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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: 0874)

SUMMARY OF THE 2023 ANNUAL REPORT

1. IMPORTANT NOTICE

- 1.1** This summary is extracted from the full text of the 2023 annual report of the Company for the year ended 31 December 2023. Investors who wish to know more about the results of operations, financial conditions and plans of future development of the Company are advised to read in details of the full text of the 2023 annual report which will be published on the website of SSE (<http://www.sse.com.cn>), and on the website of HKEX (<http://www.hkex.com.hk>).
- 1.2** 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 summary and confirm that there are no false information, misleading statements or material omissions in this summary.
- 1.3** The Directors were present at the 8th meeting of the ninth session of the Board, among whom, Mr. Yang Jun, vice chairperson of the Company, Mr. Chen Yajing and Ms. Sun Baoqing, the independent non-executive directors, attended the meeting by telephones; Mr. Wong Lung Tak Patrick, an independent non-executive director, was unable to attend the meeting and authorized Mr. Huang Min, an independent non-executive director, to attend and exercise the right to vote on his behalf.
- 1.4** The financial reports of the Group and the Company for the year ended 31 December 2023 are prepared in accordance with the China Accounting Standards for Business Enterprises, which are audited by WUYIGE Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.
- 1.5** Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board.

As audited and confirmed by WUYIGE Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB4,055,678,691.49 in 2023. Based on the net profit of the Company of RMB1,684,022,544.74 in 2023, a 10% statutory surplus reserve in the amount of RMB168,402,254.47 is provided, with the addition of the undistributed profit carried over from 2023 in the amount of RMB8,063,724,029.08, and after deducting the cash dividends of 2022 in the amount of RMB1,190,078,974.68, the actual distributable profits at the end of 2023 amounted to RMB8,389,265,344.67.

Based on the actual circumstances of the Company, it is proposed that based on the share capital of 1,625,790,949 shares as at the end of 2023, a cash dividend of RMB0.749 (inclusive of tax) for every share, amounting to an aggregate of RMB1,217,717,420.80 be distributed. The undistributed portion shall be carried over to the next distribution. There will not be any capitalization of capital reserve for 2023.

The profit distribution plan will be submitted to the 2023 annual general meeting of shareholders for approval.

- 1.6** This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.
- 1.7** All the information required to be contained in this summary pursuant to paragraph 45 of Appendix D2 to the Listing Rules of HKEX will be published on the website of HKEX in due course.

2. DEFINITIONS

In this summary, unless the context otherwise requires, the following terms have the meaning as follows:

Company/The Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
PRC or China	the People's Republic of China
Reporting Period/Year/ the current year	From 1 January 2023 to 31 December 2023
Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director	The director of the Company
Supervisory Committee	the supervisory committee of the Company

Supervisor	The 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 People's Republic of China
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
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)
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 Company Limited (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 Baiyun shan 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)
Guangxi Ying Kang	Guangxi Baiunshan Yingkang Pharmaceutical Company Limited (廣西白雲山盈康藥業有限公司)
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 Bai yun shan 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)
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)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., (廣州白雲山光華製藥股份有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Bai yun shan Chemical & Pharmaceutical Technology Co., Ltd. (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 Company (廣州白雲山醫療器械投資有限公司)
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)

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)
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)
OTC	Over the counter
National 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 National 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 Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (the 2023 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年版)》), being the national standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List 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 Operating Holdings Group Ltd (廣州產業投資控股集團有限公司)
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))
GP Capital	Guangzhou Guangyao Capital Private Fund Management Co., Ltd. (廣州廣藥資本私募基金管理有限公司)

WBA GP Fund	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))
GP Venture Capital Fund	Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership) (廣州廣藥產投生物醫藥創業投資基金(有限合夥))
Meichen Group	Meichen Group Co., Ltd (美晨集團股份有限公司)
Guangyao Baiyun Toothpaste Company	Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd (廣藥白雲牙膏(廣州)有限公司)
Hanchao	Guangdong Hanchao Traditional Chinese Medicine Technology Co., Ltd. (廣東漢潮中藥科技有限公司)
Baiyunshan Traditional Chinese Medicine Hospital	Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd (廣州白雲山中醫醫院有限公司)

3. COMPANY PROFILE

3.1 Company profile

Stock abbreviation:	BAIYUNSHAN
Stock abbreviation before the change:	GPC
Stock code:	600332 (A Share)
Stock exchange:	The Shanghai Stock Exchange
Stock abbreviation:	BAIYUNSHAN PH
Stock code:	0874 (H Share)
Stock exchange:	The Stock Exchange of Hong Kong Limited

Contact persons and contact details	Secretary to the Board	Representative of securities affairs
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3.2 Introduction of the Company's main business during the Reporting Period

Since its establishment, the Company has been committed to the healthcare industry. After years of development, the Company has continuously grown in both of 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 equipment; (3) the research and development, production and sales of great health product; and (4) the health industry investment in medical care, health management, health maintenance and elderly care, etc.

3.2.1 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 324 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 Ke Pill, Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Ban Lan Gen Granule series, Hua Tuo Zai Zao Pill, Nao Xin Qing Tablet series, Qing Kai Ling series, Compound Ban Lan Gen Granule series, Compound Danshen Tablet series, An Gong Niu Huang Pill, Xia Sang Ju Granule, Bao Ji series, Mi Lian Chuan Bei Pi Pa Gao, Zhuang Yao Jian Shen Pill, Da Shen Kou Yan Qing Granule, Shu Jin Jian Yao Pill, etc. The Group boasts clear brand and variety in propriety Chinese patent medicine in southern China and throughout the country.

- 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, drugs for men and products for relieving pain and heat. The Group integrated the antibiotic brands with the famous 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, Amoxicillin, Akafen Powder, Cefixime series, Amoxicillin and Clavulanate Potassium, Clindamycin Phosphate Injection, Paracetamol, Cefathiamidine, Cefpiramide, Cefprozil etc.

3.2.2 Great Health Industry

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 (荔小吉) series, 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.

3.2.3 Great Commerce (Pharmaceutical distribution business)

The Great Commerce of the Group mainly engaged in the business of wholesale, retail, and import and export of pharmaceutical products, medical equipment 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.

3.2.4 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, the Group have invested/held equity interest in a number of projects including Baiyunshan Hospital, Baiyunshan Traditional Chinese Medicine Hospital, Runkang Confinement Company, Baiyunshan Yihu Company and Baiyunshan Jianhu Company etc.

3.3 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. 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. 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 the pharmaceutical industry. In general, China's pharmaceutical industry will still be in a period of important strategic opportunities in the coming future.

In 2023, 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 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 the revitalization and development of traditional Chinese medicine, the guidance of drug development and imitation, medical services, etc. will effectively stimulate the innovation and creativity vitality of pharmaceutical enterprises, continuously strengthen the innovative attributes of the pharmaceutical manufacturing industry, and further promote the high-quality development of the pharmaceutical industry. Innovation and high-quality development remain important driving forces for the growth of the industry.

In 2023, due to factors such as drug price cuts and rising raw material prices, the main economic indicators of the pharmaceutical manufacturing industry remained in a downward trend, and the operating trends of various sub-sectors continued to diverge. The operating revenue of pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB2.52057 trillion, representing a year-on-year decrease of 3.7%, and the total profit reached RMB347.3 billion, representing a year-on-year decrease of 15.1%. The operating revenue of liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB1.55162 trillion, representing a year-on-year increase of 7.4%, and the total profit reached RMB311 billion, representing a year-on-year increase of 8.5%. (Data from the website of the National Bureau of Statistics)

4. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP

4.1 Principal accounting data

Principal accounting data	2023	2022	Year-on-year increase/ (decrease) (%)	2021	2020	2019
Income from operations (RMB'000)	75,515,404	70,788,155	6.88	69,014,052	61,673,702	64,951,778
Net profit attributable to the shareholders of the Company (RMB'000)	4,055,679	3,966,522	2.25	3,719,878	2,915,245	3,188,885
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	3,635,521	3,319,308	9.53	3,306,416	2,627,691	2,746,248
Net cash flow from operating activities (RMB'000)	4,103,625	6,999,076	(41.37)	5,673,497	585,185	5,022,367
Total profit (RMB'000)	5,110,498	5,043,244	1.33	4,723,071	3,739,082	4,128,533

Principal accounting data	As at 31 December 2023	As at 31 December 2022	Year-on-year increase/ (decrease) (%)	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Net assets attributable to the shareholders of the Company (RMB'000)	34,919,281	32,065,125	8.90	29,062,184	26,144,843	24,184,797
Total assets (RMB'000)	78,586,878	74,665,299	5.25	66,117,790	59,760,063	56,893,659
Total liabilities (RMB'000)	41,909,054	41,077,441	2.15	34,791,121	31,554,796	30,904,172
Equity attributable to the shareholders of the Company per share (RMB)	21.48	19.72	8.90	17.88	16.08	14.88
Total equity as at the end of the Reporting Period (RMB'000)	1,625,791	1,625,791	–	1,625,791	1,625,791	1,625,791

4.2 Principal financial indicators

Principal accounting data	2023	2022	Year-on-year	2021	2020	2019
			increase/ (decrease) (%)			
Basic earnings per share (<i>RMB/share</i>)	2,495	2,440	2.25	2,288	1,793	1,961
Diluted earnings per share (<i>RMB/share</i>)	2,495	2,440	2.25	2,288	1,793	1,961
Basic earnings per share after deducting non-recurring items (<i>RMB/share</i>)	2,236	2,042	9.53	2,034	1,616	1,689
Weighted average return on net assets ratio (%)	12.07	12.97	A decrease of 0.90 percentage point	13.46	11.55	13.87
Ratio of weighted average return on net assets after deducting non-recurring items (%)	10.82	10.85	A decrease of 0.03 percentage point	11.96	10.41	11.94
Ratio of return on total equity attributable to shareholders of the Company (%)	11.61	12.37	A decrease of 0.76 percentage point	12.80	11.15	13.19
Ratio to total equity attributable to shareholders of the Company to total assets (%)	44.43	42.95	An increase of 1.48 percentage points	43.96	43.75	42.51
Gearing ratio (%)	53.33	54.95	A decrease of 1.62 percentage points	52.62	52.80	54.32

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

Differences in accounting data under domestic and foreign accounting standards

Applicable Not Applicable

4.3 Principal accounting data of 2023 on quarterly basis

	The first quarter (January – March) (RMB'000)	The second quarter (April – June) (RMB'000)	The third quarter (July – September) (RMB'000)	The fourth quarter (October – December) (RMB'000)
Income from operations	21,628,521	18,341,810	18,214,219	17,330,854
Net profit attributable to the shareholders of the Company	1,908,600	902,648	980,002	264,429
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,827,436	771,073	840,145	196,866
Net cash flow from operating activities	(2,838,882)	2,098,172	1,642,337	3,201,999

The explanation for the difference between the quarterly data and the disclosed regularly reported data

Applicable Not Applicable

5. SHAREHOLDERS

5.1 Total number of ordinary shareholders, preferred shareholders whose voting rights were restored and shareholders with special voting rights, and the conditions of the top ten shareholders as at the end of Reporting Period and at the end of last month before the discourse of the annual report

Total number of ordinary shareholders as at the end of the Reporting Period	94,302
Total number of ordinary shareholders as at the end of last month before the discourse date of the annual report	90,002
Total number of preferred shareholders whose voting rights were restored as at the end of the Reporting Period	0
Total number of preferred shareholders whose voting rights were restored as at the end of last month before the discourse date of the annual report	0

The top ten shareholders of the Company
(Excluding shares lent through refinancing)

