



廣州白雲山医药集团股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock Code: 00874)



2020
INTERIM REPORT

Important Notice

- I. The Board, the Supervisory Committee and the Directors, supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirms that there are no false information, misleading statements or material omissions in this interim report.
- II. The Directors were present at the 4th meeting of the eighth session of the Board, among whom, Mr. Li Hong, an executive director and the general manager, and Mr. Wu Changhai, an executive director and the standing deputy general manager, were unable to attend the meeting and authorized Mr. Zhang Chunbo, an executive director and deputy general manager, and Ms. Liu Juyan, an executive director, respectively, to attend and exercise the right to vote. Mr. Wong Hin Wing, an independent non-executive director, attended the meeting by telephone.
- III. Mr. Li Chuyuan (the chairperson of the Board), Mr. Li Hong (an executive director and the general manager) and Ms. Yao Zhizhi (the deputy controller of finance and the head of the finance department) declared that they warranted the truthfulness, accuracy and completeness of the financial reports contained in this interim report.
- IV. After consideration, the Board did not recommend payment of interim dividends for the six months ended 30 June 2020 nor propose any increase in share capital from the capitalization of capital reserve.
- V. The financial report of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- VII. There was no non-operational appropriation of funds of the Company by its controlling shareholder or its connected parties.
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. This interim report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.



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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2020
After the Reporting Period	the period after the end of the Reporting Period and up to the date of this interim report, being 1 July 2020 to 25 August 2020
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director	a director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	a supervisor of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Depository Corporation	the Shanghai branch of China Securities Depository and Clearing Corporation Limited
Company Law	Company Law of the People's Republic of China
Securities Law	Securities 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 HKEx
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEx
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)

Definitions

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 Co., Ltd. (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (formerly known Guangzhou Pharmaceutical Corporation (廣州醫藥股份有限公司, 原廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Nuo Cheng	Guangzhou Nuo Cheng Biological Products Co., Ltd. (廣州諾誠生物製品股份有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)

Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)
WLJ Ya'an	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司)
Weiling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣州白雲山化學藥科技有限公司)
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司)
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司)
Baiyunshan Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (廣州白雲山醫療器械投資有限公司)
Bozhou Baiyunshan	Bozhou Baiyunshan Pharmaceutical Co., Ltd. (亳州白雲山製藥有限公司)

Definitions

Guangzhou Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)
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)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司)
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司)
Guangyao (Zhuhai Hengqin)	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司)
Guangyao International (Zhuhai Hengqin)	Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd. (廣藥國際(珠海橫琴)中醫藥產業有限公司)
GMP	the English abbreviation of Good Manufacturing Practice, and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system for the development of this specification with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
Essential Drug List	the National Essential Drug List (國家基本藥物目錄) (the 2018 edition), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable pricey 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 (國家基本醫療保險、工傷保險和生育保險藥品目錄) (the 2019 version), 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) (the 2019 version) issued by every province of the PRC
DRGs Payment	payment according to the disease diagnosis related groups
OEM	Original Equipment Manufacture
GZ SOA Development	Guangzhou State-owned Asset Development Holdings Limited (廣州國資發展控股有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
Yunfeng Investment	Shanghai Yunfeng Xinchuang equity investment center (limited partnership) (上海雲鋒新創股權投資中心(有限合夥))
Placement Prosperous Age Exclusive Account No.66	Fund of Huitianfu-Citic bank-Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (匯添富基金－中信銀行－廣州白雲山醫藥集團)
The Material Assets Reorganization in 2013	the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPLH that was completed in 2013
C.Q. Pharmaceutical Holding	Chongqing Pharmaceutical Holding Company Limited (重慶控股股份有限公司)

Company's Profile and Financial Highlights

A. COMPANY PROFILE

1. Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED
English Name Abbreviation.: GYBYS
2. Legal Representative: Li Chuyuan
3. Secretary to the Board: Huang Xuezheng
Representative of securities affairs: Huang Ruimei
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E-mail: huangxz@gybys.com.cn/huangrm@gybys.com.cn
Internet website: <http://www.gybys.com.cn>
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
4. Stock exchanges, name and codes of the Company's shares: A shares: SSE
Stock Code: 600332
Stock Abbreviation: BAIYUNSHAN

H shares: HKEx
Stock Code: 0874
Stock Abbreviation: BAIYUNSHAN PH

Company's Profile and Financial Highlights

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal accounting data	The Reporting Period (Unaudited)	The corresponding period of 2019 (Unaudited)	Changes as compared with the corresponding period of 2019 (%)
Income from operations (RMB'000)	30,469,650	33,340,828	(8.61)
Net profit attributable to the shareholders of the Company (RMB'000)	1,764,269	2,547,561	(30.75)
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	1,627,382	2,205,158	(26.20)
Net cash flow from operating activities (RMB'000)	(2,404,751)	(925,743)	(159.76)
Net cash flow from operating activities per share (RMB)	(1.48)	(0.57)	(159.76)
Total profit (RMB'000)	2,264,734	3,211,762	(29.49)

Principal accounting data	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Changes as compared with 31 December 2019 (%)
Net assets attributable to the shareholders of the Company (RMB'000)	24,991,521	24,184,797	3.34
Total assets (RMB'000)	55,106,463	56,893,659	(3.14)
Equity attributable to the shareholders of the Company per share (RMB/share)	15.37	14.88	3.34

Principal financial indicators	The Reporting Period (Unaudited)	The corresponding period of 2019 (Unaudited)	Changes as compared with the corresponding period of 2019 (%)
Basic earnings per share (RMB/share)	1.085	1.567	(30.75)
Diluted earnings per share (RMB/share)	1.085	1.567	(30.75)
Basic earnings per share after deducting non-recurring items (RMB/share)	1.001	1.356	(26.20)
Ratio of weighted average return on net assets (%)	7.04	11.10	A decrease of 4.06 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	6.49	9.60	A decrease of 3.11 percentage points

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

Company's Profile and Financial Highlights

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

Applicable Not applicable

Reasons for the decreases in total profit and net profit attributable to the shareholders of the Company mainly include: as affected by the outbreak of the COVID-19 coronavirus epidemic ("the epidemic"), the market demand for the products of the subsidiaries of the Company decreased, the sales revenue decreased and the production costs increased, which resulted in the decrease in profit.

Main reasons for the decrease in net cash flow from operating activities: (1) as affected by the outbreak of the epidemic, payment for goods of WLJ Great Health, a wholly-owned subsidiary of the Company, decreased year on year during the Reporting Period, which resulted in the decrease in net cash flow from operating activities by RMB1.95 billion year on year; (2) payment for goods of GP Corp., a holding subsidiary of the Company, increased year on year during the Reporting Period and GP Corp. received revolving fund for epidemic prevention materials, which led to the increase in net cash flow from operating activities by RMB566 million year on year.

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

Applicable Not applicable

Company's Profile and Financial Highlights

D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount (RMB'000)	Note (if applicable)
Profit or loss from disposal of non-current assets	3,117	
Government grants included in the profit or loss for the current period except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	221,971	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income and other income in the Reporting Period.
Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	(23,364)	
Reverse of provision for impairment of receivables under individual impairment test	178	
Other non-operating income and expenses except for the above-mentioned items	(14,057)	
Other profit and loss items that meet the definition of non-recurring gains and losses	(25,646)	
Amount of minority equity impact (after tax)	(2,479)	
Amount of income tax influence	(22,833)	
Total	136,887	

Company's Business Profile

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

(A) Main business and products

Since its establishment, the Company has been committing to the medical and healthcare industry. After years of development, the Company has continued to grow in terms of both its scale and efficiency. Currently, the Group is principally engaged in: (1) the research and development, manufacturing and sales of Chinese patent medicine, western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (2) 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 products; and (4) the health industry investment in medical care, health management, health maintenance and elderly care etc.

1. *Great Southern TCM (pharmaceutical manufacturing business)*

The Great Southern TCM has 27 subsidiary medical manufacturing enterprises and organizations (including 3 branch companies, 21 holding subsidiaries and 3 joint ventures). The above enterprises or institutions engage in the R&D and manufacturing of Chinese patent medicine, western medicine, chemical raw materials, intermediates chemical raw materials, biomedicine, and natural medicine, etc..

- (1) The Group is an epitome of the southern TCM. The Company has 12 Time-Honored Chinese Brand pharmaceutical enterprises, 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. A total of 321 varieties of the Group and its joint ventures were included in Medical Insurance Catalogue, 331 varieties were included in the provincial Medical Insurance Catalogue, and 143 varieties were included in Essential Drug List. Main products include Ban Lan Gen Granule series, Xiao Ke Pill, Xiao Chai Hu Granule, Qing Kai Ling series, compound Salvia Miltiorrhiza slice series, Zi Shen Yu Tai Pill, Xia Sang Ju Granule, An Gong Niu Huang Pill, Hua Tuo Zai Zao Pill, Xiao Er Qi Xing tea granule, Zhuang Yao Jian Shen Pill, Mi Lian Chuan Bei Pi Pa, Shu Jin Jian Yao Pill and Ke Gan Li Yan Oral liquid etc.. The Group boasts clear brand and variety advantages in proprietary Chinese medicines in southern China and even countrywide.
- (2) The Group has a complete antibiotic production chain ranging from raw material medicine to preparation, manufacturing products covering commonly used antibiotic varieties as well as male medicine. The Group integrated the antibiotic brands with the famous trademark "Kang Zhi Ba", striving to create a market image as the number one brand of antibacterial and anti-inflammatory oral medication. The Group's chemical medicine includes Cefathiamidine, Cefixime, Sildenafil Citrate Tablets ("Jin Ge"), Cefprozil and Amoxicillin etc..

Company's Business Profile

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

(A) Main business and products *(Continued)*

2. **Great Health**

The Group and the joint ventures of the Company engaging in the Great Health are mainly involved in the production, R&D and sale of beverage, food, healthcare product, etc., which are operated primarily by the wholly-owned subsidiaries, WLJ Great Health and Wang Lao Ji; the Great Health's main products include Wang Lao Ji Herbal Tea, Ci Ning Ji, ganoderma spore oil capsules, lozenges, tortoise herb jelly etc..

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

The pharmaceutical distribution business of the Group mainly includes the wholesale, retail, and import and export business of pharmaceutical products, medical equipment and healthcare products etc.. The wholesale business is carried out principally through the Company's subsidiary company, namely GP Corp., Cai Zhi Lin and Pharmaceutical Import & Export. The retail business is carried out principally through Cai Zhi Lin pharmacy chains, Jian Min pharmacy chains and GPC Prescription Pharmacy etc.. GP Corp. is a leading medicine circulation enterprise in Southern China.

4. **Great Medical Care**

The Great medical care segment is at the stage of strategic 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 in three fields of medical service, namely TCM health maintenance and modern elderly care and the medical device industry.

Currently, we have invested/held equity interest in a number of projects including Guangzhou Baiyunshan Hospital, Runkang Confinement Company, Tibetan-style Health Preservation Castle in Nyingchi of Tibet, and Guangzhou Zhongcheng Medical Device Industry Development Co., Ltd. (廣州眾成醫療器械產業發展有限公司) etc.. After the outbreak of the epidemic, Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司) was established to develop protective products such as masks.

Company's Business Profile

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

(B) Operating Model

1. Great Southern TCM

(1) Procurement Model

After completion of the Material Assets Reorganization in 2013, the Group integrated the procurement system of the subsidiaries, and established an integrated procurement platform centered upon Cai Zhi Lin and Pharmaceutical Import & Export which intensively centralized procurement of Chinese herbal medicine, raw and auxiliary materials, packaging materials and imported equipment etc., improved the ability of negotiation on prices and risk resistance, effectively reduced the procurement cost.

Details of the centralized procurement platform of the Group are set out below:

No.	Procurement	Centralized procurement platform	Description
a	Bulk Chinese herbal medicine	Cai Zhi Lin, relevant subsidiaries with GAP	Pursuant to the procurement requirements of the bulk Chinese herbal medicine, the Group established direct links with the product spots of the raw materials of medicine, ensured the source of valuable raw materials were stable and controllable mainly through methods like purchasing from certificated GAP bases, so as to ensure the quantity, quality, time and cost of the bulk Chinese herbal medicine.
b	Bulk raw and auxiliary materials, packaging materials	Pharmaceutical Import & Export	The Group ensured the advantage of quality and cost of the bulk raw and auxiliary materials, packaging materials through strengthening supplier development, improving and subdividing the supplier classification management and cultivating strategic cooperation suppliers.
c	Imported equipment	Guangyao Baiyunshan Hong Kong Company, Pharmaceutical Import & Export	Guangyao Baiyunshan Hong Kong Company takes charge of the imported equipment procurement, and Pharmaceutical Import & Export takes charge of the imported formalities.

Company's Business Profile

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

(B) Operating Model *(Continued)*

1. Great Southern TCM *(Continued)*

(2) Production Model

The subsidiaries of the Company formulated annual, monthly and weekly production plans based on the demands of the pharmaceutical market and arrange for production accordingly. The subsidiaries of the Company organized the production strictly in accordance with the national GMP requirements and strictly implemented the relevant national regulations in the aspects of purchase of raw materials, allocation of manpower, equipment management, production procedures, quality control, packaging, transportation and so on; throughout the entire manufacturing process of pharmaceuticals and products, the Quality Control Department conducts testing and monitoring on raw materials, auxiliary materials, packaging materials, intermediate products and finished products so as to ensure product quality and safety. Meanwhile, the Company carries out supervisions and guides for the production management of subsidiaries of the Company in the aspects of technology quality, environment protection, employee safety, hygiene and health, and so on.

(3) Sales Model

① Self-operation and agency mode

The Company mainly establishes its sales channels through all-tier dealers and agents to achieve a comprehensive coverage of most domestic hospitals, community healthcare and retail terminals. With respect to hospital bidding products, the subsidiaries of the Company bid for the hospital bidding products nationwide according to relevant national policies. After winning the bid, the medicines are distributed through the pharmaceutical circulation enterprises. With respect to non-hospital bidding products, the promotion is mainly through the mode of agency and distribution.

② Pharmaceutical industry sales platform

In recent years, the Group has integrated its internal marketing resources and established a pharmaceutical industry marketing platform with Baiyunshan Pharmaceutical Marketing as the core, which has integrated, among others, the resources on sales business and salesman of four companies, namely Baiyunshan General Factory, Guang Hua, Jing Xiu Tang and Ming Xing.

Company's Business Profile

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

(B) Operating Model *(Continued)*

1. **Great Southern TCM** *(Continued)*

(3) *Sales Model (Continued)*

② Pharmaceutical industry sales platform *(Continued)*

In addition, the Group has proactively adapted itself to new economy and innovative new models, actively built up e-commerce marketing system and developed the e-commerce business. Currently, the Company's Guangyao Baiyunshan flagship store has set up e-commerce terminal sales platforms at Tmall and JD.com; GYJM.com has become the designated online drugstore for medical insurance that allow payment online without medical insurance cards.

2. **Great Health**

(1) *Purchasing Mode*

Centralized procurement is mainly maintained through the unified centralized procurement platform established by the Group.

(2) *Production Mode*

The subsidiaries of the Company organized production strictly in accordance with the relevant laws and regulations through OEM self-built productivity, and other modes; from planting and harvesting, production and manufacturing to consumer use, ensure the quality in safety in the entire process from raw material base, raw and auxiliary materials, packaging materials, personnel and equipment, finished goods and consumers usage.

Company's Business Profile

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

(B) Operating Model *(Continued)*

2. Great Health *(Continued)*

(3) Sales Mode

The revenue of the Great Health segment of the Group mainly came from Wang Lao Ji herbal tea. For sales of Wang Lao Ji herbal tea, WLJ Great Health and Wang Lao Ji mainly depend on distributors by way of a three-tier distributorship. The first-tier distributors are directly responsible to WLJ Great Health and Wang Lao Ji and take responsibilities for regional channel development as per the marketing tasks given by WLJ Great Health and Wang Lao Ji. The second-tier distributors purchase products from the first-tier distributors and are responsible for distribution and dispatching of products. WLJ Great Health and Wang Lao Ji are directly responsible for the products' advertisement investment, and participate in terminal expansion, promotion and customer maintenance etc.

3. Great Commerce

The Group's pharmaceutical circulation business has two models, namely pharmaceutical distribution and retail, whose profit is generated primarily from the difference in purchase and selling price and/or supply distribution fee of the pharmaceutical product and medical of apparatus.

GP Corp., the subsidiary of the Company, is the leading pharmaceutical circulation enterprise in South China, with good business reputation, mature sales network, a wide range of sales channels and strong pharmaceutical distribution capability. The Group has "Cai Zhi Lin", "Jian Min" and other well-known pharmaceutical retail chains and more than 83 medicine retail outlets, hence has stronger terminal strength.

As at 30 June 2020, the Group had 110 retail chain pharmacy outlets, including 29 "Cai Zhi Lin" pharmacy outlets which specialized in traditional Chinese medicines, 33 "Jian Min" pharmacy outlets which specialized in Western medicine, medical apparatus and instruments, 24 GPC Prescription Pharmacy (廣州醫藥大藥房) which specialized in the retail of prescription drugs and 24 pharmacy outlets of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd. (海南廣藥晨菲大藥房連鎖有限公司).

Company's Business Profile

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

(C) Current circumstances of the development of the industry

Under the influence of the epidemic and the formal implementation of the newly-issued Drug Administration Law and Vaccine Administration Law, the full-scale promotion on the quality consistency evaluation for generic drug, the centralized procurement of national drugs, the adjustment of the National Medical Insurance Catalogue, the reform of the payment methods of medical insurance and other policies, the revenue and total realized profits growth of the pharmaceutical industry continued to slow down. From January to June in 2020, the recorded revenue of pharmaceutical manufacturing enterprises of above designated size in China was RMB1,109.39 billion, representing a year-on-year decrease of 2.3%, which represents a decrease of 10.8 percentage points compared with the year-on-year growth rate in the same period last year; the industry achieved a total profit of RMB158.60 billion, representing a year-on-year increase of 2.1%, which represents a decrease of 7.3 percentage points compared with the year-on-year growth rate in the same period last year. (Data resource: the website of National Bureau of Statistics).

(D) Periodic characteristics

Amongst the Group's principal business, the Great Commerce of the Group has no obvious seasonality as they do not have any obvious periodic features. Seasonal illness, like the flu, has higher risk of morbidity during specific seasons, and is highly infectious once it is spread, which may result in an increase in the demand of medicines which prevent and treat diseases of this kind; Resulting from such influence, the sales of medical products under Great Southern TCM demonstrate certain periodicity. The Great Health segment has certain seasonality as product demand of its main product, namely Wang Lao Ji herbal tea, relates to the weather, for example, the sales will increase when the weather is hot. In addition, as the Group explored the sales channels of the gift market for major festivals, the sales of Wang Lao Ji herbal tea has, as a result, increased increasing sales during major festivals.

(E) Position of the Company in the Industry

The Group is one of the largest pharmaceutical conglomerates in nationwide. After years of accelerated development and consolidation, the Group has basically established an entire industrial chain layout of the biomedical healthcare industry, forming four business segments of Great Southern TCM, Great Health, Great Commerce and Great Medical Care, as well as three industrial new business modes of e-commerce, capital finance and medical equipment.

(F) The main Performance Driving factors

During the Reporting Period, the Group's revenue amounted to RMB30,469,650,000, representing a decrease of 8.61% compared with the corresponding period last year. For details of reasons for changes, please refer to the relevant informational in the "Management Discussion and Analysis" in Chapter 4 "Discussion and Analysis of Operations" of this report.

Company's Business Profile

B. THE SIGNIFICANT CHANGES IN MAIN ASSETS OF THE GROUP DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, the significant changes in main assets of the Group are shown in the following table:

Categories of Assets	30 June 2020 (RMB'000)	Percentages of changes (%)
Total assets	55,106,463	(3.14)
Include:		
Construction in progress	918,084	37.56

For the main reason of the change, please refer to the "B Principal Operations During the Reporting Period-(c) Analysis on Financial Conditions-V Assets and liabilities" in section 4 "Discussion and Analysis of Operation" for details.

Including: overseas assets amounting to RMB124,733,000, representing 0.23% of the total assets.

Company's Business Profile

C. ANALYSIS ON CORE COMPETITION CAPACITY DURING THE REPORTING PERIOD

Applicable Not applicable

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

1. The Group possesses rich product and brand resources:
 - (1) Products: the Group has formed complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-infection, cooling and detox, parenteral nutrition, coughing, bone-setting and pain relief, rheumatism and bone pain, gynaecological and paediatric medication, and nurturing and health. The Group has more than 40 forms and nearly 2,000 specifications, as well as over 90 exclusive products.
 - (2) Brands: currently, the Group has trademarks of 10 nationally renowned brands, 22 renowned brands in Guangdong Province and 27 renowned brands in Guangzhou City. Among which, the brand awareness and reputation of "Wang Lao Ji" and "BYS" have greater impact and appealing powers among consumers in the country, and both are one of the most valuable pharmaceutical brands in the country. After completion of the Major Assets Reorganization in 2013 and Non-public Offering of A Shares in 2015, the Group promoted the grand brand strategy on the basis of integrating brand resources, implementing the changes in brand marketing model from developing individual brands to grouping brands under one umbrella with collective strategy. Four business segments with unique characteristics, namely, Great Southern TCM, Great Health, Great Commerce and Great Medical Care, and three new modes of businesses, namely e-commerce, capital finance and medical equipment are gradually constituted. The Group has radiated its brand value from traditional medical products to new Great Health products.
2. The Group has long history in Chinese traditional medicine and cultural soft power. It has 12 long lasting enterprises in Chinese pharmaceutical industry, among which Chen Li Ji, Zhong Yi, Pan Gao Shou, Jing Xiu Tang, Cai Zhi Lin, Wang Lao Ji, Xing Qun, Qi Xing, Ming Xing and Guang Hua have been established for over a hundred years. Also, the Group has 6 items which have been admitted as national Intangible Cultural Heritage, namely "Xia Sang Ju" (夏桑菊) of Xing Qun, "Da Shen Kou Yan Qing" (大神口焱清) of BYS, Wang Lao Ji Herbal Tea, the traditional Chinese medicine culture of each of Chen Li Ji and Pan Gao Shou as well as the "Production Technology of Bao Zi Tang Bao Ying Dan" (保滋堂保嬰丹製作技藝) of Zhong Yi. The Group had established the Chen Li Ji Museum (陳李濟博物館), "Chen Li Ji Health Preservation Research Institute" (陳李濟健康養生研究院), "Lingnan Experience Centre of Chinese Medicine Culture" (嶺南中醫藥文化體驗館), Shen Nong Cottage (神農草堂), Cai Zhi Lin Museum (采芝林博物館) and Wang Lao Ji Herbal Tea Museum. It also had established a number of platforms for the promotion of the "Grand Southern TCM" culture to demonstrate the long history, splendid culture of Chinese medicine and rebuild the famous brands of Chinese medicine.

C. ANALYSIS ON CORE COMPETITION CAPACITY DURING THE REPORTING PERIOD (Continued)

3. The Group has a relatively complete production chain system, including the existing major pharmaceutical assets. Through the internal and external forward integration and backward integration, the Group has formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs, the Group and its joint ventures have more than 50 GAP herbs bases nationwide and established a unified procurement platform for raw materials and auxiliary materials, which effectively ensures the quality and supply of Chinese herbs and controls the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has built an extensive collaborative network with renowned scientific research institutions, formulated a professional think tank which employs Noble prize winners and renowned scholars, both domestic and abroad, to create a synergy effect between both sides for highly effective utilization of favorable resources from various parties, promoting development with the support of technology.
4. The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is among one of the first pharmaceutical trading enterprise in Guangdong Province that obtained the GSP certificate. The Group has also established the largest pharmaceutical retail terminal network and medicine logistics and distribution center in Southern China. With the advantages of its strong market basis and marketing network advantage, the Group has established a long-term and reliable business relationship with hundreds of thousands of customers in 31 provinces, cities and autonomous regions across the country (including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers). The Group also has the leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, is among one of the first batch of enterprises in the country which passed the digital integration and operation informatisation management system and assessment system.

Company's Business Profile

C. ANALYSIS ON CORE COMPETITION CAPACITY DURING THE REPORTING PERIOD (Continued)

5. The Group has an ever-improving technological innovation system. The Group has been strengthening the construction of platforms and improving its scientific research innovation system for many years. As at the date of this report, the Group and its joint ventures have 5 state level research and development institutions, 1 national level corporate technical center, 2 postdoctoral workstations, 16 provincial level corporate technical centers, 18 provincial level engineering technical centers, 4 provincial level key laboratories, 1 provincial level engineering laboratory, 14 municipal level corporate technical centers, 14 municipal level engineering technical research and development centers, and 6 municipal level key laboratories. The Group possesses core technology which occupies leading position in the nation on research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO₂ extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs, such as sterile powder production technology and preparation agent technology.

During the Reporting Period, the Group added two provincial level corporate technical centers, being Guangdong Male Medicine Engineering technology Research Center and Guangdong Plant Beverage Engineering Technology Research Center.

6. The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has insisted on attracting talents with competitive work environment and remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions. Currently, the Group has a strong highlevel talent team with 3 Nobel Prize winners, 1 Guangdong innovation group, double hired academicians, 12 state-level Chinese medicine experts, 7 foreign academicians, 2 State Council Special Allowance experts in-service and nearly a hundred doctors and post doctors.

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

Discussion and Analysis of Operations

A. MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group actively adopted the development theme of “Year of Leapfrogging Reform” by seeking progress while maintaining stability, overcoming difficulties amid uncertainty and strictly controlling risks. In view of the unexpected outbreak of the epidemic, on the one hand, the Group actively deployed various epidemic prevention and control measures, implemented tasks for ensuring provision of anti-epidemic and epidemic prevention materials, and strived for supporting the pandemic prevention at the frontline. On the other hand, the Group solidly promoted safe production and construction for epidemic prevention and control, organized resumption of work and production in an orderly manner, and at the same time took effective measures to strengthen market expansion and sales of the Group’s products, thereby alleviating the impact of the epidemic on the Group’s production and operations.

