Machine Control System	–	5,886,168.94	–	<b>5,886,168.94</b>	Previously impaired fixed assets that were written down due to being idle have been transferred to work in progress
Total	<u>971,534.38</u>	<u>15,696,450.44</u>	<u>–</u>	<b><u>16,667,984.82</u></b>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18. Bearer Biological Assets

#### (1) Cost Measurement Method

Item	Unripe bearer biological assets- Camellia Citrus	Total
I. Original cost		
1. Opening balance	3,678,000.00	3,678,000.00
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	3,678,000.00	3,678,000.00
II. Accumulated depreciation		
1. Opening balance	1,222,935.00	1,222,935.00
2. Increase	174,705.00	174,705.00
(1) Provision	174,705.00	174,705.00
3. Decrease	–	–
4. Closing balance	1,397,640.00	1,397,640.00
III. Provision for impairment		
1. Opening balance	–	–
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance of book value	2,280,360.00	2,280,360.00
2. Opening balance of book value	<u>2,455,065.00</u>	<u>2,455,065.00</u>

Note: Bearer biological assets are measured at cost, the crop production increased by RMB0 thousand due to purchase, RMB0 due to breeding (education), and RMB0 due to sale, decreased RMB0 by death, loss, damage and decreased RMB175 thousand due to depreciation.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Opening balance	1,216,401,364.20	144,419,281.35	1,360,820,645.55
2. Increase	199,830,442.57	917,029.24	200,747,471.81
(1) New lease	199,830,442.57	917,029.24	200,747,471.81
(2) Other	–	–	–
3. Decrease	187,866,786.58	57,990,141.85	245,856,928.43
(1) Disposal	187,849,936.90	1,451,325.43	189,301,262.33
(2) Other	16,849.68	56,538,816.42	56,555,666.10
4. Closing balance	1,228,365,020.19	87,346,168.74	1,315,711,188.93
II. Accumulated depreciation			
1. Opening balance	544,547,716.17	66,113,783.13	610,661,499.30
2. Increase	140,228,389.88	5,910,759.82	146,139,149.70
(1) Provision	140,228,389.88	5,910,759.82	146,139,149.70
(2) Other	–	–	–
3. Decrease	152,209,239.41	21,537,563.21	173,746,802.62
(1) Disposal	152,205,027.11	653,096.52	152,858,123.63
(2) Other	4,212.30	20,884,466.69	20,888,678.99
4. Closing balance	532,566,866.64	50,486,979.74	583,053,846.38
III. Provision for impairment			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	695,798,153.55	36,859,189.00	732,657,342.55
2. Opening balance of book value	<u>671,853,648.03</u>	<u>78,305,498.22</u>	<u>750,159,146.25</u>

Note: The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current year, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note XIII. (1) Lease.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Intangible Assets

#### (1) Intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non-Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Opening balance	1,042,153,992.67	45,650,172.55	64,952,446.55	1,562,384,531.60	127,793,900.00	336,690,330.69	3,179,625,374.06
2. Increase	78,926,495.00	-	-	-	-	18,769,383.15	97,695,878.15
(1) Purchase	78,926,495.00	-	-	-	-	14,621,888.15	93,548,383.15
(2) Internal R&D	-	-	-	-	-	-	-
(3) Business mergers increase	-	-	-	-	-	-	-
(4) Other	-	-	-	-	-	4,147,495.00	4,147,495.00
3. Decrease	1,522,492.46	-	-	-	-	49,735.53	1,572,227.99
(1) Disposal	-	-	-	-	-	11,197.18	11,197.18
(2) Other	1,522,492.46	-	-	-	-	38,538.35	1,561,030.81
4. Closing balance	1,119,557,995.21	45,650,172.55	64,952,446.55	1,562,384,531.60	127,793,900.00	355,409,978.31	3,275,749,024.22
II. Accumulated amortization							
1. Opening balance	242,227,233.02	32,339,932.52	47,053,221.83	32,791,688.44	-	239,077,978.83	593,490,054.64
2. Increase	18,747,728.60	663,016.77	2,607,537.26	96,606.96	-	29,715,321.68	51,830,211.27
(1) Provision	18,747,728.60	663,016.77	2,607,537.26	96,606.96	-	26,430,260.19	48,545,149.78
(2) Business mergers increase	-	-	-	-	-	-	-
(3) Other	-	-	-	-	-	3,285,061.49	3,285,061.49
3. Decrease	281,661.11	-	-	-	-	10,009.01	291,670.12
(1) Disposal	-	-	-	-	-	10,009.01	10,009.01
(2) Other	281,661.11	-	-	-	-	-	281,661.11
4. Closing balance	260,693,300.51	33,002,949.29	49,660,759.09	32,888,295.40	-	268,783,291.50	645,028,595.79
III. Provision for impairment							
1. Opening balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
2. Increase	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
4. Closing balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
IV. Book value							
1. Closing balance of book value	858,864,694.70	12,193,880.22	15,291,687.46	1,528,912,663.20	127,793,900.00	86,626,686.81	2,629,683,512.39
2. Opening balance of book value	799,926,759.65	12,856,896.99	17,899,224.72	1,529,009,270.16	127,793,900.00	97,612,351.86	2,585,098,403.38



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Intangible Assets (Continued)

#### (1) Intangible assets (Continued)

Note:

- ① All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 10 to 50 years.
- ② The amortization amount in Jan-June 2023 was RMB51,830 thousand (Jan-June 2022: RMB35,099 thousand), which included in the current profit or loss RMB51,830 thousand. All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 10 to 50 years.

### 21. Development expenditure

Item	Closing balance of last year	Increase		Decrease			Closing balance
		Internal development expenditure	Others	Confirmed as Intangible assets	Transfer to current P&L	Others	
Capital expenditure	240,668,063.93	15,375,363.51	-	-	-	-	256,043,427.44
Expense expenditure	-	409,786,812.48	-	-	409,786,812.48	-	-
<b>Total</b>	<b>240,668,063.93</b>	<b>425,162,175.99</b>	<b>-</b>	<b>-</b>	<b>409,786,812.48</b>	<b>-</b>	<b>256,043,427.44</b>

### 22. Goodwill

#### (1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
Guangzhou Baiyunshan Hospital	9,216,610.56	-	-	-	-	9,216,610.56
Guangyao Haima	2,282,952.18	-	-	-	-	2,282,952.18
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	932,349,003.84	-	-	-	-	932,349,003.84
San Gong Zai	3,900,000.00	-	-	-	-	3,900,000.00
<b>Total</b>	<b>948,224,323.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,224,323.50</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Goodwill (Continued)

#### (2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
Guangxi Ying Kang GP Corp.	475,756.92	-	-	-	-	475,756.92
	118,275,499.68	-	-	-	-	118,275,499.68
<b>Total</b>	<b>118,751,256.60</b>					<b>118,751,256.60</b>

### 23. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	137,079,672.89	28,506,720.82	20,320,327.43	-	145,266,066.28
GMP reconstruction expenses	4,368,608.99	2,544,381.36	991,985.80	-	5,921,004.55
Computer system expenses	2,522,980.36	85,849.06	272,071.40	-	2,336,758.02
ABC Buildings certification service	244,431.20	-	67,432.92	-	176,998.28
Others	22,582,507.96	6,168,978.37	4,143,524.72	-	24,607,961.61
<b>Total</b>	<b>166,798,201.40</b>	<b>37,305,929.61</b>	<b>25,795,342.27</b>	<b>-</b>	<b>178,308,788.74</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Deferred Tax Assets and Deferred Tax Liabilities

#### (1) Detail of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deferred tax assets:				
Other payables	1,330,095,718.73	273,490,187.89	1,370,832,181.89	272,813,264.51
Lease liabilities	855,636,355.69	215,374,565.64	956,088,583.24	222,235,891.02
Provision for credit impairment	676,195,814.90	165,836,484.08	600,647,418.70	143,381,181.05
Provisions	788,490,283.64	118,273,542.55	788,490,283.64	118,273,542.55
Deductible tax losses	576,002,220.54	98,970,187.34	702,313,460.95	124,764,779.34
Deferred income	574,194,654.33	89,967,123.84	577,497,276.22	90,612,254.39
Impact on total profit arising from elimination	258,202,200.74	55,119,925.43	188,225,857.94	42,021,499.66
Employee benefits payable	161,592,281.61	27,543,425.52	148,803,827.56	24,282,272.22
Fixed assets depreciation differences between accounting and tax law	69,742,469.41	16,843,138.19	57,824,963.85	13,863,761.79
Provision for decline in value of inventories	64,226,522.60	14,005,101.80	61,570,115.16	14,686,779.41
Other equity instruments investments	30,264,722.24	4,539,708.34	24,184,340.71	3,627,651.11
Provision for impairment of fixed assets	11,331,481.42	1,722,984.95	11,331,481.41	1,722,984.95
Other non-current financial assets	5,368,012.00	805,201.80	23,577,018.47	3,536,552.77
Others	117,980,361.47	20,523,329.07	24,414,537.65	3,779,694.51
Total	<b>5,519,323,099.32</b>	<b>1,103,014,906.44</b>	<b>5,535,801,347.40</b>	<b>1,079,602,109.28</b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

#### (2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Deferred tax liabilities:				
Other receivables	858,966,686.00	214,741,671.50	759,231,758.00	189,807,939.50
Right-of-use Assets	830,323,357.11	204,781,672.33	905,074,339.96	209,620,318.64
Book value of the appreciated intangible assets and fixed assets in business combination	577,983,020.22	132,320,710.27	601,067,999.05	142,565,316.69
Other non-current financial assets	213,000,515.07	31,950,077.26	193,002,880.13	28,950,432.02
Transactional financial assets	52,872,680.00	13,218,170.00	–	–
Fixed assets depreciation differences between accounting and tax law	78,762,842.71	12,330,415.73	138,839,313.73	20,825,897.06
Book value of amortization provided for intangible assets appreciation	7,242,988.04	1,113,574.21	7,417,509.98	1,157,204.69
Book value of depreciation provided for fixed assets appreciation	1,401,456.00	210,218.40	1,401,456.00	210,218.40
Other equity instruments investments	1,094,717.78	144,328.12	1,094,717.78	164,207.67
Others	247,436,703.05	37,373,652.65	103,666,610.44	15,549,991.58
Total	<u>2,869,084,965.98</u>	<u>648,184,490.47</u>	<u>2,710,796,585.07</u>	<u>608,851,526.25</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

#### (3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible temporary difference	50,424,126.57	46,035,979.80
Deductible losses	<u>705,835,079.38</u>	<u>587,523,951.15</u>
Total	<u><u>756,259,205.95</u></u>	<u><u>633,559,930.95</u></u>

#### (4) Deductible losses which are not recognized as deferred tax assets will expire in the following years

Year	Closing balance	Closing balance of last year	Remark
2023	39,316,134.20	39,316,134.20	/
2024	79,605,604.36	79,605,604.36	/
2025	89,666,175.18	89,666,175.18	/
2026	118,880,928.69	118,880,928.69	/
2027	274,338,724.73	260,055,108.72	/
2028	<u>104,027,512.22</u>		
Total	<u><u>705,835,079.38</u></u>	<u><u>587,523,951.15</u></u>	

### 25. Other Non-current Assets

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance the purchase of long-term assets	458,043,294.11	-	458,043,294.11	239,830,085.45	-	239,830,085.45
Total	<u><u>458,043,294.11</u></u>		<u><u>458,043,294.11</u></u>	<u><u>239,830,085.45</u></u>		<u><u>239,830,085.45</u></u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Short-term Borrowings

#### (1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	<b>7,749,760,201.64</b>	7,405,250,361.29
Pledge borrowings	<b>173,117,168.35</b>	74,685,116.53
Bills Discounted	<b>624,044,561.55</b>	1,058,129,684.00
Total	<b><u>8,546,921,931.54</u></b>	<b><u>8,538,065,161.82</u></b>

Note:

- ① Please refer to Note. V. 65. Assets with Restricted Ownership or Use Right for details on category and amount of pledge borrowings.
- ② As on 30 June 2023, The group has no guarantee borrowings.
- ③ As on 30 June 2023, the weighted average annual interest rate of short-term borrowings is 3.0596% (31 December 2022: 3.1709%).

(2) The Group had no overdue short-term borrowings as on 30 June 2023.

### 27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	<b>3,034,785,927.50</b>	3,720,527,505.22
Commercial acceptance notes	<b>28,186,104.38</b>	39,955,303.65
Total	<b><u>3,062,972,031.88</u></b>	<b><u>3,760,482,808.87</u></b>

Note: As on 30 June 2023, amount expected to be matured within a year is RMB3,062,972 thousand (31 December 2022: RMB3,760,483 thousand).



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Accounts Payable

(1) The aging of accounts payable based on the booking date is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	<b>11,503,260,882.47</b>	10,815,708,160.32
Over 1 year	<b>445,906,292.26</b>	384,639,667.89
Total	<b>11,949,167,174.73</b>	11,200,347,828.21

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	<b>22,436,187.67</b>	Payment terms not satisfied
Supplier 2	<b>21,369,413.56</b>	Payment terms not satisfied
Supplier 3	<b>18,465,315.10</b>	Payment terms not satisfied
Supplier 4	<b>16,513,402.67</b>	Payment terms not satisfied
Supplier 5	<b>14,006,890.57</b>	Payment terms not satisfied
Total	<b>92,791,209.57</b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Contract liabilities

#### (1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	<b>1,397,664,148.42</b>	5,640,472,599.88
Medical payment received in advance	<b>2,713,597.75</b>	3,728,976.36
Total	<b><u>1,400,377,746.17</u></b>	<b><u>5,644,201,576.24</u></b>

#### (2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	<b>1,366,800,169.41</b>	5,608,750,493.75
Over 1 year	<b>33,577,576.76</b>	35,451,082.49
Total	<b><u>1,400,377,746.17</u></b>	<b><u>5,644,201,576.24</u></b>

#### (3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2023 and 31 December 2022.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Employee Benefits Payable

#### (1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	1,006,645,535.61	2,766,071,360.32	2,697,363,554.61	<b>1,075,353,341.32</b>
Post-employment benefits-set up a deposit plan	2,704,120.99	263,318,040.42	264,058,774.44	<b>1,963,386.97</b>
Termination benefits	–	6,093,959.21	6,093,959.21	–
Total	<u>1,009,349,656.60</u>	<u>3,035,483,359.95</u>	<u>2,967,516,288.26</u>	<u><b>1,077,316,728.29</b></u>

#### (2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	947,749,065.72	2,394,040,531.54	2,321,528,474.52	<b>1,020,261,122.74</b>
Employee welfare	9,107,222.64	72,857,604.23	74,683,612.22	<b>7,281,214.65</b>
Social Insurance premium	233,357.90	103,247,270.04	103,389,139.64	<b>91,488.30</b>
Including: Medical insurance premium	211,869.47	98,289,762.12	98,419,893.55	<b>81,738.04</b>
Industrial injury insurance premium	21,488.43	4,475,394.87	4,487,133.04	<b>9,750.26</b>
Maternity insurance premium	–	482,113.05	482,113.05	–
Housing funds	745,814.74	150,541,323.04	150,484,215.40	<b>802,922.38</b>
Labor-union expenditure and employee education funds	16,320,812.04	34,825,102.62	36,557,857.84	<b>14,588,056.82</b>
Non-monetary welfare	836,823.90	156,376.61	993,200.51	–
Housing allowance	31,372,930.51	8,412,931.92	7,999,512.52	<b>31,786,349.91</b>
Other short-term benefits	279,508.16	1,990,220.32	1,727,541.96	<b>542,186.52</b>
Total	<u>1,006,645,535.61</u>	<u>2,766,071,360.32</u>	<u>2,697,363,554.61</u>	<u><b>1,075,353,341.32</b></u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Employee Benefits Payable (Continued)

#### (3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	933,667.66	189,726,289.41	190,481,632.17	<b>178,324.90</b>
Unemployment insurance premiums	22,313.28	6,731,508.21	6,744,981.82	<b>8,839.67</b>
Enterprise annuity	1,160,015.46	57,945,550.75	57,379,481.36	<b>1,726,084.85</b>
Others	588,124.59	8,914,692.05	9,452,679.09	<b>50,137.55</b>
Total	<u>2,704,120.99</u>	<u>263,318,040.42</u>	<u>264,058,774.44</u>	<u><b>1,963,386.97</b></u>

#### (4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	–	6,093,959.21	6,093,959.21	–
Total	<u>–</u>	<u>6,093,959.21</u>	<u>6,093,959.21</u>	<u>–</u>