Shareholders (Full name)	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions held (share)	Pledge, mark or lock-up of shares Status	Number of shares (share)	Nature of Shareholders
Guangzhou Pharmaceutical Holdings Limited	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
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	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 Limited	(4,567,752)	27,514,590	1.69	0	-	0	Others
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd	(24,628,810)	18,093,752	1.11	0	-	0	State-owned legal person
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open End Index Securities Investment Fund	5,360,402	10,566,457	0.65	0	-	0	Others
Huaxia AMC-Agricultural Bank-Huaxia China Securities Financial Asset Management	0	8,795,136	0.54	0	-	0	Others
Zhongou AMC-Agricultural Bank-Zhongou China Securities Financial Asset Management 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
Explanation on the connection or person 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 “Measures for the Administration of Acquisition of Listed Companies”						
Explanation on Preferred shareholders with their voting rights restored and the number of shares they hold	Not applicable						

Information on the top ten shareholders participate in the refinancing and securities lending business

Applicable Not Applicable

Information on the top ten shareholders participating in the refinancing and securities lending business

Shareholders (full name)	The shareholdings of ordinary account and credit account at the beginning of the Reporting Period		The outstanding shares of refinancing and securities lending business at the beginning of Reporting Period		The shareholdings of ordinary account and credit account at the end of the Reporting Period		The outstanding shares of refinancing and securities lending business at the end of Reporting Period	
	<i>Number of shares (share)</i>	<i>Percentage (%)</i>	<i>Number of shares (share)</i>	<i>Percentage (%)</i>	<i>Number of shares (share)</i>	<i>Percentage (%)</i>	<i>Number of shares (share)</i>	<i>Percentage (%)</i>
Guangzhou Pharmaceutical Holdings Limited	732,305,103	45.04	0	0	732,305,103	45.04	0	0
HKSCC Nominees Limited	219,769,290	13.52	Unknown	/	219,771,290	13.52	unknown	/
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	73,313,783	4.51	0	0	73,313,783	4.51	0	0
China Securities Finance Corporation Limited	47,277,962	2.91	Unknown	/	47,277,962	2.91	Unknown	/
Hong Kong Securities Clearing Company Limited	32,082,342	1.97	Unknown	/	27,514,590	1.69	Unknown	/
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd	42,722,562	2.63	0	0	18,093,752	1.11	600,000	0.04
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open End Index Securities Investment Fund	5,206,055	0.32	Unknown	/	10,566,457	0.65	Unknown	/
Huaxia AMC-Agricultural Bank-Huaxia China Securities Financial Asset Management	8,795,136	0.54	Unknown	/	8,795,136	0.54	Unknown	/
Zhongou AMC-Agricultural Bank-Zhongou China Securities Financial Asset Management Plan	8,680,636	0.53	Unknown	/	8,680,636	0.53	Unknown	/
Boshi AMC – Agricultural Bank-Boshi China Securities Financial Asset Management Plan	8,662,836	0.53	Unknown	/	8,662,836	0.53	Unknown	/

Changes of the top ten shareholders compared with last period

✓ Applicable □ Not Applicable

Changes of the top ten shareholders compared with last reporting period

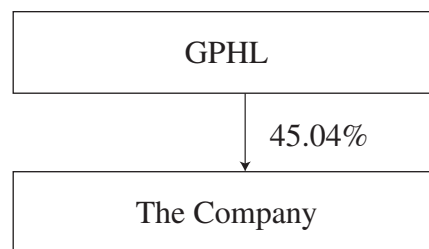
Shareholders (full name)	Add/exit during the Reporting Period	The outstanding shares of refinancing and securities lending business and not yet repaid at the end of Reporting Period		The shares held by the shareholders through ordinary account and credit account as well as the outstanding shares of refinancing and securities lending business at the end of Reporting Period	
		<i>Number of shares (share)</i>	<i>Percentage (%)</i>	<i>Number of shares (share)</i>	<i>Percentage (%)</i>
		China Construction Bank Corporation – E fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	Add	Not available	–
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	Exit	Not available	–	Not available	–

The number of shares held by the top ten shareholders subject to selling restrictions and the conditions of selling restrictions

Applicable Not Applicable

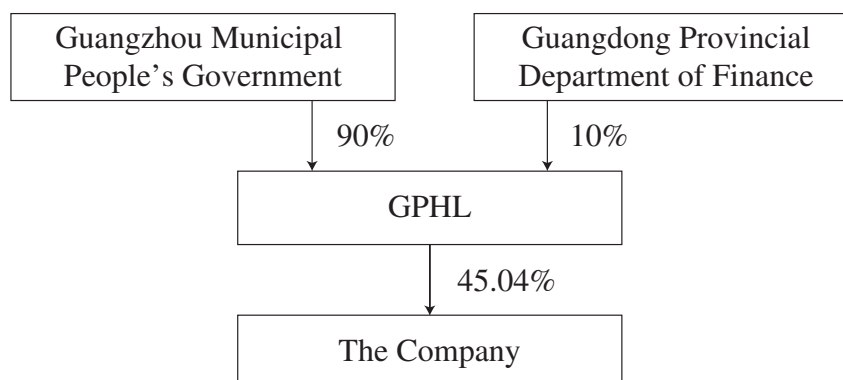
5.2 Relationship between the Company and its controlling shareholder as at the end of the Reporting Period

Applicable Not Applicable



5.3 Relationship between the Company and its actual controller as at the end of the Reporting Period

Applicable Not Applicable



5.4 Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Reporting Period.

5.5 There was no change in the controlling shareholder of the Company during the Reporting Period.

5.6 Total number of preferred shareholders and the conditions of the top ten shareholders as at the end of the Reporting Period

Applicable Not Applicable

5.7 Conditions of the Company's bonds

Applicable Not Applicable

5.8 Public float

Based on the publicly available information and to the best knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the publication of this summary.

5.9 Pre-emptive rights

According to the Articles of Association 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.

6. MAJOR EVENTS

6.1 The Company should disclose major changes in the Company's business in accordance with the principle of materiality during the Reporting Period, as well as events happening during the Reporting Period that have a major impact on the Company's operations or that are expected to have a major impact on the Company in the future.

Applicable Not Applicable

6.2 Where there is a delisting risk warning or suspension of listing after the disclosure of the Company's annual report, the reasons leading to such delisting risk warning or suspension of listing should be disclosed.

Applicable Not Applicable

7. DISCUSSION AND ANALYSIS OF THE OPERATING ENVIRONMENT

7.1 Management discussion and analysis

During the Reporting Period, the Group closely focused on the development theme of "improving both efficiency and effectiveness" and adhered to the general basic principle of "seeking progress while maintaining stability", coordinated the management of various business operations, and vigorously promoted the improvement in both operational efficiency and development effectiveness, thus achieving steady growth in operating performance.

In 2023, the Company recorded an income from operations of RMB75,515,404,000, representing an increase of 6.68% year on year; total profit of RMB5,110,498,000, representing an increase of 1.33% year on year; and net profit attributable to shareholders of the Company of approximately RMB4,055,679,000 representing an increase of 2.25% year on year.

In 2023, the Group proactively worked on the following:

- (I) Further cultivating the business, strengthening varieties, controlling costs, expanding terminal business, and continually solidifying the foundation of the development of the Great Southern TCM

During the Reporting Period, the Great Southern TCM, firstly, further increased its support and cultivation for “Diva Brands” and “High-Potential Products” and promoted steady growth in the operating performance of Great Southern TCM by continually integrating internal resources, strengthening and smoothing sales channels, expanding terminal business, strictly controlling costs, etc.. During the Reporting Period, products such as Qing Kai Ling series, An Gong Niu Huang Pill, Mi Lian Chuan Bei Pi Pa Gao Jelly, Zhuang Yao Jian Shen Pill, Xiao Chai Hu Granule, Jin Ge, Xiao Ke Pill achieved a relatively rapid year-on-year increase in sales revenue. Secondly, the Great Southern TCM strengthened brand construction, continually stimulated the innovative vitality of time-honored brands, and persistently enhanced the visibility and recognition of its brand and products. Thirdly, the Great Southern TCM accelerated the construction process of major projects and achieved tangible results in the development of industrial bases. During the Reporting Period, both the construction project of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. and the project of Gansu Guangyao Baiyunshan TCM Technology Industrial Park (Phase I) were completed and either started trial production or was put into operation.

- (II) Adhering to “one core with multi-elements”, tapping into the market, expanding channels, exploring new products, and further promoting the innovative development of the Great Health

During the Reporting Period, the Great Health seized the market opportunities provided by consumption recovery, deeply cultivated core channels, strengthened holiday marketing and promotion, online sales and exports of flagship products, fully expanded its catering advantages, continued to improve market coverage and market share, and built a solid foundation for the development of Wang Lao Ji herbal tea. The Great Health deeply cultivated the Ji Xiang (meaning auspicious) culture, created a series of products of the Ji Xiang culture featuring surname cans, blessing words cans, and Chinese zodiac cans, and strengthened the marketing for various blessed scenes. At the same time, the Great Health focused on promoting the youthfulness of brands, invated the young marketing model, extended the “Ji” culture connotation, enhanced the brand’s culture influence, and elevated the core competitiveness of the Wang Lao Ji brand. On top of that, the Great Health focused on the growth trend of healthy plant-based beverages, developed diverse new products, and launched a variety of new products, including camellia flower flavored herbal tea, rattan pepper and green grape flavored herbal tea, durian flavored herbal tea, etc., and also developed a series of products using Xinjiang sea buckthorns and prunes as ingredients, including refined

sea buckthorn juice beverages, new prune original beverages, prune kale high fiber gel, etc., further enriching the Great Health product series. The Great Health also further accelerated the process of brand internationalization by actively participating in international exhibitions, accelerating the localization of overseas products and continually promoting trademark registration.

(III) Seizing opportunities, optimizing services, expanding networks, and accelerating the transformation and development of the Great Commerce

During the Reporting Period, the Great Commerce continued to further enhance the variety expansion, network expansion, terminal access, logistics and distribution capabilities of the wholesale business, promoted market channel construction with variety resources, and further consolidated its integrated omni-channel strategy of “medical + commerce + e-commerce + retail”. GP Corp., the Company’s controlling subsidiary, firstly developed the distribution business of hospital nutrition products and special medical food, explored the co-construction model of special medical food, further strengthened strategic cooperation with key suppliers, obtained distribution rights for over 90 new drugs in the market and successfully won the bids of multiple SPD projects. Secondly, GP Corp. seized the opportunity of prescription outflow from medical institutions, continually expanded the practice of “dual channels” for retail business and “physical stores + OTO”, and increased the number of pharmaceutical retail outlets to 157, including 51 designated retail stores featuring “dual channels” in its retail business. Thirdly, GP Corp. accelerated investment, mergers and acquisitions, expanded its national sales network, newly established Guangyao Heilongjiang Pharmaceutical Co., Ltd. and Guangyao (Shaoguan) Pharmaceutical Co., Ltd., which both opened, and improved the layout of secondary subsidiaries in Guangdong Province, with subsidiaries in 9 cities in the Guangdong-Hong Kong-Macao Greater Bay Area established, and completed the establishment of wholly-owned subsidiaries in Shantou, Zhanjiang, Dongguan, and Huizhou. Fourthly, GP Corp. innovated the import and export business model. Hengqin Pharmaceutical Import & Export Co., Ltd., a subsidiary of GP Corp., obtained the advanced AEO certification issued by the customs authority and completed the first cross-border transportation of important reagents produced by mainland medical institutions. Cai Zhi Lin, a subsidiary of the Company, continued to promote the transformation and development of hospital delivery business, and accelerated the construction of the intelligent TCM decoction center on the basis of winning consecutive bids for decoction projects granted by graded and community hospital represented by Guangdong Provincial Hospital of Chinese Medicine.