During the first half of 2020, due to the influence and challenge of the epidemic, all business segments of the Group were affected to varying degrees, thereby leading to a year-on-year decrease in the Group’s operating results: (1) as a result of the decrease in the number of patients attending hospitals during the epidemic, the restrictions on logistics and distribution, and the weakened end-user demand for pharmaceutical terminals, Great Southern TCM’s recorded contraction in its hospital sales to various extents in terms of product categories and volume of the relevant products, while the pharmaceutical distribution business in Great Commerce was also affected to a certain extent; (2) since the outbreak of the epidemic, various preventive and control measures have been implemented across the country, which dampened the market demand for Wang Lao Ji Herbal Tea and related products, and their sales were significantly affected by the epidemic during the Spring Festival; (3) the amount of government subsidies received by WLJ Great Health during the Reporting Period was lower than the same period of last year.

In the first half of 2020, the Group recorded revenue of RMB30,469,650,000, which decreased by 8.61% year on year; total profit of RMB2,264,734,000, which decreased by 29.49% year on year; and net profit attributable to shareholders of the Company of RMB1,764,269,000, which decreased by 30.75% year on year.

During the Reporting Period, the Group proactively working on the following:

Firstly, during the outbreak of the epidemic, the Group initiated the emergency response mechanism and swiftly carried out production and storage of epidemic prevention and anti-epidemic materials to ensure supply of epidemic prevention and anti-epidemic drugs and materials for supporting the pandemic prevention at the frontline. During the stage of normalized epidemic prevention and control, we orderly organized resumption of production and strengthened market expansion of products, striving to minimize the impact of the epidemic.

Discussion and Analysis of Operations

A. MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Secondly, with focus on the Group's principal business, we actively explored new opportunities and new models to promote the development of Group's principal business. (1) The Great Southern TCM segment further strengthened the market expansion of anti-epidemic and epidemic prevention related products. (2) The Great Health segment enhanced the exploration of new sales models and new development paths: vigorously expanded the live streaming marketing model to promote product sales; strengthened development and cooperation of e-commerce channels for products, and set up unmanned sales points in large supermarkets, community convenience stores, farmer's markets, etc., to develop the "contactless" new sales model. During the normalized epidemic prevention and control stage, WLJ Great Health quickly focused on the core channels of catering and ready-to-drink, seizing opportunities in the summer peak season sales market to vigorously promote product sales; and at the same time with the help of WLJ's brand advantages to focus on creating the new product Ci Ning Ji (刺檸吉) beverages by distribution of goods in all pipelines and giving out consumption coupons of Ci Ning Ji beverage for poverty alleviation purpose to increase product sales. (3) We optimized resources allocation for the Great Commerce segment, speeded up transformation and development: we solidly pushing the spin-off and overseas listing exercise of GP Corp., carried out preliminary resource integration in an orderly manner, and completed reform of the ownership of GP Corp.; Cai Zhi Lin leveraged on the supply of epidemic prevention products to deepen cooperation with various major hospitals to expand the sales share of TCM decoction-pieces.

Thirdly, we continued to increase investment in scientific research and innovation together with investment in product research and development, strengthened construction of scientific research platforms, enhanced product quality control, and strictly observed product quality requirements: (1) during the Reporting Period, the Group obtained 10 production approvals (including 5 product specifications with consistent evaluation) and obtained 33 domestic patent authorizations (including 20 invention patents and 13 utility model patents); (2) in the first half of 2020, the Group added 2 provincial level engineering technology centers, the Guangdong Male Medicine Engineering Technology Research Center (廣東省男科用藥工程技術研究中心), and the Guangdong Plant Beverage Engineering Technology Research Center (廣東省植物飲料工程技術研究中心); and (3) we strengthened construction of quality system, improved the quality control system, and strengthened entity responsibility for product quality to further improve the standards of quality.

Fourthly, we accelerated the construction of industrial bases. During the Reporting Period, the construction of WLJ Great Health's raw liquid extraction base in Meizhou (梅州原液提取基地) and Cai Zhi Lin's traditional Chinese medicine industrialized production and service base in Meizhou (梅州中藥產業化生產服務基地) were completed and they are expected to be officially put into operation in the second half of the year.

Fifthly, we continued to strengthen internal management, striving to enhance operation quality and improve management efficiency.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(A) Analysis on principal operations

1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB'000)	The corresponding period of 2019 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2019 (%)
Revenue	30,469,650	33,340,828	(8.61)
Include: income from principal operations	30,375,492	33,199,320	(8.51)
Cost of sales	24,442,437	25,893,939	(5.61)
Include: cost from principal operations	24,422,867	25,858,276	(5.55)
Selling and distribution expenses	2,626,242	3,181,215	(17.45)
General and administrative expenses	849,551	986,091	(13.85)
Financial expenses ^{note 1}	3,678	79,873	(95.4)
Research and development expenses	268,846	276,820	(2.88)
Net cash flow from operating activities ^{note 2}	(2,404,751)	(925,743)	(159.76)
Net cash flow from investing activities	(232,386)	(257,080)	9.61
Net cash flow from financing activities ^{note 3}	3,138,823	1,253,450	150.41
Other income ^{note 4}	202,420	356,510	(43.22)
Investment income ^{note 5}	33,821	117,960	(71.33)
Gains from changes in fair value ^{note 6}	(23,537)	10,826	(317.41)
Impairment losses in respect of credit ^{note 7}	(89,071)	(60,985)	(46.05)
Impairment losses in respect of assets ^{note 8}	(12,910)	(7,142)	(80.76)
Gains on disposal of assets ^{note 9}	3,289	(42)	8,022.70
Non-operating income ^{note 10}	26,614	38,597	(31.05)
Non-operating expenses ^{note 11}	21,133	3,647	479.46
Net profit attributable to the parent company's shareholders ^{note 12}	1,764,269	2,547,561	(30.75)

Notes:

- Financial expenses decreased year on year during the Reporting Period mainly due to: (1) interest income of term deposits year on year by the subsidiaries of the Company increased; (2) interest rate on the borrowings of GP Corp., a holding subsidiary of the Company, decreased year on year during the Reporting Period, which resulted in a decrease in interest expense year on year.
- Net cash flow from operating activities decreased year on year during the Reporting Period due to: (1) affected by outbreak of the epidemic, payment for goods of WLJ Great Health, a wholly-owned subsidiary of the Company decreased year on year during the Reporting Period, which resulted in decrease in net cash flow from operating activities by RMB1.95 billion year on year; (2) payment for goods of GP Corp., a holding subsidiary of the Company, increased and received revolving fund for epidemic prevention materials during the Reporting Period, which led to increase in net cash flow from operating activities by RMB566 million year on year.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis on principal operations *(Continued)*

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

Notes: *(Continued)*

3. Net cash flow from financing activities increased year on year during the Reporting Period due to: increase in bank loans and recovery of note deposits of subsidiaries of the Company during the Reporting Period.
4. Other income decreased year on year during the Reporting Period due to: the decrease in government subsidies received by the Company's subsidiaries.
5. Investment income decreased year on year during the Reporting Period due to: (1) investment income of the long-term equity investment under equity method by the subsidiaries of the Company year on year decreased; (2) difference between the book value of accounts receivable and the consideration was recognized as investment loss during the Reporting Period by GP Corp. due to the issuance of the asset-backed securitization of accounts receivables (ABS) in December 2019, resulting in such item decreased on a year-on-year basis; (3) the Company recognized financial income during the corresponding period of last year while there was no such item during the Reporting Period.
6. Gains from changes in fair value decreased year on year during the Reporting Period due to: the change in the stock market price of Chongqing Pharmaceutical Holding Company Limited, China Everbright Bank Co., Ltd. and other companies held by the Company on a year-on-year basis.
7. Impairment losses in respect of credit decreased year on year during the Reporting Period due to: the increase in the impairment losses in respect of credit of provision of accounts receivable.
8. Impairment losses in respect of assets decreased year on year during the Reporting Period due to: a year-on-year increase in loss on decline in value of inventories of the subsidiaries of the Company.
9. Gains on disposal of assets increased year on year during the Reporting Period due to: a year-on-year increase in the revenue from the sale of assets by subsidiaries of the Company.
10. Non-operating income decreased year on year during the Reporting Period due to: (1) decrease in compensation for relocation recognized by the subsidiaries of the Company during the Reporting Period; (2) decrease in the unpaid long-term payment cleared up by the subsidiaries of the Company.
11. Non-operating expenses increased year on year during the Reporting Period due to: the increase in public welfare donation expenditure and shutdown loss by the subsidiaries of the Company affected by the epidemic during the Reporting Period.
12. Net profit attributable to the parent company's shareholders decreased year on year during the Reporting Period due to: affected by outbreak of the epidemic, the market demand for the products of the subsidiaries of the Company decreased, the sales revenue decreased and the production cost increased, which resulted in decrease in profit.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis on principal operations *(Continued)*

2. Analysis on industry, product and regional operation result

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

Operations	Income from principal operations		Results of principal operations by industry Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2019 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2019 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the corresponding period of 2019 (percentage point)
Great Southern TCM	5,601,804	(17.14)	3,325,931	(10.86)	40.63	A decrease of 4.18 percentage points
Great Health	4,501,417	(23.11)	2,263,167	(23.32)	49.72	An increase of 0.14 percentage point
Great Commerce	20,182,741	(1.68)	18,767,868	(1.89)	7.01	An increase of 0.20 percentage point
Other ^(Note)	89,530	55.53	65,901	41.83	26.39	An increase of 7.11 percentage points
Total	30,375,492	(8.51)	24,422,867	(5.55)	19.60	A decrease of 2.51 percentage points

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis on principal operations *(Continued)*

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

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

Types of products	Income from principal operations		Results of principal operations by products Cost of principal operations		Profit margin of principal operations	
	Income from principal operations	Increase/ (Decrease)	Cost of principal operations	Increase/ (Decrease)	Profit margin of principal operations	Increase/ (Decrease)
	over the same period of 2019	over the same period of 2019	over the same period of 2019	over the same period of 2019	over the same period of 2019	over the same period of 2019
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage point)
Chinese patent medicine	2,546,841	(13.98)	1,495,268	(9.36)	41.29	A decrease of 2.99 percentage points
Chemical medicine	3,054,963	(19.61)	1,830,663	(12.05)	40.08	A decrease of 5.14 percentage points
Total of Great Southern TCM	5,601,804	(17.14)	3,325,931	(10.86)	40.63	A decrease of 4.18 percentage points

Note: Income from principal operations and cost of principal operations of the other segment increased significantly, mainly due to: the expansion of business scope of Guangzhou Baiyunshan Hospital under the Company during the Reporting Period and the establishment of Guangzhou Baiyunshan Yihu Health and Technology Company Limited to develop protection products like mask and others.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(A) Analysis on principal operations *(Continued)*

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

(2) The regional sales of the Group's business in the first half of 2020 are as follows:

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2019 (%)
Southern China	22,992,628	(5.13)
Eastern China	2,629,474	(23.34)
Northern China	1,356,304	(11.34)
North-Eastern China	250,398	(28.00)
South-Western China	2,143,458	(14.54)
North-Western China	972,698	(13.67)
Exports	30,532	50.82
Total	30,375,492	(8.51)

3. Others

(1) Detailed description of the major changes in the Company's profit composition or profit source

Applicable Not applicable

(2) other

Applicable Not applicable

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(B) Description of the significant change on profit resulting from non-principal operations

Applicable Not applicable

(C) Analysis on financial conditions

1. *Liquidity*

As at 30 June 2020, the current ratio of the Group was 1.65 (31 December 2019: 1.57), and its quick ratio was 1.33 (31 December 2019: 1.24). During the Reporting Period, accounts receivable turnover was 64.84 in days, representing a decrease of 14.58% as compared with the corresponding period of 2019; inventory turnover was 67.46 in days, representing a decrease of 8.47% as compared with the corresponding period of 2019.

2. *Financial resources*

As at 30 June 2020, cash and cash equivalents of the Group amounted to RMB17,336,126,000 (31 December 2019: RMB16,833,623,000), of which approximately 99.59% and 0.41% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, respectively.

As at 30 June 2020, the Group had bank borrowings of RMB8,061,330,000 (31 December 2019: RMB5,889,009,000) including short-term borrowings of RMB8,061,330,000 (31 December 2019: RMB5,869,009,000), non-current liabilities expiring within one year of RMB0 (31 December 2019: RMB15,550,000), and long-term borrowings of RMB0 (31 December 2019: RMB4,500,000).

3. *Capital structure*

As at 30 June 2020, the Group's current liabilities amounted to RMB26,590,712,000 (31 December 2019: RMB29,376,966,000), representing a decrease of 9.48% as compared to the beginning of 2020, and its long-term liabilities was RMB1,613,126,000 (31 December 2019: RMB1,527,206,000), with an increase of 5.63% as compared to the beginning of 2020. Shareholders' equity attributable to the shareholders of the Company amounted to RMB24,991,521,000 (31 December 2019: RMB24,184,797,000), with an increase of 3.34% as compared to the beginning of 2020.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(C) Analysis on financial conditions (Continued)

4. Capital expenditure

The Group expects the capital expenditure for 2020 to be approximately RMB2.476 billion among which the expenditure in the first half of 2020 amounted to RMB0.355 billion (in the first half of 2019: RMB1.835 billion), which would be mainly applied in the construction of production bases, upgrade of equipment and set-up of information system, etc. The group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

5. Description of assets and liabilities

Item	As at		As at		Increase/ (Decrease) as compared to 31 December 2019 (%)	Reasons for changes
	30 June 2020 (RMB'000)	% of the total assets (%)	31 December 2019 (RMB'000)	% of the total assets (%)		
Notes receivable	942,659	1.71	1,526,082	2.68	(38.23)	The amount of notes cashed and endorsed by the Company and its subsidiaries during the Reporting Period decreased by more than the amount of notes received.
Construction in progress	918,084	1.67	667,402	1.17	37.56	The Company and its subsidiaries increased expenses for construction projects.
Development expenditure	1,301	0.00	2,011	0.00	(35.32)	The development expenditure of the Company and its subsidiaries was transferred to intangible assets.
Short-term borrowings	8,061,330	14.63	5,869,009	10.32	37.35	(1) During the Reporting Period, bank borrowings by the subsidiaries of the Company increased due to the material reserve for the epidemic prevention and payment to suppliers for purchase; (2) during the Reporting Period, GP Corp., the holding subsidiary of the Company, replaced the internally entrusted borrowings offset at the consolidation statements level of RMB1 billion with bank borrowings.
Notes payable	1,894,841	3.44	3,982,426	7.00	(52.42)	The amount of remittance of notes was larger than the amount of payment.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

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

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

Item	As at		As at		Increase/ (Decrease) as compared to 31 December 2019 (%)	Reasons for changes
	30 June 2020 (RMB'000)	% of the total assets (%)	31 December 2019 (RMB'000)	% of the total assets (%)		
Contract liabilities	1,231,196	2.23	4,675,362	8.22	(73.67)	(1) Advances on sales of WLJ Great Health, a wholly-owned subsidiary of the Company, increased at the end of last year due to the advance of the Spring Festival and goods were delivered and sold during the Reporting Period, which led to the decrease in the balance of advances on sales; (2) the balance of advances on sales of other subsidiaries of the Company decreased.
Other payables	4,665,457	8.47	3,227,386	5.67	44.56	(1) The Company has accrued the cash dividends payable for the year 2019; (2) The Company's subsidiary, namely GP Corp., received subsidies from the government for epidemic control materials.
Other current liabilities	133,921	0.24	606,815	1.07	(77.93)	Taxes to be written off in the advances from customers within one year of the subsidiaries of the Company decreased.
Long-term borrowings	0	0.00	4,500	0.01	(100.00)	The subsidiaries of the Company repaid long-term borrowings.
Other comprehensive income	(93)	0.00	(139)	0.00	33.04	(1) Fair value of the financial assets of the Company decreased as at the end of the Reporting Period; (2) difference of conversion on currency exchange by the subsidiaries of the Company increased.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

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

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

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

7. **Contingent liabilities**

As at 30 June 2020, the Group had no material contingent liabilities.

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

As at 30 June 2020, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the overdraft amounted to HKD300,000, letter of credit and 90 days credit total amounted to HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd., secured by the original value amounted to HKD8,893,000, and net value amounted to HKD6,187,000 of the buildings of fixed assets and the original value amounted to HKD6,843,000 and net value amounted to HKD4,622,000 of investment properties. Unexpired letter of credit of EUR399,000, USD964,000 and JPY116,290,000.

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

As at 30 June 2020, the bank loans of the Group amounted to RMB8,061,330,000 (31 December 2019: RMB5,889,009,000), with an increase of RMB2,172,321,000 as compared with the beginning of 2020. The above bank loans included short-term borrowings of RMB8,061,330,000, current portion of non-current liabilities of RMB0, long-term borrowings of RMB0.

10. **Gearing ratio**

As at 30 June 2020, the Group's gearing ratio (total liabilities/total assets×100%) was 51.18% (31 December 2019: 54.32%).

11. **Material investment**

As at 30 June 2020, the Group had no other major investment.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(D) Situation on the major assets which are limited as of the end of the Reporting Period

Applicable Not applicable

(E) Issues and difficulties in operations and plans for the second half of 2020

In the first half of 2020, global economic growth slowed down due to the epidemic. For China, the impact of the epidemic was mainly reflected in the first quarter, and various business segments of the Group were also affected to varying degrees, with sales of pharmaceutical terminals and fast moving goods recording year-on-year decrease. At the same time, the tightening of medical insurance fee control and the implementation of a series of new policies, such as the implementation of the National Medical Insurance Catalogue and the DRGs Payment model in favor of cost-effective innovative drugs, has brought challenges to the development of the Group's traditional business.

Against the backdrop of the "epidemic", the epidemic has once again aroused the public's concern for health, and demand for healthcare is expected to rise further. In particular, the performance of TCM in the prevention and control of the epidemic was excellent and TCM is expected to be more popular in the future. In addition, new businesses and new models such as live streaming direct marketing and contactless sales derived from the epidemic have shown novelty and emerging vitality, bringing new opportunities for cross-border cooperation between pharmaceutical enterprises and new media industries as well as innovative marketing.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(E) Issues and difficulties in operations and plans for the second half of 2020 *(Continued)*

In the second half of 2020, the Group will focus on implementation of the following tasks:

1. We will continue to focus on “Big Products” and promote nurturing projects for the “Diva brands”, striving for creation of big products. We will formulate effective plans for time-honored enterprises under the Group to promote differentiated and characteristic development of various time-honored enterprises, thus creating famous brands for famous enterprises in the Chinese medicine industry; we will concentrate resources on strengthening the promotion, pipeline construction and sales of “Diva brands” products, and cultivate more Diva brands; we will seize new opportunities for epidemic prevention and control to promote anti-epidemic and epidemic prevention brands and actively develop sleep category to enrich product series development; we will continue to strengthen cooperation with top 100 domestic drugstore chains to increase product sales.
2. We will continue to focus on “one core with multi-elements” and adhere to WLJ’s strategy of single product diversification and category diversification. Efforts will be made on strengthening sales in summer peak season and the dual festival period of Mid-Autumn Festival and National Day, concentrating resources to strengthen marketing of catering channels and ready-to-drink markets and shops, to vigorously develop the new channels for the Wang Lao Ji Herbal Tea, and to increase the proportion of e-commerce and other new channels; we will expand the market share of new products such as Ci Ning Ji (刺檸吉) and Ye Rou Coconut Juice (椰柔椰汁), so as to establish the product cluster of the Great Health segment.
3. We will continue to implement the core strategy of “further development + expansion” to accelerate resources upgrading of the Great Commerce segment. GP Corp. will use the spin-off for listing as an opportunity to accelerate the integration of retail terminal resources, and will continue to optimize the construction of logistics distribution networks; Cai Zhi Lin will highlight the advantages of traditional Chinese medicine to promote characteristic development and vigorously develop the edge of the business of TCM decoction-pieces and traditional Chinese medical center.
4. We will continue to use “key projects” as the basis to accelerate the deployment of new business models, and actively promote the investment, merger and acquisition projects in various business segments.

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(E) Issues and difficulties in operations and plans for the second half of 2020 *(Continued)*

5. We will continue to optimize the scientific and technological innovation platforms, improve the R&D investment mechanism of innovative drugs, biopharmaceuticals and high-end generic drugs, establish and improve scientific and technological innovation systems and mechanisms; and further strengthen quality control and increase product quality and safety inspections.
6. We will continue to enhance internal management, consolidate basic management and strengthen the normalized management of internal risk control.

(F) Analysis on investment

1. Overall analysis on foreign equity investment

Applicable Not applicable

As at the end of the Reporting Period, the external equity investment of the Group amounted to RMB1,642,919,000, with a growth of RMB43,894,000 as compared to 31 December 2019, mainly due to the Group's recognition of the investment income of the joint ventures and associates in accordance with the Equity Laws, which led to the increase in long-term equity investment.

(1) Significant equity investment

Applicable Not applicable

(2) Significant non-equity investment

Applicable Not applicable

(3) Financial assets evaluating at fair value

Applicable Not applicable

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(F) Analysis on investment (Continued)

Investments in stocks

Number	Type of Stock	Stock Code	Stock name	The initial	Number of	Book value	% of stock	Gain/(loss)
				amount of investment	shares held as at the end of the Reporting Period	as at the end of the Reporting Period	investment as at the end of the Reporting Period	during the Reporting Period
				(RMB'000)	(share)	(RMB'000)	(%)	(RMB'000)
1	A share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	57,810	2,758	1.58	(384)
2	A share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	376,103	1,425	0.82	(267)
3	A share of Shenzhen Exchange	000950	C.Q. Pharmaceutical Holding	150,145	25,992,330	141,294	81.07	(17,675)
4	A share of SSE	601328	Bank of Communications	511	378,734	2,132	1.22	(189)
5	A share of SSE	601818	Everbright Bank	10,725	6,050,000	26,681	15.31	(5,022)
Other stock investments held as at the end of the Reporting Period								-
Gain/(loss) of stock investments sold during the Reporting Period								-
Total				166,892	32,854,977	174,290	100.00	(23,537)

(G) Significant assets and equity sales

Applicable Not applicable

Discussion and Analysis of Operations

B. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD *(Continued)*

(H) Analysis of controlling subsidiaries and joint stock companies of the Company

Applicable Not applicable

Name of enterprise	Business nature	Major products or services	Registered capital (RMB'000)	Equity directly	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
				held by the Company (%)			
WLJ Great Health	Manufacturing	Production and sales of pre-packaged food, dairy products, etc	900,000	100.00	7,764,278	5,777,241	840,541
GP Corp.	Medical Business	Retail of medical products and equipment	2,227,000	80.00	23,491,522	4,970,242	171,278

Except in relation to WLJ Great Health as mentioned in the above table, the Company did not derive any investment income from any single subsidiary or joint-stock company which had an impact of 10% or more on the net profit of the Group during the Reporting Period.

During the Reporting Period, the Group did not have other business operation activity having significant impact on the net profit.

(I) Circumstance of structured subjects controlled by the company

Applicable Not applicable

Discussion and Analysis of Operations

C. OTHER MATTERS

(A) Warning and explanation in respect of anticipated cumulative profit being a loss from the beginning of 2020 to the end of the next reporting period or substantial change in the cumulative net profit as compared with the corresponding period of last year

Applicable Not applicable

(B) Risk exposure

Applicable Not applicable

In 2020, the three-medicine (medical treatment, medical insurance and medicine) linkage will be smoother and the medical reform will be accelerated. The state's centralized drug procurement program will be promoted nationwide, and the price of drugs will drop significantly. The monitoring system for rational drug use will be improved, and the inspection of drugs will be intensified. The implementation and promotion of a series of new policies such as the tightening of fee control by medical insurance, the National Medical Insurance Catalogue and the tilting of DRGs Payment model to cost-effective innovative drugs have brought challenges to the development of the Group's traditional business.

At the beginning of 2020, the outbreak of epidemic brought more uncertainties to the production and operation of the Group, and the extent of the impact depends on the progress, duration and implementation of policies of control and prevention in different places towards the epidemic. The Group will focus on the development of the epidemic continuously, evaluate and actively respond to the influence in the financial statements and operation results of the Group.

(C) Other disclosures

Applicable Not applicable

Major Events

A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session	Date of the meeting	Index on the designated website for publication of the resolution	Date of publication of the resolutions
The First Extraordinary General Meeting in 2020	13 January 2020	http://www.sse.com.cn http://www.hkex.com.hk	14 January 2020 (SSE), 13 January 2020 (HKEx)
The Annual General Meeting for year 2019, the First Class Meeting of the holders of A shares in 2020 and the First Class Meeting of the holders of H shares in 2020	29 June 2020	http://www.sse.com.cn http://www.hkex.com.hk	30 June 2020 (SSE), 29 June 2020 (HKEx)

Explanation in respect of the general meetings of shareholders

Applicable Not applicable

B. PLAN FOR PROFIT DISTRIBUTION AND INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2020, nor any increase in share capital by transfer from capital reserve.