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of June 2023. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in the second half of this year.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	<b>244,024,365.66</b>	236,998,766.10
Value-added tax	<b>128,501,284.97</b>	85,510,824.77
Urban maintenance and construction tax	<b>13,333,502.55</b>	10,938,964.77
Property tax	<b>10,175,158.27</b>	1,348,745.71
Stamp duty	<b>9,185,637.48</b>	9,844,176.07
Educational surcharge	<b>5,773,952.66</b>	4,928,064.68
Individual income tax	<b>4,775,124.79</b>	22,866,783.72
Local education surcharge	<b>3,769,303.60</b>	2,912,828.11
Land use tax	<b>2,539,509.81</b>	18,367.32
Others	<b>269,734.04</b>	343,014.91
Total	<b><u>422,347,573.83</u></b>	<b><u>375,710,536.16</u></b>

### 32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable		–
Dividends payable	<b>216,474,922.21</b>	54,681,191.50
Other payables	<b>5,028,782,741.16</b>	4,780,179,437.02
Total	<b><u>5,245,257,663.37</u></b>	<b><u>4,834,860,628.52</u></b>

#### (1) Interest payable

Nil

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	161,122,002.86	155,202.86
Domestic public shares	1,109,692.27	938,707.02
Minority shareholders	54,243,182.07	53,587,236.61
BYS Group	45.01	45.01
Total	<b>216,474,922.21</b>	<b>54,681,191.50</b>

#### (3) Other payables

##### ① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Sales discounts	1,544,261,576.83	1,541,016,302.75
Accounts payable to external entities	1,070,220,057.55	1,021,836,485.97
Accrued expenses	967,020,914.11	818,181,283.68
Margin, deposit, and down payment received	616,666,907.21	582,894,894.61
The government allocates turnover funds for material	529,086,554.62	521,980,668.35
Accruals for fixed assets	46,444,944.74	117,997,110.16
Current accounts to related parties	24,995,335.06	21,927,211.62
Funds received temporarily from employees	21,632,197.38	18,532,882.87
Others	208,454,253.66	135,812,597.01
Total	<b>5,028,782,741.16</b>	<b>4,780,179,437.02</b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (3) Other payables (Continued)

##### ② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	<b>421,966,986.06</b>	168,105,399.62
Freight expenses	<b>206,865,476.43</b>	311,794,549.11
Terminal expenses	<b>137,218,035.03</b>	188,369,447.04
Research and development expenditures	<b>62,104,909.43</b>	16,288,360.25
Conference expenses	<b>24,645,819.94</b>	20,634,456.90
Travel expenses	<b>20,650,499.13</b>	16,759,513.92
Utilities expenses	<b>15,147,744.47</b>	10,052,387.41
Rental expenses	<b>7,458,819.51</b>	7,539,642.54
Trademark fee	<b>3,422,690.32</b>	4,313,205.71
Agency fee	<b>3,267,873.71</b>	9,077,278.11
Consulting fee	<b>1,106,125.48</b>	1,660,063.18
Others	<b>63,165,934.60</b>	63,586,979.89
Total	<b><u>967,020,914.11</u></b>	<u>818,181,283.68</u>

##### ③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	<b>4,045,823,549.49</b>	3,747,349,770.64
Over 1 year	<b>982,959,191.67</b>	1,032,829,666.38
Total	<b><u>5,028,782,741.16</u></b>	<u>4,780,179,437.02</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (3) Other payables (Continued)

④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	<u>179,004,226.69</u>	Not to the settlement period
Total	<u><u>179,004,226.69</u></u>	

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

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 35)	<u>682,180,197.78</u>	498,582,068.04
Lease liabilities due within 1 year (Note V. 36)	<u>202,252,886.94</u>	208,149,637.99
Total	<u><u>884,433,084.72</u></u>	<u><u>706,731,706.03</u></u>

### 34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Short term payable bonds	<u>300,000,000.00</u>	608,291,666.67
Pending output VAT	<u>160,475,641.22</u>	717,074,442.15
Total	<u><u>460,475,641.22</u></u>	<u><u>1,325,366,108.82</u></u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 34. Other Current Liabilities (Continued)

Among them, the increase and decrease of short-term bonds payable are as follows:

Bond name	Par value	Issue date	Bond term	Issue amount	Opening balance	Issued in this issue	Accrual of interest on par value	Amortization of Premiums and Discounts	Current repayment	Closing balance
2023 Phase I Super-short-term Financing Bonds	100.00	2023-3-24	270	2,000,000,000.00		300,000,000.00	-		-	300,000,000.00
2023 Phase I Super-short-term Financing Bonds	100.00	2022-6-16	270	2,000,000,000.00	608,291,666.67		2,804,223.74		611,095,890.41	

### 35. Long-term Borrowings

#### (1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	<b>3,595,765,891.45</b>	2,137,785,132.42	/
Less: long-term borrowings within 1 year (Note V. 33)	<b>682,180,197.78</b>	498,582,068.04	/
Total	<b><u>2,913,585,693.67</u></b>	<b><u>1,639,203,064.38</u></b>	

Note: as on 30 June 2023, the average annual rate of long-term borrowings is 3.1260% (as on 31 December 2022: 3.0649%).

(2) The Group had no overdue long-term borrowings as on 30 June 2023.

### 36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	<b>780,005,128.51</b>	753,992,890.44
Less: Amount due within 1 year (Note V. 33)	<b>202,252,886.94</b>	208,149,637.99
Total	<b><u>577,752,241.57</u></b>	<b><u>545,843,252.45</u></b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<u>20,371,964.60</u>	<u>20,396,504.60</u>
Total	<u><u>20,371,964.60</u></u>	<u><u>20,396,504.60</u></u>

#### (1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<u>17,393,650.77</u>	<u>17,418,190.77</u>
Department of Finance of Guangxi Zhuang Autonomous Region	<u>2,264,426.47</u>	<u>2,264,426.47</u>
State Administration of Medicine	<u>305,000.00</u>	<u>305,000.00</u>
Others	<u>408,887.36</u>	<u>408,887.36</u>
Total	<u><u>20,371,964.60</u></u>	<u><u>20,396,504.60</u></u>

### 38. Long-term Employee Benefits Payable

#### 1. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits - provision for long service bonus	<u>298,364.34</u>	<u>318,220.83</u>
Total	<u><u>298,364.34</u></u>	<u><u>318,220.83</u></u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	43,754,016.35		419,463.06	<b>43,334,553.29</b>	Note ①
Estimated loss on return of products	4,029,170.80		3,528,979.61	<b>500,191.19</b>	Estimated based on the disposal assets agreement. It has not been settled yet
Pending litigation	–	1,760,000.00		<b>1,760,000.00</b>	The expected loss due to the proceedings
Total	<u>47,783,187.15</u>	<u>1,760,000.00</u>	<u>3,948,442.67</u>	<b><u>45,594,744.48</u></b>	

Note:

- ① The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 30 June 2014, and employee benefits are accrued consequently.

### 40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	930,926,291.01	35,798,113.28	42,835,006.42	<b>923,889,397.87</b>	Government funding
Total	<u>930,926,291.01</u>	<u>35,798,113.28</u>	<u>42,835,006.42</u>	<b><u>923,889,397.87</u></b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Deferred income (Continued)

Projects involving government subsidies:

Item	Closing balance of last year	Current increase in grants	Amount recognized into non-operating income	Amount recognized into other income	Amount offset costs	Appropriation to cooperators	Other changes	Closing balance	Asset related/ Income related
Government grants related to assets	594,535,081.79	11,207,817.17	55,987.32	15,470,667.21	-	-	(100,000.00)	<b>590,116,244.43</b>	
Including:									
Technology funds granted by the government	65,059,817.61	6,957,547.17	-	8,190,118.61	-	-	(100,000.00)	<b>63,727,246.17</b>	Asset related
Compensation for relocation	224,490,506.49	-	36,498.78	-	-	-	-	<b>224,454,007.71</b>	Asset related
Special project funds for environmental protection	947,710.11	-	-	87,711.64	-	-	-	<b>859,998.47</b>	Asset related
Construction funds for innovation platform and laboratory	10,803,808.56	-	-	52,640.90	-	-	-	<b>10,751,167.66</b>	Asset related
Government funds for land support	60,201,523.97	-	-	1,753,471.20	-	-	-	<b>58,448,052.77</b>	Asset related
Support funds for industrial development	173,249,899.61	3,912,600.00	-	4,384,079.69	-	-	-	<b>172,778,419.92</b>	Asset related
Other	59,781,815.44	337,670.00	19,488.54	1,002,645.17	-	-	-	<b>59,097,351.73</b>	Asset related
Government grants related to income	336,391,209.22	24,590,296.11	-	26,065,284.79	5,892.10	-	(1,137,175.00)	<b>333,773,153.44</b>	
Including:									
Technology funds granted by the government	95,422,806.91	6,785,330.00	-	3,464,145.96	-	-	(7,937,175.00)	<b>90,806,815.95</b>	Income related
Medical industrial research project funds	30,000.00	-	-	-	-	-	-	<b>30,000.00</b>	Income related
Special fund for innovative enterprises	5,409,708.76	5,722,877.00	-	5,489,118.06	-	-	-	<b>5,643,467.70</b>	Income related
Compensation for relocation	160,000,000.00	-	-	-	-	-	-	<b>160,000,000.00</b>	Income related
Support funds for industrial development	19,850,945.61	245,105.29	-	473,241.91	-	-	6,800,000.00	<b>26,422,808.99</b>	Income related
Others	55,677,747.94	11,836,983.82	-	16,638,778.86	5,892.10	-	-	<b>50,870,060.80</b>	Income related
<b>Total</b>	<b>930,926,291.01</b>	<b>35,798,113.28</b>	<b>55,987.32</b>	<b>41,535,952.00</b>	<b>5,892.10</b>	<b>-</b>	<b>(1,237,175.00)</b>	<b>923,889,397.87</b>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Other non-current liabilities

Item	Closing balance	Closing balance of last year
Recognition of Joint Venture's Performance Obligations (Note)	<b>50,225,000.00</b>	50,225,000.00
Pending output VAT	<b>3,031,187.85</b>	3,040,976.60
Total	<b>53,256,187.85</b>	53,265,976.60

Note: Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 42. Share capital

Item	Closing balance of last year	Changes in the current period (+, -)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Restricted shares	-	-	-	-	-	-	-
Shares held by state-owned companies	-	-	-	-	-	-	-
Shares held by other domestic investors	-	-	-	-	-	-	-
Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	-	-	-	-	-	-	-
Unrestricted shares	-	-	-	-	-	-	-
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	-	1,405,890,949.00
Domestically-listed shares held by foreign investors	-	-	-	-	-	-	-
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
Others	-	-	-	-	-	-	-
Total Unrestricted shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00
Total shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	–	–	<b>9,048,269,635.38</b>
Other capital reserves	1,057,444,795.52	–	–	<b>1,057,444,795.52</b>
Including:				
Capital reserve transferred under previous accounting system	<u>24,955,836.66</u>	<u>–</u>	<u>–</u>	<b><u>24,955,836.66</u></b>
Total	<b><u>10,105,714,430.90</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>10,105,714,430.90</u></b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Other Comprehensive Income

Item	Closing balance of last year	Current period					Closing balance
		Current amount before tax	Less: profit or loss transferred from other comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	
I. Other comprehensive income that will not be reclassified to profit or loss	(13,637,599.60)	(6,212,911.79)	-	-	(931,936.77)	(5,280,975.02)	-
Including:							
Other comprehensive income that will not be reclassified to profit or loss under equity method	1,448,181.81	-	-	-	-	-	-
Change in fair value of investments in other equity instruments	(15,085,781.41)	(6,212,911.79)	-	-	(931,936.77)	(5,280,975.02)	-
II. Other comprehensive income that may be reclassified into profit or loss	736,671.02	4,373,816.80	-	-	(405,812.94)	4,890,128.14	(110,498.40)
Including:							
Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	-	-	-	-	-	-
Difference arising from the translation of foreign currency financial statements	2,754,751.95	5,997,068.56	-	-	-	5,997,068.56	-
Change in fair value of investments in other debt instruments	(10,436,178.21)	(6,045,829.57)	-	-	(1,511,457.39)	(4,122,818.96)	(411,553.22)
Provision for credit impairment of other debt investments	8,388,960.71	4,422,577.81	-	-	1,105,644.45)	3,015,878.54	301,054.82
Total other comprehensive income	(12,900,928.58)	(1,839,094.99)	-	-	(1,337,749.71)	(390,846.88)	(110,498.40)

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	1,965,461,355.34			<b>1,965,461,355.34</b>
Discretionary surplus reserve	118,925,617.49			<b>118,925,617.49</b>
Total	<u>2,084,386,972.83</u>	<u></u>	<u></u>	<u><b>2,084,386,972.83</b></u>

### 46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	<b>18,262,133,346.76</b>	15,588,202,733.48
Adjustments to opening balance of undistributed profits at the current period (Add: +; Less: -)		
Undistributed profits at the beginning of current year after adjustments	<b>18,262,133,346.76</b>	15,588,202,733.48
Add: Net profit attributable to shareholders of the parent company for the current period	<b>2,811,248,056.83</b>	3,966,522,218.54
Less: Appropriation of statutory surplus reserve		175,673,223.30
Appropriation of discretionary surplus reserve		–
Ordinary share dividends payable	<b>1,190,078,974.68</b>	1,116,918,381.96
Ordinary shares dividends converted to share capital		–
Closing balance of undistributed profits	<u><b>19,883,302,428.91</b></u>	<u>18,262,133,346.76</u>

Note: According to the resolution of the 2022 annual general meeting held on 30 May 2023, the Company shall issue cash dividends to all shareholders at RMB0.732 per share (tax included), RMB1,190,078,974.68 in total, based on the 1,625,790,949 outstanding shares at the year-end of 2022.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Operating Income and Operating Costs

#### (1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	39,832,673,959.84	31,621,172,922.54	37,083,607,401.14	29,490,095,477.77
Other businesses	137,656,628.09	24,324,489.70	136,843,148.54	25,283,302.18
Total	<u>39,970,330,587.93</u>	<u>31,645,497,412.24</u>	<u>37,220,450,549.68</u>	<u>29,515,378,779.95</u>

#### (2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	6,311,374,875.15	3,086,203,537.22	5,955,015,783.54	3,071,546,277.89
Great Health	7,047,787,265.67	3,907,821,843.11	6,521,431,455.41	3,552,050,097.45
Great Commerce	26,214,730,101.22	24,410,565,397.51	24,355,439,503.70	22,656,978,679.97
Others	258,781,717.80	216,582,144.70	251,720,658.49	209,520,422.46
Total	<u>39,832,673,959.84</u>	<u>31,621,172,922.54</u>	<u>37,083,607,401.14</u>	<u>29,490,095,477.77</u>

#### (3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	29,176,787,270.48	24,347,677,949.65	28,117,926,443.88	23,469,120,392.01
Eastern China Area	3,458,159,489.22	2,334,422,184.51	3,139,817,776.98	2,171,750,879.10
Northern China Area	1,960,885,963.24	1,256,710,699.04	1,511,544,200.08	899,695,942.91
Northeast Area	729,143,662.26	572,198,047.15	308,731,567.41	217,622,025.60
Southwest Area	3,131,931,279.31	2,068,489,397.92	2,858,334,806.27	1,879,382,740.77
Northwest Area	1,211,424,314.37	891,617,692.86	1,040,917,646.25	755,932,230.82
Export	164,341,980.96	150,056,951.41	106,334,960.27	96,591,266.56
Total	<u>39,832,673,959.84</u>	<u>31,621,172,922.54</u>	<u>37,083,607,401.14</u>	<u>29,490,095,477.77</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Operating Income and Operating Costs (Continued)

- (4) Total sales to the top five customers are RMB2,051,351 thousand (Jan to June 2022: RMB2,011,799 thousand), accounting for 5.14% of the Group's primary operating income for the current period. (Jan to June 2022: 5.43%)

Customer	Income	Proportion to total income (%)
Customer 1	615,056,099.62	1.54
Customer 2	430,753,346.46	1.08
Customer 3	355,970,578.09	0.89
Customer 4	343,197,823.63	0.86
Customer 5	306,372,777.40	0.77
Total	<u>2,051,350,625.20</u>	<u>5.14</u>