(IV) Promoting development and building brands to promote the stable development of the Great Medical Care

During the Reporting Period, Baiyunshan Hospital, as part of the Great Medical Care, kept improving its software and hardware, added six diagnosis and treatment departments including the Neurosurgery Department and the Respiratory Medicine Department, set up the Baiyunshan Internet Hospital, joined in the 120 Emergency Network, and became one of the first batch of designated hospitals providing preferential treatment to retired soldiers in Guangzhou, thus improving its comprehensive strength. Baiyunshan Traditional Chinese Medicine Hospital officially opened, thereby forming an operation mode in which Baiyunshan Traditional Chinese Medicine Hospital and Baiyunshan Hospital complement each other in terms of advantages and coordinated development. Runkang Confinement Company worked with gynecology and obstetrics experts and held special lectures and promotion activities, further improving and enhancing the confinement service center brand.

(V) Continually strengthening R&D, innovation and investment and promoting the construction of the scientific research platform to boost innovation

In 2023, the Group invested a total of RMB0.782 billion in research and development. During the Reporting Period, the Group obtained 11 production approvals for products including dapoxetine hydrochloride tablets, 2 clinical trial approvals including Class 1.1 traditional Chinese medicine Yin-nourishing and Liver-soothing Granule as well as Xiao Chai Hu Granule for Children and newly obtained 1 approvals for supplementary applications for consistency evaluation; won 19 science and technology awards at various levels, including 2 international awards and 2 national awards, with Zhong Yi winning the gold medal at the 48th International Exhibition of Inventions Geneva in 2023 for its “Innovative Research and Application of Zi Shen Yu Tai Pill” project. 3 new provincial-level scientific research platforms and 1 new municipal-level scientific research platforms were added; 6 national scientific research qualifications, 10 provincial scientific research qualifications and 3 municipal research qualifications were newly confirmed. Specifically, the Company’s subsidiaries, Baiyunshan Hanfang was included in the list of “scientific reform enterprises” issued by the State-owned Assets Supervision and Administration Commission of the State Council, while Jing Xiu Tang and Guang Hua were evaluated as national intellectual property demonstration enterprises, and Guangxi Ying Kang was evaluated as a preponderant enterprise in terms of intellectual property. The Company’s 10 subsidiaries passed the recognition of small- and medium-sized enterprises in Guangdong Province featuring specialization, refinement, uniqueness and innovation, including Baiyunshan Hanfang, Pan Gao Shou and Xing Qun; and Baiyunshan Han Fang and Hanchao were awarded with the official recognition certificates from the China National Accreditation Service for Conformity Assessment (CNAS), meaning they possess the ability to carry out tests in accordance with international standards.

- (VI) Further standardizing and enhancing the quality management for products and technologies, and continuing to upgrade the digital smart platform

During the Reporting Period, the Group continued to perfect the technology quality management system, completed the pharmacovigilance system construction, and built a monitoring system for adverse drug reactions. The Group vigorously pushed forward with the renovation project for standardization, effectively facilitated the transformation into automatic and intelligent manufacturing of the Group, and enhanced production efficiency. Among others, Zhong Yi built the digital pharmaceutical manufacturing workshop which honored as the “Pilot Intelligent Manufacturing Demonstration Projects of Guangdong Province” and became one of the six Chinese patent medicine enterprises with an AA rating in China as it passed the evaluation of the management system integrating IT application with industrialization. At the same time, the Group also promoted the collaborative innovation model and conduct and established a dual prevention mechanism featuring the hierarchical control of security risks and the identification and management of potential hazards on the basis of digitization and big data technology.

- (VII) Setting up new funds and developing new businesses to further expand the Company’s development track

In 2023, to further accelerate the transformation and upgrade of the Company in the bio-pharmaceutical and healthcare sector, GP Fund set up by the Company contributed RMB334 million to establish WBA GP Fund with GP Capital and WBA Asia Investments Limited. WBA GP Fund has been registered with the relevant administration for industry and commerce, has filed its products with the Asset Management Association of China and is the first pilot Qualified Foreign Limited Partnership (QFLP) fund successfully running in Guangzhou City. In the meantime, GP Fund plans to contribute no more than RMB690 million to set up GP Venture Capital Fund with GP Capital and Guangzhou Industrial Investment Biomedical and Health Special MasterFund Partnership Enterprise (Limited Partnership)* (廣州產投生物醫藥與健康專項母基金合夥企業(有限合夥)). In addition, Guangyao Baiyun Toothpaste Company was jointly established by the Company and Meichen Group to introduce “Baiyun Toothpaste” as new series of products positioned for “regulating flora for teeth as white as cloud”, thus further enriching the Company’s product matrix.

- (VIII) Vigorously taking actions aimed at “Improving both efficiency and effectiveness” to improve management efficiency and development quality

During the Reporting Period, the Group reduced production costs and improved economic benefits by continually optimizing procurement strategies, transforming technologies and redesigning processes, etc. In the meantime, the Group focused on the weaknesses of management, optimized the management process, strengthened the overall management, further established and perfected the compliance management and compliance review system, to lower management costs, enhance management efficiency and improve development quality.

7.2 Analysis of principal operations during the Reporting Period

Analysis of change in certain items in income statement and cash flow statement

Items	The Reporting Period (RMB'000)	The corresponding Reporting Period of 2022 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2022 (%)
Revenue	75,515,404	70,788,155	6.68
Include: income from principal operations	75,274,869	70,550,190	6.70
Cost of sales	61,328,110	57,510,952	6.64
Include: cost from principal operations	61,265,910	57,452,974	6.64
Selling and distribution expenses	6,104,738	5,875,439	3.90
General and administrative expenses	2,421,540	2,218,270	9.16
Research and development expenses	782,144	819,454	(4.55)
Financial expenses	(19,561)	(162,456)	87.96
Profit before tax	5,110,498	5,043,244	1.33
Net profit attributable to shareholders of the Company	4,055,679	3,966,522	2.25
Net cash flow from operating activities	4,103,625	6,999,076	(41.37)
Net cash flow from investing activities	(3,114,859)	(7,253,188)	57.06
Net cash flow from financing activities	(1,978,001)	45,950	(4,404.70)
Investment income	264,842	421,175	(37.12)
Gains from changes in fair value	38,637	(3,591)	1,175.97
Impairment losses in respect of credit	(83,144)	(45,146)	(84.17)
Impairment losses in respect of assets	(3,521)	(7,984)	55.90
Gains on disposal of assets	12,027	690	1,643.51
Non-operating income	29,276	18,120	61.57

Notes:

- (1) Financial expenses increased year-on-year due to: influenced by bank interest rate movements, the year-on-year decrease in interest income from deposits of the Company and its subsidiaries.
- (2) Net cash flow from operating activities decreased year-on-year due to: Purchase settlements of the Company's subsidiaries increased year-on-year during the current period.
- (3) Net cash flows from investing activities increased year-on-year due to: ① the year-on-year decrease in the purchased time deposits and large-denomination certificates of deposit by subsidiaries of the Company; ② the decrease in external equity investments of the Company and its subsidiaries during the current period.

- (4) Net cash flow from financing activities decreased year-on-year due to: ① A holding subsidiary of the Company repaid super short-term commercial paper upon maturity during the year; ② the year-on-year increase in repayment of borrowings by the Company and its subsidiaries.
- (5) Investment income decreased year-on-year due to: Baiyunshan Biological was included in the scope of consolidation of the Company during 2022, and the equity interests previously held was remeasured at their fair values at the acquisition date, resulting in recognized investment gains of RMB162 million and no such event occurred during the Reporting Period.
- (6) 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.
- (7) Impairment losses in respect of 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.
- (8) Impairment losses in respect of assets increased year-on-year due to: a year-on-year decrease in provision for inventory decline accrued by subsidiaries of the Company.
- (9) The year-on-year increase in gains on disposal of assets due to: the year-on-year increase in gains recognized from disposal of assets by the subsidiaries of the Company.
- (10) The year-on-year increase in non-operating income due to: a year-on-year increase in income from government compensations for land requisition and resettlement recognized by the subsidiaries of the Company.

The Detailed description of significant changes in the company's business type, profit composition or profit source during the Reporting Period

Applicable Not Applicable

7.2.1 Analysis of revenue and cost

a) Analysis of the operation results by industry, product, regional and sales model

Industries	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations	Increase/ (Decrease) over the same period of 2022	Cost of principal operations	Increase/ (Decrease) over the same period of 2022	Gross profit margin of principal operations	Increase/(Decrease) over the same period of 2022
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage point)
Great Southern TCM	10,889,141	4.09	5,581,403	2.50	48.74	An increase of 0.79 percentage point
Great Health	11,117,427	6.15	6,180,184	4.48	44.41	An increase of 0.89 percentage point
Great Commerce	52,761,640	7.39	49,072,585	7.43	6.99	A decrease of 0.04 percentage point
Other	506,661	4.67	431,738	3.79	14.79	An increase of 0.73 percentage point
Total	75,274,869	6.70	61,265,910	6.64	18.61	An increase of 0.05 percentage point

Types of products	Results of principal operations by product					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
		Increase/ (Decrease) over		Increase/ (Decrease) over	Gross profit	
	Income from principal operations (RMB'000)	the same period of 2022 (%)	Cost of principal operations (RMB'000)	the same period of 2022 (%)	margin of principal operations (%)	Increase/(Decrease) over the same period of 2022 (percentage point)
Chinese patent medicine	6,270,792	11.64	3,528,389	7.81	43.73	An increase of 2 percentage points
Chemical medicine	4,618,348	(4.67)	2,053,014	(5.49)	55.55	An increase of 0.39 percentage point
Total of Great Southern TCM	10,889,141	4.09	5,581,403	2.50	48.74	An increase of 0.79 percentage point

Regions	Results of principal operations by region					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
		Increase/ (Decrease) over		Increase/ (Decrease) over	Gross profit	
	Income from principal operations (RMB'000)	the same period of 2022 (%)	Cost of principal operations (RMB'000)	the same period of 2022 (%)	margin of principal operations (%)	Increase/(Decrease) over the same period of 2022 (percentage point)
Southern China	55,866,768	1.19	47,206,755	1.37	15.62	A decrease 0.15 percentage point
Eastern China	6,319,898	18.89	4,528,094	18.93	28.38	A decrease 0.03 percentage point
Northern China	3,543,092	37.11	2,431,784	50.12	37.32	A decrease 5.95 percentage points
North-Eastern China	1,915,484	221.72	1,614,370	260.05	24.69	A decrease 8.97 percentage points
South-Western China	5,004,743	8.48	3,395,579	4.95	29.87	An increase of 2.28 percentage points
North-Western China	2,280,580	15.58	1,775,813	15.85	22.31	A decrease 0.18 percentage point
Exports	344,304	34.24	313,515	30.98	8.94	An increase of 2.26 percentage points

Sales models	Results of principal operations by sales model					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
		Increase/ (Decrease) over		Increase/ (Decrease) over	Gross profit	
	Income from principal operations (RMB'000)	the same period of 2022 (%)	Cost of principal operations (RMB'000)	the same period of 2022 (%)	margin of principal operations (%)	Increase/(Decrease) over the same period of 2022 (percentage point)
Industrial model	22,006,568	5.12	11,761,587	3.53	46.55	An increase of 0.82 percentage point
Commercial model	52,761,641	7.39	49,072,585	7.43	6.99	A decrease 0.04 percentage point
Other model	506,661	4.67	431,738	3.79	14.97	An increase of 0.73 percentage point