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

Any distribution or transfer	No
Number of bonus shares to be distributed for every ten shares (share)	/
Amount of dividends to be distributed for every ten shares (RMB) (inclusive of tax)	/
Number of shares to be transferred into share capital for every ten shares (shares)	/

C. PERFORMANCE OF UNDERTAKINGS

√ Applicable □ Not applicable

(A) Independence of listed company

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> 1. After completion of the Material Assets Reorganization in 2013, GPLH, the controlling shareholder of the Company, will comply with the requirements of relevant laws and regulations, regulatory documents and the articles of association of GPC, and exercise shareholder's right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organisation and business. 2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

Major Events

C. PERFORMANCE OF UNDERTAKINGS (Continued)

(B) Avoiding competition

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none">1. After completion of the Material Assets Reorganization in 2013, GPLH and its controlled subsidiaries (excluding GPC and its subsidiaries) should avoid engaging in business and operations which substantially compete with those of the Company subsisting after completion of the Material Assets Reorganization in 2013, and avoid increasing investment in companies and enterprises, other than new GPC and its subsidiaries, which engages in business and operations which substantially compete with those of new GPC. GPLH will not and will procure its subsidiaries not to engage in the same or similar business of new GPC to avoid direct or indirect competition with the operation and business of new GPC. In addition, GPLH will voluntarily and vigorously procure its subsidiaries to give up competition with new GPC if GPLH and its subsidiaries will bring unfair impact on new GPC in respect of market shares, business opportunities and allocation of resources.2. GPLH shall bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by new GPC due to any breach of the above undertakings.3. The undertaking letter shall remain effective so long as new GPC legally and validly exists and GPLH owns controlling interest in new GPC.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Complied with or not	Yes

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(C) Regulating connected transactions

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

Major Events

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(D) Undertakings related to properties with legal defects

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none">1. GPLH will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised.2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost or suffer any material adverse impact due to such issue.

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(D) Undertakings related to properties with legal defects *(Continued)*

Item	Content
	3. After completion of the merger, GPLH will fully compensate the Company within 2 months from the date of incurrence of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted land use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Complied with or not	Yes

Major Events

C. PERFORMANCE OF UNDERTAKINGS (Continued)

(E) Undertakings related to trademarks by the controlling shareholder

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none">1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the pre-emption right in Wang Lao Ji trademarks.

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(E) Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
	<p>2. On the basis of the original undertaking letter, GPLH has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such 4 other trademarks related to Wang Lao Ji, which are all obtained and owned in legal manner by GPLH after the Execution Day (inclusive of today) for the "Supplementary Agreement to the Agreement of Trademark Custody". The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</p>
Time and period of undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Valid period for performance	N/A
Whether timely and strictly performed	Yes
Complied with or not	Yes

Major Events

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(E) Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
Note	<p>On 16 August 2017, the Supreme People's Court of the PRC announced the judgment on the "case over red can decoration", and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company's wholly-owned subsidiary, received the relevant civil judgment of the Supreme People's Court of the PRC on the "case over red can decoration". According to GPLH's undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer "Wang Lao Ji" series trademarks to the Company had been satisfied.</p> <p>The 18th meeting of the seventh session of the Board of the Company and the 2019 first extraordinary general meeting of the Company were held on 27 December 2018 and 28 March 2019, respectively, at which the resolution regarding the proposal on purchasing trademarks in cash and the relevant agreements and connected transactions was considered and approved. The Company intended to pay the consideration of RMB1,389,122,631 (exclusive of value-added tax) for the transfer of 420 Wang Lao Ji series exclusive rights of trademarks (including some trademarks still pending registration) held by GPLH, the controlling shareholder to the Company. Since there were two defensive trademarks registration application being declined, the transaction price was later adjusted to RMB1,389,119,631 (exclusive of value-added tax).</p>

C. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(E) Undertakings related to trademarks by the controlling shareholder *(Continued)*

Item	Content
	<p>On 30 April 2019, the Company has entered into the Confirmation of the Delivery of Assets for the Transfer of Wang Lao Ji Series Trademarks with GPLH, in accordance with which the transfer of the “Wang Lao Ji” trademarks assets had been completed.</p>
	<p>As at 30 June 2020, the Company has submitted the application documents for changing the trademarks of Wang Lao Ji series to both domestic and foreign intellectual property departments. 14 domestic basic trademarks and 337 domestic defensive trademarks have been changed, 29 defensive trademarks registered in one single foreign country and 2 defensive trademarks registered in Madrid have been changed. There are still 2 domestic defensive trademarks and 13 defensive trademarks registered in one single foreign country and pending approval.</p>

Major Events

D. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS

Explanation on appointment, dismissal or change in appointment of auditors

Applicable Not applicable

1. As considered and approved at the 9th meeting of the Audit Committee in 2019 and the 28th meeting of the seventh session of the Board, the Company approved the cessation of appointment of Ruihua Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for year 2019, and appointed WUYIGE Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for year 2019. The said matter was approved at the first extraordinary general meeting of the Company convened on 13 January 2020.
2. As considered and approved at the 3rd meeting of the Audit Committee in 2020 and the 2nd meeting of the eighth session of the Board, the Company approved the proposed appointment of WUYIGE Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for the year 2020. The said matter needs to be considered and approved at the general meeting of shareholders of the Company.

Explanation change in appointment of auditors during the audit period

Applicable Not applicable

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

Applicable Not applicable

Explanation given by the Company on the financial report in previous annual report financial on the “non-standard auditor’s report” issued by the auditors

Applicable Not applicable

E. MATTERS RELEVANT TO BANKRUPTCY AND SCHEME OR ARRANGEMENT

Applicable Not applicable

F. THE GROUP'S MATERIAL LITIGATIONS, ARBITRATIONS OR MATTERS SUBJECT TO DOUBT BY MEDIA

Applicable Not applicable

The material litigations and arbitrations involving the Group and controlling shareholders during the Reporting Period are as follows:

On 18 June 2020, GPLH, the controlling shareholder of the Company, and WLJ Great Health, a wholly-owned subsidiary of the Company, received the Written Civil Ruling captioned [(2019) ZuiGaoFaMinShen No. 579] from the Supreme People's Court of the People's Republic of China in respect of the retrial of the "dispute case of improper competition" between Guangdong Jia Duo Bao Beverage and Food Co., Ltd. (廣東加多寶飲料食品有限公司), the respondent, and Guangdong Lerun Store Co., Ltd. (廣東樂潤百貨有限公司), the defendant in the first instance. Pursuant to the Written Civil Ruling, the retrial application of GPLH was dismissed.

For details, please refer to the announcement and the supplemental announcements dated 16 June 2020 disclosed in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and the announcement on the websites of the SSE and the HKEx.

Save as mentioned above, the Group had neither been engaged in any material litigation or arbitration nor subject to any doubts by media during the Reporting Period.

G. INFORMATION ON PENALTIES, RECTIFICATION AND REFORM IN RESPECT OF THE LISTED COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR THE ACQUIRER

Applicable Not applicable

H. EXPLANATION ON THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

I. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT

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

Applicable Not applicable

Major Events

I. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT *(Continued)*

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

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

With a view to improve the Company's incentive mechanism the Employee Stock Ownership Scheme (2015) (the "Stock Ownership Scheme") was approved at the Board meeting held on 12 January 2015 and at the first extraordinary general meeting in 2015, the Class Meeting of Holders of A Shares, the Class Meeting of Holders of Overseas Listed Foreign Capital Shares held on 13 March 2015 by the independent shareholders.

The implementation of the Stock Ownership Scheme was completed on 17 August 2016. A total of 1,209 employees participated in the Employee Stock Ownership Scheme (2015), subscribing a total of 3,860,500 shares ("Above Shares") at the amount of RMB90,953,380.00. On 17 August 2019, the Placement Prosperous Age Exclusive Account No. 66 (as the trustee of the Employee Stock Ownership Scheme) which held 3,860,500 A shares of the Company, completed the registration of the newly-issued shares at the Depository Corporation. The Above Shares are shares subject to trading restrictions with a lock-up period of 36 months. On 19 August, the Above Shares were trade on the SSE.

As at 9 June 2020, 3,860,500 shares of the Company held under the Employee Stock Ownership Scheme (2015) were fully sold. The Stock Ownership Scheme was completed and terminated in accordance with the relevant provisions of the relevant rules on employee stocks ownership scheme. For details of the Stock Ownership Scheme, please refer to the announcements dated 12 January 2015, 17 March 2015, 14 August 2019 and 9 June 2020 published on Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報), the websites of the SSE and the HKEx and the circulars dated 26 February 2015 and 16 February 2016.

I. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT *(Continued)*

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

Other incentives

Applicable Not applicable

J. CONNECTED TRANSACTIONS

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of the connected transactions	Amounts of connected transactions <i>(RMB'000)</i>	Percentage of similar transactions <i>(%)</i>	Settlement method of connected transactions
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	10,940	0.04	Cash
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	132,162	0.5	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	21,702	0.08	Cash
Subtotal					164,804		

Major Events

J. CONNECTED TRANSACTIONS (Continued)

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

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

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of the connected transactions	Amounts of connected transactions (RMB'000)	Percentage of similar transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Acceptance of service	Exhibition Service	Market price	4,544	0.92	Cash
Subtotal					4,544		
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	83,151	0.27	Cash
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	108,469	0.36	Cash
Nuo Cheng	Joint venture	Sales of goods	Medicinal material or medicine	Market price	8	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	2,401	0.01	Cash
Subtotal					194,029		
GPHL	Parent Company	Provision of labour service	Advertising agency service	Market price	1,204	3.27	Cash
Hua Cheng	Controlled by the same parent company	Provision of labour service	Advertising agency service	Market price	11,457	31.1	Cash
HWBYS	Joint venture	Provision of labour service	Advertising agency service	Market price	22,913	62.19	Cash
Hua Cheng	Controlled by the same parent company	Provision of labour service	Consigned processing	Market price	14,613	13.89	Cash
HWBYS	Joint venture	Provision of labour service	Consigned processing	Market price	3,574	3.4	Cash
HWBYS	Joint venture	Provision of labour service	Research and development services	Market price	30	0.99	Cash

J. CONNECTED TRANSACTIONS (Continued)

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

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

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of the connected transactions	Amounts of connected transactions (RMB'000)	Percentage of similar transactions (%)	Settlement method of connected transactions
Subtotal					53,791		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	206	28.1	Cash
HWBYS	Joint venture	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	526	71.9	Cash
GPHL	Parent Company	Others	Leased as tenant	Agreement price	644	5.35	Cash
GPHL	Parent Company	Others	Leased as landlord	Agreement price	134	0.75	Cash
Baxter Qiao Guang	Joint venture	Others	Leased as landlord	Agreement price	1,634	9.19	Cash
Nuo Cheng	Joint venture	Others	Leased as landlord	Agreement price	1,428	8.03	Cash
Total					421,740		

Note: The above connected transactions were transactions carried out within the Group's ordinary operations, determined with reference to market prices, and were considered to have no negative impact on the Group's ability to continue its operations.

3. Matters not undisclosed in temporary announcement

Applicable Not applicable

Major Events

J. CONNECTED TRANSACTIONS *(Continued)*

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

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

Applicable Not applicable

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

Applicable Not applicable

On 27 December 2018, after consideration and approval at the 18th meeting of the seventh session of the Board of the Company and the 12th meeting of the seventh session of the Supervisory Committee of the Company, the Company proposed to pay the consideration of RMB1,389,122,631 (exclusive of VAT, same for the below) for the transfer of 420 Wang Lao Ji series exclusive trademarks rights (including some trademarks which are pending registration) held by GPLH, the controlling shareholder of the Company. The transaction constitutes a connected transaction and has been considered and approved at the 2019 first extraordinary general meeting of the Company held on 28 March 2019.

On 30 April 2019, the Company entered into the Confirmation of the Delivery of Assets for the Transfer of Wang Lao Ji Series Trademarks with GPLH. Since the registration application of two defensive trademarks were declined as at the issue date of the above Confirmation, according to the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited, the corresponding assessed value of the above 2 trademarks was deducted from the transaction price, in transaction price as adjusted was RMB1,389,119,631 (excluding the VAT). The subject assets in the above transaction had been delivered in accordance with the agreement, and the Company had paid the transaction price to GPLH with one lump sum, and had obtained the underlying assets in accordance with laws.

As at 30 June 2020, the Company has submitted the application documents for changing the trademarks of Wang Lao Ji series to both domestic and foreign intellectual property departments. 14 domestic basic trademarks, 337 domestic defensive trademarks have been changed, 29 defensive trademarks registered in one single foreign country and 2 defensive trademarks registered in Madrid have been changed. There are still 2 domestic defensive trademarks and 13 defensive trademarks registered in one single foreign country and pending approval.

J. CONNECTED TRANSACTIONS *(Continued)*

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

3. *Matters not disclosed in temporary announcements*

Applicable Not applicable

4. *If agreement in relation to financial performance is involved, details of the performance during the Reporting Period should be disclosed*

Applicable Not applicable

(C) Material related party transactions on joint external investment

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

Applicable Not applicable

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

Applicable Not applicable

3. *Matters not disclosed in temporary announcements*

Applicable Not applicable

(D) Credit claims and liabilities between related parties

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

Applicable Not applicable

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

Applicable Not applicable

Major Events

J. CONNECTED TRANSACTIONS (Continued)

(D) Claims and liabilities between related parties (Continued)

3. Matters not disclosed in temporary announcements

Applicable Not applicable

Related party	Relationship with the related parties	Funds provided to related parties		Funds provided by related parties to listed company			
		Balance as at the beginning of the Reporting Period (RMB'000)	Amount (RMB'000)	Balance as at the end of the Reporting Period (RMB'000)	Balance as at the beginning of the Reporting Period (RMB'000)	Amount (RMB'000)	Balance as at the end of the Reporting Period (RMB'000)
Bozhou Baiyunshan	Subsidiary of joint venture	620		620			
Total		620		620			

Reasons for the funds provided to/from related parties

The Company's other receivables from HWBYS for the Reporting Period included receivables of RMB620 from HWBYS' subsidiary, namely Bozhou Baiyunshan. HWBYS was originally a joint venture with 50% equity interest held by Baiyunshan, and Bozhou Baiyunshan was originally held by Baiyunshan and HWBYS as to 80% and 20%, respectively. On 30 March 2013, Baiyunshan and HWBYS entered into "Equity Transfer Agreement of Bozhou Baiyunshan Pharmaceutical Co., Ltd", according to which Baiyunshan agreed to transfer its equity interest and all the associated rights and obligations in Bozhou Baiyunshan to HWBYS. Since the absorption and merger of Baiyunshan by the Company was completed in May 2013, HWBYS became a joint venture as well as a related party of the Company. The receivables emerged after the share transfer of Bozhou Baiyunshan had completed.

Impact of the funds provided to/from related parties on the Company's operating results and financial position

No significant impact

The credit and debt of related parties above do not constitute subject to disclosure and/or shareholder approval by the Company under Chapter 14A of the Listing Rules of the HKEx.

K. OTHER TRANSACTIONS OF THE GROUP'S

No.	Approval body	Subject matter	Status
1	8th meeting of the sixth session of the Board, 7th meeting of the Strategic Development and Investment Committee in 2016	According to the arrangements of the industrial structure adjustment, 11 enterprises under the Company planned to relocate to the Baiyun base in the Biological Medicine Town of GPLL. Four enterprises under the Company, namely Ming Xing, He Ji Gong, HYBYS and GP Corp. have in aggregate acquired the land use rights of 303 mu of land available for construction in the first phase.	In progress.
2	11th meeting of the Strategic Development and Investment Committee in 2015	The capital of HK\$177,500,000 or the equivalent amount of RMB will be injected to Guangyao Baiyunshan Hong Kong Company by the Company.	The first and the second phases of capital increases, in a total amount of RMB105,090,750, have been completed.
3	5th meeting of the Strategic Development and Investment Committee in 2016	The Company's subsidiary Chemical & Pharmaceutical Technology Company and Zhuhai Fushan Industrial Park Management Committee entered into the "Investment Agreement between Zhuhai Fushan Industrial Park Management Committee and Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd." ("Zhuhai Project"), with an initial investment amount of RMB55 million.	The Company has contributed Chemical Pharmaceutical (Zhuhai) Company. Currently, the Zhuhai Project has entered into the construction stage.
	1st meeting of the Strategic Development and Investment Committee in 2017	The Company contributed additional capital in cash of RMB12.47 million to Chemical & Pharmaceutical Technology Company for the use of project design and environmental assessment of the Zhuhai Project.	
	1st meeting of the Strategic Development and Investment Committee in 2018	The Company contributed additional capital of RMB100 million to Chemical & Pharmaceutical Technology Company for use in the establishment of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. ("Chemical Pharmaceutical (Zhuhai) Company").	
	11th meeting of the seventh session of the Board	Initiation of the Zhuhai Project with a total investment amount of RMB731,879,100.	
	5th meeting of the Strategic Development and Investment Committee in 2019	The Company made a capital increase of RMB100 million to Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company.	

Major Events

K. OTHER TRANSACTIONS OF THE GROUP'S (Continued)

No.	Approval body	Subject matter	Status
4	5th meeting of the Strategic Development and Investment Committee in 2017	Medical Instrument Investment Company, a subsidiary of the Company, would set up a joint venture jointly with Shanghai Xiecheng Investment Management Co., Ltd. (上海協成投資管理有限公司) and Guangzhou OSMUNDA Medical Device Technology Inc., Ltd. (廣州奧諾達醫療器械技術股份有限公司) to build an operating platform for the medical equipment innovation incubator park, and Medical Instrument Investment Company intends to contribute capital in cash of RMB17 million, accounting for 34% of the equity interest.	Initial capital contribution of RMB3.4 million has been completed.
5	2nd meeting of the Strategic Development and Investment Committee In 2018	Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired 33,785 shares in PT Sano Gratia Farma for RMB20.496 million (or equivalent in Indonesian Rupiah) and subscribe for new shares issued by PT Sano Gratia Farma for RMB15 million (or equivalent in Indonesian Rupiah). Upon completion of the transactions, Guangyao Baiyunshan Hong Kong Company will hold 58,510 shares in PT Sano Gratia Farma, accounting for 51% of the paid-up capital innovation incubator park, and Medical Instrument Investment Company	In progress
6	18th meeting of the seventh session of the Board	The Company's subsidiary WLJ Great Health invested in and commenced the construction of Nansha Base (Phase I) project with a total investment of RMB750 million.	The pre-construction the preparatory work is in progress.
7	6th meeting of the Strategic Development and Investment Committee in 2018	WLJ Ya'an Company, a wholly-owned subsidiary of the Company's subsidiary WLJ Great Health, commenced the second phase construction with a total investment of approximately RMB47.00 million.	In progress
8	6th meeting of the Strategic Development and Investment Committee in 2018	The Company made an additional contribution of RMB30 million to its wholly-owned subsidiary Guangyao General Institute, with the first phase of RMB18 million and the second phase of RMB12 million.	First phase of capital increase completed.
9	7th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary, WLJ Great Health, intended to build a production base in Lanzhou, Gansu with a total investment of RMB350.00 million.	In progress

K. OTHER TRANSACTIONS OF THE GROUP'S (Continued)

No.	Approval body	Subject matter	Status
10	8th meeting of the seventh session of the Board	The Company participated in the establishment of Baiyunshan Yi Xin Tang, with a registered capital of RMB300 million which shall be paid in installments, of which, the Company contributed RMB90 million, accounting for 30% of its registered capital.	The second phase of capital contribution has completed which amounted to RMB72 million.
11	11th meeting of the seventh session of the Board	The Company invested in the establishment of GYBYS Biological Medicine and Health R&D Sales Headquarters project.	Under construction
	6th meeting of the Strategic Development and Investment Committee in 2019	RMB40.41 million was injected as capital contribution to GYBYS Biological Medicine and Health R&D Sales Headquarters project.	
12	6th meeting of the Strategic Development and Investment Committee in 2019	Zhong Yi, a wholly-owned subsidiary of the Company, carried out the 3rd GMP construction improvement project of modernization of TCM production.	The pre-construction preparatory work is in progress.
		Cai Zhi Lin, a wholly-owned subsidiary of the Company, implemented the first phase of the project of Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Industrial Park.	In progress
13	1st meeting of the Strategic Development and Investment Committee in 2020	GP Corp., a subsidiary of the Company, is currently proposing to transfer its 70% equity interest in Hubei Guangyao Ji Da Pharmaceutical Co., Ltd. by way of public listing	In pushing ahead with listing
		Nuo Cheng, the Company's joint venture, increased its capital by RMB289,459,900 for the construction of a new plant.	Completed
14	2nd meeting of the Strategic Development and Investment Committee in 2020	HWBYS, a joint venture of the Company, acquired the entire equity interests in Hutchison Whampoa Baiyunshan Leida Pharmaceutical (Shantou) Co., Ltd. (白雲山和記黃埔萊達製藥(汕頭)有限公司) held by Guangdong Leida Pharmaceutical Co., Ltd. (廣東萊達製藥有限公司).	Completed

Major Events

K. OTHER TRANSACTIONS OF THE GROUP'S (Continued)

No.	Approval body	Subject matter	Status
15	3rd meeting of the Strategic Development and Investment Committee in 2020	Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company, applied to the Company for a capital contribution of RMB300 million for the purpose of the construction of Zhuhai Project.	In progress
16	4th meeting of the Strategic Development and Investment Committee in 2020	The Company made a capital increase of RMB10 million to Chemical & Pharmaceutical Technology Company. A joint venture was established jointly by Chemical Pharmaceutical (Zhuhai) Company and Guangdong Fudan Innovation Investment Co., Ltd. (廣東復創投資有限公司), a wholly-owned subsidiary of Zhuhai Fudan Innovation Institute (珠海復旦創新研究院).	In progress

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

L. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(A) Trusteeship, contract and lease matters

Applicable Not applicable

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

L. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

(B) Guarantees

Applicable Not applicable

(Unit: RMB'000)

External guarantees of the Company (excluding guarantees to subsidiaries)

Guarantor	The relationship between the guarantor and the listed company	Secured party	Amount guaranteed	Date of guarantee (date of agreement)	Guarantee commencement date	Guarantee maturity date	Collateral type	Whether the guarantee has been performed and discharged	Whether the guarantee is overdue	Amount of guarantee overdue	Whether counter guarantee is provided	Whether guarantee is for the benefit of related parties	Connected relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee provided during the Reporting Period (excluding guarantee provided to its subsidiaries)													-
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantee provided to its subsidiaries)													-
Guarantee provided by the Group for the benefit of its subsidiaries													
Total amount of guarantee provided for the benefit of subsidiaries during the Reporting Period													335,000
Total balance of guarantee provided for the benefit of subsidiaries at the end of the Reporting Period (B)													335,000
Amounts of guarantees provided by the Group (including guarantees for subsidiaries)													
Total amount of guarantee (A+B)													335,000
The proportion of the total amount of guarantees to the Company's net assets (%)													1.25
Including:													
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)													-
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio of over 70% (D)													335,000
Portion of the total amount of guarantee in excess of 50% of net assets (E)													-
Aggregated amount of the above three types of guarantee (C+D+E)													335,000
Description of the potential joint and several repayment liability for outstanding guarantee													-
Description of guarantee													-

(C) Other major contracts

Applicable Not applicable

Major Events

M. NEEDY ALLEVIATION EFFORTS OF LISTED COMPANIES

Applicable Not applicable

1. Plan of targeted approach to aid the needy

Applicable Not applicable

Guang Hua, Xing Qun and Cai Zhi Lin established poverty alleviation partnership with certain villages in Songyuan Town, Meizhou City, Guangdong Province, namely Wanxi, Jingkou and Yuanling, respectively, with the general concept of “targeted, early and distinct” to achieve the objective of “they no longer need to worry about food and clothes, compulsory education, basic medical services and residential safety are guaranteed”, in accordance with the basic strategy of precise policy and targeted poverty alleviation. At the end of 2019, on the basis of helping all poor households in the three villages to get rid of poverty, the Company continued to make up the shortcomings, promote effectiveness, grasp the consolidation and prevent the return to poverty.

2. Outline of targeted approach to aid the needy for the Reporting Period

Applicable Not applicable

- (1) Industrial poverty alleviation. The Company continued to promote poverty alleviation by facilitating poor households to increase production and income. Relying on the local roasted tobacco and pomelo industry in Songyuan Town, Meizhou City, poor households with the ability to work were encouraged to expand the area of tobacco and pomelo cultivation. At the same time, the Company also helped poor households to get rich through a variety of ways and channels, including the development of cattle raising, chicken farming, rice and other projects.
- (2) Poverty alleviation through employment. The Company strengthened the implementation of poverty alleviation by promoting employment, and overcame difficulties in poverty alleviation by helping poor households go out to work or get a job nearby. First, we strengthened the training of labor skills by inviting technical experts or masters with skills to get rich in the village to conduct skill trainings for home-based farming poor households to provide farming techniques, improve the level of farming, and enhance the skills of farming; Second, we implemented the employment incentives policy to reward the poor who have stable jobs outside with employment incentives, so as to guide the poor families surplus labor force to go out to work and to achieve the goal of “One person have a job, the family will get rid of poverty”; Third, we took advantage of the commencement of the construction of Wang Lao Ji Liquid Extraction Base in Guangmei Industrial Park and Cai Zhi Lin Chinese Medicine and Drinking Tablets Factory to give priority to qualified poor households, thus solving the problem of employment difficulties.

M. NEEDY ALLEVIATION EFFORTS OF LISTED COMPANIES *(Continued)*

2. Outline of targeted approach to aid the needy for the Reporting Period *(Continued)*

- (3) Poverty alleviation through education. The Company proactively carried out charity activities for education. Adhering to the concept of poverty alleviation with education as first priority, we actively assisted poor students to declare targeted poverty alleviation education and living expenses subsidies in accordance with the policy to reduce the burden of education costs of poor families. We also provided scholarships to poor students and encouraged them to change their lives through education.
- (4) Poverty alleviation by developing photovoltaic. The Company vigorously implemented poverty alleviation by developing photovoltaic through allocating the proceeds of photovoltaic power generation to village collective income and dividends for poor households.