- (5) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
E-commerce platform and store service fee	<b>53,567,955.52</b>	–	69,244,941.66	–
Leases of assets	<b>24,303,369.23</b>	<b>6,403,787.24</b>	21,132,243.34	6,820,362.18
Consulting fee	<b>8,963,232.66</b>	<b>14,433.96</b>	14,692,514.13	1,214,971.83
Property management fee	<b>5,221,550.56</b>	<b>1,616,451.31</b>	6,176,785.93	2,383,519.93
Sales of materials	<b>4,108,190.24</b>	<b>2,259,978.42</b>	3,796,665.03	2,332,220.76
Service income	<b>2,475,318.26</b>	<b>1,132,968.83</b>	726,496.77	2,478,463.94
Trademark fee income	<b>1,232,037.74</b>	–	1,087,562.84	–
Technical service income	<b>1,083,224.12</b>	<b>182,103.16</b>	3,431,145.39	544,272.37
Income from franchise store management fee	–	–	703,773.59	99,557.08
Others	<b>36,701,749.76</b>	<b>12,714,766.78</b>	15,851,019.86	9,409,934.09
Total	<u><b>137,656,628.09</b></u>	<u><b>24,324,489.70</b></u>	<u>136,843,148.54</u>	<u>25,283,302.18</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	<b>75,674,785.94</b>	71,282,045.77
Education surcharge	<b>32,493,003.78</b>	30,579,069.08
Stamp duty	<b>27,433,101.55</b>	23,261,877.58
Local education surcharge	<b>21,597,365.89</b>	20,385,734.99
House property tax	<b>13,228,657.11</b>	11,363,963.44
Land use tax	<b>3,107,543.72</b>	2,473,309.71
Vehicle and vessel use tax	<b>88,018.86</b>	86,338.59
Others	<b>222,594.61</b>	173,425.80
Total	<b>173,845,071.46</b>	159,605,764.96

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

### 49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	<b>1,574,864,166.64</b>	1,540,739,482.71
Advertising and promotion fees	<b>772,890,302.70</b>	647,120,065.68
Sales and service fees	<b>464,490,731.81</b>	533,324,170.90
Depreciation expenses	<b>141,836,958.56</b>	129,180,843.58
Freight and miscellaneous charges	<b>96,801,898.21</b>	169,291,648.79
Traveling expenses	<b>69,020,496.67</b>	51,081,963.63
Conference expenses	<b>42,744,669.81</b>	23,347,962.93
Office expenses	<b>18,346,574.58</b>	20,486,234.59
Rental expenses	<b>12,086,876.77</b>	14,579,443.69
Others	<b>70,027,072.78</b>	56,796,244.56
Total	<b>3,263,109,748.52</b>	3,185,948,061.06

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	<b>819,138,105.02</b>	716,143,130.08
Depreciation expenses	<b>86,816,408.87</b>	77,118,398.87
Amortization	<b>69,970,944.46</b>	52,058,126.51
Office expenses	<b>36,950,072.85</b>	33,264,762.15
Repairing expenses	<b>15,573,743.96</b>	24,937,130.05
Utilities	<b>14,235,788.83</b>	10,282,925.83
Traveling expenses	<b>10,881,270.39</b>	5,436,383.93
Consulting	<b>10,678,038.09</b>	7,896,003.13
Agency fees	<b>8,501,782.68</b>	28,012,620.94
Freight and miscellaneous charges	<b>7,253,411.30</b>	6,421,441.68
Trademark license fees	<b>7,059,372.66</b>	14,083,123.17
Rental expenses	<b>3,441,118.02</b>	5,446,908.04
Conference expenses	<b>3,330,817.45</b>	1,931,272.46
Insurance premium	<b>2,757,447.72</b>	2,540,003.24
Others	<b>102,880,065.57</b>	82,392,282.27
Total	<b><u>1,199,468,387.87</u></b>	<b><u>1,067,964,512.35</u></b>

### 51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	<b>171,060,518.12</b>	160,280,484.84
Special research and development	<b>90,158,935.89</b>	69,672,325.73
Trial production expenses	<b>31,347,602.37</b>	38,183,733.83
Raw materials	<b>27,427,537.78</b>	100,291,080.11
Depreciation expenses	<b>19,108,030.00</b>	17,580,295.52
Clinical trial expenses	<b>10,182,874.36</b>	9,471,046.44
Technique research expenses	<b>5,610,108.59</b>	6,227,692.99
Amortization cost	<b>3,830,157.72</b>	2,743,590.40
Others	<b>41,848,230.96</b>	36,869,140.50
Total	<b><u>400,573,995.79</u></b>	<b><u>441,319,390.36</u></b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Financial expenses

Item	Current period	Prior period
Interest expenses	<b>225,453,050.91</b>	207,955,559.92
Including: Interest expenses related to lease	<b>17,554,709.64</b>	16,653,851.82
Less: interest revenue	<b>270,967,777.04</b>	354,817,498.21
Exchange gains/(losses)	<b>(3,398,288.25)</b>	2,206,076.51
Service change of finance institutions	<b>8,797,906.59</b>	13,299,133.45
Others	<b>433,466.92</b>	1,923,223.94
Total	<b><u>(39,681,640.87)</u></b>	<b><u>(129,433,504.39)</u></b>

### 53. Other Income

Item	Current period	Prior period
Government grants	<b>81,323,507.16</b>	319,246,813.47
Total	<b><u>81,323,507.16</u></b>	<b><u>319,246,813.47</u></b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 53. Other Income (Continued)

Government subsidies included in other income:

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period	Asset related/ income related
Technology funds granted by the government	<b>8,190,118.61</b>	3,260,460.54	8,190,118.61	Asset related
Government land support funds	<b>1,753,471.20</b>	972,165.24	1,753,471.20	Asset related
Support funds for industrial development	<b>4,384,079.69</b>	3,156,035.57	4,384,079.69	Asset related
Special project fund for environmental protection	<b>87,711.64</b>	87,711.64	87,711.64	Asset related
Construction funds for innovation platform and laboratory	<b>52,640.90</b>	96,390.90	52,640.90	Asset related
Others	<b>1,009,311.99</b>	1,053,873.68	1,009,311.99	Asset related
Subtotal	<b>15,477,334.03</b>	8,626,637.57	15,477,334.03	
Technology funds granted by the government	<b>28,466,481.00</b>	34,906,639.01	28,466,481.00	Income related
Special fund for innovative enterprises	–	5,429,347.07	–	Income related
Support funds for industrial	<b>4,713,714.96</b>	162,483,542.20	4,713,714.96	Income related
Others	<b>32,665,977.17</b>	107,800,647.62	32,665,977.17	Income related
Subtotal	<b>65,846,173.13</b>	310,620,175.90	65,846,173.13	
Total	<b>81,323,507.16</b>	319,246,813.47	81,323,507.16	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	<b>72,049,845.07</b>	66,721,169.39
Investment income from disposal of long-term equity investment	<b>8,100,231.62</b>	–
Dividend income during the holding year of other equity instruments	<b>3,182,137.46</b>	
Investment income during the holding period of other non-current financial assets	<b>11,195.82</b>	1,703,323.45
Interest income during the holding period of the creditor's rights investment	<b>16,534,323.32</b>	
Derecognition income of financial assets measured at amortized cost	<b>(5,870,048.86)</b>	
Interest income from finance products and structured deposits	<b>101,504,432.92</b>	18,016,279.91
Others	<b>(19,090,038.96)</b>	(31,084,968.10)
Total	<b><u>176,422,078.39</u></b>	<b><u>55,355,804.65</u></b>

### 55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Classification of financial assets at fair value through profit or loss	–	1,067,343.44
Other non-current financial assets	<b>44,053,710.42</b>	(2,019,575.18)
Total	<b><u>44,053,710.42</u></b>	<b><u>(952,231.74)</u></b>

### 56. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	<b>190,075.72</b>	3,330,527.52
Loss on bad debts of accounts receivable	<b>(94,943,438.81)</b>	(27,906,175.64)
Loss on bad debts of receivables financing	<b>(4,422,577.81)</b>	(1,123,289.89)
Loss on bad debts of other receivables	<b>(1,312,975.84)</b>	5,158,680.95
Total	<b><u>(100,488,916.74)</u></b>	<b><u>(20,540,257.06)</u></b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 57. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	<b>4,021,314.75</b>	(1,157,274.29)
Fixed asset impairment loss	–	(182,069.18)
Total	<b>4,021,314.75</b>	(1,339,343.47)

### 58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Gains on disposal of non-current assets	<b>439,942.15</b>	554,973.05	439,942.15
Including: Gains from disposal of fixed assets	<b>(149,598.59)</b>	446,972.47	(149,598.59)
Gains from disposal of right-of-use assets	<b>589,540.74</b>	108,000.58	589,540.74
Total	<b>439,942.15</b>	554,973.05	439,942.15

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. Non-operating income

#### (1) Non-operating income by item

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Compensation income	<b>3,022,538.06</b>	1,289,112.43	3,022,538.06
Income from sale of scrap	<b>2,987,010.76</b>	3,597,498.39	2,987,010.76
Penalty income	<b>689,168.62</b>	225,245.64	689,168.62
Proceed from damage and scrapping of non-current assets	<b>667,080.15</b>	502,844.12	667,080.15
Debt forgiveness	<b>551,696.49</b>	1,243,535.75	551,696.49
Remuneration of expatriates	<b>203,412.42</b>	884,264.15	203,412.42
Government grant	<b>56,587.32</b>	566,255.45	56,587.32
Others	<b>983,907.95</b>	1,300,374.82	983,907.95
Total	<b><u>9,161,401.77</u></b>	<u>9,609,130.75</u>	<u>9,161,401.77</u>

#### (2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	<b>36,498.78</b>	36,498.78	Asset related
Others	<b>19,488.54</b>	19,488.54	Asset related
Subtotal	<b><u>55,987.32</u></b>	<u>55,987.32</u>	
Demolition compensation		474,884.13	Income related
Others	<b>600.00</b>	35,384.00	Income related
Subtotal	<b><u>600.00</u></b>	<u>510,268.13</u>	
Total	<b><u>56,587.32</u></b>	<u>566,255.45</u>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 60. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Losses on damage and scrapping of non-current assets	<b>1,289,500.65</b>	1,935,592.33	1,289,500.65
Public welfare donation expenditure	<b>5,046,759.74</b>	5,993,713.52	5,046,759.74
Penalty and overdue fines	<b>559,510.54</b>	387,115.07	559,510.54
Inventory loss	<b>8,352.31</b>	15,757.75	8,352.31
Others	<b>2,854,958.12</b>	1,037,616.03	2,854,958.12
Total	<b><u>9,759,081.36</u></b>	<u>9,369,794.70</u>	<u>9,759,081.36</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Income Tax Expenses

#### (1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	<b>593,690,602.71</b>	599,691,171.36
Deferred tax expenses	<b>17,257,916.77</b>	(16,390,337.21)
Total	<b>610,948,519.48</b>	583,300,834.15

#### (2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	<b>3,532,691,569.46</b>
Income tax expenses calculated at statutory/applicable rates	<b>529,903,735.41</b>
Tax effect of different rates applicable to subsidiaries	<b>58,903,087.30</b>
Adjustment effect of income tax of prior period	<b>6,024,840.65</b>
Tax effect of non-taxable income	<b>(15,855,073.23)</b>
Tax effect of costs, expenses and losses not deductible for tax purposes	<b>9,907,043.40</b>
Tax effect of use of deductible loss of previously unrecognized DTA	<b>(751,343.23)</b>
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	<b>37,218,734.36</b>
Tax effect of R&D expenditure deduction	<b>(14,402,505.18)</b>
Income tax expenses	<b>610,948,519.48</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Earnings per share (EPS)

#### (1) Basic EPS

##### ① Weighted average basic EPS

Item	For the 6 months ended 30 June 2023	For the 6 months ended 30 June 2022
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>2,811,248,056.83</b>	2,589,996,058.70
The number of weighted average outstanding ordinary shares at the year end	<b>1,625,790,949</b>	1,625,790,949
Weighted average basic EPS	<b>1.729</b>	1.593

##### ② EPS based on the number of shares as at the period end

Item	For the 6 months ended 30 June 2023	For the 6 months ended 30 June 2022
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>2,811,248,056.83</b>	2,589,996,058.70
The number of outstanding ordinary shares as at the year end	<b>1,625,790,949</b>	1,625,790,949
EPS based on the number of shares as at the year end	<b>1.729</b>	1.593

#### (2) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the year from January to June 2023, the Company had no dilutive potential ordinary share (for January to June of year 2022: NIL). The diluted EPS is equal to basic EPS.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement

#### (1) Cash received from or paid for other operating activities

Item	Current period	Prior period
Cash received from other operating activities		
Interest income	<b>270,967,777.04</b>	354,817,498.21
Other operating income	<b>137,656,628.09</b>	136,843,148.54
Government grant	<b>75,586,268.44</b>	452,652,305.18
Deposit received and other items	<b>59,249,877.78</b>	42,979,629.65
Non-operating income	<b>7,695,294.50</b>	7,397,085.15
	<hr/>	<hr/>
Total	<b>551,155,845.85</b>	994,689,666.73
	<hr/>	<hr/>
Cash paid for other operating activities		
Cash paid for selling and distribution expenses	<b>1,329,273,002.39</b>	1,131,651,902.31
Cash paid for general and administrative expenses	<b>391,022,561.30</b>	470,020,458.31
Financial expenses – bank charges	<b>8,797,906.59</b>	13,299,133.45
	<hr/>	<hr/>
Others	<b>76,768,053.06</b>	88,935,186.87
	<hr/>	<hr/>
Total	<b>1,805,861,523.34</b>	1,703,906,680.94
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement (Continued)

#### (2) Cash received from or paid to other investing activities

Item	Current period	Prior period
Cash received from other investing activities		
Interest received	<b>32,063.05</b>	14,007.36
Total	<b>32,063.05</b>	14,007.36

#### (3) Cash received from or paid to other financing activities

Item	Current period	Prior period
Cash received from other financing activities		
Return of deposit for notes	<b>2,123,622,762.36</b>	1,733,216,152.23
Issuance of ultra-short-term financing bonds	<b>299,955,000.00</b>	599,910,000.00
Other	<b>27,072.70</b>	1,380,391.03
Total	<b>2,423,604,835.06</b>	2,334,506,543.26
Cash paid to other financing activities		
Deposit for notes paid	<b>1,584,663,474.49</b>	1,327,924,991.92
Payment of ultra-short-term financing bonds	<b>600,000,000.00</b>	
Lease payment	<b>137,313,313.97</b>	135,774,382.98
Other	<b>9,138.40</b>	1,283,586.20
Total	<b>2,321,985,926.86</b>	1,464,982,961.10

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement

#### (1) Supplementary information of cash flow statement

Item	Current period	Prior period
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	<b>2,921,743,049.98</b>	2,748,931,806.19
Add: Provision for assets impairment	<b>(4,021,314.75)</b>	1,339,343.47
Impairment loss in respect of credit	<b>100,488,916.74</b>	20,540,257.06
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	<b>318,328,649.37</b>	202,275,347.53
Depreciation of right-of-use assets	<b>146,139,149.70</b>	115,224,035.67
Amortization of intangible assets	<b>48,545,149.78</b>	35,099,272.12
Amortization of long-term prepaid expenses	<b>25,795,342.27</b>	21,326,432.69
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	<b>(439,942.15)</b>	(554,973.05)
Losses on scrapping of fixed assets ("-" refers to income)	<b>622,420.50</b>	1,432,748.21
Loss on changes in fair value ("-" refers to income)	<b>(44,053,710.42)</b>	952,231.74
Financial expenses ("-" refers to income)	<b>225,453,050.91</b>	207,955,559.92
Investment losses ("-" refers to income)	<b>(176,422,078.39)</b>	(55,355,804.65)
Decrease in deferred tax assets ("-" refers to income)	<b>(23,412,797.16)</b>	(36,643,870.65)
Increase in deferred tax liabilities ("-" refers to income)	<b>39,332,964.22</b>	19,226,522.25
Decrease in inventories ("-" refers to income)	<b>1,515,663,397.95</b>	2,245,289,353.91
Decrease of operating receivables ("-" refers to income)	<b>(1,328,970,498.93)</b>	(976,912,429.01)
Increase of operating payables ("-" refers to income)	<b>(4,505,502,020.62)</b>	(2,837,911,395.53)
Others	-	-
Net cash flow from operating activities	<b>(740,710,271.00)</b>	1,712,214,437.86

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (1) Supplementary information of cash flow statement (Continued)

Item	Current period	Prior period
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital		–
Convertible company bonds due within one year		–
Fixed assets held under finance leases		–
Factoring financing payable	<b>2,327,367,128.35</b>	2,230,105,191.23
<b>3. Net changes in cash and cash equivalents</b>		
Cash at the end of period	<b>19,787,561,470.01</b>	21,194,890,180.85
Less: Cash at the beginning of year	<b>20,804,699,012.64</b>	21,013,364,042.22
Add: Cash equivalents at the end of the year		–
Less: Cash equivalents at the beginning of the year		–
Net increase in cash and cash equivalents	<b>(1,017,137,542.63)</b>	181,526,138.63



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (2) Net cash paid for acquisition of subsidiaries in the current period

Nil.

#### (3) Net cash received for disposal of subsidiaries in the current period

Nil.