Gross profit margin of principal operations = (Income from principal operations – Cost of principal operations)/Income from principal operations * 100%

b) Analysis of production, sales and inventory

Main products	Production	Sales	Inventory	Production	Sales	Inventory
				increase/ (decrease) over the same period of 2022	increase/ (decrease) over the same period of 2022	increase/ (decrease) over the same period of 2022
Sildenafil Citrate Tablet (thousand tablets)	94,650.44	101,173.66	16,158.20	18.76	16.52	(28.86)
Xiao Ke Pill (thousand bottles)	39,553.51	37,971.77	6,041.73	26.83	10.26	46.49
Xiao Chai Hu Granule (thousand packs)	43,957.33	43,415.11	6,037.59	18.83	12.95	6.44
Zi Shen Yu Tai Pill (thousand boxes/ thousand bottles)	8,703.00	8,011.09	1,281.05	1.91	(3.67)	(2.27)
Cefuroxime Sodium for Injection (thousand bottles)	104,769.33	98,644.58	88.41	17.59	17.02	(71.24)
Hua Tuo Zai Zao Pill (thousand boxes)	7,482.17	7,389.85	1,750.74	7.40	18.26	22.30
Qing Kai Ling Series (thousand packs/ thousand bottles/thousand grains)	713,565.84	597,895.53	100,370.25	137.57	58.83	523.20
Amoxicillin series (thousand packs/ thousand grains)	1,562,969.66	1,432,652.47	131,592.04	34.85	10.45	9,458.07
Akafen powder (thousand boxes)	27,295.81	29,895.08	2,607.73	5.07	11.31	11,973.82
An Gong Niu Huang Pill (thousand grains)	5,550.69	5,043.68	838.75	27.66	23.76	506.48

Explanation on the significant year-on-year changes in production, sales and inventory of products as at the end of the Reporting Period:

- ① The reason for the year-on-year increase in the inventory of Xiao Ke Pill is that the product has strengthened its market promotion and product marketing efforts this Year, leading to a simultaneous increase in production and sales. The subordinate manufacturing enterprises anticipated an increase in future market demand and prepared additional inventory ahead of time, resulting in an increase in inventory.
- ② The reason for the year-on-year decrease in the inventory of Cefuroxime Sodium for Injection is that this product is a centrally procured and bid-winning product, with its sales market primarily consisting of first-tier public hospitals. In this year, the significant increase in market demand for the product as a result of optimized adjustments to prevention and control policies and the continuous high incidence of influenza, leading to an increase in the inventory turnover rate of this product and a year-on-year decrease in inventory.
- ③ The reason for the year-on-year increase in the production, sales, and inventory of Qing Kai Ling Series is due to the significant increase in market demand for the product as a result of optimized adjustments to prevention and control policies and the continuous high incidence of influenza. The subordinate enterprises also increased marketing efforts to enhance the product's popularity. As the product was a bid-winning variety in the Guangdong Union's centralized procurement of traditional Chinese medicine such as Qing Kai Ling, sales increased year-on-year. To meet market demand, enterprises prepared their inventory in advance, both production and inventory increased year-on-year.
- ④ The reason for the year-on-year increase in the production and inventory of Amoxicillin Series is that the demand for this product was released after the optimization of prevention and control policies, resulting in a rapid decline in inventory at the end of 2022. This Year, the market demand for this product recovered and grew, prompting the subordinate enterprises to schedule production and stock up according to demand, leading to a corresponding year-on-year increase in production and inventory.

- ⑤ The reason for the year-on-year increase in the inventory of Akafen powder is that the demand for this product was released after the optimization of prevention and control policies, resulting in a rapid decline in inventory at the end of 2022. This Year, the product returned to normal production and sales, leading to a significant year-on-year increase in inventory.
- ⑥ The reason for the year-on-year increase in the inventory of An Gong Niu Huang Pill is that in this year, in order to meet market demand, the subordinate enterprises scheduled production and stocked up according to demand, leading to a significant year-on-year increase in ending inventory.

c) Analysis of cost

Industrial	Components	Results by industry				Increase/ (decrease) over the same period of 2022 (%)	Explanation of the situation
		2023		2022			
		Amount (RMB'000)	% of the proportion of operation cost (%)	Amount (RMB'000)	% of the proportion of operation cost (%)		
Manufacturing business	Raw material	8,744,832	74.20	8,652,129	75.85	1.07	-
	Fuel	170,623	1.45	155,225	1.37	9.95	-
	Labor cost	423,812	3.60	501,879	4.40	(15.55)	-
	Others	2,444,651	20.75	2,095,838	18.38	16.64	-
Pharmaceutical distribution business	Cost of purchase	49,072,585	100.00	45,676,898	100.00	7.43	-
Others	Other cost	409,357	100.00	371,004	100.00	10.34	-

d) Major customers and suppliers

① The major sales customers of the Company

During the Year, sales by the Group to the top five customers amounted to RMB8,144,181,000 (2022: RMB7,204,127,000), representing approximately 10.82% of the total sales (2022: 10.21%) of the Group. The sales to the largest customer amounted to RMB2,136,527,000 (2022: RMB2,079,377,000), representing 2.84% (2022: 2.95%) of the total sales of the Group. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

Situation of the sales to a single customer accounting for 50% or more of the total sales of the Group, new customers entering into the top five customers, or sales by the Group heavily depended on a few customers during the Reporting Period.

Applicable Not Applicable

During the Reporting Period, there were new customers among the five largest customers:

Number	Customers	Sales <i>(RMB'000)</i>	% of the proportion of total sales for the year <i>(%)</i>
1	Customer 1	1,239,150	1.65

② Major suppliers of the Company

During the Year, purchases by the Group from the top five suppliers amounted to RMB8,046,524,000 (2022: RMB7,170,871,000), representing approximately 12.95% of the total purchases (2022: 10.47%) of the Group for the Year. The purchases from the largest supplier amounted to RMB1,971,415,000 (2022: RMB1,868,245,000), representing 3.17% (2022: 2.73%) of the total purchases of the Group for the Year. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

Situation of the purchases from a single supplier accounting for 50% or more of the total purchases of the Group, new suppliers entering into the top five suppliers, or purchases by the Group heavily depended on a few purchases during the Reporting Period.

Applicable Not Applicable

There is no heavy reliance on a few number of suppliers or customers during the Reporting Period.

To the knowledge of the Board, during the year, none of the Directors, their associates or shareholders who held more than 5% of the Company's total issued share capital had any interest in any of the 5 largest customers and suppliers as were mentioned above.

7.2.2 Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB6,104,738,000 (2022: RMB5,875,439,000), representing an increase of approximately 3.90% as compared with last year.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,421,540,000 (2022: RMB2,218,270,000), representing an increase of approximately 9.16% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB782,144,000 (2022: RMB819,454,000), representing a decrease of approximately 4.55% as compared with last year.

During the Reporting Period, the Group's financial expenses were approximately RMB-19,561,000 (2022: RMB-162,456,000), representing an increase of approximately 87.96% as compared with last year.

During the Reporting Period, the Group's income tax expenses were approximately RMB851,170,000 (2022: RMB789,784,000), representing an increase of approximately 7.76% as compared with last year.

7.2.3 Research and development investments

1) Research and development investments

Applicable Not Applicable

Cost of research and development investments in the current year (RMB'000)	782,144
Capitalization of research and development investments in the current year (RMB'000)	70,049
Total research and development investments (RMB'000)	852,193
Ratio of research and development investments to income from operations (%)	1.13
Ratio of total research and development investments to net assets (%)	2.32
Percentage of the capitalization of research and development investments (%)	8.22

2) Research and development staff

Applicable Not Applicable

The numbers of research and development staff of the Company	535
Proportion of research and development staff of the Company (%)	1.91

Educational level of research and development staff

Categories of educational level	Total amount
Doctor degree	44
Master degree	191
Bachelor degree	242
Completion of specialized education	58
Completion of general secondary education & below	0

Age structure of research and development staff

Categories of age	Total amount
Below 30 years old (<30)	245
30-40 years old (≥30, <40)	222
40-50 years old (≥40, <50)	49
50-60 years old (≥50, <60)	19
60 years old and above 60	0

3) Explanation of the situation

Applicable Not Applicable

4) Reasons of major changes in the structure of research and development staff and impacts on future development of the Company

Applicable Not Applicable

7.24 Cash flow

Applicable Not Applicable

Items	The Reporting Period (RMB'000)	The corresponding period of 2022 (RMB'000)	Increase/ (Decrease) as compared with the same period of 2022 (%)	Reasons
Net cash flow from operating activities	4,103,625	6,999,076	(41.37)	Purchase settlements of the Company's subsidiaries increased year-on-year during the Reporting Period.
Net cash flow from investing activities	(3,114,859)	(7,253,188)	57.06	① The year-on-year decrease in the purchased time deposits and large-denomination certificates of deposit by subsidiaries of the Company; ② the decrease in external equity investments of the Company and its subsidiaries during the Reporting Period.
Net cash flow from financing activities	(1,978,001)	45,950	(4,404.70)	① A holding subsidiary of the Company repaid super short-term commercial paper upon maturity during the Year; ② the year-on-year increase in repayment of borrowings by the Company and its subsidiaries

7.3 Analysis of financial conditions

7.3.1 Liquidity

As at 31 December 2023, the current ratio of the Group was 1.55 (31 December 2022: 1.53), and its quick ratio was 1.23 (31 December 2022: 1.24). Accounts receivable turnover rate was 5.45 times (31 December 2022: 5.54 times), representing a decrease of 1.59% as compared with the corresponding period of 2022. Inventory turnover rate was 5.49 times (31 December 2022: 5.41 times), representing an increase of 1.49% as compared with the corresponding period of 2022.

7.3.2 Financial resources

As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB19,823,544,000 (31 December 2022: RMB20,804,699,000), of which approximately 99.79% and 0.21% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2023, the Group had bank borrowings of RMB11,159,204,000 (31 December 2022: RMB10,675,850,000), including short-term borrowings of RMB7,799,036,000 (31 December 2022: RMB8,538,065,000), current portion of non-current liabilities of RMB36,451,000 (31 December 2022: RMB498,582,000) and long-term borrowings of RMB3,323,718,000 (31 December 2022: RMB1,639,203,000).

7.3.3 Capital structure

As at 31 December 2023, the Group's current liabilities amounted to RMB36,235,291,000 (31 December 2022: RMB37,395,116,000), representing a decrease of 3.10% as compared with the corresponding period of 2022, and its long-term liabilities was RMB5,673,763,000 (31 December 2022: RMB3,632,325,000), with an increase of 56.20% as compared with the corresponding period of 2022. The shareholders' equity attributable to the shareholders of the Company amounted to RMB34,919,281,000 (31 December 2022: RMB32,065,125,000), with an increase of 8.90% as compared with the corresponding period of 2022.

7.3.4 Capital expenditure

The Group expects the capital expenditure for 2024 to be approximately RMB2.096 billion (2023: RMB1.936 billion), which would be mainly applied in the construction of development bases, the construction of production bases and upgrade of equipments, etc. The Group will raise funds to meet the capital requirements of capital expenditure plan by resorting to its internal funds, bank loans, etc.

7.3.5 Assets and liabilities

Items	As at 31 December 2023 (RMB'000)	% of the total assets (%)	As at 31 December 2022 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2022 (%)	Reasons for changes
Financial assets held for trading	4,000	0.01	56,873	0.08	(92.97)	During the Reporting Period, the related projects involving performance commitments between GP Corp., a subsidiary of the Company, and its non-controlling shareholders have completed evaluation and special audits in accordance with the relevant agreement, resulting in a year-on-year decrease in the amount of this project.
Current portion of non-current assets	159,360	0.20	653,116	0.87	(75.60)	During the Reporting Period, the large-denomination certificates of deposit held by the Company and its subsidiaries expired in the year, resulting in a year-on-year decrease in the amount of this item.
Debt investment	6,536,372	8.32	3,164,499	4.24	106.55	The time deposits and large-denomination certificates of deposit held to maturity of the Company and its subsidiaries increased year-on-year.