3. Achievement of the Targeted Poverty Alleviation

(RMB'0000)

Index	number and implementation information of GYBYs
1. General information	
Including: 1. Fund	105.1
2. Materials traded	4.47
3. Number of poor people helped to be removed from administrative record for poverty registering (Person)	358
2. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<ul style="list-style-type: none"> ■ Poverty alleviation through agriculture and forestry □ Poverty alleviation through tourism □ Poverty alleviation through E-commerce ■ Poverty alleviation through assets income ■ Poverty alleviation through science and technology ■ Others
1.2 Number of industrial poverty alleviation projects	11
1.3 Amount invested in industrial poverty alleviation projects	50.78
1.4 Number of poor people helped to be removed from administrative record for poverty registering (Persons)	358

Major Events

M. NEEDY ALLEVIATION EFFORTS OF LISTED COMPANIES (Continued)

3. Achievement of the Targeted Poverty Alleviation (Continued)

Index	number and implementation information of GYBYs
2. Poverty alleviation through employment	
Including: 2.1 Amount invested in vocational training	0
2.2 Number of people received vocational training (Persons/ Time)	171
2.3 Number of poor people in administrative record for poverty registering employed (Persons)	82
3. Poverty alleviation through relocation	
Including: 3.1 Number of relocated people employed (Persons)	0
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	1.23
4.2 Number of students received allowance (Persons)	46
4.3 Amount invested in improvement of education resources in poverty area	
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty area	
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of project	<input type="checkbox"/> Launching ecological protection and construction <input type="checkbox"/> Establishing compensation for the ecological protection <input type="checkbox"/> Creating ecological and public welfare positions <input type="checkbox"/> Others
6.2 Amount invested	
7. Protection for the most impoverished people	
Including: 7.1 Amount invested in helping the three left-behind groups	0
7.2 Number of people of the three left-behind groups helped (Persons)	0
7.3 Amount invested in helping poor people with disabilities	0
7.4 Number of poor people with disabilities helped (Persons)	0
8. Poverty alleviation in the society	
Including: 8.1 Amount invested in poverty alleviation in the eastern and western parts of the country	0
8.2 Amount invested in fixed-point poverty alleviation work	0
8.3 Poverty alleviation fund	0

M. NEEDY ALLEVIATION EFFORTS OF LISTED COMPANIES *(Continued)*

3. Achievement of the Targeted Poverty Alleviation *(Continued)*

Index	number and implementation information of GYBYs
9. other projects	
Including: 9.1 Number of projects (Project)	17
9.2 Amount invested	57.56
9.3 Number of poor people helped to be removed from administrative record for poverty registering (Persons)	0
9.4 Details of other projects	Based on the actual situation, the Company carried out night school activities for farmers, encouraged poor households to work and rewarded employment incentives. The Company spent a total of approximately RMB570,000 on providing living subsidies and consolation to poor households during the pandemic period and advocating poverty alleviation.
3. Awards (details and classes)	No

4. Updates on phrasal progress in fulfillment of social responsibility of targeted Poverty Alleviation

Applicable Not applicable

The Group adhered to in-depth learning and understanding of the important instructions and spirit of Xi Jinping, the General Secretary, regarding fighting poverty and overcoming its difficulties, insisted on the Party's leading to fight poverty and overcome its difficulties, and played the role of the battle fortress of the Party's organizations at village level. The Group also actively implemented the responsibility of poverty alleviation by going all out to consolidate and improve the results of poverty alleviation and improved the quality of poverty alleviation, ensuring poor households to get rid of poverty.

5. Follow-up alleviation plan

Applicable Not applicable

The second half of 2020 is the key point in time to get rid of poverty alleviation, the Company will continue to carry out poverty alleviation by increasing industrial production, promoting employment and developing photovoltaic, in order to help poor households increase production and income to become well-off. The Company will further implement and promote the projects for people's well-being in the entire village, thus to overcome the last bastion of poverty.

Major Events

N. CONVERTIBLE BONDS

Applicable Not applicable

O. PROJECT UNDER DEVELOPMENT AND FOR SALE

During the Reporting Period, the Group did not have any investment properties the contribution of which accounted for more than 5% of the Group's operating profit before tax as provided under Rule 23 of Appendix 16 to the Listing Rules of HKEx.

P. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted the Model Code and "Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management" as stipulated by the Company as the codes and criteria for securities transactions by directors and supervisors of the Company. After making specific inquiry to all the directors and supervisors, the Company confirmed that its directors and supervisors had fully complied with the standards relating to directors' and supervisors' dealing in securities as set out in the above codes and criteria during the Reporting Period.

Q. CORPORATE GOVERNANCE

The Company has been strictly complying with the Company Law, the Securities Law, Corporate Governance Guidelines for the Listed Companies (2018 revision), related laws and regulations of the CSRC and the Listing Rules of SSE and the Listing Rules of HKEx to continuously improve the management structure and regulate the operations of the Company.

As at the end of the Reporting Period, the corporate governance of the Company was in compliance with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements of CSRC.

During the Reporting Period, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of HKEx ("CG Code") and the code provisions of the CG Code except that (i) Mr. Li Chuyuan (the chairperson of the Board), Mr. Li Hong (an executive director and the general manager), Mr. Chu Xiaoping (independent non-executive director), Mr. Jiang Wenqi (independent non-executive director) and Mr. Wong Hin Wing (an independent non-executive director) were unable to attend the first extraordinary general meeting in 2020, which constituted a deviation from code provision A.6.7; (ii) Ms. Liu Juyan, the executive director of the Company, was unable to attend the 2019 annual general meeting, the first class meeting of the holders of A shares in 2020, and the first class meeting of the holders of H shares in 2020 which constituted a deviation from code provision A.6.7.

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

Q. CORPORATE GOVERNANCE *(Continued)*

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

The review of the business and financial position of the Company for the Reporting Period is set out in section 4 which entitled “Discussion and Analysis of Operation” in this interim report.

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

- (A) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2019 pursuant to the requirements of the “Notice on Proper Preparation of the 2019 Annual Report by Listed Companies” issued by the SSE, and the “Self- assessment Report on Internal Control for 2019” and the “Report on Performance of Social Responsibilities for 2019” were prepared accordingly, which were disclosed after being duly considered and approved at the Board meeting of the Company held on 31 March 2020.
- (B) According to the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies (2018 Revision) and relevant regulations, and coupled with the Company’s practice of operating in compliance of laws and regulations, the Company has revised its Articles of Association, “Rules of Procedure for the Board of Directors” and relevant clauses. The above revisions had been approved by the Board on 22 November 2019 and the shareholder’s meeting on 13 January 2020.
- (C) According to the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies (2018 Revision) and relevant regulations, and coupled with the Company’s practice of operating in compliance of laws and regulations, the Company has revised its Articles of Association, Rules of Procedure for the Shareholder’s meeting and relevant clauses. The above revisions had been approved by the Board on 31 March 2020 and the shareholder’s meeting on 29 June 2020. For the details of the amendments, please refer to the circular of the Company dated 13 May 2020.

Major Events

Q. CORPORATE GOVERNANCE *(Continued)*

- (D) In order to further improving corporate governance, integrating the practical operation of the Company, the Company has revised the relevant provisions in the Implementation Rules on the Budget Committee of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd., "Implementation Rules on the Audit Committee of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd." and "Implementation Rules on the Nomination and Remuneration Committee of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd." The above revisions had been approved at the Board meeting on 20 January 2020.
- (E) In order to safeguard the legitimate rights and interests of small and medium investors, fully reflect the Company's small and medium investors' intentions and demands in the decision-making process of major issues, and ensure that small and medium investors can exercise their rights in accordance with the law, the Company, after taking into account its Articles of Association, formulated the "Management Measures for Individual Voting Counting for Small and Medium Investors". The above revisions had been approved at the Board meeting on 31 March 2020.
- (F) During the Reporting Period, the Company continued to strengthen and improve the three defense lines of "internal control system, risk control system, and audit supervision" to enhance our corporate risk prevention ability, reduce corporate operational management risk, and focused on the following tasks:
1. The Company launched an in-depth investigation of internal control and the establishment of internal control system exercise. The Company organized 27 of its subsidiaries to carry out in-depth internal control audits on procurement, contracts, and financial reporting processes in order to identify the rooted causes and take effective corrective measures; and formulated the "Implementation Work Plan for Internal Control System of Relevant Enterprises under Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited 2020" which provided guidance to enterprises that have not yet established internal control systems to establish and improve their internal control systems and to include them under the supervision of the effective operation of the Group-wide internal control system.
 2. The Company carried out regularization management for sorting out special projects and risk control. The project of regularization of shareholding management was completed and a special inspection of the regularization management of the Group, its joint ventures, associates and companies which the Group held equity interests was conducted to deal with the risk found and proposed improvement measures. At the same time, the Company organized the evaluation of the overall risk management operation effectiveness for 2019 and the annual risk assessment for 2020, strengthen the identification and evaluation of risks, the formulation of risk strategies and the implementation of resolution measures.

Q. CORPORATE GOVERNANCE *(Continued)*

(F) *(Continued)*

3. The Company carried out special audits on major investments and economic responsibilities. Subsidiaries involving in equity investment, investment in fixed assets and research and development were selected for the purpose of the audit. The audit focused on investment decisions, use of funds, process management, post-investment management, etc. to prevent significant investment risks. At the same time, the Company carried out a number of audits on the economic responsibilities and pandemic prevention materials management of its subsidiaries to strengthen the use of audit results, reveal existing problems and room for improvement, and encourage enterprises to improve their business management.

R. THE AUDIT COMMITTEE OF THE EIGHTH SESSION OF THE BOARD COMPRISED OF FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM POSSESSED APPROPRIATE PROFESSIONAL QUALIFICATION. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP'S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING WITH THE MANAGEMENT, INCLUDING REVIEWING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020.

Major Events

S. ENVIRONMENTAL INFORMATION

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments

√ Applicable □ Not applicable

1. Information on Sewage Disposal

Chemical Pharmaceutical Factory, a branch of the Company and the subsidiaries of the Company, WLJ Ya'an and Weiling were key pollutant discharging units, the key item of waste emission being monitored was exhaust gas and wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m ³)	Implementation of pollutant emission standards (mg/m ³)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	3.5	"Integrated emission standard of air pollutants", ≤50	0.024	2.16	None
	Nitrogen oxides	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	88.5	"Integrated emission standard of air pollutants", ≤200	0.6112	8.62	None

S. ENVIRONMENTAL INFORMATION *(Continued)*

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments *(Continued)*

1. Information on Sewage Disposal *(Continued)*

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration <i>(mg/m³)</i>	Implementation of pollutant emission standards <i>(mg/m³)</i>	Total annual emissions <i>(ton)</i>	Approved total emissions <i>(ton)</i>	Excessive emissions
WUJ Ya'an	Particulate matter (smoke dust)	Intermittently	5	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	1	"Integrated emission standard of air pollutants", ≤30	0.0069	17.78	None
	Total VOCs	Intermittently	5	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	7.63	"Integrated emission standard of air pollutants", ≤120	0.4232	15.56	None
	COD	Discharge after treatment	1	No.1 Deguang Road, Ya'an Economic Development Zone, Sichuan Province	18.62	"Integrated Wastewater Discharge Standard (IIIclass criteria)"	0.61	5.86	None

Major Events

S. ENVIRONMENTAL INFORMATION *(Continued)*

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments *(Continued)*

1. Information on Sewage Disposal *(Continued)*

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m ³)	Implementation of pollutant emission standards (mg/m ³)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province	68.75	"Integrated Wastewater Discharge Standard (III class criteria)"	1.20	4.50	None

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

S. ENVIRONMENTAL INFORMATION (Continued)

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments (Continued)

2. Construction and operation of pollution prevention and control facilities

Applicable Not applicable

Through various pollution preventive facilities and measures Chemical Pharmaceutical Factory, WLJ Ya'an and Weiling ensured that the emission of exhaust gas did not exceed the permitted limit and strictly observed the relevant requirements under the "Integrated Emission Standard for Air Pollutants" and "Integrated Wastewater Discharge Standard (class III criteria)". Details of the pollution preventive facilities and measures undertaken by Chemical and Pharmaceutical Factory, WLJ Ya'an and Weiling and their implementations (exhaust gas) are as follows:

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Technique	Average daily processing capacity (m ³ /h)
Chemical Pharmaceutical Factory	Sewage treatment facility tail gas treatment system DA008 (6#)	2018.02.01	Odor, VOCs	Washing+biofilter	3, 895
	202 production exhaust gas treatment facility DA010 (7#)	2007.10.01	Particulate matter, VOCs	Bag-type dust collecting+ lye spray+ activated carbon adsorption	3, 672
	205 cephalosporin sterile APIs production exhaust gas treatment facility DA004 (5#)	2009.06.01	VOCs	Condensation+ absorber recovery	360
	203 oral APIs production exhaust gas treatment facility DA003 (9#)	2014.10.01	VOCs, sulfuric acid mist	Condensation+ lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01.20	VOCs, Hydrochloride	Lye spray+ photo catalytic oxidation	2, 579

Major Events

S. ENVIRONMENTAL INFORMATION (Continued)

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments (Continued)

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

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Technique	Average daily processing capacity (m ³ /h)
	205 oral cephalosporin APIs production dust and exhaust gas treatment facility DA002 (10#)	2016.01.20	Particulate matter	Cellulose filter cylinder filtration	5,350
	203 oral raw medicine production dust and exhaust gas treatment facility DA009 (8#)	2014.10.01	Particulate matter	Cellulose filter cylinder filtration	4,870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007 (2#)	2009.06.01	Particulate matter	Cellulose filter cylinder filtration	7,205
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11.22	VOCs	VOC Dichloromethane: water spray + L2 T-HPs resin adsorption method Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	300; 2200
WJ Ya'an	Sewage Treatment Station	2015.09.01	COD, ammonia nitrogen	AO Technique	40
Weiling	Sewage Treatment Station	2016.06.07	COD, ammonia nitrogen	AO Technique	40

S. ENVIRONMENTAL INFORMATION *(Continued)*

(A) Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments *(Continued)*

3. ***Assessment of impact of construction projects on environment and other administrative licenses for environmental protection***

Applicable Not applicable

The design, construction and trial run of plants, new projects and reconstruction and expansion projects of each key sewage-discharging entity of the Company went through the environmental impact assessment and the environmental protection completion inspection in strict compliance with relevant laws and regulations.

During the Reporting Period, the environmental protection facilities were running smoothly, ensuring the legal discharge of water, air and sound and standardized management of hazardous waste. There was no newly-commenced project in the Reporting Period.

4. ***Environmental emergency response plan***

Applicable Not applicable

Each key sewage-discharging entity of the Company devised the Environmental Emergency Response Plan in accordance with the standard specifications and organized drills of the environmental emergency response and rescue plan on its own.

5. ***Environmental self-monitoring program***

Applicable Not applicable

Each key sewage-discharging entity of the Company prepared the "Environmental Self-monitoring Program" and strictly conducted routine monitoring according to the self-monitoring program and disclosed information to external parties. Meanwhile, such entities entered into the "Environmental Monitoring Technology and Service Contract" with a qualified third-party monitoring authority having relevant qualifications whereby such authority is entrusted to conduct a third-party test of the sewage, exhaust gas and noise discharged by each plant in accordance with environmental protection and administration requirements and provide a test report.

Major Events

S. ENVIRONMENTAL INFORMATION *(Continued)*

- (A) **Description of information on environmental protection in respect of those companies and their subsidiaries which are key pollutant-discharging entities as revealed by the environmental protection departments *(Continued)***

6. **Other disclosable environmental information**

Applicable Not applicable

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

Applicable Not applicable

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

- (C) **Reasons for the non-disclosure of environmental information by companies other than key sewage-discharging entities**

Applicable Not applicable

- (D) **Explanations for subsequent progress on or changes in environmental information disclosed in the Reporting Period**

Applicable Not applicable

T. OTHER MAJOR MATTERS

- (A) **The circumstances, causes and effects of changes in accounting policies, accounting estimates and accounting methods as compared to the previous accounting period**

Applicable Not applicable

- (B) **The circumstances, correct amount, cause and influence of the correction of major accounting errors occurred during the Reporting Period which should be retraced and restated**

Applicable Not applicable

T. OTHER MAJOR MATTERS (Continued)

(C) Others

Applicable Not applicable

1. In accordance with the overall strategic layout of the Company and in light of the business development needs of GP Corp. and in order to further broaden the Company's overseas financing channels and accelerate the implementation of the Company's internationalization strategy, the Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the "Resolution in Relation to Authorizing the Management of the Company to Initiate the Relevant Preparatory Works for the Spin-off and Overseas Listing of a Subsidiary on The Stock Exchange of Hong Kong Limited" was considered and approved. The Board authorized the management of the Company to initiate the preliminary preparation works for the spin-off and overseas listing of GP Corp. on the HKEx. For details, please refer to the announcement of the Company dated 10 September 2019 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEx, respectively.

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The preliminary preparation works for the spinoff and overseas listing of GP Corp. is advancing in an orderly manner.

2. At the 26th meeting of the seventh session of the Board held on 10 September 2019, the Board passed the "Resolution on Approving GP Corp. to Conduct Asset-backed Securitisation of Accounts Receivables" and agreed that GP Corp. conducts asset-backed securitisation of accounts receivables and through Industrial Securities Asset Management Co., Ltd., set up the "Accounts Receivable and Asset-backed Special Scheme" to issue asset-backed securities. The above resolution was passed at the second extraordinary general meeting in 2019 held on 12 November 2019. For details, please refer to the announcement of the Company dated 10 September 2019 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEx, respectively.

As at 30 June 2020, the aggregate sum of the face value of the accounts receivables sold by GP Corp. was RMB2.86 billion.

Major Events

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

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

The Company used proceeds in the amount of RMB181,987,200 in January to June 2020. As at 30 June 2019, the aggregate proceeds invested amounted to RMB4,881,513,500, and the aggregate proceeds invested (after the deduction of bank charges and addition of accrued interest income) amounted to RMB3,385,794,000, details of which are as follows:

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2020 (RMB'0000)	Difference between the accumulated total amount invested and the total amount promised to be invested as at the end of the year	Date of the projects becoming ready for the intended use
1	The construction project of the Great Southern TCM research and development platform	150,000.00 <small>(note a)</small>	21,462.82	(128,537.18)	31 December 2022 <small>(note a)</small>
2	The construction project of the Great Southern TCM production base (phase 1)	100,000.00	9,408.32	(90,591.68)	31 January 2021 <small>(note b)</small>
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPL (the controlling shareholder of the Company)	108,000.00	108,000.00	0.00	Use of proceeds had been changed <small>(note c)</small>
4	The project for establishment of channels and brands	200,000.00	128,316.37	(71,683.63)	N/A

Major Events

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

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2020 (RMB'0000)	Difference between the accumulated total amount invested and the total amount promised to be invested as at the end of the year	Date of the projects becoming ready for the intended use
5	The project for establishment of information platform	12,000.00	2,458.64	(9,541.36)	31 December 2020 <small>(note b)</small>
6	Replenishment of working capital	216,344.65	218,505.20 <small>(including the use of deposits interest)</small>	2,160.55	N/A
	Total	786,344.65	488,151.35	(298,193.30) –	

Notes:

- a. The Company convened the 29th meeting of the seventh session of the Board and the 20th meeting of the seventh session of the Supervisory Committee on 11 December 2019 at which the resolutions on the proposals in relation to the postponement of certain fund-raising investment projects were considered and approved. Due to the slow progress of implementation the construction project of the Great Southern TCM research, the Company proposed to postpone the implementation date of the construction project of the Great Southern TCM research to 31 December 2022. For details, please refer to the announcement of the Company dated 11 December 2019 and published on the websites of SSE and HKEx.
- b. The Company convened the 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the Supervisory Committee on 27 December 2018 at which the resolutions on the proposals in relation to the postponement of certain fundraising related investment projects were considered and approved. Due to the slow progress of the construction project of the Great Southern production base (phase 1) and the project for establishment of information platform, the Company proposed to postpone the implementation date of the construction project of the Great Southern production base (phase 1) and the project for establishment of information platform to 31 January 2021 and 31 December 2020, respectively. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and 4 January 2019 on the websites of SSE and HKEx.

Major Events

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

Notes: *(Continued)*

- c. Taking into account the development trend of extending modern medical logistics services, changing industry landscape, changes in the shareholdings in GP Corp., the estimate availability of the balance of proceeds for the project based on the progress of the establishment of information platform, the 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the supervisory committee were held on 27 December 2018 at which the resolution on the proposals in relation to the postponement of certain fund-raising related investment projects were considered and approved at the first extraordinary general meeting in 2019 held on 28 March 2019. The Company intended to change the use of RMB1,000 million and RMB80 million out of the proceeds for the extension project of modern medical logistics services and the project for the establishment of information platform respectively to the acquisition of the "Wang Lao Ji" series trademarks held by GPLH, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEx.

Save as disclosed above, as of 30 June 2020, the use of the proceeds through the non-public offering of A shares above was in line with the use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies (Announcement of CSRC [2012] No.44) issued by CSRC and the Measures for the Management of Proceeds of Listed Companies on the Shanghai Stock Exchange (revised in 2013) (Shang Zheng Gong Zi [2013] No.13) and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds for the first half of 2020 (the full text of which had been uploaded to the website of SSE).

Changes in Share Capital and Shareholders

A. CHANGES IN SHARE CAPITAL

(A) Changes in share capital

1. *Changes in share capital*

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

2. *Explanation on changes in shares capital*

Applicable Not applicable

3. *Impact of changes in ordinary shares on financial indicators such as earnings per share and net assets per share in the most recent year and period (if any)*

Applicable Not applicable

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

Applicable Not applicable

(B) Changes in shares subject to selling restrictions

Applicable Not applicable

B. INTERNAL EMPLOYEE SHARES

The Company did not have any internal employee shares.

C. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2020, the Company had 107,241 shareholders in total, of which 107,213 were holders of domestically listed Reminbi-denominated ordinary shares (A shares) and 28 were holders of overseas listed foreign share (H shares).

Changes in Share Capital and Shareholders

C. INFORMATION ON SHAREHOLDERS (Continued)

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

Shareholders	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 (share)	Number of shares pledged or locked shares (share)	Nature of shares
GPHL	0	732,305,103	45.04	148,338,467	0	State-owned legal person
HKSCC Nominees Limited	48,000	219,755,389	13.52	0	0	Overseas legal person
GZ Chengfa	0	73,313,783	4.51	0	0	Other
GZ SOA Development	(9,568,800)	71,720,700	4.41	0	0	State-owned legal person
China Securities Finance Corporation Limited	0	47,278,008	2.91	0	0	Other
Hong Kong Securities Clearing Company Limited	(3,876,818)	16,475,925	1.01	0	0	Other
Central Huijin Investment Limited	0	15,260,700	0.94	0	0	Other
Yunfeng Investment	0	10,614,859	0.65	0	0	Other
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Other
China-Europe Fund – Agricultural Bank – China-Europe China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Other

Changes in Share Capital and Shareholders

C. INFORMATION ON SHAREHOLDERS (Continued)

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

The top ten shareholders of the Company not subject to selling restrictions

Shareholders	Number of shares without selling restrictions (share)	Class and number of shares	
		Class of shares	Number of shares (share)
GPHL	732,305,103	Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,755,389	Overseas listed foreign shares	219,755,389
GZ Chengfa	73,313,783	Ordinary shares denominated in RMB	73,313,783
GZ SOA Development	71,720,700	Ordinary shares denominated in RMB	71,720,700
China Securities Finance Corporation Limited	47,278,008	Ordinary shares denominated in RMB	47,278,008
Hong Kong Securities Clearing Company Limited	16,475,925	Ordinary shares denominated in RMB	16,475,925
Central Huijin Asset Management Co., Ltd. Limited	15,260,700	Ordinary shares denominated in RMB	15,260,700
Yunfeng Investment	10,614,859	Ordinary shares denominated in RMB	10,614,859
China AMC – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	8,795,136	Ordinary shares denominated in RMB	8,795,136
China-Europe Fund – Agricultural Bank – China-Europe China Securities Financial Asset Management Plan	8,680,636	Ordinary shares denominated in RMB	8,680,636

Explanation on the connection or persons acting in concert among the above shareholders:

- a) According to the information provided by HKSCC Nominees Limited, the overseas listed foreign shares held by it were held on behalf of several clients.
- b) The Company was not aware of any connected relationship among the above top ten shareholders, or whether they were persons acting in concert as provided under the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.

Changes in Share Capital and Shareholders

C. INFORMATION ON SHAREHOLDERS *(Continued)*

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

Holders of preferred shares whose voting rights had been restored and number of shares held

Applicable Not applicable

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

Applicable Not applicable

- (D) **Strategic investors or general legal persons who became the top 10 shareholders as a result of placement of new shares**

Applicable Not applicable

Changes in Share Capital and Shareholders

C. INFORMATION ON SHAREHOLDERS (Continued)

(E) As at 30 June 2020, the interests and short positions held by the persons (not being the directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
GPHL	Domestic shares	732,305,103 (Long position)	Benefit owner	About 52.09	–
Guangzhou Chengfa	Domestic shares	73,313,783 (Long position)	Benefit owner	About 5.21	–
Norges Bank	Foreign shares	34,312,000	Benefit owner	–	About 15.60
Citigroup Inc (note 1 and note 2)	Foreign shares	625,457 (Long position)	Interest in controlled corporation	–	About 0.28
		614,589 (Short position)	Interest in controlled corporation	–	About 0.27
		21,388,052 (Long position) (Lending pool)	Approved lending agent	–	About 9.72

Notes:

- According to the notice of corporate substantial shareholders submitted by the CitiGroup Inc..
 - Interests in 624,497 long position foreign shares and short position in 613,629 foreign shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 90% by Citigroup Financial Products Inc ("Citigroup Financial"), which was wholly owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings") Citigroup Holdings was wholly owned by Citigroup Inc. Therefore, Citigroup Bahama, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested the shares held by Citigroup Markets under the SFO.
 - Interests in 960 long position foreign shares and short position in 960 foreign shares in the Company were held by Citigroup Global Markets Hong Kong Limited ("Citigroup HK"). Citigroup HK was owned as to 100% by Citigroup Financial. Therefore, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested the shares held by Citigroup HK under the SFO.
 - Interests in 21,388,052 long position foreign shares in the Company was held by Citibank, N.A. which was wholly-owned by Citicorp LLC. Citicorp LLC was wholly-owned by Citigroup Inc.. Citicorp LLC and Citigroup Inc. were deemed to be interested in the shares held by Citibank, N.A. under the SFO.