#### (4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	<b>19,787,561,470.01</b>	20,804,699,012.64
Including: Cash on hand	<b>653,104.56</b>	1,037,872.77
Bank deposits that are readily available for payment	<b>19,757,741,593.70</b>	20,710,292,430.48
Other cash that are readily available for payment	<b>29,166,771.75</b>	93,368,709.39
II. Cash equivalents		
Including: Debt investment maturing within three months	–	–
III. Closing balance of cash and cash equivalents	<b>19,787,561,470.01</b>	20,804,699,012.64
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	–	–

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 65. Assets with Restriction on Ownership or Use Right

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	<b>1,098,409 thousand</b>	The Group's restricted monetary funds is RMB1,098,409 thousand, deposit of notes payable is RMB931,892 thousand, cash deposit of credit of RMB65,908 thousand, L/C deposit of RMB45,204 thousand, term deposit/certificate of deposit of RMB53,111 thousand, frozen account funds of RMB1,334 thousand, ousing fund is RMB933 thousand, others RMB28 thousand.
Accounts receivable	<b>520,346 thousand</b>	The Group's total credit of RMB734,000 thousand and short-term borrowings of RMB172,136 thousand are derived from accounts receivable of RMB520,346 thousand as pledge.
Notes receivable	<b>308,409 thousand</b>	The Group's notes receivable endorsed but not yet due is RMB250,407 thousand. Notes receivable pledged is RMB250,407 thousand. Notes receivable discounted but not yet expire is RMB53,189 thousand.
Fixed assets	<b>6,100 thousand</b>	The Group's buildings with the original costs of HKD8,893 thousand and the net book value of HKD6,616 thousand (Converted into RMB6,100 thousand), and investment property with the original costs of HKD6,843 thousand and the net value of HKD4,225 thousand (Converted into RMB3,896 thousand) pledged as collateral, and obtained a credit line with a limit of HKD300 thousand, the letter of credit and the total amount of 90-day credits of HKD100,000 thousand, and an issued but unexpired letter of credit of USD628 thousand from the Bank of China (Hong Kong) Co. Ltd.
Investment properties	<b>3,896 thousand</b>	
Total	<b><u>1,937,160 thousand</u></b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 66. Foreign Currency Funds Items

#### (1) Foreign Currency Funds Item

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			<b>151,459,453.34</b>
Including: USD	19,041,365.58	<b>7.2258</b>	<b>137,589,099.41</b>
HKD	14,394,905.24	<b>0.9220</b>	<b>13,271,814.73</b>
Euro	75,350.99	<b>7.8771</b>	<b>593,547.28</b>
AUD	1,040.02	<b>4.7992</b>	<b>4,991.26</b>
JPY	13.00	<b>0.0501</b>	<b>0.65</b>
Other receivables			<b>1,346,219.04</b>
Including: USD	93,075.39	<b>7.2258</b>	<b>672,544.15</b>
HKD	730,682.76	<b>0.9220</b>	<b>673,674.89</b>
Accounts receivable			<b>59,881,825.36</b>
Including: USD	4,376,873.26	<b>7.2258</b>	<b>31,626,410.80</b>
Euro	66,500.00	<b>7.8771</b>	<b>523,827.15</b>
HKD	30,078,296.07	<b>0.9220</b>	<b>27,731,587.41</b>
Shor-term borrowings			<b>29,503,463.03</b>
Including: HKD	32,000,111.75	<b>0.9220</b>	<b>29,503,463.03</b>
Other payables			<b>143,091.46</b>
Including: HKD	155,200.18	<b>0.9220</b>	<b>143,091.46</b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Business combination not under the common control during the year

Nil.

### 2. Business combination under the common control during the year

Nil.

### 3. Counter purchase in the period

Nil.

### 4. Disposal of subsidiaries

Nil.

### 5. Equity of subsidiaries sold in the period

Nil.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

### 6. Other reasons for changes in the scope of consolidation

Compared to the previous year, during the current period, the consolidated Group experienced an increase of 3 new subsidiaries due to other reasons and a decrease of 1 subsidiary. The reasons for these changes are as follows:

- (1) In February 2023, the Company established Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd. with a registered capital of RMB66,000 thousand. The Company's contribution of capital from the company accounted for 100% of the registered capital.
- (2) In February 2023, a subsidiary of the Company, Guangzhou Pharmaceutical Corporation established Guangzhou Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd. with a registered capital of RMB5,000 thousand. The contribution of capital from Pharmaceutical Corporation accounted for 100% of the registered capital.
- (3) In April 2023, a subsidiary of the Company, Guangzhou Pharmaceutical Corporation established Guangzhou Pharmaceutical Logistics Co., Ltd. with a registered capital of RMB20,000 thousand. The contribution of capital from Pharmaceutical Corporation accounted for 100% of the registered capital.
- (4) In February 2023, a subsidiary of the Company, Guangzhou Pharmaceutical Corporation dissolved its subsidiary Hubei Guangyao Ankang Pharmaceutical Co., Ltd.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES

### 1. Equity in subsidiaries

#### (1) Composition of Enterprises Group

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	77,168.90	88.99		Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	217,410.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Science and technology promotion application service	5,000.00		100.00	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	112,845.42	100.00		Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	15,000.00		44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	252,564.30	98.02	1.98	Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical manufacturing	2,000.00		100.00	Establishment or Investment
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Tibet	Tibet	Limited liability company	Pharmaceutical manufacturing	6,000.00		100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	82,416.70	100.00		Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	86,230.00	88.40		Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Guangzhou Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Ningbo	Ningbo	Limited liability company	Commercial services	500.00		88.40	Establishment or Investment



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77		Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00		87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09		Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	1,000.00		96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Limited liability company	Wholesale and retail	1,000.00		96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		96.09	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,449,305.50	90.92		Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	88,940.00		90.92	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	37,000.00		90.92	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	50,000.00		90.92	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Limited liability company	Pharmaceutical trading	30,100.00		47.28	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	552,000.00		90.92	Business combination not under common control

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	123,000.00		90.92	Business combination not under common control
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	13,500.00		90.92	Business combination not under common control
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Limited liability company	Pharmaceutical trading	90,000.00		90.92	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical trading	85,000.00		90.92	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	156,000.00		90.92	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	20,000.00		90.92	Business combination not under common control
Guangyao (Hai Nan) Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	5,000.00		90.92	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Limited liability company	Pharmaceutical trading	87,500.00		90.92	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical trading	14,000.00		90.92	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Limited liability company	Pharmaceutical trading	80,000.00		90.92	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Limited liability company	Pharmaceutical trading	50,000.00		90.92	Business combination not under common control

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical trading	50,000.00		63.65	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	5,000.00		90.92	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD 300.00		90.92	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical trading	13,210.00		90.92	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	57,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	60,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	60,000.00		90.92	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Limited liability company	Pharmaceutical trading	6,000.00		90.92	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	7,000.00		90.92	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	6,450.00		90.92	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	8,000.00		90.92	Business combination not under common control



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	4,000.00		90.92	Establishment or Investment
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Maoming	Maoming	Limited liability company	Wholesale	5,000.00		90.92	Establishment or Investment
Guangyao Heilongjinag Pharmaceutical Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Wholesale	100,000.00		46.37	Establishment or Investment
Guangzhou Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,940.00		90.92	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	6,680.00		90.92	Establishment or Investment
Guangyao (Shaoguan) Pharmaceutical Co., Ltd.	Shaoguan	Shaoguan	Limited liability company	Pharmaceutical trading	5,000.00		90.92	Establishment or Investment
Guangzhou Pharmaceutical Logistics Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	20,000.00		90.92	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	178,307.88	100.00		Establishment or Investment
Meizhou Guangyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00		100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	5,000.00		97.27	Establishment or Investment
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Pharmaceutical trading	3,000.00		60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Limited liability company	Pharmaceutical trading	1,000.00		80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	10,000.00		100.00	Establishment or Investment
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	50,000.00		100.00	Establishment or Investment

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Health and social work	10,000.00		51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		51.00	Establishment or Investment
Baiyunshan Bio	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	84,000.00		50.00	Business combination not under common control
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Limited liability company	Pharmaceutical trading	2,000.00		54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00		Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Limited liability company	Trading	50,000.00		100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd.	Qiannan	Qiannan	Limited liability company	Commercial services	1,000.00		100.00	Establishment or Investment

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Pharmaceutical manufacturing	31,884.50	51.00		Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,000.00	60.00		Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Commercial services	111,600.00	100.00		Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Limited liability company	Health services	50,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Limited liability company	Medical	40,816.00		51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	10,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	20,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	100.00		100.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	126,480.00	100.00		Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00		Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		80.00	Establishment or Investment



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49		Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00		100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48		Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		84.48	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	46,091.90	100.00		Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	100.00		100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Limited liability company	Pharmaceutical manufacturing	11,790.00	100.00		Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00		Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00		60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00		60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD 132,500.00	100.00		Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP 1,000.00		99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	100,000.00		100.00	Establishment or Investment

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	593,470.00	100.00		Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		51.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	637,500.00		100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00		Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	40,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	1,000.00		100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Limited liability company	Medical research	113,000.00	100.00		Business combination under common control
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	1,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	25,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	5,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	100.00		Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Leasing and commercial services	10,000.00	100.00		Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Leasing and commercial services	9,000.00	100.00		Establishment or Investment

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	500,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	70,000.00	100.00		Establishment or Investment
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Commercial services	1,000,000.00	99.90		Establishment or Investment
Guangzhou Baiyunshan He Jigong pharmaceutical manufacturing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	66,000.00	100.00		Establishment or Investment

Note: ① Although the Group's shareholding ratio of Guangzhou Chen Li Ji Great Health Industry Co., Ltd., Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd., Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd., Hubei Guangyao An Kang Pharmaceutical Co., Ltd. and Guangyao Heilongjiang Pharmaceutical Co., Ltd. is less than 50%, with the majority in the board seats of these companies, they were included into the consolidation scope.

② The Group holds 50% of the shares of Baiyunshan Biology, but because it holds the majority of the board seats of Baiyunshan Biology, it is included in the scope of consolidation.

#### (2) Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividend paid to minority shareholders in the current period	Closing balance of minority shareholders' equity
GP Corp.	9.08%	31,466,884.62	–	718,909,270.78



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### (3) Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	<u>29,390,435,151.23</u>	<u>2,452,848,668.25</u>	<u>31,843,283,819.49</u>	<u>21,556,213,153.70</u>	<u>3,559,076,455.14</u>	<u>25,115,289,608.84</u>

Subsidiary	Closing balance of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	<u>27,377,722,714.70</u>	<u>2,302,588,401.57</u>	<u>29,680,311,116.27</u>	<u>21,161,063,681.28</u>	<u>2,093,571,729.29</u>	<u>23,254,635,410.57</u>

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	<u>26,259,822,759.24</u>	<u>293,162,481.38</u>	<u>289,762,451.96</u>	<u>(1,362,776,455.96)</u>

Subsidiary	Previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	<u>24,487,568,144.80</u>	<u>295,268,840.01</u>	<u>285,694,917.00</u>	<u>(1,164,670,723.87)</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 2. Summary for financial information of insignificant associates and joint ventures

#### (1) Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Opening balance/ Prior period
Joint ventures:		
Total book balance of investments	697,713,432.24	308,963,812.81
Calculated by rate of interests held:		
– Net profit	54,927,751.77	57,104,093.33
– Other comprehensive income	–	–
– Total comprehensive income	54,927,751.77	57,104,093.33
Associates:		
Total book balance of investments	1,129,325,861.77	1,146,265,865.36
Calculated by rate of interests held:		
– Net profit	24,317,659.53	62,215,880.34
– Other comprehensive income	–	–
– Total comprehensive income	24,317,659.53	62,215,880.34

#### (2) There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the Company.

Nil

#### (3) There are no excessive losses incurred by joint ventures or associates.

Nil

#### (4) There are no unrecognized commitments related to joint venture investment.

Nil

#### (5) There are no contingent liabilities related to joint venture or associate investment.

Nil

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities are subject to various financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance.

### 1. Market risk

#### (1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 30 June 2023, except for the assets or liabilities described in the following table, which are in US dollars, Euros, Japanese Yen, and Hong Kong Dollars, Australian Dollars, the Group's assets and liabilities balances are all in Renminbi. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances may have an impact on the Group's operating results

Item	Closing Balance	Closing balance of last year
Cash at bank and on hand	<b>151,459,453.34</b>	137,090,869.32
Accounts receivable		6,843,223.30
Other receivables	<b>1,346,219.04</b>	1,233,703.76
Total financial assets in foreign currency	<b>152,805,672.38</b>	145,167,796.38
Short-term borrowings	<b>29,503,463.03</b>	33,687,243.21
Accounts payable	<b>59,881,825.36</b>	40,716,567.57
Other payables	<b>143,091.46</b>	707,861.73
Total financial liabilities in foreign currency	<b>89,528,379.86</b>	75,111,672.51



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 1. Market risk (Continued)

#### (1) Foreign exchange risk (Continued)

Note:

- ① The financial department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.
- ② As on 30 June 2023, for all types of financial assets and financial liabilities of the Group in foreign currency, if the RMB appreciates or depreciates against the foreign currency by 10% and other factors remain unchanged, the Group's net profit will increase or decrease by approximately RMB4,746 thousand (As on 31 June 2022: approximately RMB5,254 thousand).

#### (2) Interest rate risk

As on 30 June 2023, the Group's long-term interest-bearing debt balance was RMB2,911,295 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB9,883 thousand (As on 31 December 2022: RMB3,298 thousand).

#### (3) Other price risks

The equity investments in listed companies held by the Company are as below:

Item	Closing Balance	Closing balance of last year
Other non-current financial assets	<b>184,330,814.65</b>	133,173,106.43
Total	<b>184,330,814.65</b>	133,173,106.43

As on 30 June 2023, if all other variables remain unchanged and the value of equity instruments rises or falls by 10%, the Company's net profit will increase or decrease by RMB14,974 thousand (As on 31 December 2022: net profit will increase or decrease by RMB11,320 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### 2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

### 3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 3. Liquidity risk (Continued)

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

Item	Closing balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	8,640,015,081.47					8,640,015,081.47
Notes payable	3,062,972,031.88					3,062,972,031.88
Accounts payable	11,949,167,174.73					11,949,167,174.73
Other payables	5,245,257,663.37					5,245,257,663.37
Current portion of non-current liabilities	898,804,717.51					898,804,717.51
Long-term borrowings	88,714,911.99	888,503,482.82	2,137,257,561.31			3,114,475,956.12
Lease liability		165,868,892.22	311,109,224.90	205,783,681.12		682,761,798.24
Long-term payables				20,371,964.60		20,371,964.60
Subtotal	<u>29,884,931,580.94</u>	<u>1,054,372,375.04</u>	<u>2,448,366,786.21</u>	<u>226,155,645.72</u>		<u>33,613,826,387.91</u>

(Cont.)

Item	Closing balance of last year					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	8,679,613,602.92	-	-	-	-	8,679,613,602.92
Notes payable	3,208,591,354.67	-	-	-	-	3,208,591,354.67
Accounts payable	11,686,441,097.12	-	-	-	-	11,686,441,097.12
Other payables	4,858,904,925.54	-	-	-	-	4,858,904,925.54
Current portion of non-current liabilities	726,028,319.01	-	-	-	-	726,028,319.01
Long-term borrowings	52,407,254.16	271,684,192.49	1,433,283,281.94	-	-	1,757,374,728.59
Lease liability	-	151,377,776.17	280,278,507.09	207,391,890.12	-	639,048,173.38
Long-term payables	-	-	-	20,396,504.60	-	20,396,504.60
Subtotal	<u>29,211,986,553.42</u>	<u>423,061,968.66</u>	<u>1,713,561,789.03</u>	<u>227,788,394.72</u>		<u>31,576,398,705.83</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## IX. DISCLOSURE OF FAIR VALUE

The input values used for fair value measurement are divided into three levels:

The first hierarchy: Quoted price (unadjusted) of the same assets or liabilities in active market.

The second hierarchy: Direct (i.e., price) or indirect (i.e., estimated results based on price) observable input value of assets or liabilities excluding quoted market price in the first hierarchy.

The third hierarchy: Input value of assets or liabilities based on variables excluding observable market date (unobservable input value).

The hierarchy of a fair value measurement result is determined by the bottom level of the input value, which is significant to the overall measurement of fair value.