Items	As at 31 December 2023 (RMB'000)	% of the total assets (%)	As at 31 December 2022 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2022 (%)	Reasons for changes
Deferred tax assets	1,163,548	1.48	865,339	1.16	34.46	In accordance with the relevant requirements of accounting standard interpretations, the Company and its subsidiaries presented the deferred income tax assets related to leases on a gross basis, resulting in an increase in the amount of this item.
Other non-current assets	86,446	0.11	239,830	0.32	(63.96)	The Company and its subsidiaries decreased prepaid project payment in accordance with the contract during the current period.
Current portions of non-current liabilities	249,829	0.32	706,732	0.95	(64.65)	During the Reporting Period, the Company and its subsidiaries repaid long-term loans with a term of less than one year, resulting in a year-on-year decrease in the amount of this item.
Other current liabilities	695,880	0.88	1,325,366	1.78	(47.50)	A subsidiary of the Company, repaid the super short-term commercial paper it had issued during the previous period upon their maturity, resulting in a year-on-year decrease in the amount of this item.
Long-term borrowings	3,323,718	4.22	1,639,203	2.20	102.76	The bank loans of the Company's subsidiaries increased year-on-year.
Deferred tax liabilities	639,529	0.81	394,588	0.53	62.08	In accordance with the relevant requirements of the accounting standard interpretations, the Company and its subsidiaries presented the deferred income tax liabilities related to leases on a gross basis, resulting in an increase in the amount of this item.
Other comprehensive income	(24,344)	(0.03)	(12,901)	(0.02)	(88.70)	The change in fair value of financial assets of the Company and its subsidiaries decreased.

7.3.6 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 in exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities and foreign investment entities denominated in foreign currencies, and will indirectly cause changes in the Group's revenue or cash flows for a certain period. During the Reporting Period, the Group will continue to pay attention to the foreign exchange risks that may exist in the process of foreign exchange settlement.

7.3.7 Main cash resources and applications

As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB19,823,544,000 with a decrease of RMB981,155,000 as compared with the beginning of 2023. Net cash flow from operating activities amounted to RMB4,103,625,000 with a year-on-year decrease of RMB2,895,451,000.

7.3.8 Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

7.3.9 Charge on the Group's assets

As at 31 December 2023, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, as secured by buildings of fixed assets with the original value amounting to HKD8,893,000 and net value of HKD5,847,000, and by investment properties with the original value amounting to HKD6,843,000 and net value of HKD2,950,000, had obtained the overdraft amounting to HKD300,000, and letter of credit and 90-day credit in the total amount of HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd.. Unexpired letter of credit of USD429,000 in value had also been obtained.

7.3.10 Bank loans, overdraft and other borrowings

As at 31 December 2023, the bank loans of the Group amounted to RMB11,159,204,000 (31 December 2022: RMB10,675,850,000), with an increase of RMB483,354,000 as compared with the beginning of 2023. The above bank loans included short-term borrowings of RMB7,799,036,000 long-term borrowings of RMB3,323,718,000 and current portion of non-current liabilities of RMB36,451,000.

7.3.11 Gearing ratio

As at 31 December 2023, the Group's gearing ratio (total liabilities/total assets ×100%) was 53.33% (31 December 2022: 54.95%).

7.3.12 Material investment

1. Significant Equity Investments

Applicable Not Applicable

2. Significant Non-equity Investments

Applicable Not Applicable

Name of Investment project	Subject of investment and construction	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	Reached the scheduled usable state.
GYBYS Biological Medicine and Health R&D Sales Headquarters Project	The Company		109,985.30	The curtain wall project is approaching to the end, interior decoration and mechanical and electrical equipment installation are in progress.
Nansha Base (Phase I) Project of Guangzhou WLJ Great Health Industry Co., Ltd.	WLJ Great Health	Establishment of WLJ herbal tea canning production line	74,965.73	Reached the scheduled usable state.
The Construction Project of Guangyao Baiyunshan affordable rental housing and talent apartment	Chemical Pharmaceutical Factory	Housing, kindergarten, garage and community public services and other supporting facilities	108,286.03	It has completed the land survey work and is at the stage of application for construction land planning conditions and the site investigation.

7.3.13 Major assets subject to restrictions at the end of the Reporting Period

Applicable Not Applicable

7.4 Discussion and analysis on future development

7.4.1 Industry landscape and trends

Applicable Not Applicable

- (i) The Policy supports for the development of the biological medicine and health industry. The biological medicine and health industry as one of the strategic emerging industries in China has got strong policy support from the government in recent years. Industry regulators tend to systematize the guiding and normative policies; local governments introduce differentiated industrial development plans and industrial cluster plans based on industrial foundation, location characteristics and resources to provide support in terms of land, capital, platform and etc. for the development of the biological medicine and health industry.
- (ii) With the frequent introduction of pharmaceutical policies and the maintenance of stringent medical supervision, pharmaceutical companies are being driven to enhance product quality and reduce costs. A series of pharmaceutical policies have been introduced intensively to accelerate the adjustment of the pharmaceutical industry. These policies impose heightened demands on both the cost control and quality assurance of pharmaceutical enterprises, making high-quality development an imperative requirement for the pharmaceutical industry.
- (iii) China has attached great importance to the development of traditional Chinese medicine, which has ushered in a new round of development opportunities. The state has issued a series of policies at all level, actively supporting and promoting TCM heritage innovation and quality development. The construction of a modernized scientific research system of TCM, the review and approval and registration mechanism of TCM are being gradually improved, while the construction of TCM characteristic talent teams and the brand building of TCM, etc. are also expected to gain accelerated development, and the recognition of traditional Chinese medicine's efficacy is increasing. However, the beginning of national centralized volume-based of TCM and the pressure of cost control will force TCM enterprises to transform and upgrade. The further standardization of the use of Chinese patent medicine in the future and the establishment of a mechanism monitoring key drugs will bring about considerable challenges to TCM manufacturing enterprises.

- (iv) As the capital market environment has gradually improved, the restructuring and integration of the pharmaceutical industry have accelerated. The merger and acquisition and reorganization characterized by strategic resources complementary industrial integration, unification and strong alliance will gradually become the mainstream.
- (v) As China deepens its implementation of the innovation-driven development strategy and strengthens its strategic technological capabilities, technological innovation has become a crucial force driving economic transformation and upgrading as well as enhancing economic vitality. The pharmaceutical manufacturing industry possesses strong technological innovation attributes, and at the same time, technological innovation is also one of the significant drivers promoting the development of the pharmaceutical manufacturing industry. Guided by policies, the industry will continue to increase investment in innovation, facilitating breakthroughs in key core technologies and the research and development of innovative products. This will propel the industrialization and application of innovative drugs and high-end medical devices, further contributing to industrial upgrading and high-quality development.

7.4.2 Development strategy and business plan for year 2024

✓ Applicable Not Applicable

In 2024, the Group will closely focus on the development theme of “digital economy year”, actively promote the integrated development of digital economy and the pharmaceutical and health industry, further cultivate the market and foster growth driving forces to promote the high-quality development of each business segments. The Group will mainly push ahead the following work:

1. Continually solidifying the foundation for the development of Great Southern TCM. The Company will continue to actively participate in centralized volume-based procurement of national or inter-provincial pharmaceutical alliances. At the same time, the Company will strongly promote marketing integration and model innovation, advance the “1+4” marketing integration, and work to boost growth in the OTC, terminal and e-commerce and other markets. Apart from that, the Company will build more “Diva brands” under different categories in different fields by implementing various strategies. Meanwhile, the Company will accelerate the stimulation of the sleep category and cultivation of potential categories. The Company will promote the secondary development of Chinese patent medicine in a targeted manner by focusing on common diseases for which TCM treatment has obvious advantages, continually strengthen the construction of “fashionable TCM”, and extend the TCM industry chain. By vigorously promoting fashionable product packaging, promoting the revitalization and development of time-honored brands, and continually stimulating the new development potential

of time-honored brands, the Company will strive to create more fashionable and competitive brand image and cultural connotation, and enhance product influence and brand strength. The Company will also optimize specialized active pharmaceutical ingredients (APIs), and promote the development of high margin categories, while expanding the international market for APIs and enhancing the competitiveness of its international business.

2. Further fostering new driving forces for the development of the Great Health. The Company will consolidate channel construction, comprehensively expand the market share, and continue to consolidate its leading position in the herbal tea sector and in terms of product categories. By pursuing diversified development, the Company will improve the market recognition of new products of herbal tea, Ci Ning Ji, Li Xiao Ji and other new products, and actively expand the market for potential products such as lozenges, tortoise herb jelly and coconut juice. The Company will deeply cultivate the Ji Xiang culture, promote brand upgrade, further optimize the brand perception and visual image, and improve the market coverage and penetration. In addition, the Company will accelerate the overseas market layout, enrich the overseas product matrix and enhance the international brand awareness.
3. Activating the driving forces for innovative development of the Great Commerce. The Company will insist on the network terminalization, and improve the market share, market position and comprehensive competitiveness of the pharmaceutical distribution business. By capitalizing on the prescription outflow policies, the Company will consolidate retail business layout relying on the S2B2C platform of GP Corp., and actively improve the profitability and capacity of the retail business. By seizing the opportunities provided by policies in the Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Island, the Company will expand the cross-border e-commerce and import and export business; promote the logistics integration of the overall business throughout the country, and improve the logistics service system. In addition, the Company will accelerate the construction of the Cai Zhi Lin TCM intelligent decoction center (phase II) project, and strengthen the supply service capacity of smart pharmacies.
4. Striving to create development advantages for the Great Medical Care. The Company will advance the benchmarking construction of Baiyunshan Hospital, strengthen the operation management capacity building, and build professional operation management teams. In the meantime, the Company will comprehensively improve the medical service capabilities, and accelerate the establishment of superior disciplines of Baiyunshan Chinese Medicine Hospital, which will form a complementary collaborative development relationship with Baiyunshan Hospital. The Company will

continually improve the brand influence of Runkang Confinement Company. Also, the Company will promote the business layout of medical testing, first aid and other medical instruments, speed up the development of featured products that are closely related to food, clothing, accommodation and transportation and have high-tech elements, and accelerate transformation and upgrading efforts.

5. Promoting self-reliance and self-improvement work construction of scientific research. The Company will continue to improve the construction of scientific research platforms at all levels, raise the overall level of scientific research platforms, and establish a first-class scientific research platform system. The Company will ramp up efforts to expand the layout of R&D pipelines of innovative drugs, develop new drugs by means of independent research and development, joint development, purchase and introduction, and continue to vigorously carry out the secondary development of large categories, consistency evaluation of generic drugs and stimulation of the sleep category, as well as cultivation, research and development of famous drugs. While strengthening industry-college-research cooperation and exchanges, the Company will enhance connection and cooperation with hospitals, scientific research institutions and both overseas and domestic enterprises, and promote the implementation of more results.
6. Continually enhancing capital operation. The Company will vigorously promote the quotation on the NEEQ (National Equities Exchange and Quotations) of GP Corp. and the listing of GP Corp.'s shares on the Beijing Stock Exchange to improve its financing capacity. The Company will promote the joint investment in innovative projects by the GP Fund and other funds, accelerate the establishment of the GP Venture Capital Fund, exploit the advantages of the WBA GP Fund, and further promote the Company's biomedical industry layout. The Company will also accelerate the pace of capital operation, promote the investment, merger and acquisition of various types by category in each business segment, and further optimize the product mix and business segments.
7. Vigorously promoting the development of the digital economy. The Company will advance the intelligent transformation of drug production, promote the establishment of a refined production management system, and push forward with the construction of digital factories. In addition, the Company will establish a unified data platform, promote the industrial internet innovation projects, strengthen modern and refined management capabilities, and improve digital management capabilities.

8. Insisting on the development of the Company with the support of talents. The Company will continue to improve the talent quality and talent management. The Company will further refine the working mechanism, optimize the risk control and monitoring platform, strengthen the risk control, always do a good job in preventing and controlling risks and properly managing the line of defense, and continually promote the high-quality development of the Group.