Changes in Share Capital and Shareholders

C. INFORMATION ON SHAREHOLDERS *(Continued)*

(E) *(Continued)*

Notes: *(Continued)*

2. 290,000 long position foreign shares are unlisted derivatives to be settled in cash.

Save as disclosed above and so far as the Directors were aware, as at 30 June 2020, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required to be entered in the register required maintained by the Company under Section 336 of the SFO.

D. DURING THE REPORTING PERIOD, THERE WAS NO CHANGE IN THE CONTROLLING SHAREHOLDER OF THE COMPANY.

E. PUBLIC FLOAT

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

F. PRE-EMPTIVE RIGHTS

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

G. THERE WAS NO PURCHASE, DISPOSAL AND REDEMPTION OR CANCELLATION OF THE LISTED SHARES OF THE COMPANY BY THE COMPANY OR ITS SUBSIDIARIES DURING THE REPORTING PERIOD.

Relevant Information on Preferred Shares

During the Reporting Period, the Company did not have any preferred shares.

Directors, Supervisors, Senior Management

A. CHANGES IN SHAREHOLDINGS

(A) Information on changes in the shares of the Company (A shares) held by the current directors, supervisors and senior management of the Company and those who had left their office during the Reporting Period

Name	Position	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Increase/ (Decrease) during the Reporting Period (share)	Reason for changes
Li Chuyuan	Chairperson	100,000	0	100,000	/
Yang Jun	Vice Chairperson (Appointed on 29 June 2020)	0	0	0	N/A
Cheng Ning	Vice Chairperson	21,500	0	21,500	/
Liu Juyan	Executive director	13,000	0	13,000	/
Li Hong	Executive director, general manager	10,000	0	10,000	/
Wu Changhai	Executive director, deputy general manager	13,000	0	13,000	/
Zhang Chunbo	Executive director, deputy manager	10,000	0	10,000	/
Wong Hin Wing	Independent non-executive director	0	0	0	N/A
Wang Weihong	Independent non-executive director	0	0	0	N/A
Chen Yajin	Independent non-executive director (Appointed on 29 June 2020)	0	0	0	N/A
Huang Min	Independent non-executive director (Appointed on 29 June 2020)	0	0	0	N/A
Cai Ruiyu	Chairperson of the Supervisory Committee (Appointed on 13 January 2020)	5,000	0	5,000	/
Gao Yanzhu	Supervisor	5,000	0	5,000	/
Cheng Jinyuan	Supervisor (Appointed on 13 January 2020)	0	0	0	N/A
Huang Haiwen	Deputy general manager	17,500	0	17,500	/
Zheng Haoshan	Deputy general manager	50,000	0	50,000	/
Huang Xuezhen	Secretary to the Board	2,500	0	2,500	/
Chu Xiaoping	Independent non-executive director (Retired on 29 June 2020)	0	0	0	N/A
Jiang Wenqi	Independent non-executive director (Retired on 29 June 2020)	0	0	0	N/A

Note: The shares held by the directors, supervisors and senior management as set out in the above table were held under the Stock Ownership Scheme. On 9 June 2020, 3,860,500 shares of the Company held under the Stock Ownership Scheme were fully sold. The Stock Ownership Scheme was completed and terminated.

Directors, Supervisors, Senior Management

A. CHANGES IN SHAREHOLDINGS (Continued)

(B) Information on grant of incentive to the directors, supervisors and senior management during the Reporting Period

Applicable Not applicable

(C) Interests and short positions of directors, supervisors and senior management, underlying shares and debentures of the Company

1. As at 30 June 2020, the directors, supervisors, senior management and their associates who had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEx were as follows:

Director	Capacity	Company	Number of shares (long position) (share)	Percentage of issued A shares (%)
Li Hong	Beneficial owner	Tian Xin	5,000	Note

Note: In the table above, the shares of Tian Xin held by Mr. Li Hong are company shares, which are non-listed company shares, accounting for 0.01% of the shares of Tian Xin.

2. Saved as disclosed above, as at 30 June 2020, none of the directors, supervisors, chief executive of the Company and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code to be notified to the Company and the HKEx.

Directors, Supervisors, Senior Management

B. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY AND CHANGES IN OTHER INFORMATION

Applicable Not applicable

Name	Position	Circumstance for the Changes
Yang Jun	Executive director	Election
Yang Jun	Vice chairperson of the Board	Election
Chu Xiaoping	Independent non-executive director	Retirement
Jiang Wenqi	Independent non-executive director	Retirement
Chen Yajin	Independent non-executive director	Election
Huang Min	Independent non-executive director	Election
Cheng Jinyuan	Supervisor representing the shareholders	Election
Cai Ruiyu	Chairperson of the Supervisory Committee	Election

Explanation on changes in directors, supervisors and senior management of the Company

Applicable Not applicable

At the first extraordinary general meeting in 2020 held on 13 January 2020, Mr. Yang Jun was elected as the executive director of the seventh session of the Board and Mr. Cheng Jinyuan was elected as a supervisor representing the shareholders of the seventh session of the Supervisor Committee. At the 21st meeting of the 7th session of the Supervisory Committee of the Company held on the same date, Mr. Cai Ruiyu was elected as the chairperson of the seventh session of the Supervisory Committee.

At the 2019 annual general meeting held on 29 June 2020, Mr. Yang Jun was elected as the executive director of the eighth session of the Board; Mr. Chen Yajin and Mr. Huang Min were elected as the independent non-executive directors of the eighth session of the Board and their term of office commenced from the date of appointment up to the date on which members of the new session of the Board are elected. On the same date, Mr. Chu Xiaoping and Mr. Jiang Wenqi retired upon expiry of their terms of office since they had been acted as independent nonexecutive directors in two consecutive sessions of the Board.

At the first meeting of the eighth session of the Board held on 29 June 2020, Mr. Yang Jun was elected as the vice chairman of the eighth session of the Board. His term of office commenced from the date of appointment up to the date on which members of the new session of the Board are elected.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEx, the details of the changes in information of Directors and Supervisors after the publication of the annual report for the year ended 31 December 2019 are set out below:

Directors, Supervisors, Senior Management

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

Name of Directors/Supervisor	Details of the changes
Li Chuyuan	Ceased to act as the Secretary of the Communist Party of HWBYS in June 2020.
Yang Jun	Elected as the executive director of the seventh session of the Board on 13 January 2020 and elected as the executive director and the vice chairperson of the eighth session of the Board on 29 June 2020.
Cheng Ning	Appointed as the chairperson of the board of Guangyao (Zhuhai Hengqin) and Guangyao International (Zhuhai Hengqin) in September 2019.
Liu Juyan	Appointed as the director of the board of Guangyao (Zhuhai Hengqin) and Guangyao International (Zhuhai Hengqin) in September 2019.
Li Hong	Appointed as the general manager of the board of Guangyao (Zhuhai Hengqin) and Guangyao International (Zhuhai Hengqin) in September 2019.
Zhang Chunbo	Appointed as secretary of the Party Committee of Zhong Yi and Qi Xin in April 2020.
Wong Hin wing	Retired as an independent non-executive director of AEON Credit Service (Asia) Co., Ltd. (a public company listed on the HKEx) on 23 June 2020, retired as a member of the Nursing Council of Hong Kong in February 2020 and retired as a responsible officer and Managing Director of Silk Road International Capital Limited in May 2020. Appointed as a managing partner and a responsible officer of Hermitage Capital HK Limited (a licensed corporation registered under the SFO) in March 2020
Cai Ruiyu	Elected as chairperson of the seventh session of the Supervisory Committee on 13 January 2020.
Cheng Jinyuan	Elected as the supervisor representing the shareholders of the seventh session of the Supervisory Committee on 13 January 2020.

Directors, Supervisors, Senior Management

C. EMPLOYEES OF THE GROUP

(A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 24,753. The total salary payment for the first half of 2020 was approximately RMB1.682 billion.

(B) The remuneration policy

The remuneration of the employees of the Group includes salary, subsidies, bonuses and other fringe benefits such as five social insurances and one housing fund, and supplementary medical insurance. The Group, with the relevant laws and regulations, paid different rate of remuneration for different employees, based on two channels (including their performance, qualification, position and other factors. Meanwhile, the Group provides professional and management channels for the career development of employees, as a breakthrough to the predicament in the talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employees with care such as shuttle bus, talent apartment various needs.

(C) Employees training plan

The Group attaches great importance to employees' career development various needs. The Group established corporate university and enterprise Communist Party school, developed a sound training management system, and built teams with more than 100 internal lecturers. Depending on the character is this of each type of talents, the Group combined the internal and external trainings to build a comprehensive talent training system, covering employees at all levels from the production line workers to the senior management of the enterprise, so as to promote the growth of employees at all levels and the Company together.

Relevant Information of Company Bonds

There was no information of bonds of the Company during the Reporting Period.

CONSOLIDATED BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Current assets:			
Cash at bank and on hand	V.1	18,485,644,479.36	18,469,618,237.41
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable	V.2	942,659,307.47	1,526,081,541.94
Accounts receivable	V.3	12,171,947,520.11	12,555,024,519.58
Accounts receivable financing	V.4	1,569,082,593.79	1,515,914,114.01
Advances to suppliers	V.5	641,198,134.86	673,352,793.02
Other receivables	V.6	935,246,855.18	1,173,360,042.04
Including: Interest receivable	V.6	3,147,916.67	1,666,666.70
Dividends receivable	V.6	218,287,173.45	316,706,053.45
Inventories	V.7	8,655,985,441.25	9,490,040,264.05
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets	V.8	565,955,536.13	578,841,623.65
Total current assets		43,967,719,868.15	45,982,233,135.70
Non-current assets:			
Debt investment		–	–
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment	V.9	1,642,919,144.03	1,599,025,192.41
Other equity instrument investment	V.10	83,033,426.64	81,977,960.04
Other non-current financial assets	V.11	241,545,710.99	262,469,919.10
Investment properties	V.12	213,139,554.28	218,199,149.16
Fixed assets	V.13	2,813,294,882.01	2,923,584,939.66
Construction in progress	V.14	918,083,895.70	667,402,454.68
Bearer biological assets	V.15	3,328,590.00	3,503,295.00
Oil and gas assets		–	–
Right-of-use assets	V.16	889,639,350.60	842,077,052.31
Intangible assets	V.17	2,459,675,132.59	2,485,288,578.20
Development expenditure	V.18	1,300,874.57	2,011,139.26
Goodwill	V.19	825,573,066.90	825,573,066.90
Long-term prepaid expenses	V.20	107,164,650.69	115,785,234.75
Deferred tax assets	V.21	650,461,056.43	594,992,161.76
Other non-current assets	V.22	289,583,889.11	289,535,847.27
Total non-current assets		11,138,743,224.54	10,911,425,990.50
Total Assets		55,106,463,092.69	56,893,659,126.20

CONSOLIDATED BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	V.23	8,061,330,481.66	5,869,008,916.96
Financial liabilities held for trading	V.24	–	–
Derivative financial liabilities		–	–
Notes payable	V.25	1,894,841,370.44	3,982,425,654.37
Accounts payable	V.26	9,282,041,239.72	9,698,952,240.46
Advances from customers		–	–
Contract liabilities	V.27	1,231,196,483.40	4,675,361,799.46
Employee benefits payable	V.28	798,002,025.60	839,640,308.29
Taxes payable	V.29	289,406,405.00	248,014,970.03
Other payables	V.30	4,665,456,703.98	3,227,385,632.70
Including: Interest payable	V.30	21,717,468.45	34,840,834.22
Dividends payable	V.30	1,005,510,334.03	47,933,025.07
Liabilities held for sales		–	–
Current portion of non-current liabilities	V.31	234,516,401.34	229,361,467.97
Other current liabilities	V.32	133,921,018.08	606,814,819.73
Total current liabilities		26,590,712,129.22	29,376,965,809.97
Non-current liabilities:			
Long-term borrowings	V.33	–	4,500,000.00
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V.34	575,530,125.11	546,994,554.21
Long-term payables	V.35	25,229,042.00	25,229,042.00
Long-term employee benefits payable	V.36	328,548.47	329,428.98
Provisions	V.37	52,835,563.53	53,205,872.32
Deferred income	V.38	627,960,617.44	575,837,179.25
Deferred tax liabilities	V.21	277,196,770.63	266,908,733.88
Other non-current liabilities	V.39	54,045,319.53	54,201,557.40
Total non-current liabilities		1,613,125,986.71	1,527,206,368.04
Total Liabilities		28,203,838,115.93	30,904,172,178.01

CONSOLIDATED BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Shareholders' equity:			
Share capital	V.40	1,625,790,949.00	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus	V.41	9,865,084,049.39	9,865,084,049.39
Less: Treasury shares		–	–
Other comprehensive income	V.42	(93,052.54)	(138,960.56)
Special reserve		–	–
Surplus reserve	V.43	1,526,241,180.49	1,526,241,180.49
Undistributed profits	V.44	11,974,497,933.38	11,167,819,445.53
Total equity attributable to shareholders of the parent company		24,991,521,059.72	24,184,796,663.85
Minority interest		1,911,103,917.04	1,804,690,284.34
Total Shareholders' Equity		26,902,624,976.76	25,989,486,948.19
Total Liabilities and Shareholders' Equity		55,106,463,092.69	56,893,659,126.20

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

CONSOLIDATED INCOME STATEMENT

January to June 2020

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

Item	Notes	Current period	Prior period
I. Operating income	V.45	30,469,650,474.76	33,340,827,754.37
Less: Operating costs	V.45	24,442,436,608.00	25,893,938,576.96
Taxes and surcharges	V.46	133,656,485.66	163,205,528.11
Selling and distribution expenses	V.47	2,626,242,044.11	3,181,214,811.53
General and administrative expenses	V.48	849,551,134.83	986,091,286.20
R&D expenses	V.49	268,845,605.31	276,819,755.65
Financial expenses	V.50	3,677,545.25	79,873,426.15
Including: Interest expense	V.50	176,506,155.48	195,416,581.75
Interest income	V.50	192,398,309.48	140,283,685.29
Add: Other income	V.51	202,419,575.46	356,510,384.29
Investment income ("-" for loss)	V.52	33,820,619.43	117,959,938.64
Including: Share of profit or loss of associates and joint ventures	V.52	59,105,772.40	81,252,582.98
Gains on termination of financial assets measured at amortized cost ("-" for loss)		-	-
Gains on hedging of net exposure ("-" for loss)		-	-
Gains from changes in fair value ("-" for loss)	V.53	(23,536,542.83)	10,825,875.00
Impairment losses in respect of credit ("-" for loss)	V.54	(89,070,664.55)	(60,985,163.92)
Impairment losses in respect of assets ("-" for loss)	V.55	(12,909,650.23)	(7,142,028.16)
Gains on disposal of assets ("-" for loss)	V.56	3,288,794.32	(41,511.02)
II. Operating profit ("-" for loss)		2,259,253,183.20	3,176,811,864.60
Add: Non-operating income	V.57	26,613,711.92	38,597,028.40
Less: Non-operating expenses	V.58	21,132,544.16	3,646,935.75
III. Total profit ("-" for loss)		2,264,734,350.96	3,211,761,957.25
Less: Income tax expenses	V.59	379,657,449.08	533,950,783.49
IV. Net profit ("-" for net loss)		1,885,076,901.88	2,677,811,173.76
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		1,885,076,901.88	2,677,811,173.76
2. Net profit from discontinued operation ("-" for loss)		-	-
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		1,764,269,356.81	2,547,561,346.51
2. Minority interest ("-" for loss)		120,807,545.07	130,249,827.25

CONSOLIDATED INCOME STATEMENT

January to June 2020

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

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		(904,016.78)	(1,975,836.07)
(1) Other comprehensive income, net of tax attributable to the parent company's shareholders		45,908.02	(1,975,836.07)
(I) Other comprehensive income that will not be reclassified to profit or loss		897,146.62	(1,204,227.78)
1. Changes arising from the remeasurement of defined benefit obligation		-	-
2. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
3. Change in fair value of other equity instrument investments	V.60	897,146.62	(1,204,227.78)
4. Change in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified into profit or loss		(851,238.60)	(771,608.29)
1. Other comprehensive income that may be reclassified to profit or loss under equity method	V.60	-	31,704.40
2. Change in fair value of other debt investments	V.60	(3,799,699.20)	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		-	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements	V.60	2,948,460.60	(803,312.69)
7. Others		-	-
(2) Other comprehensive income, net of tax attributable to minority shareholders	V.60	(949,924.80)	-
VI. Total comprehensive income		1,884,172,885.10	2,675,835,337.69
1. Total comprehensive income attributable to shareholders of the parent company		1,764,315,264.83	2,545,585,510.44
2. Total comprehensive income attributable to minority shareholders		119,857,620.27	130,249,827.25
VII. Earnings per share (EPS):			
1. Basic earnings per share	V.61	1.085	1.567
2. Diluted earnings per share	V.61	1.085	1.567

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

CONSOLIDATED STATEMENT OF CASH FLOW

January to June 2020

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

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		27,357,486,924.30	29,310,567,278.10
Receipts of taxes refunds		7,748,411.19	12,722,103.04
Other cash receipts relating to operating activities	V.62	1,058,619,567.52	353,170,660.47
Subtotal of cash inflow from operating activities		28,423,854,903.01	29,676,460,041.61
Cash payments for goods purchased and services received		25,211,296,904.97	24,529,649,527.72
Cash payments to and on behalf of employees		2,375,354,256.80	2,451,382,608.90
Payments of all types of taxes		1,455,746,302.21	1,835,816,401.89
Other cash payments relating to operating activities	V.62	1,786,208,422.10	1,785,354,848.37
Subtotal of cash outflow from operating activities		30,828,605,886.08	30,602,203,386.88
Net cash flow from operating activities		(2,404,750,983.07)	(925,743,345.27)
II. Cash flow from investing activities:			
Cash receipts from returns of investments		60,400,000.00	1,624,074,800.00
Cash receipts from returns on investments		63,179,737.17	56,543,695.86
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		3,157,177.12	466,987.48
Net cash receipts from the disposals of subsidiaries and other business units		-	-
Other cash receipts relating to investing activities	V.62	889.91	42,083.41
Subtotal of cash inflow from investment activities		126,737,804.20	1,681,127,566.75
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		317,623,781.19	1,815,332,460.06
Cash payments to acquire investments		41,500,000.00	122,874,800.00
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	V.62	-	-
Subtotal of cash outflow from investment activities		359,123,781.19	1,938,207,260.06
Net cash flow from investing activities		(232,385,976.99)	(257,079,693.31)

CONSOLIDATED STATEMENT OF CASH FLOW

January to June 2020

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		12,734,660.39	110,200,000.00
Including: cash receipts from minorities making investment in subsidiaries		12,734,660.39	110,200,000.00
Cash receipts from borrowing		6,168,942,619.43	4,751,974,594.89
Other cash receipts relating to financing activities	V.62	1,757,221,439.65	1,139,621,703.91
Subtotal of cash inflow from financing activities		7,938,898,719.47	6,001,796,298.80
Cash repayments of amounts borrowed		3,365,495,122.43	3,356,352,241.79
Cash payments for distribution of dividends, profits or interest expenses		199,446,043.77	182,266,206.36
Including: payments for distribution of dividends or profit to minorities of subsidiaries		24,561,478.00	2,673,925.31
Other cash payments relating to financing activities	V.62	1,235,134,839.34	1,209,728,120.13
Subtotal of cash outflow from financing activities		4,800,076,005.54	4,748,346,568.28
Net cash flow from financing activities		3,138,822,713.93	1,253,449,730.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		817,262.83	(32,678.41)
V. Net increase in cash and cash equivalents	V.63	502,503,016.70	70,594,013.53
Add: opening balance of cash and cash equivalents	V.63	16,833,622,508.23	15,071,612,198.38
VI. Closing balance of cash and cash equivalents	V.63	17,336,125,524.93	15,142,206,211.91

Legal representative:

Li Chuyuan

Principal in charge of accounting:

Li Hong

Head of accounting department:

Yao Zhizhi

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

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

Item	Equity attributable to the shareholders of Parent Company										Total shareholders' equity		
	Share capital	Preferred stock	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		Subtotal	Minority equity
			Perpetual bond	Others									
I. Balance at 31 December 2019	1,625,790,949.00	-	-	-	9,865,084,048.39	-	(38,960.56)	-	1,526,241,180.49	11,167,819,445.53	24,184,796,683.85	1,804,690,284.34	25,989,486,968.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,625,790,949.00	-	-	-	9,865,084,048.39	-	(38,960.56)	-	1,526,241,180.49	11,167,819,445.53	24,184,796,683.85	1,804,690,284.34	25,989,486,968.19
III. Increased/(decrease) in the current year ("+" for losses)	-	-	-	-	-	-	45,908.02	-	-	806,674,487.85	806,724,395.87	106,413,622.70	913,138,028.57
(1) Total comprehensive income	-	-	-	-	-	-	45,908.02	-	-	1,764,269,358.81	1,764,315,264.83	199,857,620.27	1,884,172,885.10
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2020	1,625,790,949.00	-	-	-	9,865,084,048.39	-	(93,052.54)	-	1,526,241,180.49	11,974,493,933.38	24,991,151,083.72	1,911,103,917.04	26,902,624,975.76

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

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

Item	Equity attributable to the shareholders of Parent Company										Total shareholders' equity			
	Share capital	Preferred stock	Perpetual bond	Others	Capital reserve	Treasury shares	Less:	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profits	Subtotal	Minority equity
I. Balance at 31 December 2018	1,625,790,949.00	-	-	-	9,865,084,049.39	-	-	(477,139.10)	-	1,368,735,157.63	8,025,776,191.86	21,684,909,208.78	1,458,823,545.22	23,143,732,754.00
Adj: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2019	1,625,790,949.00	-	-	-	9,865,084,049.39	-	-	(477,139.10)	-	1,368,735,157.63	8,025,776,191.86	21,684,909,208.78	1,458,823,545.22	23,143,732,754.00
III. Increase (decrease) in the current year ("+" for losses)														
(1) Total comprehensive income	-	-	-	-	-	-	(197,836.07)	-	-	-	1,898,225,984.13	1,856,250,148.06	240,449,827.25	2,096,699,975.31
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	(197,836.07)	-	-	2,547,561,346.51	2,545,585,510.44	-	130,249,827.25	2,675,835,337.69
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	110,200,000.00	110,200,000.00
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	110,200,000.00	110,200,000.00
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(689,335,362.38)	(689,335,362.38)	(689,335,362.38)	-	(689,335,362.38)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(689,335,362.38)	(689,335,362.38)	(689,335,362.38)	-	(689,335,362.38)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to related earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to related earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2019	1,625,790,949.00	-	-	-	9,865,084,049.39	-	(2,457,975.17)	-	-	1,368,735,157.63	10,684,002,175.99	23,541,159,566.84	1,699,273,374.47	25,240,432,729.31

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Current assets:			
Cash at bank and on hand		6,818,101,140.64	6,321,162,972.77
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		483,869,666.49	508,495,006.80
Accounts receivable	XIV.1	139,465,744.44	129,979,798.36
Accounts receivable financing		317,966,856.80	222,842,858.68
Advances to suppliers		11,594,910.34	6,128,432.10
Other receivables	XIV.2	1,763,946,043.68	1,934,398,668.36
Including: Interest receivable	XIV.2	–	–
Dividends receivable	XIV.2	363,226,705.58	463,226,705.58
Inventories		444,101,114.58	534,931,211.35
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets		11,822,187.17	38,676,123.76
Total current assets		9,990,867,664.14	9,696,615,072.18
Non-current assets:			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XIV.3	10,384,225,365.48	10,089,420,785.24
Other equity instrument investments		83,033,426.64	81,977,960.04
Other non-current financial assets		231,662,051.71	255,009,227.54
Investment properties		201,562,136.30	205,859,204.51
Fixed assets		461,473,466.45	481,357,324.46
Construction in progress		173,851,912.81	125,347,198.87
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		17,833,969.84	14,749,483.54
Intangible assets		1,739,564,315.39	1,744,366,663.50
Development expenditure		–	–
Goodwill		–	–
Long-term prepaid expenses		1,623,293.37	2,100,502.42
Deferred tax assets		159,752,645.04	161,954,721.70
Other non-current assets		97,433,596.00	97,433,596.00
Total non-current assets		13,552,016,179.03	13,259,576,667.82
Total Assets		23,542,883,843.17	22,956,191,740.00

BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings		305,527,600.00	854,431,644.92
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		655,248,528.52	310,400,672.81
Advances from customers		–	–
Contract liabilities		105,697,844.46	283,563,073.97
Employee benefits payable		74,873,596.10	81,797,031.37
Taxes payable		58,211,125.76	55,153,090.24
Other payables		3,765,313,845.15	2,283,912,927.07
Including: Interest payable		–	–
Dividends payable		958,264,091.16	673,222.20
Liabilities held for sales		–	–
Current portion of non-current liabilities		5,142,378.64	4,276,809.32
Other current liabilities		15,480,897.86	40,378,119.85
Total current liabilities		4,985,495,816.49	3,913,913,369.55
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities		13,875,127.36	10,822,166.98
Long-term payables		7,802,224.39	7,802,224.39
Long-term employee benefits payable		–	–
Provisions		423,145,107.19	355,119,019.19
Deferred income		58,062,656.82	70,543,622.88
Deferred tax liabilities		12,776,025.89	13,624,660.96
Other non-current liabilities		84,461.74	76,575.18
Total non-current liabilities		515,745,603.39	457,988,269.58
Total Liabilities		5,501,241,419.88	4,371,901,639.13