### 1. Closing balance of fair value of assets and liabilities measured at fair value

Item	The first hierarchy	The second hierarchy	The third hierarchy	Total
I. Continuous measurement at fair value				
A. Financial assets held for trading		4,000,000.00	52,872,680.00	56,872,680.00
1. Financial assets designated at FVTPL		4,000,000.00	52,872,680.00	56,872,680.00
(1) Debt instrument investments		4,000,000.00		4,000,000.00
(2) Others			52,872,680.00	52,872,680.00
B. Receivable financing			3,195,363,578.01	3,195,363,578.01
C. Other equity instrument investments			105,616,019.24	105,616,019.24
D. Other non-current financial assets	184,330,814.65	460,000,000.00	367,719,264.77	1,012,050,079.42
1. Financial assets measured at FVTPL	184,330,814.65	460,000,000.00	367,719,264.77	1,012,050,079.42
(1) Debt instrument investments		460,000,000.00		460,000,000.00
(2) Equity instrument investments	184,330,814.65	–	367,719,264.77	552,050,079.42
<b>Total assets continuously measured at fair value</b>	<b>184,330,814.65</b>	<b>464,000,000.00</b>	<b>3,721,571,542.02</b>	<b>4,369,902,356.67</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## IX. DISCLOSURE OF FAIR VALUE (Continued)

### 2. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the period.

### 3. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the second-level fair value measurement project:

The fair value of the secondary asset-backed securities subscribed by the Group is estimated against the unadjusted quoted bonds in the relevant active market at the end of the period.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

### 4. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the third-level fair value measurement project:

Item	Amount	Valuation method	Significant unobservable input	Unobservable Input and Changes in Fair Value Relationship
Financial assets held for trading-other	52,872,680.00	Cash Flow Discounting Method	Discount Rate (4.35%)	Lower discount rate, higher fair value.
Receivable financing	1,445,980,210.68	Cash Flow Discounting Method	Expected Discount Rate (0.60%)	Lower expected rate, higher fair value.
	1,749,383,367.33	Cash Flow Discounting Method	Discount Rate (4.35%)	Lower discount rate, higher fair value.
Other equity instrument investments	94,716,019.24	Share of Net Assets Method	Value of net assets (RMB385,827,381.52)	Higher net assets, higher fair value.
	10,900,000.00	Analytical Approach	Increase in long-term equity investments (RMB14,002,500)	Higher increase, higher fair value.
Other non-current financial assets	144,719,264.77	Net Assets of Related Investments	Value of net assets (RMB828,746,208.82)	Higher net assets, higher fair value.
	223,000,000.00	Cash Flow Discounting Method	Forecasted growth rate (2% detailed forecast, 0% perpetual), dividend rate (10.95%), discount rate (13.70%)	Higher growth rate, higher fair value; Higher dividend rate, higher fair value; Higher discount rate, lower fair value.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## IX. DISCLOSURE OF FAIR VALUE (Continued)

### 5. Adjustment information between the beginning and closing book value of the continuing third hierarchy fair value measurement projects is as follows:

Item	Closing balance of last year	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the period		Purchase, issue, sale and settle		Closing balance
				Recognized in profit or loss	Recognized in other comprehensive income	Increase in the period	Decrease in the period	
A. Financial assets held for trading	52,872,680.00	-	-	-	-	-	-	52,872,680.00
1. Financial assets designated at FVTPL	52,872,680.00	-	-	-	-	-	-	52,872,680.00
(1) Others	52,872,680.00	-	-	-	-	-	-	52,872,680.00
B. Receivable financing	3,182,767,002.04	-	-	(4,422,577.81)	(4,533,372.56)	3,204,319,528.38	3,182,767,002.04	3,195,363,578.01
C. Other equity instrument investments	109,569,842.38	-	-	-	(6,212,911.79)	2,259,088.65	-	105,616,019.24
D. Other non-current financial assets	367,255,650.73	-	-	463,614.04	-	-	-	367,719,264.77
Including: Financial assets measured at FVTPL	367,255,650.73	-	-	463,614.04	-	-	-	367,719,264.77
(1) Equity instrument investments	367,255,650.73	-	-	463,614.04	-	-	-	367,719,264.77
<b>Total</b>	<b>3,712,465,175.15</b>	<b>-</b>	<b>-</b>	<b>(3,958,963.77)</b>	<b>(10,746,284.35)</b>	<b>3,206,578,617.03</b>	<b>3,182,767,002.04</b>	<b>3,721,571,542.02</b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPHL	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

Note: The ultimate control party of the Group is State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government, which is located in P.R.C.

### 2. Subsidiaries of the Group

Please refer to Note VII. 1. Equity in subsidiaries.

### 3. Associates and joint ventures of the Group

For important joint ventures or associates of this enterprise, please refer to the Note “VII. (2) Equity in joint ventures or associates”. Information of associates or joint ventures which have had transactions with the Company in the period, or had had transactions with the Company in prior period and formed a balance in current period is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS	Joint venture
Baxter Qiao Guang	Joint venture
Chengdu Hejian	Joint venture
Guangzhou Dufen Health Industry Co., Ltd.	Associates
Baiyunshan Yi Xin Tang	Associates
Yunnan Yi Xin Tang	Associates
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	Associates

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 4. Other Related Parties without Control Relationship

<b>Other related parties</b>	<b>Relationship with the Company</b>
Guangzhou Guangyao Capital Private Fund Management Co., Ltd.	Controlled by the same parent company
Guangzhou Yu Fa Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou South China Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (hereinafter referred to as "Hua Cheng")	Controlled by the same parent company
GPHL (Macao) International Development Industry Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Controlled by the same parent company
Pharmaceutical Import & Export	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture's subsidiary of the parent company

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods:							
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	259,740,127.46	0.86	3,032,322.11	0.01
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	105,220,702.04	0.35	112,289,260.99	0.37
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	68,498,544.21	0.23	55,921,972.33	0.18
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	17,693,407.62	0.06	13,369,498.62	0.04
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	6,204,862.32	0.02	4,766,502.91	0.02
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	3,048,067.05	0.01	2,386,178.13	0.01
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	153,912.38	0.00	53,370.15	0.00
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	18,877.60	0.00	283,684.06	0.00
Subtotal				<u>460,578,500.68</u>		<u>192,102,789.30</u>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Receiving of services:							
HWBYS	Acceptance of service	Publicity fee	Market price	7,990,578.91	1.03	5,650,564.81	0.87
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	1,032,498.11	0.13	115,895.28	0.02
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	109,266.53	0.01	21,118.87	0.00
Hua Cheng	Acceptance of service	Publicity fee	Market price	98,352.00	0.01	17,073.00	0.00
Chuang Mei	Acceptance of service	Publicity fee	Market price	92,350.15	0.01	-	-
GPHL	Acceptance of service	Publicity fee	Market price	70,375.00	0.01	84,969.00	0.01
Pharmaceutical Import & Export	Acceptance of service	Publicity fee	Market price	-	-	144.00	0.00
Subtotal				<b>9,393,420.70</b>		<b>5,889,764.96</b>	
Total				<b>469,971,921.38</b>		<b>197,992,554.26</b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Sales of good: Chuang Mei	Sales of good	Medicinal material or medicine	Market price	203,142,601.84	0.51	263,016,842.67	0.71
HWBYS	Sales of good	Medicinal material or medicine	Market price	85,305,241.00	0.21	74,675,108.02	0.20
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	77,065,650.22	0.19	49,280,545.04	0.13
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	76,351,731.20	0.19	66,162,495.12	0.18
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	72,402,257.03	0.18	53,092,708.38	0.14
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	33,748,514.29	0.08	22,428,738.26	0.06
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	9,137,273.16	0.02	4,783,173.32	0.01
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	289,506.67	0.00	67,245.00	0.00
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	279,651.59	0.00	167,576.23	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	6,345.14	0.00	-	-
Baiyunshan Bio	Sales of good	Medicinal material or medicine	Market price	-	-	5,935.94	0.00
Subtotal				<b>557,728,772.14</b>		<b>533,680,367.98</b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Rendering of services	Advertising agency service	Market price	23,501,240.47	83.44	32,185,133.71	79.74
Hua Cheng	Rendering of services	Advertising agency service	Market price	2,569,098.68	9.12	6,547,720.77	16.22
GPHL	Rendering of services	Advertising agency service	Market price	133,732.54	0.47	992,656.05	2.46
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	50,026.41	0.18	8,844.34	0.02
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	-	-	3,773.58	0.01
Subtotal				<b>26,254,098.10</b>		<b>39,738,128.45</b>	
Hua Cheng	Rendering of services	Consigned processing	Market price	16,175,900.14	10.91	13,175,962.89	10.19
HWBYS	Rendering of services	Consigned processing	Market price	7,808,007.99	5.27	5,748,098.92	4.45
Subtotal				<b>23,983,908.13</b>		<b>18,924,061.81</b>	
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	473,658.16	0.00	185,797.23	17.08
HWBYS	Collecting trademark fee	Right to use trademark	Market price	357,493.18	0.00	603,977.41	55.53
Subtotal				<b>831,151.34</b>		<b>789,774.64</b>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Rendering of services	Research and development services	Market price	54,716.97	0.01	311,541.53	2.38
Hua Cheng	Rendering of services	Research and development services	Market price	-	-	359,150.95	2.75
Subtotal				<b>54,716.97</b>		<b>670,692.48</b>	
Baxter Qiao Guang	Rendering of services	Other	Market price	2,594,995.10	0.34	2,738,278.71	0.01
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	496,496.77	0.06	-	-
HWBYS	Rendering of services	Other	Market price	330,779.30	0.04	297,421.93	0.00
Chengdu Hejian	Rendering of services	Other	Market price	222,025.22	0.03	42,122.91	0.00
Hua Cheng	Rendering of services	Other	Market price	101,490.57	0.01	-	-
Baiyunshan Bio	Rendering of services	Other	Market price	-	-	593,505.64	0.00
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	-	-	373,539.47	0.00
Southern Anti-tumor Biological	Rendering of services	Other	Market price	-	-	16,415.10	0.00
Subtotal				<b>3,745,786.96</b>		<b>4,061,283.76</b>	
Total				<b>612,598,433.64</b>		<b>597,864,309.12</b>	

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

(2) The Group had no associated trusteeship/Entrusted management for the current year.

#### (3) Related leases

① The Group as the lessor

Unit: Thousand Yuan Currency: RMB

Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Venue for working	518	214
Other companies under the same parent company	Venue for working		28
Joint Venture	Warehouse, Plant	1,874	3,399
Associates	Office building	4	182
		<u>4</u>	<u>182</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (3) Related leases (Continued)

##### ② The Group as the lessee

Unit: Thousand Yuan Currency: RMB

Lessor	Types of leased assets	Lease costs for simplified short-term leases and low value asset leases		Rent paid	
		Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
Controlling shareholder	Venue for working, Warehouse	2,315	4,334	717	1,320
Joint Venture	Venue for working, Warehouse, shops			2,835	2,681

(cont.)

Interest expense of lease liabilities undertaken		Increased right-of-use assets	
Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
145	105	4,499	–
228	332	–	15,861

(4) The Group had no guarantee for related parties for the current period.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 5. Related Party Transactions *(Continued)*

(5) The Group had no borrowing or lending between related parties for the current period.

(6) The Group had no transfer of asset and debt restructuring for the current period.

#### (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,680 thousand for January to June 2023 (2022 January to June: RMB1,696 thousand). The Group's key management personnel of current period include 11 persons, such as directors, general manager, vice general manager, and secretary to the Board of Director (2022 January to June: 11 persons). Among them, 5 received their salaries from the Company (2022 January to June: 7 persons).

#### (8) Other related party transactions

##### ① License Agreement

The Company shall receive a total of RMB357 thousand (2022 January to June: RMB604 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou Baiyunshan Hehuang Great Health for January to June 2023.

The Company should receive license fee of "Bai yun shan" amounted to RMB474 thousand from Hua Cheng for January to June 2023 (2022 January to June: RMB186 thousand).

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 6. Receivables and Payables of Related Parties

#### (1) Receivables

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable financing:				
Chuang Mei	–	–	107,578,757.15	–
Yi Xin Tang	<b>9,112,691.39</b>	–	30,208,209.40	–
Kang Mei	<b>1,574,272.00</b>	–	19,783,539.08	–
<b>Total</b>	<b>10,686,963.39</b>	<b>–</b>	<b>157,570,505.63</b>	<b>–</b>
Accounts receivable:				
HWBYS	<b>46,651,362.49</b>	<b>523,691.03</b>	48,586,219.22	545,664.13
Chuang Mei	–	–	48,450,759.50	484,507.59
Kang Mei	<b>15,844,671.60</b>	<b>152,622.69</b>	41,572,127.96	413,856.44
Yi Xin Tang	<b>17,241,315.11</b>	<b>178,176.52</b>	30,098,652.45	307,859.84
Hua Cheng	<b>28,476,441.50</b>	<b>287,389.31</b>	21,149,294.02	211,492.94
Baiyunshan Yi Xin Tang	<b>19,977,173.05</b>	<b>199,771.74</b>	19,993,139.37	199,931.39
Chengdu Hejian	<b>4,256,350.43</b>	<b>43,787.86</b>	1,981,984.33	19,819.84
Baxter Qiao Guang	<b>1,000,576.17</b>	<b>10,005.76</b>	1,736,705.13	17,367.05
GPHL (Macao) International Development Industry Co., Ltd.	<b>42,629.17</b>	<b>426.30</b>	159,622.50	1,596.23
GPHL	<b>357,597.00</b>	<b>3,575.97</b>	19,500.00	195.00
Baiyunsha Culture Industry	<b>3,224.00</b>	<b>32.24</b>	3,224.00	32.24
<b>Total</b>	<b>133,851,340.52</b>	<b>1,399,479.43</b>	<b>213,751,228.48</b>	<b>2,202,322.69</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Receivables and Payables of Related Parties (Continued)

#### (1) Receivables (Continued)

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:				
HWBYS	9,895,304.01	-	17,715,884.20	-
Hua Cheng	1,484,738.64	-	1,168,998.33	-
Pharmaceutical Import & Export	0.34	-	40,242.57	-
Chuang Mei	-	-	12,870.80	-
Baiyunshan Yi Xin Tang	-	-	2,376.00	-
<b>Total</b>	<b>11,380,042.99</b>	<b>-</b>	<b>18,940,371.90</b>	<b>-</b>
Dividends receivable:				
HWBYS	45,395,204.00	-	218,766,959.00	-
<b>Total</b>	<b>45,395,204.00</b>	<b>-</b>	<b>218,766,959.00</b>	<b>-</b>
Other receivables:				
HWBYS	5,173,645.48	-	4,886,800.52	-
Hua Cheng	2,698,448.18	-	2,279,146.34	-
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd.	563,211.52	-	1,922,643.60	-
GPHL	415,628.44	-	507,874.04	-
Baxter Qiao Guang	713,016.00	-	375,044.00	-
Chuang Mei	-	-	30,723.00	-
Kang Mei	-	-	13,163.82	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	-	-	3,360.00	-
Baiyunshan Southern Anti-tumor Biological Products Co., Ltd	-	-	816.57	-
<b>Total</b>	<b>9,563,949.62</b>	<b>-</b>	<b>10,019,571.89</b>	<b>-</b>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 6. Receivables and Payables of Related Parties *(Continued)*

#### (2) Payables

Item	Closing Balance	Closing balance of last year
Notes payable:		
HWBYS	<b>64,754,953.82</b>	82,252,477.57
Kang Mei	–	50,185,816.00
Hua Cheng	<b>600,484.00</b>	415,980.00
Total	<b><u>65,355,437.82</u></b>	<b><u>132,854,273.57</u></b>
Accounts payable:		
Kang Mei	<b>35,224,498.13</b>	496,390,820.56
Yi Xin Tang	<b>10,690,247.73</b>	25,167,190.56
HWBYS	<b>8,793,363.42</b>	21,135,739.23
Baxter Qiao Guang	<b>14,594,807.09</b>	8,663,293.36
Chuang Mei	–	3,523,021.15
Pharmaceutical Import & Export	<b>802,129.43</b>	1,622,633.76
Hua Cheng	<b>1,962,211.42</b>	530,068.22
Baiyunshan Yi Xin Tang	<b>208,582.16</b>	135,374.05
GPHL (Macao) International Development Industry Co., Ltd.	<b>98,893.43</b>	
Chengdu Hejian	<b>12,472.89</b>	34,886.49
Total	<b><u>72,387,205.70</u></b>	<b><u>557,203,027.37</u></b>
Contract liabilities:		
Kang Mei	<b>46,921,891.96</b>	84,236,167.44
Chuang Mei	–	61,397,558.24
HWBYS	<b>1,630,973.23</b>	2,639,639.16
Baiyunshan Yi Xin Tang	<b>160,865.02</b>	680,923.79
Hua Cheng	<b>9,964.60</b>	216,900.00
Pharmaceutical Import & Export	<b>180,443.60</b>	180,443.60
Guangzhou Dufen Health Industry Co., Ltd.	<b>32,898.26</b>	32,898.26
Baxter Qiao Guang	<b>4,601.77</b>	4,601.77
Yi Xin Tang	<b>0.03</b>	14.60
Total	<b><u>48,941,638.47</u></b>	<b><u>149,389,146.86</u></b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Receivables and Payables of Related Parties (Continued)

#### (2) Payables (Continued)

Item	Closing Balance	Closing balance of last year
Other payables:		
GPHL	<b>23,377,204.57</b>	19,792,075.02
HWBYS	<b>4,106,755.12</b>	17,904,067.65
Baxter Qiao Guang	<b>855,600.00</b>	1,300,683.00
Pharmaceutical Import & Export	<b>387,328.41</b>	387,328.41
Baiyunshan Yi Xin Tang	<b>248,640.98</b>	248,640.98
Kang Mei	<b>8,731.20</b>	50,000.00
Chuang Mei	–	20,000.00
	<hr/>	<hr/>
Total	<b><u>28,984,260.28</u></b>	<b><u>39,702,795.06</u></b>
Other current liabilities:		
Kang Mei	<b>6,100,146.94</b>	10,908,004.71
Chuang Mei	–	7,979,217.89
HWBYS	<b>102,385.75</b>	190,993.21
Baiyunshan Yi Xin Tang	<b>20,905.00</b>	88,512.64
Hua Cheng	<b>1,295.39</b>	28,197.00
Guangzhou Dufen Health Industry Co., Ltd.	<b>4,276.78</b>	4,276.78
Baxter Qiao Guang	<b>598.23</b>	598.23
	<hr/>	<hr/>
Total	<b><u>6,229,608.09</u></b>	<b><u>19,199,800.45</u></b>
Other non-current liabilities:		
HWBYS	<b>71,764.00</b>	71,764.00
Kang Mei	<b>41,411.42</b>	40,676.70
Pharmaceutical Import & Export	<b>23,457.67</b>	23,457.67
Chuang Mei	–	2,464.67
Baiyunshan Yi Xin Tang	<b>7.45</b>	7.45
Yi Xin Tang	–	1.90
	<hr/>	<hr/>
Total	<b><u>136,640.54</u></b>	<b><u>138,372.39</u></b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XI. COMMITMENTS OR CONTINGENCY

### 1. Significant Commitments

#### (1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement	–	–
– Commitment on purchasing long-term assets	<b>2,253,226,188.15</b>	1,459,872,002.93
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	<b><u>2,253,226,188.15</u></b>	<b><u>1,459,872,002.93</u></b>

(2) As on 30 June 2023, the Group has no unrecognized commitment related to investment in joint ventures.