7.4.3 Potential challenges and risks

✓ Applicable Not Applicable

The pharmaceutical industry is one of the sectors most profoundly influenced by national policies, and thus faces significant policy risks. With the in-depth advancement of a series of healthcare reform measures such as consistency evaluation, volume-based procurement, and reform of healthcare payment methods, the pharmaceutical market landscape continues to evolve, industry competition intensifies, and inevitable changes such as innovative transformation, industrial integration, and business model shifts ensue. This situation compels the Company to further strengthen its innovative research and development capabilities and introduce new products with differentiated advantages. As a result, the Group is confronted with the pressure of transformation and upgrading.

Moreover, the Group also encounters risks pertaining to product quality control, research and development, market fluctuations, and more. Guided by policies, the Group will closely monitor the promulgation of national and industry policies, as well as market changes. Leveraging the brand and resource advantages, the Group will formulate corresponding development plans, continuously enhance our competitiveness, and achieve sustainable and high-quality development.

8 EMPLOYEES OF THE GROUP

8.1 Situation of the employees

Numbers of the employees of the parent Company	2,062
Numbers of the employees of the major subsidiaries	25,986
Total number of employees	28,048
Retired employees of the Company and major subsidiaries whose expenses were assumed by the Company and major subsidiaries	9,380
Gross payroll of the Group	RMB3.953 billion

Composition

Category constitution	a number of constitute staff
Production staff	4,723
Sales personnel	12,207
Technical staff	3,482
Finance staff	825
Administrative staff	6,811
Total	28,048

Educational Level

	Number
Postgraduate	779
Undergraduate	10,057
University college	8,416
Secondary and below	8,776
Total	28,048

Note: In-service employees of major subsidiaries of the Company increased mainly due to the increase of subsidiaries during the year and the GP Corp., the controlling subsidiary of the Company, calculated the number of employee on the basis of headquarter in 2022, excluding its subsidiaries.

8.2 Remuneration policy

Applicable Not Applicable

The remuneration of the employees of the Group includes salaries, bonuses, subsidies, five social insurances and one housing fund, enterprise annuities, supplementary medical insurance and other fringe benefits. The Group, in accordance with the relevant laws and regulations, paid different rates of remuneration to different employees, depending 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 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 employees with care such as staff shuttles, apartments for talents, and various interest groups. The group adheres to equal employment, attaches importance to the integration of diverse cultures, respects all enterprises with different background, fairly treats employees of different nationalities, races, religious beliefs, genders and ages, and resolutely opposes any form of discrimination.

8.3 Training plan

✓ Applicable Not Applicable

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

9 OTHER MATTERS

9.1 CG Code and Model Code

During the Reporting Period, the Company complied with the code provisions under the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix C1 to the Listing Rules of HKEX.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules of HKEX, as well as the Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management Personnel formulated by the Company, as the code of conduct and norms for securities transactions by Directors and Supervisors. After making specific inquiries to all Directors and Supervisors, the Company has confirmed that during the Reporting Period, the Directors and Supervisors have complied with the standards for securities transactions stipulated in the aforementioned code of conduct and norms. The Company is not aware of any incidents of non-compliance with the Model Code by Directors and Supervisors.

9.2 The Audit Committee

In August 1999, the Company established the Audit Committee. Its principal responsibilities include: to review and monitor the quality and procedure of the Group's financial reporting, to review the completeness and effectiveness of the Company's financial monitoring, internal control, internal audit and risk management system and the soundness and effectiveness of internal control, to consider the appointment of independent auditors and to co-ordinate and to review the efficiency and quality of their work.

The Audit Committee of the 8th session of the Board was comprises Mr. Wong Hin Wing (chairperson of the Audit Committee), Ms. Wang Weihong, Mr. Chen Yajin and Mr. Huang Min. All of them are independent non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 29 June 2020 and expired on 30 May 2023.

The Audit Committee of the 9th session of the Board was established on 30 May 2023 and comprises Mr. Wong Lung Tak Patrick (chairperson of the Audit Committee), Mr. Chen Yajin, Mr. Huang Min and Ms. Sun Baoqing. All of them are independent non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 30 May 2023 up to the date of new session of the Board was elected.

During the Reporting Period, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, Code of Practice of the Audit Committee of the Board, the Corporate Governance Code and other relevant regulations. In 2023, the Audit Committee held 11 meetings and each of the members of the committee attended all the meetings. In 2023, the Audit Committee held 11 meetings and each of the members of the committee attended all the meetings, in which the members reviewed the 2022 Annual Report, 2023 Interim Report and financial reports of the Group as well as the recommendations on management issued by auditors and the respective response by the Company's management; reviewed the connected transactions of the Group; reviewed the Company's internal audit risk control report for 2022 and audit risk control work plan for 2023; review the Company's quarterly reports for the first and third quarters of 2023; review the report on inspection of the use of proceeds for the whole year of 2022 and half year of 2023; review the proposal for the Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) subscribes the limited partnership of the Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership) and connected transaction; review the proposal for the Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) subscribes the limited partnership of the WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) and connected transaction; the estimated number of day-to-day connected transactions in 2024 and other matters in relation to connected transaction; advised the Company on major events of the Company or reminded the management of relevant risks and reviewed the effectiveness of risk management and internal audit function; advised the Board regarding the change of auditing firm.

Major tasks accomplished by the Audit Committee in 2023 included:

1) Work regarding the re-appointment of accounting firm

During the Reporting Period, the Company re-appointed WUYIGE Certified Public Accountants LLP as the auditor for annual financial audit and internal control, and the Audit Committee believes that WUYIGE Certified Public Accountants LLP possesses the qualifications of securities and futures related business licenses, possesses the qualifications and competence to provide audit services to listed companies. The member did not violate the requirements for Independence under the Code of Ethics for Chinese Certified Public Accountants. WUYIGE Certified Public Accountants LLP possesses sufficient independence, integrity and ability to protect our investors, and thus satisfies the requirements of the Company for its annual financial audit and internal control audit work for 2023.

2) Review the Company's financial information and its disclosure

During the Reporting Period, the Audit Committee of the Board of the Company conducted reviews of the 2022 annual financial report, the 2023 interim financial report, and the 2023 first quarter and third quarter financial statements. The members of the Audit Committee effectively fulfilled their supervisory responsibilities, paid close attention to and fully understood the basis and criteria for calculating impairment provisions, and provided relevant audit opinions. They unanimously concluded that the financial reports of the Company truly, accurately, and completely reflect the financial position, operating results, and cash flows of the Company. There are no possibilities of fraud, misconduct, or material misstatements. There are no significant accounting errors, adjustments involving important accounting judgments, or matters leading to non-standard unqualified audit reports. The disclosed information and procedures are compliant with laws and regulations.

3) Supervision and evaluation of the work of external auditors

The members of the Audit Committee communicated with the Company's auditor for the 2022 annual financial statements, WUYIGE Certified Public Accountants LLP, regarding among other matters, the scope and plan of the audit and seriously urged the auditor to conduct the audit with due diligence. The Audit Committee believes that the auditor has carried out the audit work for the Company in the year of 2022 with cautious, independent and objective standards, and managed to abide to their professional ethics, followed the auditing regulations closely, fulfilled their auditing responsibilities and submitted the auditors' report in time.

4) Supervision and evaluation of the internal audit work

During the Reporting Period, the Audit Committee earnestly reviewed the Company's internal audit work plan, and endorsed the feasibility of the plan. At the same time, it urged the Company's internal audit department to strictly execute the audit plan, and proposed instructional opinions on the problems identified in internal audit.

5) Supervision and evaluation of the effectiveness of internal control

Pursuant to the Company Law and Internal Control Handbook as well as relevant supporting guidelines and requirements as stipulated by the CSRC and the SSE, the Company formulated the better corporate governance structures and governance systems. During the Reporting Period, our company was able to implement various laws, regulations, the Articles of Association, and related internal management systems. The shareholders' general meeting, the Board, the Supervisory Committee, and the management of the Company operated in a standardized manner, effectively protecting the legitimate rights and interests of the Company and its shareholders. The Audit

Committee earnestly reviewed the Company's Internal Control Evaluation Report and the Internal Control Audit Report issued by WUYIGE Certified Public Accountants LLP, reviewed and verified the Company's financial monitor, internal monitor, internal audit and risk management systems and implementation and effectiveness.

- 6) Supervision of major events
- (i) Supervise the audit department to organize the inspection of the relevant matters of the Company, covering the implementation of major events such as the use of the Company's proceeds, guarantees, connected transactions, financial assistance, and external investment, as well as the Company's material capital transactions and capital transactions with Directors, Supervisors, senior managers, controlling shareholders, actual controllers and their affiliates.
 - (ii) Supervise the use and management of the Company's proceeds, and the Company has carried out the deposit, use and management of proceeds in strict accordance with laws and regulations and the relevant provisions of the Management System for the Company's proceeds in 2023 without violations.
 - (iii) Review the connected transactions of the Company: During the Reporting Period, the Audit Committee reviewed the necessity and reasonableness of the Company's connected transactions, continued to pay attention to the compliance of the pricing model, deliberation and disclosure of connected transactions, reviewed the relevant matters of the Company's connected transactions one by one, confirmed that the pricing of the transactions was fair and reasonable, and did not find any connected transactions harm the interests of the Company and its shareholders.
 - (iv) Supervise of the Company's external guarantees: During the Reporting Period, the Company did not have any form of external guarantees, nor did the external guarantees that occurred in the previous period but continued to the current Reporting Period. During the Reporting Period, there were no external guarantees, and there were no cumulative guarantees.

Work relating to the annual audit for 2023 and the preparation of the annual report is as follows:

The Audit Committee actively coordinated with the Company in respect of the audit for 2023 and the preparation of the annual report for 2023 in accordance with Code of Practice of the Audit Committee of the Board and the Rules on the annual report of the Audit Committee, including:

- 1) On 3 January 2024, the members of the Audit Committee negotiated with the Company's auditors, the Finance Department and the Audit Department through a combination of online and offline methods in advance regarding matters such as the scope of audit for 2023, the independence of the accounting firm and relevant auditors, key time lines, audit focus of the annual report, and personnel arrangement. Members of the Audit Committee received the audit work of the 2023 annual report reported by the auditor, and put forward opinions and suggestions.
- 2) On 1 March 2024, the Audit Committee reviewed the draft of the financial reports prepared by the Company and issued written recommendations thereon.
- 3) After the auditors' completion of the preliminary auditing work, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed that the 2023 financial reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.
- 4) On 15 March 2024, the Audit Committee of the Company convened the first meeting in 2024 and considered and passed the Company's 2023 Annual Report and its summary, the Company's 2023 Financial Report, the Company's 2023 Internal Control Evaluation Report, and relevant proposals, and agreed to submit the reports to the Board for approval. At the same time, the Audit Committee finalized its evaluation of the annual audit work of the auditors and believed that the auditors had carried out the annual audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, adhering to the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors' report on time, as well as issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

9.3 Management contracts

No contracts concerning the overall business or the management and administration of the whole or any substantial part of the core business of the Company were entered into or existed during the Year.

9.4 Significant Relationships with our employees, customers, suppliers and others

The Group offers various remuneration and benefit packages to its employees in line with industry norms based on, among others, their performance, abilities and positions. The Group attaches importance to the career development of its employees and has established professional promotion channels and a comprehensive talent development system. In addition, the Group chooses its suppliers with due prudence and has a comprehensive supplier management system in place to ensure the superior quality of its products delivered to the customers, as an effort to protect their rights and interests. During the Reporting Period, the Group enjoyed an agreeable and stable business relationship with both its suppliers and customers. Meanwhile, the Group attaches remarkable importance to the issues concerning environmental protection and public welfare, and strives to promote the sustainable and healthy development of the Company together with its stakeholders during the economic exchanges with them.