BALANCE SHEET

30 June 2020

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

Item	Notes	30 June 2020	31 December 2019
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus		9,820,175,495.89	9,820,175,495.89
Less: Treasury shares		–	–
Other comprehensive income		(4,008,622.79)	(4,905,769.41)
Special reserve		–	–
Surplus reserve		1,153,632,745.89	1,153,632,745.89
Undistributed profits		5,446,051,855.30	5,989,596,679.50
Total Shareholders' Equity		18,041,642,423.29	18,584,290,100.87
Total Liabilities and Shareholders' Equity		23,542,883,843.17	22,956,191,740.00

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

INCOME STATEMENT

January to June 2020

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

Item	Notes	Current period	Prior period
I. Operating income	XIV.4	2,306,239,702.64	3,273,265,222.22
Less: Operating costs	XIV.4	1,304,937,757.45	1,647,125,077.70
Taxes and surcharges		22,372,572.75	30,752,345.28
Selling and distribution expenses		371,169,193.39	396,592,913.60
General and administrative expenses		148,768,010.26	258,347,985.76
R&D expenses		82,323,210.44	108,554,679.87
Financial expenses		(40,001,509.11)	(29,461,694.92)
Including: Interest expense		10,838,631.88	16,820,634.09
Interest income		50,961,021.62	46,742,477.09
Add: Other income		6,610,371.19	4,348,787.68
Investment income ("-" for loss)	XIV.5	67,383,196.54	93,853,594.02
Including: Share of profit or loss of associates and joint ventures		30,527,815.75	57,203,980.24
Gains on termination of financial assets measured at amortized cost ("-" for loss)		-	-
Gains on hedging of net exposure ("-" for loss)		-	-
Gains from changes in fair value ("-" for loss)		(23,347,175.83)	10,695,667.89
Impairment losses in respect of credit		(159,462.57)	(145,880.45)
Impairment losses in respect of assets		128,883.39	194,165.81
Gains on disposal of assets ("-" for loss)		77,110.18	(3,990.30)
II. Operating profit ("-" for loss)		467,363,390.36	970,296,259.58
Add: Non-operating income		611,552.52	3,725,343.19
Less: Non-operating expenses		527,720.56	608,151.06
III. Total profit ("-" for loss)		467,447,222.32	973,413,451.71
Less: Income tax expenses		53,401,177.56	126,836,438.76
IV. Net profit ("-" for net loss)		414,046,044.76	846,577,012.95
1. Net profit from continuing operations ("-" for loss)		414,046,044.76	846,577,012.95
2. Net profit from discontinued operation ("-" for loss)		-	-

INCOME STATEMENT

January to June 2020

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

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		897,146.62	(1,172,523.38)
(1) Other comprehensive income that will not be reclassified to profit or loss		897,146.62	(1,204,227.78)
1. Changes arising from the remeasurement of defined benefit obligation		-	-
2. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
3. Change in fair value of other equity instrument investments		897,146.62	(1,204,227.78)
4. Change in fair value of the company's own credit risk		-	-
(2) Other comprehensive income that may be reclassified into profit or loss		-	31,704.40
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-	31,704.40
2. Change in fair value of other debt investments		-	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		-	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements		-	-
7. Others		-	-
VI. Total comprehensive income		414,943,191.38	845,404,489.57

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

STATEMENT OF CASH FLOW

January to June 2020

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

Item	Notes	Current period	Prior period
I. Cash flow arising from operating activities:			
Cash receipts from the sale of goods and the rendering of services		1,616,065,628.72	2,389,236,643.35
Receipts of taxes refunds		–	–
Other cash receipts relating to operating activities		209,351,028.87	145,229,746.42
Subtotal of cash inflow from operating activities		1,825,416,657.59	2,534,466,389.77
Cash payments for goods purchased and services received		451,367,335.09	1,079,674,153.45
Cash payments to and on behalf of employees		220,692,233.24	242,747,890.41
Payments of all types of taxes		207,443,832.89	363,225,365.72
Other cash payments relating to operating activities		541,944,455.24	394,856,859.10
Subtotal of cash outflow from operating activities		1,421,447,856.46	2,080,504,268.68
Net cash flow from operating activities		403,968,801.13	453,962,121.09
II. Cash flow from investing activities:			
Cash receipts from returns of investments		–	1,544,474,800.00
Cash receipts from returns on investments		678,291,778.91	580,349,057.98
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		111,908.00	205,500.00
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities		431,595,346.58	438,393,567.45
Subtotal of cash inflow from investment activities		1,109,999,033.49	2,563,422,925.43
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		60,556,948.65	1,575,480,976.62
Cash payments to acquire investments		240,000,000.00	561,924,800.00
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities		363,200,000.00	412,200,000.00
Subtotal of cash outflow from investment activities		663,756,948.65	2,549,605,776.62
Net cash flow from investing activities		446,242,084.84	13,817,148.81

STATEMENT OF CASH FLOW

January to June 2020

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowing		5,527,600.00	–
Other cash receipts relating to financing activities		–	26,994,238.54
Subtotal of cash inflow from financing activities		5,527,600.00	26,994,238.54
Cash repayments of amounts borrowed		554,431,644.92	300,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		11,821,948.24	19,146,294.86
Other cash payments relating to financing activities		2,546,724.94	28,174,397.05
Subtotal of cash outflow from financing activities		568,800,318.10	347,320,691.91
Net cash flow from financing activities		(563,272,718.10)	(320,326,453.37)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		–	–
V. Net increase in cash and cash equivalents			
Add: opening balance of cash and cash equivalents		286,938,167.87	147,452,816.53
		6,301,162,971.77	6,759,917,523.78
VI. Closing balance of cash and cash equivalents			
		6,588,101,139.64	6,907,370,340.31

Legal representative:
Li Chuyuan

Principal in charge of accounting: **Li Hong** Head of accounting department:
Yao Zhizhi

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

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

Item	Other equity instruments				Current period				Total shareholders' equity		
	Share capital	Perpetual bond	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profits
I. Balance at 31 December 2019	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(4,905,769.41)	-	1,133,632,745.89	5,989,596,679.50	18,584,290,100.87
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(4,905,769.41)	-	1,133,632,745.89	5,989,596,679.50	18,584,290,100.87
III. Increase/(decrease) in the current year ("-" for losses)	-	-	-	-	-	-	897,146.62	-	-	(543,544,824.20)	(542,647,677.58)
(1) Total comprehensive income	-	-	-	-	-	-	897,146.62	-	-	414,046,044.76	414,943,191.38
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. State-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(957,590,868.96)	(957,590,868.96)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(957,590,868.96)	(957,590,868.96)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(4,008,622.79)	-	1,133,632,745.89	5,446,051,855.30	18,041,642,423.29

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

January to June 2020

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

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.

Item	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
	Share capital	Perpetual bond	Perpetual bond	Others							
I. Balance at 31 December 2018	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(2,423,845.18)	-	996,126,723.03	5,261,377,836.18	17,701,047,158.92
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior years' errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2019	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(2,423,845.18)	-	996,126,723.03	5,261,377,836.18	17,701,047,158.92
III. Increase/(decrease) in the current year ("-" for losses)											
(1) Total comprehensive income	-	-	-	-	-	(1,172,523.38)	(1,172,523.38)	-	-	157,241,650.57	156,069,127.19
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	(1,172,523.38)	-	-	846,577,012.95	845,404,489.57
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(689,335,362.38)	(689,335,362.38)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(689,335,362.38)	(689,335,362.38)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2019	1,625,790,949.00	-	-	-	9,820,175,495.89	(3,596,368.56)	-	-	996,126,723.03	5,418,619,486.75	17,857,116,286.11

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

I. GENERAL INFORMATION

1. Company overview

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

I. GENERAL INFORMATION *(Continued)*

1. Company overview *(Continued)*

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

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

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

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

The major CPM products of the Group include: Xiao Ke Pill (“消渴丸”), Xia Sang Ju (“夏桑菊”), Wu Ji Bai Feng Pill (“烏雞白鳳丸”), Hua Tuo Zai Zao Pill (“華佗再造丸”), Mi Lian Chuan Bei Pi Pa Jelly (“蜜煉川貝枇杷膏”), Qing Kai Ling Tonic (“清開靈口服液”), Xiao Chai Hu Chong Ji (“小柴胡沖劑”), etc. The major Western medicine products of the Group include cefathiamidine, amoxicillin and ceftriaxone. The major pre-packaged food product of the Group is Wang Lao Ji Herbal Tea (“王老吉涼茶”), etc.

The financial statements were authorized for issue by the Board on 25 August 2020.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation

The Group has 105 subsidiaries included in the scope of consolidation from January to June in 2020. For more details, please refer to Note VII “Equity in Other Entities”. The companies in the scope of consolidation of the Group for the current period increased by 2 and decreased by 1 comparing with the prior period. For more details, please refer to Note VI “Changes in the Scope of Consolidation”.

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (hereinafter referred to as “Guangzhou Han Fang”)	Direct holding
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct holding
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Qi Xing”)	Indirect holding
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (hereinafter referred to as “Jing Xiu Tang”)	Direct holding
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as “Pan Gao Shou”)	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as “Wang Lao Ji”)	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as “GP Corp.”)	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Guangzhou Wan Kang Orthopedics Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

1 GENERAL INFORMATION (Continued)

(2) Scope of consolidated financial statements (Continued)

Name of subsidiary	Control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Hubei Guangyao Ji Da Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Nanpi Pharmacy Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (hereinafter referred to as "Cai Zhi Lin")	Direct holding
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect holding
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory	Indirect holding
Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd.	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Indirect holding
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Indirect holding
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Import & Export Co., Ltd. (hereinafter referred to as "Pharmaceutical Import & Export")	Direct holding
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (hereinafter referred to as "Guangzhou Bai Di")	Direct holding
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Tibet Linzhi Guangyao Development Co., Ltd.	Indirect holding

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

1 GENERAL INFORMATION *(Continued)*

(2) Scope of consolidated financial statements *(Continued)*

Name of subsidiary	Control
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as "WLJ Great Health")	Direct holding
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Industry Company	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as "Yi Gan")	Direct holding
Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (hereinafter referred to as "Baiyunshan Medical and Healthcare Industry Company")	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd. (hereinafter referred to as "Guangzhou Baiyunshan Hospital")	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as "Xing Zhu")	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as "Wang Lao Ji Investment")	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

1 GENERAL INFORMATION (Continued)

(2) Scope of consolidated financial statements (Continued)

Name of subsidiary	Control
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as "Guangyao Baiyunshan Hong Kong Company")	Direct holding
Guangzhou Baiyunshan Macao Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (hereinafter referred to as "Baiyunshan Pharmaceutical Marketing")	Direct holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Research Institute (“Guangyao General Institute”)	Direct holding
Guangzhou Baiyunshan Medical Instruments investment Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmacy Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Indirect holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

II. BASIS OF PREPARATION

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 Standards” and specific accounting standards issued by the Ministry of Finance (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”), and also they are prepared based on the significant accounting policies and accounting estimates described as below.

2. Going Concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company’s financial position as of 30 June 2020, and performance results and cash flows for the period then ended.

2. Accounting Period

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

The accounting period of this financial statement is from January 1, 2020 to June 30, 2020.

3. Operating Cycle

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

4. Functional Currency

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

5. Business Combination

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

(1) Business combination under common control

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

5. Business Combination *(Continued)*

(2) Business combination not under common control

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

5. Business Combination *(Continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

5. Business Combination *(Continued)*

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

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

6. Preparation Method for Consolidated Financial Statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

(2) The method for preparation of consolidated financial statements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

8. Recognition Criteria for Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(1) Methods for Translation of Foreign Currency Transactions

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

10. Financial Instruments

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

(1) Classification, recognition and measurement of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

10. Financial Instruments *(Continued)*

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

① *Financial assets measured at amortized cost*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

10. Financial Instruments *(Continued)*

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

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

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

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

10. Financial Instruments *(Continued)*

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

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

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

② *Other financial liabilities*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

10. Financial Instruments *(Continued)*

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

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

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

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

(4) Derecognition of financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

10. Financial Instruments *(Continued)*

(5) Offsetting of financial assets and liabilities

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

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

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

(7) Equity instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

11. Determination of expected credit losses and accounting treatment

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

(1) The recognition method of provision for impairment

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

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

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

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

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For January – June 2020

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

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

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

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

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

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

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

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

(4) Accounting treatment of the impairment of financial assets

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

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

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

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

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

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

The company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition at each balance sheet date. The process of credit impairment of financial instruments is divided into three stages. Different stages of financial instrument impairment are applied in different accounting treatment method:

- (A) In the first stage, if the credit risk of a financial instrument has not increased significantly after initial recognition, the company shall measure the loss provision based on the expected credit loss of the financial instrument in the next 12 months, and shall calculate interest income based on its book balance (that is, without deducting impairment provisions) and the actual interest rate;
- (B) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the company will use the expected credit losses measure loss provisions and calculate interest income based on their book balances and actual interest rates;
- (C) In the third stage, if credit impairment occurs after initial recognition, the company shall measure the loss provisions according to the expected credit loss of the financial instrument throughout its lifetime, and shall use its amortized cost (book balance minus provision for impairment) to calculate interest income with the actual interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

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

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

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

Accounts receivable portfolio 1: Individual Accrual Portfolio

Accounts receivable portfolio 2: Aging Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

- ② *Receivables and contract assets that do not contain significant financing components. (Continued)*

Portfolio (aging portfolio): expected credit loss rate:

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

- ③ *Methods for measuring loss provisions for other financial assets*

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

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

Other receivables portfolio 1: Aging portfolio

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

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: deposit portfolio

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For January – June 2020

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

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

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

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

③ *Methods for measuring loss provisions for other financial assets (Continued)*

Portfolio (aging portfolio): expected credit loss rate:

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

12. Inventories

(1) Category of inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

12. Inventories *(Continued)*

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

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

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

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

- (4) The perpetual inventory system is adopted.

- (5) Amortization method for low value consumables

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Assets Held for Sale and Disposal Company

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

14. Long-term Equity Investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(1) Recognition of Investment Cost

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

③ Minority Equity Purchase

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

④ Disposal of Long-term Equity Investment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

15. Investment Property

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

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

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

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

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For January – June 2020

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

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

15. Investment Property *(Continued)*

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

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

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

16. Fixed Assets

(1) Recognition Criteria of Fixed Assets

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Fixed Assets (Continued)

(2) Depreciation Method of Fixed Assets

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

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

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

(3) Impairment Testing and Accounting Treatment

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

16. Fixed Assets *(Continued)*

(4) Others

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

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

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

17. Construction in Progress

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

18. Borrowing Costs

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

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

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

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

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

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

19. Biological assets

Bearer biological assets

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

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

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

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

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

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

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

19. Biological assets *(Continued)*

Bearer biological assets *(Continued)*

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

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

20. Intangible Assets

(1) Intangible Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

20. Intangible Assets *(Continued)*

(1) Intangible Assets *(Continued)*

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

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

(2) Research and development expenditure

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

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

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

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

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

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

20. Intangible Assets *(Continued)*

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

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

- ① the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② its intention to complete the intangible asset and use or sell it;
- ③ how the intangible asset will generate economic benefits. Among other things, the enterprise can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- ⑤ its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

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

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

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

21. Long-term Asset Impairment

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

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

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

21. Long-term Asset Impairment *(Continued)*

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

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

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

22. Long-Term Prepaid Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

23. Contract Liability

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

24. Employee Benefits

The employee benefits of the Company mainly include short-term employee benefits, post-employment benefits, termination benefits, and other long-term employee benefits, including:

Short-term benefits mainly include employee salaries, bonus, allowances and subsidies, staff welfare, social insurance contributions such as premiums or contributions on medical insurance, maternity insurance premiums, work injury insurance, housing funds, labor union running cost, employee education costs, non-monetary benefits, etc. The Company shall recognize, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to profit or loss for the current year or in the cost of relevant asset. Where, the non-monetary benefits shall be measured at its fair value.

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs.

In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

24. Employee Benefits *(Continued)*

The Company's Hong Kong company, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, provides mandatory provident fund contributions to eligible Hong Kong employees in accordance with the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong. The cost settlement of all plans is deducted from the income statement for the relevant period. The planned assets are held independently by independently managed funds and managed separately from the assets of the Company. At the same time, according to the *Employment Ordinance* of Hong Kong, for an employee who is eligible to receive a long service payment at the time of termination of employment, such payment shall be made when the employment is terminated. The Guangzhou Pharmaceutical Baiyunshan Hong Kong Company has made provision for long-term service payments that are expected to be paid in the future. The provision is calculated based on the estimation of the best service wages might be earned by the employee for rendering of services to the Company as of the settlement date.

Where the labor relationship with employees is terminated prior to the expiration of the labor contract with employees, or compensation suggestions are made to encourage employees to accept the cutback voluntarily, the employee payroll liabilities incurred by the dismissal welfare shall be recognized and recorded into the current profit or loss when the Company cannot withdraw unilaterally the dismissal welfare provided for the termination plan of labor relations or cutback suggestions, or when the Company recognizes the cost related to reorganization involving the payment of dismissal welfare, whichever is earlier. However, if it is anticipated that the dismissal welfare cannot be fully paid within 12 months after the end of the annual report period, such welfare shall be handled as other long-term Employee Payroll.

The internal retirement plan for employee shall be treated by the same principle as the above dismissal welfare. The Company will pay the salary and contribute social insurance for the internal retirement from the service stopped to be provided by such employee to normal retirement. Such fee is recorded in the current profit or loss (dismissal welfare) when conforming to the reorganization condition of estimated liability.

Accounting treatment shall be conducted on other long-term employee payrolls provided to employees by the Company according to defined contribution plans if such plans are conformed, and besides, accounting treatment shall be conducted according to defined benefit plans.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

25. Provisions

An obligation related to a contingency shall be recognized as an estimated liability when all of the following conditions are satisfied: (1) the obligation is a present obligation of the enterprise; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

As at the balance sheet date, the contingent liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Company shall take into full consideration the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement shall be recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the book value of the provision.

26. Revenue

If the following conditions are met by the contract between the Company and the customer, revenue is recognized when the customer obtains control over relevant products: (a) the parties to the contract have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred have been specified in the contract; (c) the entity can identify the payment terms for the goods or services to be transferred; (d) the contract has commercial substance, such as the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract; and (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At the starting date of contract, the Company recognizes individual performance obligations in the contract, and allocates transaction price into each individual performance obligation based on the relevant proportion of the price of good promised in each individual performance obligation when selling separately. The influence of factors such as variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and customer consideration payables are taken into consideration when determining the transaction price.

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

26. Revenue *(Continued)*

For each individual performance obligations in the contract, the transaction price shall be recognized into revenue based on performance progress of each individual performance obligation within relevant performance period when one of the following conditions is met: Customer can obtain and consume the economic benefit from the performance of the company at the same time the company performs the contractual obligations; Customer has control over the work in progress when the company performs the contractual obligations; The goods produced from the company's performance of contractual obligations have irreplaceable application. And the company are entitled to receive payments for the accumulated completed portion of the whole contract. Methods of measuring progress include output methods and input methods. When progress cannot be reliably measured, if the cost incurred is expected to be compensated, the amount of cost incurred shall be recognized as revenue until the progress can be reliably measured.

If none of the above-mentioned conditions are met, the portion of transaction price allocated to the individual performance obligation shall be recognized as revenue when the customer obtains the control over relevant goods. When judging whether the customer has obtained the right to control the goods, the enterprise shall consider the following indications: (a) The enterprise is entitled to charge for the goods at present, that is, the customer is obliged to pay for the goods at present; (b) The enterprise has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods; (c) The enterprise has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods; (d) The enterprise has transferred the major risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the major risks and rewards of the ownership of the goods; (e) The customer has accepted the goods; (f) Other indications showing that the customer has obtained the right to control the goods.

NOTES TO THE FINANCIAL STATEMENTS

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

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

26. Revenue *(Continued)*

(1) Sale of goods

Revenue from the sale of goods shall be recognized when the Company has transferred the control of goods to the customer.

(2) Rendering of services

The revenue from rendering of services is recognized according to the period in which services are provided.

(3) Transfer of asset use rights

Income from transfer of asset use rights include:

- ① License fee income is recognized when the right to receive payment is established over the grand period;
- ② Income from an operating lease is recognized on a straight-line basis over the period of the lease.

27. Government Grants

Government grants are transfer of monetary assets or non-monetary assets from the government to an enterprise at no consideration. However, capital contributions from the government as an owner of the enterprise are excluded. The government grant is classified into government grant related to assets and government grant related to incomes. Government grants of monetary assets are measured at the amount received or receivable. Government grants of non-monetary assets are measured at fair value. If reliably fair value cannot be obtained, nominal amount shall be used for measurement. Government grants measured at nominal amount shall be recognized through profit or loss for the current period.

The specific standard that the Company make classification of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

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

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

27. Government Grants *(Continued)*

The specific standard that the Company make classification of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The assets-related government grants shall reduce assets-related book value or shall be recognized as deferred income. For those recognized as deferred income, charged into current profit or loss on stages using reasonable and systemic methods during its assets-related useful lives (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income)

The income-related government grants for compensation to the related expenses or loss of the Company in the subsequent periods shall be recognized as deferred income and current profit or loss during the recognition of related expenses or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss; those for compensation to the related expenses or loss incurred of the Company shall be recognized as current profit or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The government subsidies that contain both the portion pertinent to assets and the portion pertinent to income shall be subject to accounting treatment respectively according to different portions; and those that are difficult to be distinguished shall be classified as the government subsidies pertinent to income related as a whole.

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

27. Government Grants *(Continued)*

If it is necessary to refund any government subsidy which has been recognized, and there is deferred income, the book balance of the deferred income shall be offset, and the excessive part shall be included in the current profits and losses, or if the book value of relevant assets is offset against when the government subsidy is initially recognized, the book value of the assets shall be adjusted. Under any other circumstance, it shall be directly included in the current profits and losses.

28. Deferred Tax Assets/Deferred Tax Liabilities

(1) Current Income Tax

On the balance sheet date, the current tax liabilities (or assets) incurred in the current year or prior years shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. The taxable income of enterprises, the basis of the measurement of the current tax, shall be measured according to the adjusted accounting profit before tax for current year by tax law.

(2) Deferred tax assets and deferred tax liabilities

As for the temporary difference arising from the difference between the book value of some asset or liability and its tax base and the difference between the book value of an item that has not been recognized as an asset or liability with its tax base determined in light of the tax law and its tax base, it is allowed to recognize it as the deferred income tax assets or the deferred income tax liabilities by balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. Besides, deferred tax liabilities will not be recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Except the above-mentioned cases, the deferred tax liabilities generated from other all taxable temporary difference are recognized by the Company.

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

28. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

(2) Deferred tax assets and deferred tax liabilities *(Continued)*

Related to the initial recognition of the assets or liabilities arising from the following transactions that is not business combination and the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected at the time of transaction, the deductible temporary differences are not allowed to recognize relevant deferred tax assets. As for the deductible temporary differences related to the investments in a subsidiary, associated enterprises and joint enterprises, corresponding deferred tax asset shall not be recognized if the temporary differences are unlikely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences. Except the above-mentioned cases, the Company shall recognize the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain, and which can be deducted from the deductible temporary difference.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred tax assets shall be reexamined at the balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

(3) Tax expenses

Tax expenses include current tax and deferred tax.

Except that other comprehensive income is recognized, the current tax and deferred income tax related to the transactions or events directly recorded in the other comprehensive income or shareholders' equity and the book value of goodwill is adjusted due to the deferred income tax arising from business combination, other current taxes and deferred income tax expenses or incomes are recorded in the profit or loss for the period.

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

28. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

(4) Offset of Income Tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

29. Lease

A lease is a contract in which the company transfers or acquires the right to control the use of one or more identified assets within a certain period in exchange for or payment of consideration.

(1) Accounting Treatments of Operating Leases for Lessees

On the beginning date of the lease term, the company recognizes the right to use the assets and lease liabilities of the lease, excluding the simplified short-term lease low-value asset lease.

The use right asset is initially measured at a cost, which includes: ① the initial measurement amount of the lease liability; ② if the lease incentive exists in the lease payment amount paid on or before the beginning date of the lease term, the amount related to the lease incentive already enjoyed will be deducted; ③ initial direct cost; ④ the expected cost of disassembling and removing the leased asset, recovering the site where the leased asset is located or restoring the leased asset to the state agreed in the lease terms. The company withdraws the depreciation of the right to use assets by referring to the relevant depreciation provisions of accounting standards for business enterprises no. 4 – fixed assets (see note III, 16 “fixed assets” for details); According to the provisions of “accounting standards for enterprises no. 8 – asset impairment” to determine whether the right to use assets impairment, and identified impairment losses for accounting treatment (see note III, 21 “long-term asset impairment”).

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

29. Lease *(Continued)*

(1) Accounting Treatments of Operating Leases for Lessees *(Continued)*

The initial measurement of the lease liability is based on the present value of the outstanding lease payment at the beginning of the lease term. The amount of lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① If the lease incentive exists in the fixed payment amount and the actual fixed payment amount, the amount related to the lease incentive shall be deducted; ② variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio at the beginning of the lease period; ③ the exercise price of the option, provided that the company reasonably determines that it will exercise the option; ④ the payment required to exercise the option to terminate the lease, provided that the term of the lease reflects that the company will exercise the option to terminate the lease; ⑤ according to the company's guarantee residual value is expected to pay. The company calculates the interest expense of the leasing liability during the lease term according to the fixed periodic interest rate and includes it into the current profit and loss.

The company shall record the variable lease payment not included in the measurement of lease liabilities into the current profit and loss when it actually occurs.