#### (3) Other commitments

① *Capital expenditures commitments authorized by the management but are not yet contracted for:*

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	<b>1,473,892,661.82</b>	1,716,336,811.59
Commitments on external investments	–	–
Total	<b><u>1,473,892,661.82</u></b>	<b><u>1,716,336,811.59</u></b>

② *Fulfillment of commitments for the prior year*

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2023.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XI. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies

#### (1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical Technology Company and other units signed the "Agreement", stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan Pharmaceutical General Factory, Baiyunshan Technology Company, It is determined that Baiyunshan Pharmaceutical General Factory is a production unit, and Baiyunshan Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan Technology Company obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan Pharmaceutical General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory ("Baiyunshan Chemical Pharmaceutical Factory" obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark "Jin Ge" registered by Baiyunshan Pharmaceutical General Factory was approved as the drug product name, and the "Jin Ge" trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Baiyunshan Technology Co., Ltd. in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan Pharmaceutical General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge's rights and interests, between the shareholders of the two sides, Baiyunshan Technology Co., Ltd. and Baiyunshan Pharmaceutical General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge's sales. Jin Ge has achieved good sales performance since its listing.

Affected by changes in the patent protection period of the original research drug and the actual cooperation mode between the two parties, in view of the different contributions of the parties in the process of research and development, production and operation of Jin Ge, in order to safeguard the interests of all parties, avoid the impact of income distribution disputes on Jin Ge's good development trend, the representatives of the two shareholders have conducted many consultations on Jin Ge's property rights and benefits, but the two sides have not been able to reach an agreement.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XI. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies *(Continued)*

#### (1) Jin Ge income distribution did not reach an agreement *(Continued)*

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan Technology Co., Ltd., requesting the judgment to confirm the distribution proportion of the gross profit of Jin Ge pharmaceutical sales. As of the reporting date, the lawsuit has been dismissed.

In terms of related income distribution, Baiyunshan Pharmaceutical General Factory has reasonably estimated the company's due income based on the contribution of Baiyunshan Technology Co., Ltd. to Jin Ge, and made corresponding provisions, but the shareholders of both parties have not yet reached the income distribution. Consensus, the Company is temporarily unable to calculate the specific impact of the company's current or future profits.

(2) Please refer to Note XIII (8) ① for contingencies related to litigation.

## XII. EVENTS AFTER THE BALANCE SHEET DATE

Nil.





# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 2. Debt restructuring

Nil.

### 3. Asset replacement

#### (1) Non-monetary asset exchange

Nil.

#### (2) Other asset replacement

Nil.

### 4. Annuity plan

Nil.

### 5. Termination of operations

Nil.

### 6. Information of Segments

#### (1) Recognition Basis and Accounting Policies for Reporting Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”. According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of “Great Medical Care” is lower than 10%, this segment is temporarily listed in “Others” column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (1) Recognition Basis and Accounting Policies for Reporting Segments (Continued)

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

Assets and liabilities are allocated based on the segment operations expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.

#### (2) Reporting financial Information of Segments

① The segment information for the 6 months ended 30 June 2023 and as of 30 June 2023 is as follows:

Item	Great				Offset between segments	Total
	Southern TCM	Great Health	Great Commerce	Other		
External revenue	6,349,014,552.18	7,053,172,463.96	26,307,441,904.05	260,701,667.74	-	39,970,330,587.93
Inter-segment revenue	91,591,836.40	21,934,035.22	3,805,173,466.40	220,638,386.19	(4,139,337,724.21)	-
Interest income	(44,090,443.99)	(143,052,032.48)	(25,830,411.60)	(57,994,888.97)	-	(270,967,777.04)
Interest expenses	8,166,736.09	9,794,625.51	201,391,240.56	6,986,501.20	(886,052.45)	225,453,050.91
Income from investments in associates and joint ventures	(753,966.18)	-	(140,786.49)	72,833,080.53	111,517.21	72,049,845.07
Impairment losses in respect of credit	(2,909,506.76)	(45,628.63)	(100,606,111.58)	(2,302,466.40)	5,374,796.63	(100,488,916.74)
Impairment losses in respect of assets	8,173,781.25	-	511,160.00	1,057.60	(4,664,684.09)	4,021,314.75
Depreciation and amortization expenses	152,230,749.46	30,317,136.38	240,242,244.12	33,845,196.59	81,106,000.94	537,741,327.49
Total profit	1,145,709,080.52	1,599,453,118.00	415,266,526.80	435,766,436.16	(63,503,592.02)	3,532,691,569.46
Total assets	18,485,649,757.95	14,602,791,751.16	35,898,115,807.03	27,357,330,941.29	(22,736,648,817.57)	73,607,239,439.86
Total liabilities	8,965,732,513.86	4,712,077,067.35	28,427,575,692.08	6,718,299,094.48	(10,591,481,707.17)	38,232,202,660.60
Long-term equity investment in associates and joint ventures	40,412,705.45	-	17,014,846.89	1,769,611,741.67	-	1,827,039,294.01
Increase in other non-current assets excluding long-term equity investment	619,048,887.57	144,051,081.68	244,403,553.58	120,647,783.24	-	1,128,151,306.07

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (2) Reporting financial Information of Segments (Continued)

- ② The segment information for the 6 months ended 30 June 2022 and as of 31 December 2022 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	5,992,779,202.02	6,531,891,316.23	24,443,088,185.38	252,691,846.05	-	37,220,450,549.68
Inter-segment revenue	2,348,866,077.02	42,814,258.07	2,671,336,571.82	210,165,303.22	(5,273,182,210.13)	-
Interest income	(63,432,933.66)	(211,811,539.05)	(19,891,663.98)	(59,681,361.52)	-	(354,817,498.21)
Interest expenses	11,250,612.94	964,644.66	192,692,739.08	8,203,175.25	(5,155,612.01)	207,955,559.92
Income from investments in associates and joint ventures	(13,591,223.80)	-	1,866,373.07	78,286,529.53	159,490.59	66,721,169.39
Impairment losses in respect of credit	(973,192.04)	(4,336.62)	(21,899,244.84)	(2,009,297.20)	4,345,813.64	(20,540,257.06)
Impairment losses in respect of assets	5,390,627.88	-	(2,939,674.97)	(92,941.04)	(3,697,355.35)	(1,339,343.47)
Depreciation and amortization expenses	131,516,897.23	27,347,323.28	202,344,329.83	26,500,663.26	(8,621,072.23)	379,088,141.37
Total profit	1,102,462,461.87	1,573,915,877.04	313,822,120.02	402,506,737.68	(60,474,556.27)	3,332,232,640.34
Total assets	18,236,142,617.72	17,113,111,182.50	33,470,568,294.10	26,052,900,241.19	(20,207,423,558.77)	74,665,298,776.74
Total liabilities	9,413,738,019.32	8,480,310,571.59	26,387,957,976.98	5,639,127,817.87	(8,893,693,688.24)	41,027,440,697.52
Long-term equity investment in associates and joint ventures	41,166,671.63	-	92,055,098.47	1,450,841,556.12	-	1,584,063,326.22
Increase in other non-current assets excluding long-term equity investment	940,310,775.29	235,155,163.81	510,243,580.60	276,231,371.03	-	1,961,940,890.73



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (2) Reporting financial Information of Segments (Continued)

- ③ The Group's total revenue from external customers in the PRC and other countries/ regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/ regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
PRC	<b>39,805,988,606.97</b>	37,211,864,540.49
Other countries / regions	<b>164,341,980.96</b>	106,334,960.27
Total	<b>39,970,330,587.93</b>	37,318,199,500.76

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	<b>13,069,774,613.45</b>	12,410,020,395.81
Other countries / regions	<b>12,163,596.53</b>	12,740,744.25
Total	<b>13,081,938,209.98</b>	12,422,761,140.06

### 7. Other significant transactions and events that affect investor decisions

No

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters

#### (1) Litigations of the Group

##### (1) 本集團及下屬子公司的被訴事項

##### ① Litigations to Branch A of the Group

Litigant

Plaintiff: Guangsheng Energy

Defendant: Branch A of the Group

Case facts

On 24 April 2014 and 26 May 2014, Guangsheng Energy and Branch A of the Group respectively signed the "Oil Products Purchase and Sales Contract". Guangsheng Energy has sued the subsidiary to the People's Court of Tianhe District on the grounds of sales contract dispute since 2014.

In June 2018, the Provincial Higher People's Court finally rejected the application of re-examination from Guangsheng Energy.

On 24 April 2020, Guangsheng Energy filed a lawsuit on the grounds of "claiming rights through legal channels based on the true rights and obligations formed in the transactions involved".

On March 15, 2022, Yuexiu District People's court ruled that a subsidiary of the Group won the lawsuit. The other defendants, Guangdong Huazi Investment Co., Ltd. and Guangdong Tianding Energy Co., Ltd., returned the loan principal and paid the fund occupation fee to the plaintiff Guangsheng Energy. Other claims of the plaintiff Guangsheng Energy were rejected.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (1) 本集團及下屬子公司的被訴事項 (Continued)

##### ① Litigations to Branch A of the Group (Continued)

On April 1, 2022, Guangsheng Energy filed a lawsuit with the Guangzhou Intermediate People's Court, and the Intermediate People's Court ruled in favor of Branch A of the Group. Guangsheng Energy was dissatisfied and filed a re-suit with the High Court on February 6, 2023, which issued a notice of responding to the civil retrial application case.

The main content of the court decision      On July 22, 2022, the court ruled to reject Guangsheng Energy's appeal and uphold the original judgment. Guangsheng Energy proposed a retrial. The case is currently in the retrial review stage.

The legal responsibilities for the Company or its subsidiaries      As of the reporting date, according to the second final judgment, Branch A of the Group is not required to bear legal liabilities.

The impact on the Company's operation and finance      As of the reporting date, the management of the Subsidiary confirmed that the lawsuit did not cause any loss in combination with the judgment of the lawsuit.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (1) 本集團及下屬子公司的被訴事項 (Continued)

##### ② Litigations to the Group Subsidiary F

Litigant	Plaintiff: Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd.
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	Defendant: Subsidiary F
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Case facts	On 1 June 2015, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued Subsidiary F of the Group for a legal service contract dispute and required Subsidiary F to pay RMB22,421.80 thousand for legal service fees and overdue interest.
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On March 16, 2020, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued the Group's Subsidiary F. The cause of the case was a complaint in a legal service contract dispute. The amount involved was RMB18,069,450.00.

On December 29, 2021, Nansha District People's court made a judgment of first instance. Subsidiary F paid the plaintiff Guangzhou Ruigu a service fee of RMB8,937,075 within 10 days from the date of the legal effect of this judgment. Subsidiary F filed an appeal on January 5, 2022.

On January 26, 2022, Subsidiary F received the appeal letter sent by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. electronically, requesting that Subsidiary F pay service fee of RMB18,069,450.00 and interest. On July 4, 2022, the Guangzhou intermediate people's court made a judgment of second instance: it upheld the original judgment and rejected the appeals of both parties. On December 22, 2022, Subsidiary F filed a retrial with the Higher People's Court of Guangdong Province. On February 22, 2023, a notice of acceptance for retrial was received from the High People's Court of Guangdong Province.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

(1) 本集團及下屬子公司的被訴事項 (Continued)

##### ② Litigations to the Group Subsidiary F (Continued)

The main content of the court decision	The judgment of the second instance upheld the original judgment, that is, Subsidiary F paid the service fee of RMB8,937,075.00 to Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. The retrial has not yet been judged.
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The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the judgment of the second instance, Subsidiary F shall bear the legal liability of paying service fee of RMB8,937,075.00.
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The impact on the Company's operation and finance	The above cases are all multiple lawsuits filed by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. on the same event for different reasons. The management of Subsidiary F evaluated the case and confirmed other payables of RMB8,937,075.00 in accordance with the second instance judgment and confirmed the lost.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (1) 本集團及下屬子公司的被訴事項 (Continued)

##### ③ Litigations to the Group Subsidiary G

- (a) Litigation matters related to Sancai Shiqi Pharmaceutical Co., Ltd. (“Sancai Shiqi”)

Litigant	Plaintiff: Sancai Shiqi Defendant: Subsidiary G
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Case facts	On April 11, 2022, G subsidiary received the lawsuit materials filed by Sancai Shiqi against its default in payment of goods, involving an amount of RMB2,148,400.72 and relevant interests. The case is scheduled to open on 16 May. Subsidiary G applied for jurisdiction objection on April 20, 2022, and the court of first instance issued a ruling on May 30, 2022 and transferred it to the people’s Court of Liwan District. On July 22, 2022, Subsidiary G received the appeal of Sancai Shiqi against the ruling of jurisdiction. On September 23, 2022, the court with jurisdiction over the case was changed to the First People’s Court of Zhongshan City in the second instance. On June 19, 2023, a first-instance verdict was received, ruling that Subsidiary G shall pay RMB2.1484 million along with interest. Subsidiary G has objections to the interest expenses and intends to appeal.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

(1) 本集團及下屬子公司的被訴事項 (Continued)

##### ③ Litigations to the Group Subsidiary G (Continued)

(a) Litigation matters related to Sancai Shiqi Pharmaceutical Co., Ltd. ("Sancai Shiqi") (Continued)

The main content of the court decision	On June 19, 2023, a first-instance verdict was received, ruling that Subsidiary G shall pay RMB2.1484 million along with interest.
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The legal responsibilities for the Company or its subsidiaries	As of the reporting date, based on the first-instance verdict, Subsidiary G is obligated to bear the legal responsibility of paying RMB2.1484 million along with interest.
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The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case and confirmed the corresponding liability for the payment obligation that should be assumed, and this has been recognized as a liability.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (1) 本集團及下屬子公司的被訴事項 (Continued)

##### ③ Litigations to the Group Subsidiary G (Continued)

##### (b) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd

Litigant                      Plaintiff: Beijing Da'en Shengge Trading Co., Ltd.  
(one minority shareholder of Subsidiary G)

Defendant: Subsidiary G

Case facts                      On February 8, 2022, Beijing Da'en Shengge Trading Co., Ltd. (the minority shareholder of Subsidiary G) believed that subsidiary g abused its position as a major shareholder to infringe its rights and interests. The case involved an amount of RMB23,401,515.90 and related interests. On August 19, 2022, the People's Court of Gulou District, Fuzhou City, Fujian Province made a first-instance judgment, filed an appeal on August 30, 2022, and the second-instance judgment has been made. An application for retrial was submitted to the Higher People's Court of Fujian Province on June 5, 2023. Currently, the court is awaiting a decision on whether to accept the case.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

(1) 本集團及下屬子公司的被訴事項 (Continued)

#### ③ Litigations to the Group Subsidiary G (Continued)

(b) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd (Continued)

The main content of the court decision	The second instance upheld the original judgment, that is, Subsidiary G paid RMB21,981,122.18 and related capital occupation fees to the third-party Fujian Guangyao Jieda Pharmaceutical Co., Ltd. in this case.
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The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the judgment of the second instance, Subsidiary G should bear the legal responsibility for paying RMB21,981,122.18 and related capital occupation fees.
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The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the situation of the case and confirmed the corresponding liabilities for the payment obligations RMB25,963,017.52 that should be assumed.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

(1) 本集團及下屬子公司的被訴事項 (Continued)

##### ③ Litigations to the Group Subsidiary G (Continued)

(d) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant

Plaintiff: Zhongshan Pharmaceutical Co., Ltd

Defendant: Subsidiary G

Case facts

On June 6, 2023, Subsidiary G received the court's lawsuit materials. Zhongshan Pharmaceutical Co., Ltd. claims that Subsidiary G should refund the accumulated payment of RMB41.563 million in goods made on behalf of United Asia Pacific Food and Drug Logistics Co., Ltd. from August 10, 2018, to May 18, 2020, along with the related interest. However, Subsidiary G believes that this amount is actually payable by Zhongshan Medical Limited to Subsidiary G. As a result, there is a dispute between the two parties regarding the nature of the payment. Zhongshan Medical Limited is requesting Subsidiary G to return the payment and pay related interest. The case is currently pending judgment.