10. FINANCIAL REPORTS

10.1 Financial statements prepared in accordance with the *China Accounting Standards for Business Enterprises*

(All amounts in Renminbi yuan unless otherwise stated)

Consolidated Balance Sheet

Item	Note	31 December 2023 (Audited)	31 December 2022 (Audited)
Current assets:			
Cash at bank and on hand		21,308,844,204.44	22,499,552,770.75
Financial assets held for trading		4,000,000.00	56,872,680.00
Derivative financial assets		-	-
Notes receivable		870,884,277.92	1,127,351,252.18
Accounts receivable	5.1.3	15,112,494,798.69	14,857,591,768.49
Accounts receivable financing		3,614,318,262.22	3,182,767,002.04
Advances to suppliers		818,359,584.97	836,054,949.33
Other receivables		878,488,529.23	917,243,401.47
Including: Interest receivable		-	-
Dividends receivable		61,263,627.92	218,766,959.00
Inventories		11,507,099,742.41	10,671,572,518.76
Contract assets		-	-
Assets held for sales		-	-
Current portion of non-current assets		159,360,467.41	653,115,558.10
Other current assets		<u>1,709,863,857.80</u>	<u>2,262,189,612.17</u>
Total current assets		<u>55,983,713,725.09</u>	<u>57,064,311,513.29</u>

Item	<i>Note</i>	31 December 2023 (Audited)	31 December 2022 (Audited)
Non-current assets:			
Debt investment		6,536,371,536.43	3,164,498,751.59
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment		1,805,641,584.30	1,584,063,326.22
Other equity instrument investment		103,811,737.94	109,569,842.38
Other non-current financial assets		1,005,936,165.09	1,038,818,757.16
Investment properties		169,774,679.12	206,705,464.62
Fixed assets		4,379,797,422.14	3,709,183,725.56
Construction in progress		2,405,171,721.70	2,108,326,591.35
Bearer biological assets		2,105,655.00	2,455,065.00
Oil and gas assets		–	–
Right-of-use assets		728,902,362.98	750,159,146.25
Intangible assets		2,886,413,941.35	2,585,098,403.38
Development expenditure		309,893,312.45	240,668,063.93
Goodwill		829,473,066.90	829,473,066.90
Long-term prepaid expenses		189,876,764.45	166,798,201.40
Deferred tax assets		1,163,548,295.53	865,338,772.26
Other non-current assets		86,445,793.62	239,830,085.45
Total non-current assets		<u>22,603,164,039.00</u>	<u>17,600,987,263.45</u>
TOTAL ASSETS		<u>78,586,877,764.09</u>	<u>74,665,298,776.74</u>

	<i>Note</i>	31 December 2023 (Audited)	31 December 2022 (Audited)
Current liabilities:			
Short-term borrowings		7,799,035,643.76	8,538,065,161.82
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		3,844,035,975.33	3,760,482,808.87
Accounts payable	5.1.4	11,841,831,852.37	11,200,347,828.21
Advances from customers		-	-
Contract liabilities		5,429,885,396.19	5,644,201,576.24
Employee benefits payable		1,068,998,831.85	1,009,349,656.60
Taxes payable		386,552,287.00	375,710,536.16
Other payables		4,919,241,645.67	4,834,860,628.52
Including: Interest payable		-	-
Dividends payable		62,206,330.91	54,681,191.50
Liabilities held for sales		-	-
Current portion of non-current liabilities		249,828,503.72	706,731,706.03
Other current liabilities		<u>695,880,365.06</u>	<u>1,325,366,108.82</u>
Total current liabilities		<u>36,235,290,500.95</u>	<u>37,395,116,011.27</u>
Non-current liabilities:			
Long-term borrowings		3,323,717,917.22	1,639,203,064.38
Bonds payable		-	-
Lease liabilities		578,192,461.09	545,843,252.45
Long-term payables		19,971,964.60	20,396,504.60
Long-term employee benefits payable		293,264.21	318,220.83
Provisions		55,930,935.37	47,783,187.15
Deferred income		1,001,429,861.00	930,926,291.01
Deferred tax liabilities		639,528,919.04	394,588,189.23
Other non-current liabilities		<u>54,698,033.81</u>	<u>53,265,976.60</u>
Total non-current liabilities		5,673,763,356.34	3,632,324,686.25
Total liabilities		<u>41,909,053,857.29</u>	<u>41,027,440,697.52</u>

	31 December 2023	31 December 2022
<i>Note</i>	(Audited)	(Audited)
Shareholders' equity:		
Share capital	1,625,790,949.00	1,625,790,949.00
Capital surplus	10,105,714,430.90	10,105,714,430.90
Less: Treasury shares	-	-
Other comprehensive income	-24,344,469.59	(12,900,928.58)
Surplus reserve	2,252,789,227.28	2,084,386,972.83
Undistributed profits	<u>20,959,330,809.10</u>	<u>18,262,133,346.76</u>
Total equity attributable to shareholders of the parent company	<u>34,919,280,946.71</u>	32,065,124,770.91
Minority interest	<u>1,758,542,960.09</u>	<u>1,572,733,308.31</u>
Total shareholders' equity	<u>36,677,823,906.80</u>	<u>33,637,858,079.22</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u><u>78,586,877,764.09</u></u>	<u><u>74,665,298,776.74</u></u>

Consolidated Income Statement

Item	Notes	For the twelve months ended 31 December 2023 (Audited)	For the twelve months ended 31 December 2022 (Audited)
1. Operating income	5.1.5	75,515,403,994.78	70,788,155,068.45
Less: Operating costs	5.1.5	61,328,109,614.88	57,510,951,745.55
Taxes and surcharges		344,162,082.69	297,662,003.76
Selling and distribution expenses		6,104,737,743.38	5,875,439,169.65
General and administrative expenses		2,421,539,832.01	2,218,269,994.06
R&D expenses		782,144,234.86	819,454,349.98
Financial expenses		(19,560,781.89)	(162,455,524.14)
Including: Interest expenses		446,191,732.89	434,408,023.62
Interest income		486,336,348.90	626,789,186.37
Add: Other income		337,784,445.95	480,422,865.61
Investment income		264,842,172.40	421,174,647.06
Including: Income from investments in associates and joint ventures		107,887,761.00	136,587,586.49
Derecognition income of financial assets measured at amortized cos		(14,771,116.09)	(4,837,495.52)
Gains from changes in fair value		38,637,354.11	(3,590,915.95)
Impairment losses in respect of credit		(83,144,473.48)	(45,146,385.09)
Impairment losses in respect of assets		(3,521,096.00)	(7,983,747.94)
Gains on disposal of assets		12,027,009.48	689,816.02
2. Operating profit		5,120,896,681.31	5,074,399,609.30
Add: Non-operating income		29,276,203.99	18,120,146.41
Less: Non-operating expenses		39,674,855.68	49,275,684.47
3. Total profit		5,110,498,029.62	5,043,244,071.24
Less: Income tax expenses	5.1.6	851,170,069.30	789,873,737.26
4. Net profit		<u>4,259,327,960.32</u>	<u>4,253,370,333.98</u>
(1) Classified by the continuity of operations			
A. Net profit from continuing operations		4,259,327,960.32	4,253,370,333.98
B. Net profit from discontinued operations		-	-
(2) Classified by ownership of the equity			
A. Net profit attributable to the parent company's shareholders		4,055,678,691.49	3,966,522,218.54
B. Minority interest		203,649,268.83	286,848,115.44

Item	Notes	For the twelve months ended 31 December 2023 (Audited)	For the twelve months ended 31 December 2022 (Audited)
5. Other comprehensive income, net of tax		(12,232,383.31)	5,775,602.17
Other comprehensive income, net of tax attributable to the parent company's shareholders		(11,443,541.01)	4,575,428.30
(1) Other comprehensive income that will not be reclassified to profit or loss		(6,814,614.13)	(13,694,627.23)
A. Changes arising from the remeasurement of defined benefit obligation		-	-
B. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
C. Change in fair value of other equity instrument investment		(6,814,614.13)	(13,694,627.23)
D. Change in fair value of the company's own credit risk		-	-
E. Others		-	-
(2) Other comprehensive income that may be reclassified into profit or loss		(4,628,926.88)	18,270,055.53
A. Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
B. Change in fair value of other debt investment		(8,899,525.75)	2,550,507.82
C. Gains and losses arising from changes in fair value of available-for-sale financial assets		-	-
D. The amount of financial assets reclassified into other comprehensive income		-	-
E. Gains and losses arising from reclassification of held-to-maturity investment to available-for-sale financial assets		-	-
F. Provision for credit loss of other debt investment		997,136.00	651,848.91
G. Cash flow hedge reserve		-	-
H. Difference arising from the translation of foreign currency financial statements		3,273,462.87	15,067,698.80
I. Others		-	-
Other comprehensive income, net of tax attributable to minority shareholders		(788,842.30)	1,200,173.87

Item	<i>Notes</i>	For the twelve months ended 31 December 2023 (Audited)	For the twelve months ended 31 December 2022 (Audited)
6. Total comprehensive income		<u>4,247,095,577.01</u>	<u>4,259,145,936.15</u>
(1) Total comprehensive income attributable to shareholders of the parent company		4,044,235,150.48	3,971,097,646.84
(2) Total comprehensive income attributable to minority shareholders		202,860,426.53	288,048,289.31
7. Earnings per share (EPS):			
(1) Basic earnings per share	<i>5.1.7</i>	2.495	2.440
(2) Diluted earnings per share	<i>5.1.7</i>	2.495	2.440

10.1.1 Basis of preparation of financial statements

(1) Basis of preparation

The financial statements are prepared, on a going concern basis, to recognize and measure the transactions and events, which have occurred, in accordance with the Accounting Standards for Business Enterprises–Basic Standard (Release of No.33 Order of the Ministry of Finance and Amendment to No.76 Order of the Ministry of Finance), 42 specific accounting standards, 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 on and subsequent to 15 February 2006 (hereinafter collectively referred to as “ASBE”), 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 (Revised in 2023) issued by the China Securities Regulatory Commission.

According to relevant provisions of the ASBE, the Group’s accounting is prepared using the accrual basis. The measurement basis of the financial statements is historical cost except for certain financial instruments. According to the ASBE, related provision for impairment shall be accrued if asset is impaired.

(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.

10.1.2 Information of 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.

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.