For short-term lease and low-value asset lease, the company chooses to simplify the process and record the profits and losses of the current period in accordance with the straight-line method during the lease period.

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances. If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly. If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

(2) The company records the leasing business as the lessor

① *leasing classification*

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease refers to the lease that transfers virtually all the risks and rewards related to the ownership of the leased assets. The term "operating lease" refers to any lease other than finance lease.

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

29. Lease *(Continued)*

(2) The company records the leasing business as the lessor *(Continued)*

② *operating lease*

The company adopts the straight-line method to recognize the rental income for each period of the lease term. The initial direct expenses related to the operating lease are capitalized at the time of occurrence and are recorded into the profits and losses of the current period in accordance with the same basic stages as recognized rental income during the whole lease period. The variable lease payment amount acquired related to the operating lease and not included in the lease receipt shall be recorded into the current profit and loss when actually incurred.

③ *financial lease*

On the commencement date of the lease term, the company shall confirm the receivables of the finance lease and terminate the confirmation of the finance lease assets.

The finance lease receivables are initially measured by the sum of the present value discounted by the embedded interest rate of the lease, which is the unsecured residual value and the unreceived lease receipt at the beginning of the lease term. The amount of lease payment includes: a. fixed amount of payment and substantial fixed amount of payment to be paid by the lessee. If there is A lease incentive, the amount related to the lease incentive will be deducted; B. Variable lease payments, subject to an index or ratio, determined at the time of initial measurement based on the index or ratio at the date of commencement of the lease period; C. The exercise price of the option, provided that it is reasonably determined that lessee will exercise the option; D. The amount payable by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; E. Residual value of security provided to lessor by lessee, parties related to lessee and an independent third party capable of performing its security obligations.

The variable lease payment acquired by the company, which is not included in the measurement of net lease investment, shall be recorded into the current profit and loss when actually incurred.

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

30. Other Important Accounting Policies and Accounting Estimates

(1) Discontinued operations

Discontinued operations is a component that meets one of the following conditions and can be separately distinguished and disposed of by the Company or classified as held for sale: ① this component represents an independent principal business or a separate principal operation area; ② this component is part of an associated program to be disposed of for an independent main business or a separate main business area; ③ this component is a subsidiary acquired for resale.

For the accounting treatment of discontinued operations, please refer to the descriptions in Note III. 13. "Assets Held for Sale and Disposal Company".

31. Changes in Significant Changes in Accounting Policies and Accounting Estimates

No

32. Significant Accounting Judgments and Estimates

In the application of the accounting policies, due to the intrinsic uncertainty of business operations, the Company needs to judge, estimate, and make assumptions on the book value of report item which cannot be reliably measured. These judgments, estimations, and assumptions are made based on the Company management's historical experiences, and with references of other related factors. These judgments, estimations and assumptions can have impact on the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. It is probable that the actual results arising from the uncertainty of these estimates are different from the current estimates of the Company's management, and then lead to significant adjustments to the book value of assets or liabilities influenced in future.

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

The following are the critical judgments that the Company has made in the process of judging, evaluating and assuming as at balance sheet date:

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

32. Significant Accounting Judgments and Estimates *(Continued)*

(1) Revenue recognition

As stated in Note III. 26 – Revenue, the Company makes the following significant accounting judgments and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognized where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Company make judgments primarily based on historical experiences and works to. Changes in these significant judgments and estimates can have significant impacts on the operating income, operating costs, and profit or loss of the current or subsequent periods.

(2) Impairment of financial assets

Expected credit loss model is adopted by the Company to evaluate the impairment of financial assets. Adopting expected credit loss model requires making significant judgment and evaluation, considering all the reasonable and supportable information, including forward-looking information. To conclude the expected change in of credit risk of the debtor, the Company shall make such judgment and evaluation based on historical data with factors such as change in economy policies, macroeconomic indicators, industry risk, external market environment, technology environment, customer condition, etc.

(3) Provision for decline in value of inventories

The Company accrues inventory falling price reserves of inventories with higher cost than net realizable value and obsolete and unsalable inventories according to their cost and net realizable value, whichever is lower, based on inventory accounting policies. The impairment of inventory to net realizable value is based on the evaluation of its sale ability and net realizable value. The identification of impairment of inventory calls for the management to make judgment and estimation after receiving sound evidence and considering the purpose of holding the inventory and the influence factors of events after balance sheet date. Difference between the actual results and the original estimation will be calculated, provided or reversed by the influence on the book value of inventories and inventory falling price reserves in the estimated change period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

32. Significant Accounting Judgments and Estimates *(Continued)*

(4) Fair value of financial instruments

The Company recognizes the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an investment in equity instruments or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

(5) Provision for the impairment of long-term assets

The Company will judge whether there exists indication showing that the impairment might incur on non-current assets rather than financial assets on the balance sheet date. Except impairment test conducted each year, when there exists indication of impairment, then impairment test should be conducted too for intangible asset that service life is uncertain. Impairment test should be conducted on non-current assets rather than financial assets if the Company finds evidence that book value is unrecoverable.

When the book value of assets or asset group is higher than recoverable amount, which is the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, it indicates that the impairment incurs.

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

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

32. Significant Accounting Judgments and Estimates *(Continued)*

(6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

(7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

(8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

(9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

IV. TAXES

1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax (“VAT”)	Taxable income	(1) Sales of goods: 13%, 9% (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.

The tax rates of 17% and 11% applicable to the Group's VAT taxable sale or import of goods were adjusted to 16% and 10%, respectively, on 1 May 2018, in accordance with the requirements of the *Notice of the Ministry of Finance of the People's Republic of China and the State Administration of Taxation on Adjusting Value-Added Tax Rates* (No. 32 [2018], Ministry of Finance of the People's Republic of China). According to the Announcement of the *Ministry of Finance of the People's Republic of China, the State Administration of Taxation and General Administration of Customs* on Policies about Deepening the *Value-added Tax (VAT) Reform* (No. 39 [2019], Ministry of Finance of the People's Republic of China, the State Administration of Taxation and General Administration of Customs), the applicable tax rate will be adjusted to 13%/9% from April 1, 2019. Meanwhile, as a taxpayer of the production and living service industry, the Company can deduct 10% of the input tax in the current period from April 1, 2019 to December 31, 2021 to offset the tax payable.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

IV. TAXES (Continued)

1. Main Tax Types and Tax Rate (Continued)

Corporate income tax

Taxpayer	Income tax rate
The Group, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, Tian Xin, Guang Hua, Ming Xing, Weiling, Guangxi Ying Kang, WLJ Great Health, Guangyao General Institute	Calculated and paid at 15% of the taxable income
The Group's domestic subsidiaries other than the above-mentioned enterprises	Calculated and paid at 25% of the taxable income
Guangyao Baiyunshan Hong Kong Company of the Group	Calculated and paid at 16.5% of the taxable income

2. Important Tax Preferential Treatments and Approval Documents

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New technology enterprises can enjoy preferential corporate income tax policies and pay corporate income tax at a reduced rate of 15%.

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR201744003162), Xing Qun (No. GR201744011135), Zhong Yi (No. GR201744005343), Chen Li Ji (No. GR201744001501), Guangzhou Han Fang (No. GR201744008646), Jing Xiu Tang (No. GR201744000331), Pan Gao Shou (No. GR201744002878), Wang Lao Ji (No. GR201744001303), Tian Xin (No. GR201744009163), Guang Hua (No. GR201844003890), Ming Xing (No. GR201744002496), Guangxi Ying Kang (No. GR201845000342), Weiling (No. GR201844007959), WLJ Great Health (No. GR201944000953), Guangyao General Institute (No. GR201844005664).

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at Bank and on Hand

Item	Closing balance	Opening balance
Cash on hand	1,011,741.80	883,955.59
Cash at bank	17,302,719,183.66	16,829,618,823.88
Other currency balance	1,181,913,553.90	1,639,115,457.94
Total	18,485,644,479.36	18,469,618,237.41
Including: Total amount of cash kept in foreign countries	67,192,324.56	69,807,439.31

Notes:

- (1) Other currency balance RMB1,181,914 thousand (31 December 2019: RMB1,639,115 thousand) is comprised of the Group's third-party payment accounts, deposits, foreign exchange deposits, credit card deposits, letters of credit, guarantee deposits, term deposits, housing funds, bank acceptance bill deposit, frozen account funds and the others.
- (2) As on 30 June 2020, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,149,519 thousand (31 December 2019: RMB1,635,996 thousand). Breakdown of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Opening balance
Deposit for notes payable	622,076,014.96	1,284,103,385.06
Factoring deposit for accounts receivable	–	–
Frozen account funds	61,287,387.39	61,036,156.17
Letters of credit	52,209,047.85	19,696,428.25
Term deposit	405,064,006.20	270,179,688.00
Factoring repayment for accounts receivable	–	72,351.99
Guarantee deposits	7,874,975.92	108,380.00
Housing funds	591,339.71	591,339.71
Other	416,182.40	208,000.00
Total	1,149,518,954.43	1,635,995,729.18

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	868,145,836.88	1,409,558,796.80
Commercial acceptance notes	75,311,586.45	117,699,742.56
Less: Bad debt reserves	798,115.86	1,176,997.42
Total	942,659,307.47	1,526,081,541.94

(2) Notes receivable pledged at the period end

Item	Amount pledged at the period end
Bank acceptance notes	15,486,714.02
Commercial acceptance notes	–
Total	15,486,714.02

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

- (3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	1,069,824,858.39	300,647,472.70
Commercial acceptance notes	–	–
Total	<u>1,069,824,858.39</u>	<u>300,647,472.70</u>

Notes:

- ① Pursuant to provisions of the *Negotiable Instruments Law of the People's Republic of China*, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted.
- ② The Group believes that the fair value of the continuing involvement is not significant, as the Group has transferred substantially all the risks and awards of the above-mentioned notes receivable which have been endorsed or discounted. The Group does not recognize any assets or liabilities arising from the continuing involvement in book.
- ③ The maximum loss from the continuing involvement of the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value of RMB1,069,825 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 30 June 2020 which shall be matured by 30 June 2021.
- ⑤ For the period from January to June 2020, no profit or loss is recognized at the date of the transfer. The Group did not recognize any current or accumulated income or expenses arising from the continuing involvement of derecognized financial assets.
- ⑥ The above-mentioned notes receivable, which have been endorsed or discounted, occurred roughly balanced in the current period and the distribution is roughly balanced either.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

- (4) As on 30 June 2020, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB1,040,318 thousand (31 December 2019: RMB1,623,767 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	9 Jan 2020	9 Jul 2020	20,000,000.00
Customer 2	19 Jun 2020	19 Sept 2020	12,216,833.83
Customer 3	30 Mar 2020	30 Oct 2020	10,000,000.00
Customer 4	27 Apr 2020	27 Oct 2020	10,000,000.00
Customer 5	30 Apr 2020	30 Oct 2020	10,000,000.00

- (5) As on 30 June 2020, commercial acceptance notes endorsed by the Group but not matured was RMB0 thousand (31 December 2019: RMB1,500 thousand).

- (6) As on 30 June 2020, bank acceptance notes discounted by the Group but not matured was RMB330,155 thousand (31 December 2019: RMB172,130 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	9 Jan 2020	9 Jul 2020	20,000,000.00
Customer 2	24 Apr 2020	21 Oct 2020	13,558,424.00
Customer 3	2 Jun 2020	2 Dec 2020	10,000,000.00
Customer 4	2 Jun 2020	2 Dec 2020	10,000,000.00
Customer 5	28 May 2020	28 Aug 2020	9,741,499.05

- (7) As on 30 June 2020, commercial acceptance notes endorsed by the Group but not matured was RMB0 thousand (on 31 December 2019: RMB200 thousand).

- (8) As on 30 June 2020 and 31 December 2019, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	943,457,423.33	100.00	798,115.86	0.08	942,659,307.47
Including: portfolio 1	75,311,586.45	7.98	798,115.86	1.06	74,513,470.59
portfolio 2	868,145,836.88	92.02	-	-	868,145,836.88
Total	943,457,423.33	100.00	798,115.86	0.08	942,659,307.47

Category	Book balance		Opening balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,527,258,539.36	100.00	1,176,997.42	0.08	1,526,081,541.94
Including: portfolio 1	117,699,742.56	7.71	1,176,997.42	1.00	116,522,745.14
portfolio 2	1,409,558,796.80	92.29	-	-	1,409,558,796.80
Total	1,527,258,539.36	100.00	1,176,997.42	0.08	1,526,081,541.94

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

① The Group had no notes receivable which are subject to separate provision at the period end.

② Notes receivable which are subject to provision by aging portfolio

Item	Book balance	Closing balance Provision for bad debts	Expected credit loss (%)
Within one year	75,311,586.45	798,115.86	1.06
Total	75,311,586.45	798,115.86	1.06

③ Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Notes receivable	Closing balance Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	868,145,836.88	–	–
Total	868,145,836.88	–	–

(10) Provision for bad debts.

The amount of provision for bad debts accrued in the current period is RMB (378) thousand, and there is no provision for bad debts is recovered or reversed in this period.

(11) The Group had no notes receivable written off for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

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

Aging	Closing balance	Opening balance
Within 1 year	11,863,754,447.75	12,279,203,329.97
1 to 2 years	359,347,828.17	281,873,461.22
2 to 3 years	179,818,658.95	165,330,048.12
3 to 4 years	29,429,274.96	12,655,288.53
4 to 5 years	10,464,990.22	15,509,462.78
Over 5 years	190,709,781.15	181,864,903.62
Total book balance of accounts receivable	12,633,524,981.20	12,936,436,494.24
Less: Provision for bad debts	461,577,461.09	381,411,974.66
Total book value of accounts receivable	12,171,947,520.11	12,555,024,519.58

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance	
	Amount	Proportion (%)	Amount	Provision for bad debts Expected credit loss (%)
Accounts receivable subject to separate provision	364,111,982.15	2.88	264,034,082.04	72.51
Accounts receivable subject to provision by portfolio	12,269,412,999.05	97.12	197,543,379.05	1.61
Including: portfolio 1	12,269,412,999.05	97.12	197,543,379.05	1.61
Total	12,633,524,981.20	100.00	461,577,461.09	3.65

Category	Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Provision for bad debts Expected credit loss (%)
Accounts receivable subject to separate provision	358,916,862.27	2.78	191,992,184.94	53.49
Accounts receivable subject to provision by portfolio	12,577,519,631.97	97.22	189,419,789.72	1.51
Including: portfolio 1	12,577,519,631.97	97.22	189,419,789.72	1.51
Total	12,936,436,494.24	100.00	381,411,974.66	2.95

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

① Accounts receivable subject to separate provision at the period end

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	Discontinued business with the customer and amount is expected to be unrecoverable.
Customer 2	50,998,659.40	5,099,865.94	10.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ③.
Customer 3	37,710,221.64	3,771,022.17	10.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ③.
Customer 4	26,042,525.11	7,505,503.50	28.82	Amount is expected to be unrecoverable fully.
Customer 5	19,432,662.47	19,432,662.47	100.00	Discontinued business with the customer and amount is expected to be unrecoverable.
Customer 6	15,709,515.92	15,709,515.92	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (5) ①.
Customer 7	10,541,832.00	10,541,832.00	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ③.
Customer 8	5,762,294.75	5,762,294.75	100.00	The court has frozen the funds of the customer. Recoverability is expected to be low.
Customer 9	5,191,200.00	5,191,200.00	100.00	Amount is expected to be unrecoverable.
Customer 10	4,971,878.60	4,971,878.60	100.00	The lawsuit is won and under implementation. Recoverability is expected to be low.
Others	41,884,439.40	40,181,553.83	95.93	Amount is expected to be unrecoverable.
Total	364,111,982.15	264,034,082.04		

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

② Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Book balance	Closing balance	
		Provision for bad debts	Expected credit loss (%)
Within 1 year	11,849,097,277.35	118,508,279.09	1.00
1 to 2 years	349,890,322.64	34,989,031.97	10.00
2 to 3 years	28,240,024.05	8,472,007.21	30.00
3 to 4 years	11,697,170.64	5,848,585.38	50.00
4 to 5 years	3,813,644.80	3,050,915.83	80.00
Over 5 years	26,674,559.57	26,674,559.57	100.00
Total	<u>12,269,412,999.05</u>	<u>197,543,379.05</u>	<u>–</u>

Aging	Book balance	Opening balance	
		Provision for bad debts	Expected credit loss (%)
Within 1 year	12,261,896,423.02	122,619,145.47	1.00
1 to 2 years	250,281,362.91	25,028,136.29	10.00
2 to 3 years	25,801,067.27	7,740,320.18	30.00
3 to 4 years	8,670,416.95	4,335,208.47	50.00
4 to 5 years	5,866,912.57	4,693,530.06	80.00
Over 5 years	25,003,449.25	25,003,449.25	100.00
Total	<u>12,577,519,631.97</u>	<u>189,419,789.72</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(3) Provision for bad debts accrued, recovered or reversed this period

The amount of provision for bad debts accrued in the current period is RMB84,351 thousand. There is no recovery or reversal of the bad debt provisions in the current period. Other decreases by RMB4,184 thousand, mainly due to the reclassification of accounts receivable to financing receivables, bad debt provisions decrease accordingly.

(4) Accounts receivable written off in the current period:

Item	Amount written off
Accounts receivable written off	1,780.00

(5) The top five customers by balances at the period end are as follows

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	283,633,551.01	2.25	2,846,287.43
Customer 2	278,348,378.65	2.20	2,785,067.78
Customer 3	274,900,752.12	2.18	3,924,324.86
Customer 4	206,556,869.45	1.63	2,065,568.71
Customer 5	171,716,797.60	1.36	1,721,436.41
Total	1,215,156,348.83	9.62	13,342,685.19

(6) Accounts receivables derecognized due to transfer of financial assets in the current period.

Items	Transfer method of financial assets	Accounts receivables derecognized	Loss from the derecognition
ABS increment base assets	sold	971,269,425.85	25,645,536.05
Total		971,269,425.85	25,645,536.05

(7) The Group had no assets or liabilities arising from the transfer of the accounts receivable with the continuing involvement for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Receivables financing

Item	Closing balance	Opening balance
Notes receivable	1,181,311,781.68	1,515,914,114.01
Accounts receivable	387,770,812.11	–
Total	1,569,082,593.79	1,515,914,114.01

5. Advances to suppliers

(1) The aging analysis of advances to suppliers is as follows:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	616,233,684.66	96.10	647,412,646.18	96.15
1 to 2 years	12,815,552.40	2.00	16,851,520.10	2.50
2 to 3 years	7,499,617.04	1.17	5,060,708.51	0.75
Over 3 years	4,649,280.76	0.73	4,027,918.23	0.60
Total	641,198,134.86	100.00	673,352,793.02	100.00

(2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	97,914,234.68	15.27
Supplier 2	88,970,596.72	13.88
Supplier 3	29,422,024.56	4.59
Supplier 4	27,526,503.57	4.29
Supplier 5	14,625,357.37	2.28
Total	258,458,716.90	40.31

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables

Item	Closing balance	Opening balance
Interest receivable	3,147,916.67	1,666,666.70
Dividends receivable	218,287,173.45	316,706,053.45
Other receivables	768,608,330.36	904,685,208.63
Less: Provision for bad debts	54,796,565.30	49,697,886.74
Total	935,246,855.18	1,173,360,042.04

(1) Interest receivable

① *Interest receivable by category*

Item	Closing balance	Opening balance
Term deposit	3,147,916.67	1,666,666.70
Less: Provision for bad debts	–	–
Total	3,147,916.67	1,666,666.70

(2) Dividends receivable

① *Dividends receivable are as follows*

Item (or investee)	Closing balance	Opening balance
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as "HWBYS")	178,767,530.00	278,767,530.00
Guangzhou Nuo Cheng Biological Products Co., Ltd. (hereinafter referred to as "Nuo Cheng")	37,938,523.45	37,938,523.45
Chuangmei Medicines Co., Ltd. (hereinafter referred to as "Chuangmei Medicines")	1,581,120.00	–
Less: Provision for bad debts	–	–
Total	218,287,173.45	316,706,053.45

② *The Group had no provision for bad debts for dividends receivable for the current period.*

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(3) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Opening balance
Within 1 year	582,503,843.08	745,093,461.94
1 to 2 years	70,039,340.96	77,127,890.11
2 to 3 years	52,508,363.73	25,407,276.76
3 to 4 years	6,744,048.70	14,692,212.94
4 to 5 years	18,253,410.32	5,923,360.23
Over 5 years	38,559,323.57	36,441,006.65
Total	768,608,330.36	904,685,208.63

② Category of other receivables as per nature

Nature	Closing book balance	Opening book balance
Receivables due from external parties	507,327,887.62	628,808,015.60
Margin, deposit and down payment	131,406,191.40	149,762,074.79
Advances to employees	50,831,138.60	50,395,230.88
Petty cash	20,742,276.62	13,888,670.96
Receivables due from related parties	9,364,394.43	7,053,789.51
Tax refund for exports	8,218.99	130,089.65
Others	48,928,222.70	54,647,337.24
Total book balance of other receivables	768,608,330.36	904,685,208.63
Less: Provision for bad debts	54,796,565.30	49,697,886.74
Total	713,811,765.06	854,987,321.89

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(3) Other receivables (Continued)

③ Provision for bad debts

	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Opening balance on 31 Dec 2019	49,697,886.74	–	–	49,697,886.74
Provision at current period	5,277,098.06	–	–	5,277,098.06
Reversal of bad debt provision at current period	178,419.50	–	–	178,419.50
Charge off at current period	–	–	–	–
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance on 30 June 2020	54,796,565.30	–	–	54,796,565.30

④ Provision for bad debts

The amount of bad debt provision for this period was RMB5,277 thousand; The amount of bad debt provision recovered or reversed for this period was RMB178 thousand.

Among them, there is no significant amount of bad debt provision reversal or recovery for this period.

⑤ The Group had no significant other receivables written off for this period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Receivables (Continued)

(3) Other receivables (Continued)

⑥ The top five debtors by balances are as follows:

Company	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Other receivables 1	Receivables due from external parties	46,707,971.09	Within 1 year, 2 to 3 years	6.08	469,866.82
Other receivables 2	Receivables due from external parties	16,477,704.20	Within 1 year	2.14	164,777.05
Other receivables 3	Receivables due from external parties	11,900,285.86	Within 1 year	1.55	119,002.86
Other receivables 4	Receivables due from external parties	11,514,661.48	Within 1 year	1.50	115,146.61
Other receivables 5	Receivables due from external parties	10,315,700.00	4 to 5 year	1.34	10,315,700.00
Total	-	96,916,322.63		12.61	11,184,493.34

⑦ The Group had no other receivables related to government grants for this period.

⑧ The Group had no other receivables that had been derecognized due to transfer of financial assets for this period.

⑨ The Group had no assets or liabilities arising from the transfer other receivable with the continuing involvement for this period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories

(1) Disclosure of inventories by categories is as follows:

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for decline in value of inventories	Book value		Provision for decline in value of inventories	Book value
Raw materials	1,140,846,934.66	9,610,983.26	1,131,235,951.40	1,013,657,884.08	9,913,957.23	1,003,743,926.85
Turnover materials	175,007,050.76	-	175,007,050.76	158,726,849.10	-	158,726,849.10
Consignment processing material	3,321,449.64	-	3,321,449.64	3,874,143.16	-	3,874,143.16
Work in progress	404,754,480.12	-	404,754,480.12	664,587,736.78	-	664,587,736.78
Commodity stocks	7,017,114,563.22	75,448,053.89	6,941,666,509.33	7,724,802,592.59	65,694,984.43	7,659,107,608.16
Total	<u>8,741,044,478.40</u>	<u>85,059,037.15</u>	<u>8,655,985,441.25</u>	<u>9,565,649,205.71</u>	<u>75,608,941.66</u>	<u>9,490,040,264.05</u>

(2) Provision for decline in value of inventories

Item	Opening balance	Provision	Decrease in this period		Closing balance
			Reversed	Written-off	
Raw materials	9,913,957.23	751,339.46	1,054,313.43	-	9,610,983.26
Commodity stocks	65,694,984.43	16,495,311.50	3,282,687.30	3,459,554.74	75,448,053.89
Total	<u>75,608,941.66</u>	<u>17,246,650.96</u>	<u>4,337,000.73</u>	<u>3,459,554.74</u>	<u>85,059,037.15</u>

(3) In current period end, there is no capitalization of borrowing costs in the inventory.