The main content of the court decision

Not yet judged.

The legal responsibilities for the Company or its subsidiaries

The case is still under trial, and whether the defendant Subsidiary G needs to bear legal liability has yet to be decided by the court.

The impact on the Company's operation and finance

As of the reporting date, the management of Subsidiary G has evaluated the case situation and said that it is impossible to estimate the judgment result, so it has not recognized the estimated liabilities for the possible compensation amount.





# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (1) 本集團及下屬子公司的被訴事項 (Continued)

##### ④ Litigations to the Group Branch B

Litigant	Plaintiff: Baogong Logistics Group Co., Ltd. (Baogong Logistics)
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	Defendant: Branch B
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Case facts	On May 16, 2023, Baogong Logistics filed a lawsuit against a certain Branch B of the Group, claiming the payment of due transportation fees and overdue payment penalties totaling RMB7.0379 million, the refund of a performance bond of RMB1.0 million, and requesting the Branch B to bear the litigation costs, totaling RMB8.0379 million. The case went to court on July 6, 2023, and no judgment has been issued yet.
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The main content of the court decision	Not yet judged.
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The legal responsibilities for the Company or its subsidiaries	The case is still under trial, and whether the defendant Branch B of the Group needs to bear legal liability has yet to be decided by the court.
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The impact on the Company's operation and finance	As of the reporting date, the management of Branch B of the Group has evaluated the case situation and said that it is impossible to estimate the judgment result, so it has not recognized the estimated liabilities for the possible compensation amount.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries

##### ① Matters sued of the Group Subsidiary G

##### (a) Litigation involving Guangxi New Era

Litigant

Plaintiff: Subsidiary G

Defendant: Guangxi New Era Pharmaceutical Co., Ltd. (“Guangxi New Era”)

Case facts

In July 2020, Subsidiary G filed a complaint with the People’s Court of Liwan District, Guangzhou City, and filed a lawsuit against Guangxi New Era. At the same time, it submitted an application for property preservation and applied for the sealing up the 30% of equity and bank accounts of Guangxi New Era.

The main content of the court decision

On July 28, 2020, Subsidiary G received a civil ruling and a notice of property preservation issued by the People’s Court of Liwan District, Guangzhou City, and successfully seized the equity and bank accounts held by Guangxi New Era. The court issued a civil judgment on December 22, 2020, supporting the principal of RMB18,049,400.00, and part of liquidated damages and attorney fees of RMB150,000.00. The other claims were dismissed. Guangxi New Era Pharmaceutical Co., Ltd. refused to obey the court decision of the first instance and filed an appeal. In August 2021, the Court has ruled in favor of us.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

##### (a) Litigation involving Guangxi New Era *(Continued)*

On August 31, 2022, Subsidiary G received a deposit of RMB93,960.01 from the frozen account of Subsidiary G of Guangxi New Era allocated by the Liwan Court. On September 14, 2022, the Liwan Court determined the institution responsible by lottery for the evaluation of the seizure of equity, and the specific equity evaluation value needs to wait for the evaluation results. On September 22, 2022, Subsidiary G received the enforcement ruling and announcement that the Liwan Court planned to auction off the 30% equity of Guangxi Guangyao Xinshidai held by the person subject to enforcement. The equity evaluation is still in progress.

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as the plaintiff, actively asserts its rights through legal proceedings and requires the defendant to pay the arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.

The impact on the Company's operation and finance

As of the reporting date, the case has been judged and the execution has not been completed. The management of Subsidiary G has assessed the situation of the case and made a 100% provision for bad debts of the remaining accounts receivable based on the opinions of external lawyers.





# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) *Matters sued to the Group and its Subsidiaries (Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (b) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	As of the date of this report, the original judgment of the second instance was upheld, and the result of the retrial has not yet been reached. The management of Sub-subsidiary K evaluated the situation of the case. It is expected that the accounts receivable will be difficult to recover. Based on the principle of prudence, the management of Sub-subsidiary K accrued the entire amount of the accounts receivable individually as provision for bad debts.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (c) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd., Guangdong Taian Tang Pharmaceutical Co., Ltd. (Continued)

Lawsuit by Sub-subsidiary K against Taian Tang: Due to Taian Tang's failure to fulfill its guaranteed repayment obligations as agreed, Sub-subsidiary K filed a lawsuit demanding immediate payment of the entire amount. The case was filed on February 1, 2023. The defendant paid RMB2.6342 million on March 30, 2023. On April 6, 2023, the parties reached a settlement agreement in court, wherein the defendant agreed to repay the remaining amount in three installments starting from July 20, 2023, and fully settle the remaining principal amount by September 20, 2023. The settlement agreement was served on April 6, 2023, and is now in effect.

The main content of the court decision

In the lawsuit brought by Sub-subsidiary K against Kang Ai Duo, the first-instance verdict ruled that the defendant Kang Ai Duo should pay the plaintiff Sub-subsidiary K RMB10.1406 million in goods payment along with related interest.

The legal responsibilities for the Company or its subsidiaries

Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance

As of the reporting date, Sub-subsidiary K has recovered a total of RMB9.1896 million (including from Kang Ai Duo and Taian Tang). The management of Sub-subsidiary K has assessed the case and intends to reclassify the remaining amount as a bad debt after recovering the outstanding balance.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (d) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd., Guangdong Taian Tang Pharmaceutical Co., Ltd.

Litigant                      Plaintiff: Sub-subsidiary O (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo") Guangdong Taian Tang Pharmaceutical Co., Ltd.

Case facts                      Lawsuit by Sub-subsidiary O against Kang Ai Duo: On October 19, 2021, Sub-subsidiary O filed a lawsuit against Kang Ai Duo at the Liwan District People's Court in Guangzhou, alleging that Kang Ai Duo owed outstanding payments totaling RMB43.9169 million along with related interest. On December 14, 2021, a ruling and notice regarding property preservation were received, indicating a sealing amount of 0 yuan. On April 11, 2022, a first-instance verdict was issued, and Sub-subsidiary O applied for execution on May 27, 2022. As of January 19, 2023, Sub-subsidiary O has received a total of RMB0.3118 million through court enforcement and an additional payment of RMB3.3181 million from Taian Tang on behalf of Kang Ai Duo.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (d) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd., Guangdong Taian Tang Pharmaceutical Co., Ltd. (Continued)

Lawsuit by Sub-subsidiary O against Taian Tang: Due to Taian Tang's failure to fulfill its guaranteed repayment obligations as agreed, Sub-subsidiary O filed a lawsuit demanding immediate payment of the entire amount. On January 13, 2023, the case was filed on-site, and a property preservation application was submitted. On March 17, 2023, a payment of RMB1.0 million was received from Taian Tang. On March 30, 2023, a property preservation notice was received, freezing 37.13% of the equity of Taian Tang (Haizhou) Traditional Chinese Medicine Decoction Pieces Co., Ltd., held by the respondent Guangdong Taian Tang Pharmaceutical Co., Ltd. The case went to court on May 6, 2023, and is currently awaiting judgment.

The main content of the court decision

In the lawsuit brought by Sub-subsidiary O against Kang Ai Duo, the first-instance verdict ruled that the defendant Kang Ai Duo should pay the plaintiff Sub-subsidiary O RMB43.3878 million in goods payment along with related interest.

The legal responsibilities for the Company or its subsidiaries

Sub-subsidiary O, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance

The management of Sub-subsidiary O evaluated the situation of the case and the remaining accounts receivable was recorded as provision for bad debts with a ratio of 100%.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (e) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. Guangdong Taian Tang Pharmaceutical Co., Ltd.

Litigant                      Plaintiff: Sub-subsidiary N (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. (“Kang Ai Duo”), Guangdong Taian Tang Pharmaceutical Co., Ltd.

Case facts                      Sub-subsidiary N filed a case against Kang Ai Duo: On 21 October 2021, Sub-subsidiary N filed a case against Kang Ai Duo for arrears of RMB7,485,730.94 and the interest. On May 5, 2022, the Court judgment was received. On July 5, 2022, Sub-subsidiary N applied for compulsory execution and the court decided to file the case. On August 26, 2022, Tai’an Tang repaid RMB200,000. On September 23, 2022, a final ruling was issued, and on September 28, 2022, a distribution plan was issued. On December 29, 2022, two bills of exchange were endorsed and transferred by Tai’an Tang to Sub-subsidiary N, totaling RMB239,900. On January 12, 2023, a deduction of RMB2.4465 million was received from the People’s Court of Baiyun District, Guangzhou City.

Sub-subsidiary N’s lawsuit against Taian Tang: Due to Taian Tang’s failure to fulfill its guarantee repayment obligations as agreed, Sub-subsidiary N sued and demanded that it immediately pay the full amount. On February 9, 2023, the case was filed on-site. On June 9, 2023, Sub-subsidiary N applied to the Baiyun Court for supplementary property preservation of RMB5.1898 million, and received a ruling from the court on June 14, 2023. According to the ruling, the actual frozen bank account amount is 0.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (e) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. Guangdong Taian Tang Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision      In the lawsuit filed by Sub-subsidiary N against Kang Aiduo, on April 29, 2022, the defendant Kang Aiduo received a "Civil Judgment" from the Baiyun District People's Court, which ruled that the defendant Kang Aiduo would pay the plaintiff Sub-subsidiary N RMB7.4794 million in goods and interest.

In the lawsuit filed by Sub-subsidiary N against Taian Tang, a first instance judgment was received on August 3, 2023, which ruled that Taian Tang should bear joint and several liability to Sub-subsidiary N for the obligations determined in the "Civil Judgment" of the Kang An Duo case (due to the dynamic changes in the execution amount, the specific amount will be calculated in the execution case), and rejected other litigation requests of Sub-subsidiary N.

The legal responsibilities for the Company or its subsidiaries      Sub-subsidiary N, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance      The management of Sub-subsidiary N estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded on the remaining accounts receivable.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (f) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Succhi Pharmaceutical(Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Zhongshan Pharmaceutical Co., Ltd. ("Zhongshan"), Lianhe Yatai Food Medicine Logistics incorporated Company ("Yatai"), Guangdong Succhi Pharmaceutical(Group) Ltd. ("Succhi"), Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. ("Sancai")

Case facts

On 27 December 2021, Subsidiary G filed a case against Zhongshan for the unpaid commercial bill of RMB129,653,321.54 and the interest, and requested that Yatai, Succhi and Sancai to assume joint liability.

On July 19, 2022, resubmit the property preservation application as required by the court. In August 2022, the court ruled that the case should be changed from summary procedure to ordinary procedure.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) *Matters sued to the Group and its Subsidiaries (Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (f) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Succhi Pharmaceutical(Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision

As of the reporting date, the case is pending judgment.

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance

As of the reporting date, considering the business situation between the company and the defendant, and in accordance with the principle of prudence, the Management has fully recognized and provided a specific allowance for doubtful accounts for the related amount.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Lianhe Yatai Food Medicine Logistics incorporated Company (“Yatai”), Zhongshan Pharmaceutical Co., Ltd. (“Zhongshan”), Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Case facts

On 24 December 2021, Subsidiary G filed a case against Yatai for the unpaid commercial bill of RMB73,263,044.00 and the interest.(Yatai Notes Case). The case was brought to trial on May 5, 2022, and as of now, a judgment has not been rendered.

On 26 January 2022, claims of Subsidiary G was changed to RMB72,603,654.37 and the interest based on existing evidence, and requested that Zhongshan, Succhi and Sancai to assume joint liability. On May 16, 2023, a first-instance verdict was received from the Liwan Court, which supported Subsidiary G’s litigation requests except for the joint liability part. On June 2, 2023, Subsidiary G received the opposing party’s appeal letter. Currently, the court is awaiting the issuance of the official notice of second-instance acceptance and related materials.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision      The first-instance verdict for Yatai Contract Case was received on May 16, 2023. The verdict ruled that the defendant should pay Subsidiary G RMB72.6037 million in goods payment along with related interest and rejected other litigation requests from Subsidiary G.

The legal responsibilities for the Company or its subsidiaries      Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance      As at the reporting date, based on the business of Subsidiary G and the defendant, the direct economic loss of the case will be RMB145,866,752.86. Based on the principle of prudence, separate provision for bad debts is recorded with a ratio of 100%.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (h) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.

Case facts

On February 21, 2022, Subsidiary G sued Guangzhou Caishen Custom clothing supply chain management Co., Ltd. and Guangzhou Feite Network Technology Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The amount involved in the case was RMB12,236,700.00 and relevant interests. On May 11, 2023, a first-instance verdict was received, which ruled that the defendant should pay RMB2.8058 million along with interest, and other litigation requests were rejected. Subsidiary G filed an appeal. On July 24, 2023, a notice of acceptance and a summons for the second-instance court were received, and the case is scheduled to be heard on October 11, 2023.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (h) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd. *(Continued)*

The main content of the court decision      The first-instance verdict ruled that the defendant should pay RMB2.8058 million along with interest and rejected other litigation requests.

The legal responsibilities for the Company or its subsidiaries      Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance      As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (i) Litigation involving Guangzhou Weini Technology Development Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Guangzhou Weini Technology Development Co., Ltd.

Case facts

On February 21, 2022, Subsidiary G sued Guangzhou Weini Technology Development Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The case involved RMB3,026,703.50 and relevant interests. On March 11, 2022, property preservation has been applied for. On April 10, 2023, a first-instance verdict was received, where the court rejected all the litigation requests made by Subsidiary G. Subsidiary G has appealed this decision. On April 19, 2023, Subsidiary G applied to the court for an extension of the seizure. On May 8, 2023, a notice of the extension was received, and the seizure was extended until April 25, 2024. On June 20, 2023, a summons for the second-instance hearing was received, and the case is scheduled to be heard on July 6, 2023.



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (i) Litigation involving Guangzhou Weini Technology Development Co., Ltd. *(Continued)*

The main content of the court decision	The first-instance verdict ruled that the court rejected all the litigation requests made by Subsidiary G.
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The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) Matters sued to the Group and its Subsidiaries *(Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (j) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Litigant                      Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Case facts                      On March 23, 2022, Sub-subsidiary P (its parent company is Subsidiary G) sued Shanxi Zhongyou Health Pharmaceutical Co., Ltd. and Feng Dexiang for default in payment of goods. The case involved an amount of RMB10,153,332.62 and related liquidated damages. On November 14, 2022, the People's Court of Weiyang District, Xi'an City made a first-instance judgment. On June 2, 2023, Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. applied for substantial consolidation and bankruptcy reorganization and a hearing has been held. On the same date, Gansu Province Lanzhou Intermediate People's Court issued Announcement No. (2023) Gan01 Po3, designating a bankruptcy administrator for Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. In accordance with this, on June 30, 2023, Subsidiary P mailed the materials for claiming its debts to the administrator.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ① Matters sued of the Group Subsidiary G (Continued)

- (j) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang. (Continued)

The main content of the court decision	First-instance judgment: ① The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P payment of RMB9,881,354.92, lawyer's fees of RMB80,000 and liquidated damages within ten days after this judgment takes effect. The defendant Gansu Zhongyou Health Medicine Co., Ltd. shall be jointly and severally liable for this responsibility for repayment; ② The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P the 2022 payment of RMB271,977.7 within ten days after this judgment takes effect.
The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary P, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary P has assessed the case situation and based on the principle of prudence, it has made individually full provision for bad debts.





# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Other significant matters *(Continued)*

#### (1) Litigations of the Group *(Continued)*

##### (2) *Matters sued to the Group and its Subsidiaries (Continued)*

##### ① Matters sued of the Group Subsidiary G *(Continued)*

- (k) Litigation involving Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary P, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary P has assessed the case situation and based on the principle of prudence, it has made individually full provision for bad debts.
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# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### (2) Matters sued to the Group and its Subsidiaries (Continued)

##### ② Matters sued of the Group's Branch B

Litigant	Plaintiff: Branch B  Defendant: Baogong Logistics Group Co., Ltd.(Baogong Logistics)
Case facts	On February 3, 2023, due to economic losses incurred during the performance of a transportation contract, a certain branch B of the Group filed a lawsuit against Baogong Logistics, seeking a judgment that Baogong Logistics pay a breach of contract compensation of RMB21.07 million to the said Branch B of the Group. The court hearing took place in June 2023, and no judgment has been issued yet.
The main content of the court decision	Not yet judged
The legal responsibilities for the Company or its subsidiaries	The case is still under trial, and whether the defendant Branch B of the Group needs to bear legal liability has yet to be decided by the court.
The impact on the Company's operation and finance	As of the reporting date, the management of Branch B of this group cannot determine the outcome of the judgment, and therefore, no related assets have been recognized for this matter.

#### (2) No other significant matters



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts receivable

(1) The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>227,631,834.56</b>	111,456,575.22
1 to 2 years	<b>91,303.88</b>	260,827.92
2 to 3 years	<b>260,827.92</b>	
Over 5 years	<b>4,252,743.52</b>	4,252,743.52
Total book balance of accounts receivable	<b>232,236,709.88</b>	115,970,146.66
Less: Provision for bad debts	<b>6,799,020.17</b>	5,628,137.19
Total book value of accounts receivable	<b>225,437,689.71</b>	110,342,009.47

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book Value Amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.13	2,615,454.16	100.00	
Accounts receivable subject to provision by portfolio	229,621,255.72	98.87	4,183,566.01	1.82	225,437,689.71
Including: portfolio 1	229,621,255.72	98.87	4,183,566.01	1.82	225,437,689.71
Total	<u>232,236,709.88</u>	<u>100.00</u>	<u>6,799,020.17</u>	<u>2.93</u>	<u>225,437,689.71</u>

(Cont.)

Category	Book balance		Closing balance of last year		Book Value Amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	2.26	2,615,454.16	100.00	
Accounts receivable subject to provision by portfolio	113,354,692.50	97.74	3,012,683.03	2.66	110,342,009.47
Including: portfolio 1	113,354,692.50	97.74	3,012,683.03	2.66	110,342,009.47
Total	<u>115,970,146.66</u>	<u>100.00</u>	<u>5,628,137.19</u>	<u>4.85</u>	<u>110,342,009.47</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category (Continued)

##### ① Accounts receivable subject to separate provision at the period end

Name	Accounts receivable	Provision for bad debts	Expected credit loss ratio (%)	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 2	470,000.00	470,000.00	100.00	Amount is expected to be unrecoverable.
Customer 3	315,508.74	315,508.74	100.00	Amount is expected to be unrecoverable.
Customer 4	260,827.92	260,827.92	100.00	Amount is expected to be unrecoverable.
Customer 5	69,117.50	69,117.50	100.00	Amount is expected to be unrecoverable.
Total	<u>2,615,454.16</u>	<u>2,615,454.16</u>		

##### ② Accounts receivable subject to provision by portfolio

#### Portfolio 1

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	227,631,834.56	2,276,318.34	1.00	111,456,575.22	1,114,565.75	1.00
1 to 2 years	91,303.88	9,130.39	10.00			
Over 5 years	1,898,117.28	1,898,117.28	100.00	1,898,117.28	1,898,117.28	100.00
Total	<u>229,621,255.72</u>	<u>4,183,566.01</u>	-	<u>113,354,692.50</u>	<u>3,012,683.03</u>	-



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category (Continued)

③ Provision for bad debts accrued, recovered or reversed in the period

Category	Current change amount	Closing balance of last year			Closing balance
		Provision	Recovered or reversed	Resold or written-off	
Provision for accounts receivable bad debts	5,628,137.19	1,170,882.98			6,799,020.17
Total	<u>5,628,137.19</u>	<u>1,170,882.98</u>	<u></u>	<u></u>	<u>6,799,020.17</u>

(3) There is no accounts receivables written off in the current period.

(4) The top five customers by closing balance of accounts receivable:

Name	Closing balance	Proportion of total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	202,125,401.28	87.03	2,021,254.01
Customer 2	7,600,000.00	3.27	76,000.00
Customer 3	5,700,000.00	2.45	57,000.00
Customer 4	2,532,000.00	1.09	25,320.00
Customer 5	2,304,000.00	0.99	23,040.00
Total	<u>220,261,401.28</u>	<u>94.83</u>	<u>2,202,614.01</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

- (5) The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.
- (6) The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable (such as securitization, factoring, etc.) for the current period.

### 2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	<b>208,450,102.43</b>	381,821,857.43
Other receivables	<b>266,390,099.80</b>	312,329,947.23
Total	<b>474,840,202.23</b>	694,151,804.66

#### (1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	<b>83,097,803.75</b>	83,097,803.75
Guang Hua	<b>43,882,205.44</b>	43,882,205.44
Ming Xing	<b>36,074,889.24</b>	36,074,889.24
HWBYS	<b>45,395,204.00</b>	218,766,959.00
Total	<b>208,450,102.43</b>	381,821,857.43

② The Group has no significant dividends receivable with aging over one year for the period.

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	116,155,755.79	42.30	198,920,567.64	62.12
1 to 2 years	52,597,188.69	19.15	9,226,060.06	2.88
2 to 3 years	5,394,246.04	1.96	2,536,232.97	0.79
3 to 4 years	15,158,984.21	5.52	24,817,431.03	7.75
4 to 5 years	938,302.77	0.34	76,653,892.73	23.94
Over 5 years	84,378,076.01	30.73	8,068,609.20	2.52
Subtotal	<u>274,622,553.51</u>	<u>100.00</u>	<u>320,222,793.63</u>	<u>100.00</u>
Less: provision	<u>8,232,453.71</u>	<u>-</u>	<u>7,892,846.40</u>	<u>-</u>
Total	<u>266,390,099.80</u>	<u>-</u>	<u>312,329,947.23</u>	<u>-</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables (Continued)

##### ② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	<b>221,774,263.72</b>	271,463,689.70
Deposit, rent, advances to employees	<b>3,787,119.22</b>	4,477,003.45
Others	<b>49,061,170.57</b>	44,282,100.48
Total	<b><u>274,622,553.51</u></b>	<b><u>320,222,793.63</u></b>

##### ③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Balance on 2023.01.01	1,501,123.89		6,391,722.51	7,892,846.40
Provision at current period	339,607.31			339,607.31
Recovery at current period				
Pay-off at current period				
Write-off at current period				
Other changes				
Balance on 2023.06.30	<b><u>1,840,731.20</u></b>	<b><u></u></b>	<b><u>6,391,722.51</u></b>	<b><u>8,232,453.71</u></b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables (Continued)

④ *Provision for accrual, return or recovery of provision for bad debts of the current period*

Category	Opening balance	Current change amount			Closing balance
		Provision	Recovered or reversed	Pay-off or written-off	
Provision for bad debts of other receivables	7,892,846.40	339,607.31			8,232,453.71
Total	<u>7,892,846.40</u>	<u>339,607.31</u>	<u></u>	<u></u>	<u>8,232,453.71</u>

⑤ There is no other receivables written off for this period.

⑥ *The top five amount of the closing balance of other receivables by customers.*

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	132,040,263.31	Within 1 year, 3 to 4 years, 5 years above	48.08	-
Other receivables 2	Receivables due from related parties	44,877,918.05	Within 1 year, 1 to 2 years	16.34	-
Other receivables 3	Receivables due from related parties	13,839,446.73	1 to 2 years	5.04	-
Other receivables 4	Receivables due from related parties	11,863,924.52	Within 1 year, 1 to 2 years	4.32	-
Other receivables 5	External company transactions	6,552,500.00	Within 1 year	2.39	-
Total		<u>209,174,052.61</u>		<u>76.17</u>	<u>-</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables (Continued)

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

### 3. Long-term Equity Investment

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	12,058,408,588.38	171,000,000.00	11,887,408,588.38	11,218,737,588.38	171,000,000.00	11,047,737,588.38
Investment in joint ventures and associates	1,352,801,769.42	-	1,352,801,769.42	1,368,854,745.38	-	1,368,854,745.38
Total	<u>13,411,210,357.80</u>	<u>171,000,000.00</u>	<u>13,240,210,357.80</u>	<u>12,587,592,333.76</u>	<u>171,000,000.00</u>	<u>12,416,592,333.76</u>



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 3. Long-term Equity Investment (Continued)

#### (1) Investment in subsidiaries

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Xing Qun	125,322,300.00			125,322,300.00	-	-
Zhong Yi	324,320,391.34			324,320,391.34	-	-
Chen Li Ji	142,310,800.00			142,310,800.00	-	-
Guangzhou Han Fang	255,517,109.58			255,517,109.58	-	55,000,000.00
Guangzhou Qi Xing Pharmaceutical Factory	126,775,500.00			126,775,500.00	-	-
Jing Xiu Tang	101,489,800.00			101,489,800.00	-	-
Pan Gao Shou	144,298,200.00			144,298,200.00	-	-
Wang Lao Ji	854,431,508.17			854,431,508.17	-	-
GP Corp.	4,316,685,769.67			4,316,685,769.67	-	-
Cai Zhi Lin	235,183,900.00	58,931,000.00		294,114,900.00	-	69,000,000.00
Guangzhou Bai Di	242,795,812.38			242,795,812.38	-	47,000,000.00
Wang Lao Ji Great Health	2,200,000,000.00	70,000,000.00		2,270,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49			21,536,540.49	-	-
Yi Gan	39,000,000.00			39,000,000.00	-	-
BYS M&H Industry	111,600,000.00			111,600,000.00	-	-
Xing Zhu	126,480,000.00			126,480,000.00	-	-
Wang Lao Ji Investment	28,000,000.00			28,000,000.00	-	-
Tian Xin	96,192,658.47			96,192,658.47	-	-
Guang Hua	53,659,963.75			53,659,963.75	-	-
Ming Xing	383,381,794.18	151,000,000.00		534,381,794.18	-	-
Weiling Pharmaceutical Technological	10,444,783.48			10,444,783.48	-	-
	1,020,000.00			1,020,000.00	-	-

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 3. Long-term Equity Investment (Continued)

#### (1) Investment in subsidiaries (Continued)

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Guangzhou Guangyao Fund Equity Investment Partnership (Limited partnership)	179,820,000.00	259,740,000.00		439,560,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87			140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	693,470,000.00			693,470,000.00	-	-
Guangyao Haima	26,500,000.00			26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00			40,000,000.00	-	-
Guangyao General Institute	143,000,000.00			143,000,000.00	-	-
Medical Instruments investment	25,000,000.00			25,000,000.00	-	-
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	10,000,000.00			10,000,000.00	-	-
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	19,000,000.00			19,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	1,000,000.00			1,000,000.00	-	-
Guangzhou Baiyunshan International Pharmaceutical Health Industry Co.		300,000,000.00		300,000,000.00	-	-
<b>Total</b>	<b>11,218,737,588.38</b>	<b>839,671,000.00</b>		<b>12,058,408,588.38</b>		<b>171,000,000.00</b>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 3. Long-term Equity Investment (Continued)

#### (2) Investments in joint ventures and associates

Investee	Closing balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	The current period			Closing balance	Closing balance of provision for impairment
						Changes in other equity	Declaration of the payment of cash dividends or profits	Provision for impairment		
I. Joint ventures										
HMBYS	222,389,264.94			42,893,054.52					265,342,319.46	-
Baxter (Qiao) Guang	65,407,556.29			9,731,636.92					75,139,193.21	-
Subtotal	287,796,821.23			52,684,691.44					340,481,512.67	-
II. Associates										
Golden Eagle Asset Management Co., Ltd. Guangzhou Baiyunshan	80,268,643.37			1,603,122.84					81,871,766.21	-
Weyi Medical Investment Management Co., Ltd.	2,070,479.77			6,235.28					2,076,715.05	-
Yi Xin Tang	856,447,221.40		(90,663,835.45)	26,157,436.41					791,940,822.36	-
Baiyunshan Yi Xin Tang	86,360,500.42		-	(3,362,522.91)					82,997,977.51	-
Guangdong Guangqiao Jinshe Equity Investment Fund Management Co., Ltd. Guangzhou Hanchao	6,066,788.53		-	(90,857.71)					5,975,930.82	-
Chinese Medical Technology Co., Ltd. Guangzhou Guangqiao	6,106,252.94		-	(170,585.92)					5,935,667.02	-
Jinzhong equity investment partnership (limited partnership)	43,738,037.72		-	(2,216,659.94)					41,521,377.78	-
Subtotal	1,081,057,924.15		(90,663,835.45)	21,926,188.05					1,012,320,256.75	-
Total	1,368,854,745.38		(90,663,835.45)	74,610,859.49					1,352,801,769.42	-



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 4. Operating Income and Operating Costs

#### (1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	2,033,202,854.05	749,713,556.68	2,017,146,496.94	767,529,644.14
Other businesses	224,122,245.83	17,742,910.70	210,826,200.09	16,954,257.26
Total	<u>2,257,325,099.88</u>	<u>767,456,467.38</u>	<u>2,227,972,697.03</u>	<u>784,483,901.40</u>

#### (2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	2,033,202,854.05	749,713,556.68	2,017,146,496.94	767,529,644.14
Total	<u>2,033,202,854.05</u>	<u>749,713,556.68</u>	<u>2,017,146,496.94</u>	<u>767,529,644.14</u>

#### (3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,713,853,193.99	550,796,627.77	1,574,919,299.09	473,632,905.84
Eastern China Area	114,443,434.62	86,652,172.17	194,316,274.90	147,007,957.38
Northern China Area	61,826,769.06	40,101,430.63	90,078,699.95	58,439,343.45
Northeast Area	4,953,961.76	2,511,053.73	6,230,464.44	3,158,334.90
Southwest Area	122,398,537.49	60,455,521.60	131,066,931.52	71,074,127.82
Northwest Area	15,726,957.13	9,196,750.78	20,534,827.04	14,216,974.75
Total	<u>2,033,202,854.05</u>	<u>749,713,556.68</u>	<u>2,017,146,496.94</u>	<u>767,529,644.14</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 4. Operating Income and Operating Costs (Continued)

- (4) Information of the top five customers as per sales: the total sales to the top five customers are RMB146,515 thousand, which account for 7.21% of the Company's main business income for the year.

Customer	Main business income	Proportion of total income (%)
Customer 1	47,336,808.76	2.33
Customer 2	35,911,586.19	1.77
Customer 3	30,827,080.23	1.52
Customer 4	19,165,140.55	0.94
Customer 5	13,274,235.19	0.65
Total	<u>146,514,850.92</u>	<u>7.21</u>

### 5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	<b>39,011,822.88</b>	117,598,102.54
Investment Income from long-term equity investments under equity method	<b>74,610,859.49</b>	78,335,592.31
Investment Income from disposal of long-term equity investments	<b>27,637,468.60</b>	–
Dividend income from the holding other equity instruments	<b>3,182,137.46</b>	–
Investment income from the holding other non-current financial assets		1,689,501.45
Interest income from financial products and structured deposits	<b>92,178,416.24</b>	18,555,125.58
Derecognition income of financial assets measured at amortized cost	<b>(2,402,025.39)</b>	
Total	<u><b>234,218,679.28</b></u>	<u>216,178,321.88</u>

# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. SUPPLEMENTARY INFORMATION

### 1. Breakdown of Non-Recurring Profit and Loss for the Current year

Item	Amount	Note
1. Profit or loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	11,643,063.15	
2. Government grants included in the profit or loss for the current year except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	81,380,094.48	
3. Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	161,880,280.39	
4. Reverse of provision for impairment of receivables under individual impairment test	7,169,353.08	
5. Other non-operating income and expenses except for the above-mentioned items	(31,846.41)	
6. Other non-recurring profit and loss items recognized by the China Securities Regulatory Commission	–	
7. Other profit and loss items that meet the definition of non-recurring gains and losses	–	
8. Amount of income tax influence	(43,747,295.18)	
9. Amount of minority equity impact	(5,555,020.27)	
Total	<u>212,738,629.24</u>	



# Notes to the Financial Statements

For January – June 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. SUPPLEMENTARY INFORMATION (Continued)

### 2. Return on Equity and Earnings Per Share

Profits for the current period	Weighted Average Return on Equity (%)		Earnings Per Share			
			Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Net profit attributable to the ordinary shareholders of the Company	8.40	8.53	1.729	1.593	1.729	1.593
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	7.76	7.58	1.598	1.415	1.598	1.415

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd

18.08.2023