- (1) The segment information for the 12 months ended 31 December 2023 and as of 31 December 2023 is as follows:

	Great Southern				Offset between	Total
	TCM	Great Health	Great Commerce	Other	segments	
External revenue	10,972,207,273.42	11,131,479,914.38	52,894,235,147.85	517,481,659.13	-	75,515,403,994.78
Inter-segment revenue	169,106,285.82	36,066,325.64	8,803,128,029.55	347,915,090.70	(9,356,215,731.71)	-
Interest income	(115,369,966.71)	(208,781,847.14)	(59,330,644.45)	(101,213,338.20)	-	(484,695,796.50)
Interest expenses	16,280,524.19	15,766,068.72	406,300,873.70	12,763,154.17	(5,028,525.18)	446,082,095.60
Income from investments in associates and joint ventures	(1,532,079.82)	-	(236,352.00)	110,141,875.70	(485,682.88)	107,887,761.00
Impairment losses in respect of credit	(810,085.32)	(735,764.10)	(85,297,959.97)	(4,099,219.12)	7,798,555.03	(83,144,473.48)
Impairment losses in respect of assets	(3,472,177.13)	-	2,959,454.72	4,992.99	(3,013,366.58)	(3,521,096.00)
Depreciation and amortization expenses	309,852,926.50	62,049,138.62	454,345,222.88	71,239,572.08	87,551,973.12	985,038,833.20
Total profit	2,106,363,617.80	1,806,249,947.23	922,814,414.87	979,922,585.98	(704,852,536.26)	5,110,498,029.62
Total assets	19,274,927,266.58	18,086,690,870.58	36,144,616,024.10	28,086,119,747.57	(23,005,476,144.74)	78,586,877,764.09
Total liabilities	9,376,786,298.67	8,021,660,800.31	28,321,028,309.71	6,647,036,380.56	(10,457,457,931.96)	41,909,053,857.29
Long-term equity investment in associates and joint ventures	39,634,591.81	-	16,737,190.31	1,749,269,802.18	-	1,805,641,584.30
Increase in other non-current assets excluding long-term equity investment	942,261,931.07	347,525,033.14	493,195,468.49	690,133,830.82	-	2,473,116,263.52

- (2) The segment information for the 12 months ended 31 December 2022 and as of 31 December 2022 is as follows:

	Great Southern				Offset between	Total
	TCM	Great Health	Great Commerce	Other	segments	
External revenue	10,527,244,363.74	10,490,425,837.30	49,286,808,753.15	483,676,114.26	-	70,788,155,068.45
Inter-segment revenue	162,837,979.45	35,729,700.63	8,218,621,180.06	336,537,374.56	(8,753,726,234.70)	-
Interest income	(134,586,904.30)	(304,266,101.71)	(48,252,677.64)	(139,683,502.72)	-	(626,789,186.37)
Interest expenses	18,797,838.00	9,296,386.02	400,809,386.56	16,048,131.45	(10,543,718.41)	434,408,023.62
Income from investments in associates and joint ventures	(15,971,490.70)	-	5,468,711.99	147,229,607.07	(139,241.87)	136,587,586.49
Impairment losses in respect of credit	756,619.83	167.82	(51,030,788.55)	(1,747,079.73)	6,874,695.54	(45,146,385.09)
Impairment losses in respect of assets	2,662,450.49	-	(7,295,156.80)	(112,247.39)	(3,238,794.24)	(7,983,747.94)
Depreciation and amortization expenses	290,547,840.84	63,152,238.51	417,154,846.34	60,523,092.02	(17,977,317.51)	813,400,700.20
Total profit	2,000,219,428.68	1,803,729,257.81	879,789,067.04	1,046,170,254.88	(686,663,937.17)	5,043,244,071.24
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

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:

	January to December of 2023	January to December of 2022
External revenue		
PRC	75,171,100,213.03	70,760,638,851.29
Other countries/regions	344,303,781.75	27,516,217.16
	<u>75,515,403,994.78</u>	<u>70,788,155,068.45</u>
Total non-current assets	31 December 2023	31 December 2022
PRC	13,779,583,577.94	12,410,020,395.81
Other countries/regions	13,912,726.07	12,740,744.25
	<u>13,793,496,304.01</u>	<u>12,422,761,140.06</u>

10.1.3 Accounts receivable

The aging analysis of accounts receivable based on booking date is as follows:

	31 December 2023	31 December 2022
Within 1 year	14,091,285,020.44	14,264,525,699.18
1 to 2 years	1,130,613,239.71	775,311,306.02
2 to 3 years	214,868,845.04	113,372,003.93
3 to 4 years	60,863,494.35	30,258,600.43
4 to 5 years	22,715,935.81	36,224,266.27
Over 5 years	238,247,352.09	212,044,861.90
	<hr/>	<hr/>
Less: Provision for bad debts	646,099,088.75	574,144,969.24
	<hr/>	<hr/>
	<u>15,112,494,798.69</u>	<u>14,857,591,768.49</u>

10.1.4 Accounts payable

The aging analysis of accounts payable based on booking date is as follows:

	31 December 2023	31 December 2022
Within 1 year	11,344,110,275.40	10,815,708,160.32
Over 1 year	497,721,576.97	384,639,667.89
	<hr/>	<hr/>
	<u>11,841,831,852.37</u>	<u>11,200,347,828.21</u>

10.1.5 Operating income and Operating costs

	For the 12 months ended 31 December 2023		
	Main businesses	Other businesses	Subtotal
Operating income	75,274,869,097.13	240,534,897.65	75,515,403,994.78
Operating costs	<u>61,265,910,118.96</u>	<u>62,199,495.92</u>	<u>61,328,109,614.88</u>
Gross profit	<u>14,008,958,978.17</u>	<u>178,335,401.73</u>	<u>14,187,294,379.90</u>
	For the 12 months ended 31 December 2022		
	Main businesses	Other businesses	Subtotal
Operating income	70,550,190,409.59	237,964,658.86	70,788,155,068.45
Operating costs	<u>57,452,974,096.15</u>	<u>57,977,649.40</u>	<u>57,510,951,745.55</u>
Gross profit	<u>13,097,216,313.44</u>	<u>179,987,009.46</u>	<u>13,277,203,322.90</u>

10.1.6 Income tax expenses

	For the 12 months ended 31 December 2023	For the 12 months ended 31 December 2022
Current income tax expenses	900,339,206.38	811,465,684.24
Deferred income tax expenses	<u>(49,169,137.08)</u>	<u>(21,591,946.98)</u>
	<u>851,170,069.30</u>	<u>789,873,737.26</u>

Income tax expenses derived from reconciliation of income tax calculated by applicable tax rate based on total profit in the consolidated income statement:

	For the 12 months ended 31 December 2023
Total profit	<u>5,110,498,029.62</u>
Income tax calculated at statutory rate	<u>766,574,704.43</u>
Tax effect of different rates applicable to subsidiaries in the scope of consolidation	95,738,882.73
Effect of income tax adjustment for prior period	24,107,161.84
Non-taxable and tax relief income	(23,659,414.54)
Non-deductible costs, expenses and losses	13,803,560.18
Effect of using deductible losses of deferred tax assets unrecognized in prior period	(4,531,721.32)
Effect of deductible temporary differences and deductible losses which are not recognized in current period	62,198,222.03
Tax effect of R&D expenditure deduction	(83,140,351.28)
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year due to tax rate adjustments	<u>79,025.23</u>
Income tax expenses	<u><u>851,170,069.30</u></u>

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New 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. GR202344004122), Xing Qun (No. GR202344002036), Zhong Yi (No. GR202344010147), Chen Li Ji (No. GR202344005874), Guangzhou Han Fang (No. GR202344010098), Qi Xing (NO. GR202344004761), Jing Xiu Tang (No. GR202344007214), Pan Gao Shou (No. GR202344009572), Wang Lao Ji (No. GR2023344003015), Guand Dong Han Chao (No. GR202344003019), Tian Xin (No. GR202344004253), Guang Hua (No. GR202244001816), Ming Xing (No. GR202344008105), Guangyao General Institute (No. GR202144002939), Guangxi Ying Kang (No. GR202145001254), Baiyunshan Weiling Pharmaceutical Co., Ltd. (No. GR202244012147), Guangzhou Pharmaceutical Information Technology Co., Ltd. (No. GR202344009159), WLJ Great Health (No. GR202244003684).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) pharmaceutical Import and Export Co., Ltd., WLJ Great Health and Guizhou Wanglaoji Cilinji Industry Development Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2023.

10.1.7 Earnings per share (EPS)

(a) Basic EPS

(i) Weighted average basic EPS

Weighted average basic EPS is calculated by dividing the portion of net consolidated profit, which is attributable to the ordinary shareholders of the parent company, by the number of weighted average outstanding ordinary shares:

	For the 12 months ended 31 December 2023	For the 12 months ended 31 December 2022
Net consolidated profit attributable to ordinary shareholders of the parent company	4,055,678,691.49	3,966,522,218.54
The number of weighted average outstanding ordinary shares at the period end	<u>1,625,790,949</u>	<u>1,625,790,949</u>
Weighted average basic EPS	<u>2.495</u>	<u>2.440</u>

(ii) EPS based on the number of shares as at the period end

EPS based on the number of shares as at the period end is calculated by dividing the portion of net consolidated profit, which is attributable to the ordinary shareholders of the parent company, by the number of outstanding ordinary shares as at the period end:

	For the 12 months ended 31 December 2023	For the 12 months ended 31 December 2022
Net consolidated profit attributable to ordinary shareholders of the parent company	4,055,678,691.49	3,966,522,218.54
The number of outstanding ordinary shares as at the period end	<u>1,625,790,949</u>	<u>1,625,790,949</u>
EPS based on the number of shares as at the period end	<u>2.495</u>	<u>2.440</u>

(b) *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 January to December of 2023, the Company had no dilutive potential ordinary share (January to December of 2022: nil). The diluted EPS is equal to basic EPS.

10.1.8 Dividends

According to the resolution of the 2022 annual general meeting held on 30 May 2023, the Company shall pay cash dividends to all shareholders at RMB0.732 per share (tax included), which is RMB1,190,078,974.68 in total, based on the outstanding shares of 1,625,790,949 shares at the year ended of 2022.

10.2 Changes in accounting policies compared to the previous annual report.

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.

- 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.

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

10.3 No change in accounting estimates and accounting methods compared to the previous annual report.

10.4 No correction for significant accounting errors in the current reporting period.

10.5 Explanation on change in consolidation scope compared to the previous annual report.

10.5.1 Other reasons for changes in the scope of consolidation include

Compared to the previous year, during the current period, the consolidated Group experienced an increase of 10 new subsidiaries due to other reasons and a decrease of 2 subsidiaries. The reasons for these changes are as follows:

- (1) In January 2023, a subsidiary of the Company, GP Corp. dissolved its holding subsidiary Guangzhou Caizhilin Pharmaceutical Chain Co., Ltd.
- (2) In February 2023, a subsidiary of the Company, GP Corp. dissolved its subsidiary Hubei Guangyao Ankang Pharmaceutical Co., Ltd.
- (3) In February 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd. with a registered capital of RMB5,000,000. The contribution of capital from GP Corp. accounted for 100% of the registered capital.

- (4) In February 2023, the Company established Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd. with a registered capital of RMB66,000,000. The Company's contribution of capital from the company accounted for 100% of the registered capital.
- (5) In April 2023, a subsidiary of the Company, GP Corp. established Guangzhou Pharmaceutical Logistics Co., Ltd. with a registered capital of RMB20,000,000. The contribution of capital from GP Corp. accounted for 100% of the registered capital.
- (6) In June 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Shantou) Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (7) In June 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Huizhou) Co., Ltd., with a registered capital of RMB5,000,000. of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (8) In July 2023, a subsidiary of the Company, Guangyao Heilongjiang Pharmaceutical Co., Ltd., established Guangyao Mudanjiang Pharmaceutical Co., Ltd., with a registered capital of RMB5,000,000 of which Guangyao Heilongjiang Pharmaceutical Co., Ltd. subscribed capital accounted for 100% of the registered capital.
- (9) In July 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Zhanjiang) Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (10) In July 2023, a subsidiary of the Company, GP Corp. established Dongguan Guangyao Baokang Pharmaceutical Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.

- (11) In October 2023, the Company jointly established Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd. with Meichen Group with a registered capital of RMB500,000,000 of which the Company's contribution accounted for 75% of the registered capital.
- (12) In December 2023, a subsidiary of the Company, Guangyao Sichuan Pharmaceutical Co., Ltd., established Guangyao Pharmaceutical (Liangshan) Co., Ltd., with a registered capital of RMB9,000,000 of which Guangyao Sichuan Pharmaceutical Co., Ltd. subscribed capital accounted for 100% of the registered capital.

10.6 There is no explanation from the Board or the Supervisory Committee on non-standard audit report issued by the auditors for the current reporting period.

**The Board of
Guangzhou Baiyunshan Pharmaceutical Holding Co., Ltd**

Guangzhou, the PRC, 15 March 2024

As at the date of this summary, the Board comprises Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai and Mr. Li Hong as executive directors, and Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive directors.