(4) No amortization of contract performance costs in this period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other Current Assets

Item	Closing balance	Opening balance
Input VAT to be certified	421,701,824.56	445,728,811.25
Prepaid income tax	68,468,969.70	70,747,299.62
Structured deposits	30,000,000.00	30,000,000.00
Undisposed assets for whole relocation (Note)	24,834,110.90	20,401,231.79
Bank financial products	20,000,000.00	11,495,150.95
Others	950,630.97	469,130.04
Total	565,955,536.13	578,841,623.65

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on June 29, 2020.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term Equity Investment

Investee	Opening balance	Increase	Decrease	Change in the current period			Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
				Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Declaration of cash dividends or profits				
I. Joint ventures										
HWBYS	129,599,934.56	-	-	36,899,350.74	-	-	-	-	166,499,285.30	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	47,518,816.60	-	-	846,372.35	-	-	-	-	48,365,188.95	-
Nuo Cheng	255,238,296.74	-	-	(9,353,337.58)	-	-	-	-	245,884,959.16	-
Subtotal	432,357,047.90	-	-	28,392,385.51	-	-	-	-	460,749,433.41	-
II. Associates										
Jinying Fund Management Co., Ltd	63,796,881.10	-	-	341,022.58	-	-	-	-	64,137,903.68	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,033,367.82	-	-	9,194.37	-	-	-	-	2,042,562.19	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	71,772,551.47	-	-	90,169.20	-	-	-	-	71,862,720.67	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	9,383,230.68	-	-	(613,370.40)	-	-	-	-	8,769,860.28	-
Yunnan Hongxiang Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	906,440,943.85	-	-	30,700,800.00	-	(12,578,616.30)	-	-	924,563,127.55	-
Chuangmei Medicines Co., Ltd.	65,423,790.37	-	-	(692,691.61)	-	-	-	(285,409.33)	64,445,689.43	-
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	45,829,731.75	-	-	(1,036,282.36)	-	-	-	-	44,793,449.39	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	1,987,647.47	-	-	(433,250.04)	-	-	-	-	1,554,397.43	-
Subtotal	1,166,668,144.51	-	-	28,365,591.74	-	(12,578,616.30)	-	(285,409.33)	1,182,169,710.62	-
Total	1,599,025,192.41	-	-	56,757,977.25	-	(12,578,616.30)	-	(285,409.33)	1,642,919,144.03	-

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Equity Instruments investments

Item	Investment cost	Opening balance	Closing balance	Dividend income recognized in the current period	Amount of cumulative profits and losses transferred from other comprehensive income to earnings for this period	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	74,997,500.00	64,018,169.89	64,981,082.82	-	-	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,000,000.00	10,000,000.00	10,000,000.00	-	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,677,876.51	7,677,876.51	7,677,876.51	-	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	300,000.00	281,913.64	374,467.31	-	-	Long-term holdings for strategic purposes
Total	92,975,376.51	81,977,960.04	83,033,426.64	-	-	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Other Non-Current Financial Assets

Item	Closing balance	Opening balance
Financial assets classified at FVTPL for this period	241,545,710.99	262,469,919.10
Including: Equity instrument investments	234,933,376.27	258,469,919.10
Other	6,612,334.72	4,000,000.00
Total	241,545,710.99	262,469,919.10

12. Investment Properties

(1) Investment property measured using the cost model

Item	Buildings	Land use right	Total
I. Original cost			
1. Opening balance	402,912,124.18	18,344,900.69	421,257,024.87
2. Increase	143,030.68	–	143,030.68
(1) Changes in foreign exchange rate	143,030.68	–	143,030.68
3. Decrease	–	–	–
4. Closing balance	403,055,154.86	18,344,900.69	421,400,055.55
II. Accumulated depreciation and amortization			
1. Opening balance	193,168,781.90	9,889,093.81	203,057,875.71
2. Increase	5,064,727.01	137,898.55	5,202,625.56
(1) Provision or amortization	5,002,532.94	137,898.55	5,140,431.49
(2) Changes in foreign exchange rate	62,194.07	–	62,194.07
3. Decrease	–	–	–
4. Closing balance	198,233,508.91	10,026,992.36	208,260,501.27
III. Provision for impairment			
1. Opening balance	–	–	–
2. Increase	–	–	–
3. Decrease	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	204,821,645.95	8,317,908.33	213,139,554.28
2. Opening balance of book value	209,743,342.28	8,455,806.88	218,199,149.16

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Investment Properties (Continued)

(1) Investment property measured using the cost model (Continued)

- ① Depreciation is RMB5,003 thousand for Jan to Jun 2020 (Jan to Jun 2019: RMB5,257 thousand). Amortization is RMB138 thousand for Jan to Jun 2020 (Jan to Jun 2019: RMB173 thousand).
- ② Increase in original value and accumulated depreciation of investment property due to change in foreign exchange rate is RMB143 thousand and RMB62 thousand respectively for Jan to Jun 2020 (Jan to Jun 2019: increased RMB28 thousand and RMB11 thousand respectively).
- ③ All of the investment properties with land use right are located in Mainland China with useful life vary from 10 to 50 years.
- ④ The Group had RMB0 thousand conversion of self-use properties or inventory to investment properties for this period (31 December 2019: 1,744 thousand).

13. Fixed Assets

Item	Closing balance	Opening balance
Fixed assets	2,831,885,331.19	2,942,169,658.84
Disposal of fixed assets	–	–
Less: Provision for impairment	18,590,449.18	18,584,719.18
Total	2,813,294,882.01	2,923,584,939.66

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Fixed Assets (Continued)

(1) Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	3,061,157,832.87	2,381,633,917.23	122,457,846.87	185,744,681.66	280,012,911.78	55,756,685.31	6,086,763,875.72
2. Increase	2,507,837.47	32,739,910.19	987,220.23	4,666,717.62	10,808,112.18	67,206.58	51,777,004.27
(1) Purchases	27,456.19	12,454,714.09	612,417.50	2,851,395.36	5,660,778.93	67,206.58	21,673,968.65
(2) Transferred from construction in progress	2,335,852.27	20,285,196.10	374,802.73	1,815,322.26	5,147,333.25	-	29,958,506.61
(3) Increase in business combination	-	-	-	-	-	-	-
(4) Changes in foreign exchange rate	144,529.01	-	-	-	-	-	144,529.01
(5) Other	-	-	-	-	-	-	-
3. Decrease	267,469.23	53,340,999.12	3,199,366.72	382,602.41	12,962,112.31	403,128.51	70,555,678.30
(1) Disposal or scrap	232,713.50	15,495,349.30	3,199,366.72	382,602.41	12,367,224.46	-	31,677,256.39
(2) Other	34,755.73	37,845,649.82	-	-	594,887.85	403,128.51	38,878,421.91
4. Closing balance	3,063,398,201.11	2,361,032,828.30	120,245,700.38	190,028,796.87	277,858,911.65	55,420,763.38	6,067,985,201.69
II. Accumulated depreciation							
1. Opening balance	1,235,694,642.06	1,490,066,564.61	83,513,987.72	114,924,282.61	184,055,373.78	36,339,366.10	3,144,594,216.88
2. Increase	58,832,202.56	69,019,824.16	3,685,500.00	8,640,503.26	13,763,073.67	2,459,423.85	156,400,527.50
(1) Provision	58,783,269.10	69,019,824.16	3,685,500.00	8,640,503.26	13,763,073.67	2,459,423.85	156,351,594.04
(2) Increase in business combination	-	-	-	-	-	-	-
(3) Changes in foreign exchange rate	48,933.46	-	-	-	-	-	48,933.46
(4) Other	-	-	-	-	-	-	-
3. Decrease	197,068.42	48,583,794.02	3,568,734.72	252,365.36	11,889,782.85	403,128.51	64,894,873.88
(1) Disposal or scrap	197,068.42	14,874,687.46	3,568,734.72	252,365.36	11,350,487.37	-	30,243,343.33
(2) Transfer to investment properties	-	-	-	-	-	-	-
(3) Other	-	33,709,106.56	-	-	539,295.48	403,128.51	34,651,530.55
4. Closing balance	1,294,329,776.20	1,510,502,594.75	83,630,753.00	123,312,420.51	185,928,664.60	38,395,661.44	3,236,099,870.50
III. Provision for impairment							
1. Opening balance	11,767,229.72	5,214,313.69	158,224.47	1,443,365.80	1,585.50	-	18,584,719.18
2. Increase	-	5,730.00	-	-	-	-	5,730.00
(1) Provision	-	5,730.00	-	-	-	-	5,730.00
3. Decrease	-	-	-	-	-	-	-
(1) Disposal or scrap	-	-	-	-	-	-	-
4. Closing balance	11,767,229.72	5,220,043.69	158,224.47	1,443,365.80	1,585.50	-	18,590,449.18
IV. Book value							
1. Closing balance of book value	1,757,301,195.19	845,310,189.86	36,456,722.91	65,273,010.56	91,928,661.55	17,025,101.94	2,813,294,882.01
2. Opening balance of book value	1,813,695,961.09	886,353,038.93	38,785,634.68	69,377,033.25	95,955,952.50	19,417,319.21	2,923,584,939.66

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Fixed Assets (Continued)

(1) Fixed assets (Continued)

Note:

- ① Original value of fixed assets transferred from construction in progress is RMB29,959 thousand from Jan to Jun 2020 (Jan to Jun 2019: RMB47,894 thousand).
- ② Increase in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB145 thousand and RMB49 thousand respectively from Jan to Jun 2020 (Jan to Jun 2019: decreased RMB29 thousand and RMB8 thousand respectively).
- ③ Fixed assets depreciation accrued from Jan to Jun 2020 is RMB156,352 thousand (Jan to Jun 2019: RMB155,192 thousand), which is comprised of depreciation in operating cost RMB65,584 thousand, depreciation in selling expenses RMB28,992 thousand, depreciation in General and administrative expenses RMB47,034 thousand and depreciation in R&D expenditure RMB14,742 thousand (Jan to Jun 2019: depreciation in operating cost RMB51,333 thousand, depreciation in selling expenses RMB28,046 thousand, depreciation in General administrative expenses RMB62,211 thousand and depreciation in R&D expenditure RMB13,602 thousand).

(2) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	248,679.11	–	181,934.25	
Machinery and equipment	1,695,298.59	1,210,028.88	255,795.47	229,474.24	
Total	<u>2,125,911.95</u>	<u>1,458,707.99</u>	<u>255,795.47</u>	<u>411,408.49</u>	

(3) Fixed assets leased out under operating lease

Item	Closing balance of book value	Opening balance of book value
Buildings	<u>173,326,776.45</u>	41,753,698.72
Total	<u>173,326,776.45</u>	<u>41,753,698.72</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Fixed Assets (Continued)

(4) Fixed assets which do not have a certificate of property right

Item	Book value	Reason for do not have certificate of property right	Estimated time for acquiring certificate of property right
Buildings	48,307,554.09	Not handled yet as necessary procedures were not complete	Unknown
Total	<u>48,307,554.09</u>		

As on 30 June 2020, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, has buildings with the original costs of HK\$8,893 thousand and the net book value of HK\$6,187 thousand, and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$4,622 thousand pledged as collateral, and obtained a credit line with a limit of HK\$300 thousand, the letter of credit and the total amount of 90-day credits of HK\$100,000 thousand, and an issued but unexpired letter of credit of EUR 399 thousand, USD964 thousand and JPY 116,290 thousand from the Bank of China (Hong Kong) Co., Ltd.

14. Construction in Progress

Item	Closing balance	Opening balance
Construction in progress	918,335,630.08	667,654,189.06
Construction material	–	–
Less: Provision for impairment	251,734.38	251,734.38
Total	<u>918,083,895.70</u>	<u>667,402,454.68</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Construction in Progress (Continued)

(1) Construction in progress

① Construction in progress

Item	Book balance	Closing balance	Book value	Book balance	Opening balance	Book value
		Provision for impairment			Provision for impairment	
Construction in progress	918,335,630.08	251,734.38	918,083,895.70	667,654,189.06	251,734.38	667,402,454.68
Total	918,335,630.08	251,734.38	918,083,895.70	667,654,189.06	251,734.38	667,402,454.68

② Changes of significant construction in progress in the current period

Project	Budget	Opening balance	Increase	Amount	Other decrease	Closing balance	Proportion of	Project	Source of funds
				transferred into fixed assets in the current period					
Base of Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	400,000,000.00	126,933,866.98	13,837,091.34	-	-	140,770,958.32	35.42	56.89	Self-raised funds
Ming Xing relocation improvement	475,620,000.00	126,583,487.35	40,754.72	-	-	126,624,242.07	26.62	35.00	Self-raised funds, issuing shares
Baiyun project	527,000,000.00	20,440,078.30	90,488,977.29	-	-	110,929,055.59	30.70	25.65	Self-raised funds
Construction of Bio-island R&D Headquarters	1,099,853,024.35	63,987,704.96	37,206,838.48	-	-	101,194,543.44	28.80	28.80	Self-raised funds, issuing shares
Cai Zhi Lin Meizhou TCM Industrialized production and service base	130,000,000.00	69,752,573.91	2,194,453.70	-	-	71,947,027.61	81.99	90.00	Self-raised funds
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	731,879,100.00	28,027,483.68	10,999,720.49	-	-	39,027,204.17	10.00	20.00	Self-raised funds
Chinese medicine modernization GMP phase III construction project	287,620,000.00	3,292,709.89	29,002,115.36	-	-	32,294,825.25	11.23	11.23	Self-raised funds, borrowing
Zhongluotan Wulonggang AB08070981 block	159,750,000.00	26,172,092.48	4,366,239.65	-	-	30,538,332.13	33.43	33.43	Self-raised funds
Extension project D of Hospital service	190,000,000.00	25,394,202.04	3,739,891.08	-	-	29,134,093.12	31.60	31.60	Self-raised funds

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Construction in Progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress in the current period (Continued)

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Source of funds
New warehouse	17,056,000.00	13,992,852.93	5,597,068.09	-	-	19,589,921.02	85.20	99.00	Self-raised funds
Extension project K of Hospital service	204,000,000.00	5,703,677.12	12,810,126.08	-	-	18,513,803.20	61.63	61.63	Self-raised funds
Project of special medical use formula food production line	42,400,000.00	15,516,621.46	1,951,489.05	-	1,393,516.00	16,074,594.51	48.68	50.00	Self-raised funds
Monoclonal antibody project	62,650,000.00	3,760,732.90	3,116,890.82	-	-	6,877,623.72	24.00	24.00	Self-raised funds
Reconstruction project of collective dormitory of General plant	11,976,000.00	10,842,837.01	411,206.90	54,628.00	-	11,199,415.91	93.97	90.00	Self-raised funds
Extension project B of Hospital service	67,120,000.00	5,971,152.69	3,599,138.71	-	-	9,570,291.40	62.05	62.05	Self-raised funds
Extension project L of Hospital service	90,000,000.00	8,760,011.42	289,494.73	145,772.55	-	8,903,733.60	20.19	20.19	Self-raised funds
Reconstruction project of office building of General plant	11,134,000.00	7,769,567.31	314,278.02	-	-	8,083,845.33	79.13	95.00	Self-raised funds
Extension project S of Hospital service	18,969,000.00	-	7,587,600.00	-	-	7,587,600.00	40.00	57.14	Self-raised funds
Extension project R of Hospital service	103,000,000.00	1,622,983.28	5,722,068.57	-	5,492.83	7,339,559.02	78.69	78.69	Self-raised funds
Confinement Club House Renovation Project	10,000,000.00	5,968,448.25	396,912.73	-	-	6,365,360.98	63.65	70.00	Self-raised funds
Extension project M of Hospital service	101,600,000.00	4,712,701.68	3,007,140.26	2,593,835.81	-	5,126,006.13	21.05	21.05	Self-raised funds
Power distribution project	6,000,000.00	1,596,503.84	2,437,352.82	-	-	4,033,856.66	67.23	85.00	Self-raised funds
Toxic piece production equipment	3,927,052.93	3,927,052.93	-	-	-	3,927,052.93	100.00	80.00	Self-raised funds
Ordinary decoction piece production line equipment	3,833,955.31	2,318,911.04	1,515,044.27	-	-	3,833,955.31	100.00	70.00	Self-raised funds
Guangzhou Pharmaceutical EHR project	4,175,000.00	3,439,477.52	53,773.58	-	-	3,493,251.10	83.67	95.00	Self-raised funds, issuing shares

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Construction in Progress (Continued)

(1) Construction in progress (Continued)

② Changes of significant construction in progress in the current period (Continued)

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Source of funds
Guangzhou Pharmaceutical Consolidated Reporting Platform Project	6,156,000.00	3,385,021.92	73,584.91	-	-	3,458,606.83	56.18	90.00	Self-raised funds, issuing shares
Automatic medicine filling machine	4,150,000.00	-	3,320,000.00	-	-	3,320,000.00	80.00	80.00	Self-raised funds
Nansha Base Project	750,000,000.00	1,653,626.42	1,629,826.44	-	-	3,283,452.86	0.44	0.44	Self-raised funds
Extension project O of Hospital service	72,900,000.00	3,095,575.24	-	-	-	3,095,575.24	8.78	8.78	Self-raised funds
Toxic production workshop decoration project	3,335,508.00	-	3,003,416.26	-	-	3,003,416.26	90.04	70.00	Self-raised funds
Compliance preparation equipment modification project	15,400,000.00	3,146,703.45	918,920.54	3,006,896.48	1,058,727.51	-	93.14	89.30	Self-raised funds
Other	1,658,807,440.64	69,885,531.06	43,902,703.69	24,157,373.77	10,436,434.61	79,194,426.37	/	/	Self-raised funds
Total	7,270,312,081.23	667,654,189.06	293,534,118.58	29,958,506.61	12,894,170.95	918,335,630.08	-	-	

Note: Other reductions in construction in progress this period were mainly due to the amount of projects in progress transferred to intangible assets by the Group.

③ There is no provision for impairment of construction in progress in current period.

④ Impairment of construction in progress

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Expansion of the Guang Hua sewage station	251,734.38	-	-	251,734.38	Project stopped
Total	251,734.38	-	-	251,734.38	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Bearer Biological Assets

(1) Cost Measurement Method

Item	Unripe bearer biological assets – Camellia Citrus	Total
I. Original cost		
1. Opening balance	3,678,000.00	3,678,000.00
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	3,678,000.00	3,678,000.00
II. Accumulated depreciation	–	–
1. Opening balance	174,705.00	174,705.00
2. Increase	174,705.00	174,705.00
(1) Provision	174,705.00	174,705.00
3. Decrease	–	–
(1) Disposal	–	–
(2) Other	–	–
4. Closing balance	349,410.00	349,410.00
III. Provision for impairment	–	–
1. Opening balance	–	–
2. Increase	–	–
(1) Provision	–	–
3. Decrease	–	–
(1) Disposal	–	–
(2) Other	–	–
4. Closing balance	–	–
IV. Book value	–	–
1. Closing balance of book value	3,328,590.00	3,328,590.00
2. Opening balance of book value	3,503,295.00	3,503,295.00

Note: Bearer biological assets are measured at cost, the crop production increased by RMB0 thousand due to purchase, RMB0 due to breeding (education), and RMB0 due to sale, decreased RMB0 by death, loss, damage and decreased RMB175 thousand due to depreciation.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Opening balance	778,801,910.85	319,014,157.96	1,097,816,068.81
2. Increase	179,473,779.21	1,413,267.36	180,887,046.57
(1) New lease	179,473,779.21	1,413,267.36	180,887,046.57
3. Decrease	31,864,490.30	120,273.31	31,984,763.61
(1) Disposal	31,042,754.91	–	31,042,754.91
(2) Other	821,735.39	120,273.31	942,008.70
4. Closing balance	926,411,199.76	320,307,152.01	1,246,718,351.77
II. Accumulated depreciation			
1. Opening balance	181,377,565.87	74,361,450.63	255,739,016.50
2. Increase	104,615,306.84	15,192,170.25	119,807,477.09
(1) Provision	104,615,306.84	15,192,170.25	119,807,477.09
3. Decrease	18,421,669.76	45,822.66	18,467,492.42
(1) Disposal	17,638,928.09	–	17,638,928.09
(2) Other	782,741.67	45,822.66	828,564.33
4. Closing balance	267,571,202.95	89,507,798.22	357,079,001.17
III. Provision for impairment			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	658,839,996.81	230,799,353.79	889,639,350.60
2. Opening balance of book value	597,424,344.98	244,652,707.33	842,077,052.31

The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current period, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note XIII. (1) Lease.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible Assets

(1) Intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non-Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Opening balance	866,981,334.06	17,112,890.36	64,860,711.53	1,561,745,251.55	127,793,900.00	221,393,582.48	2,859,887,669.98
2. Increase	-	-	-	-	-	4,584,560.90	4,584,560.90
(1) Purchase	-	-	-	-	-	4,298,832.59	4,298,832.59
(2) Internal R&D	-	-	-	-	-	285,728.31	285,728.31
(3) Increase in business combinations	-	-	-	-	-	-	-
(4) Other	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	717,556.85	717,556.85
(1) Disposal	-	-	-	-	-	717,556.85	717,556.85
(2) Other	-	-	-	-	-	-	-
4. Closing balance	866,981,334.06	17,112,890.36	64,860,711.53	1,561,745,251.55	127,793,900.00	225,260,586.53	2,863,754,674.03
II. Accumulated amortization							
1. Opening balance	175,397,829.06	10,581,071.80	31,253,788.22	32,796,299.80	-	123,533,186.86	373,562,175.74
2. Increase	9,555,783.87	432,055.68	2,604,228.75	-	-	17,258,203.31	29,850,271.61
(1) Provision	9,555,783.87	432,055.68	2,604,228.75	-	-	17,258,203.31	29,850,271.61
(2) Other	-	-	-	-	-	-	-
3. Decrease	-	-	-	4,611.36	-	365,210.59	369,821.95
(1) Disposal	-	-	-	-	-	365,210.59	365,210.59
(2) Other	-	-	-	4,611.36	-	-	4,611.36
4. Closing balance	184,953,612.93	11,013,127.48	33,858,016.97	32,791,688.44	-	140,426,179.58	403,042,625.40
III. Provision for impairment							
1. Opening balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
2. Increase	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-	-
(2) Lapsed and derecognized	-	-	-	-	-	-	-
4. Closing balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
IV. Book value							
1. Closing balance of book value	682,027,721.13	5,646,419.84	31,002,694.56	1,528,369,990.11	127,793,900.00	84,834,406.95	2,459,675,132.59
2. Opening balance of book value	691,583,505.00	6,078,475.52	33,606,923.31	1,528,365,378.75	127,793,900.00	97,860,395.62	2,485,288,578.20

Note: The purchase of intangible assets this period includes the amount transferred from construction in progress.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Intangible Assets (Continued)

(1) Intangible assets (Continued)

The amortization amount for Jan to Jun 2020 was RMB29,850 thousand (Jan to Jun 2019: RMB27,644 thousand), which was all included in the current profit and loss. All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 10 to 50 years.

18. Development expenditure

Item	Opening balance	Increase			Decrease		Closing balance	Provision for impairment
		Internal development expenditure	Others	Transfer to current P&L	Confirmed as Intangible assets	Others		
Capital expenditure	2,811,139.26	974,348.72	-	1,398,885.10	285,728.31	-	2,100,874.57	800,000.00
Expense expenditure	-	268,845,605.31	-	268,845,605.31	-	-	-	-
Total	2,811,139.26	269,819,954.03	-	270,244,490.41	285,728.31	-	2,100,874.57	800,000.00

Note: Development expenditure RMB 800 thousand was a patent on technology purchased by the Group subsidiary in 2005, recorded as development expenditure accounting, not to carry out further research after the purchase, as current period ended, it is expected to no longer practical value, Therefore, the full provision for impairment is made.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill

(1) Book value of goodwill

The investee's name or the event resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
Guangzhou Baiyunshan Hospital	9,216,610.56	-	-	-	-	9,216,610.56
Guangyao Haima	2,282,952.18	-	-	-	-	2,282,952.18
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	932,349,003.84	-	-	-	-	932,349,003.84
Total	944,324,323.50	-	-	-	-	944,324,323.50

(2) Provision for impairment of goodwill

The investee's name or event resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	118,275,499.68	-	-	-	-	118,275,499.68
Total	118,751,256.60	-	-	-	-	118,751,256.60

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Long-term prepaid expenses

Item	Opening balance	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	93,705,997.51	4,535,865.02	12,239,488.61	–	86,002,373.92
ABC Buildings certification service	2,105,655.72	1,886.79	47,742.78	–	2,059,799.73
GMP reconstruction expenses	4,388,099.19	–	660,838.75	–	3,727,260.44
Computer system expenses	2,176,645.99	1,503,035.18	710,620.06	–	2,969,061.11
Others	13,408,836.34	2,498,960.12	3,501,640.97	–	12,406,155.49
Total	<u>115,785,234.75</u>	<u>8,539,747.11</u>	<u>17,160,331.17</u>	<u>–</u>	<u>107,164,650.69</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred Tax Assets and Deferred Tax Liabilities

(1) Breakdown of deferred tax assets and deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible temporary difference	Deferred tax assets/liabilities	Deductible temporary difference
Deferred tax assets:				
Other payables	286,962,021.73	1,495,110,259.47	291,077,109.49	1,539,239,656.82
Provision for credit impairment	125,764,679.92	517,371,411.29	105,675,242.20	436,330,761.10
Deferred income	51,781,301.74	336,203,187.94	55,740,744.18	367,409,369.79
Provisions	64,971,766.08	429,145,107.19	54,767,852.88	361,119,019.19
Impact on total profit arising from elimination	28,876,715.10	169,816,927.62	28,096,603.35	167,248,134.82
Provision for decline in value of inventories	15,214,203.50	82,531,252.42	14,086,318.22	73,151,124.41
Fixed assets depreciation differences between accounting and tax law	16,157,807.85	68,160,116.94	12,065,932.28	49,849,331.36
Employee benefits payable	14,824,119.48	79,831,868.68	12,870,897.13	72,018,979.32
Deductible tax losses	32,860,474.34	131,441,897.25	9,735,529.17	38,942,116.59
Other non-current financial assets	4,795,831.03	31,972,206.87	2,104,558.42	14,030,389.44
Other equity instruments investments	1,524,962.58	10,166,417.20	1,672,112.46	11,147,416.42
Provision for impairment of fixed assets	(1,428,061.37)	(1,621,625.41)	1,547,000.97	10,278,623.98
Long-term prepaid expenses	115,618.49	509,888.81	115,618.49	509,888.81
Intangible assets depreciation differences between accounting and tax law	147,641.07	984,273.75	1,024,905.45	6,801,891.30
Provision for impairment of construction in progress	37,760.16	251,734.38	37,760.16	251,734.38
Others	7,854,214.73	31,505,389.40	4,373,976.91	17,584,438.68
Subtotal	650,461,056.43	3,383,380,313.80	594,992,161.76	3,165,912,876.41

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(1) Breakdown of deferred tax assets and deferred tax liabilities before offset
(Continued)

Item	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible temporary difference	Deferred tax assets/liabilities	Deductible temporary difference
Deferred tax liabilities:				
Book value of the appreciated intangible assets and fixed assets in business combination	146,673,610.60	586,694,442.40	158,076,602.31	648,399,048.36
Other receivables – profit distribution	105,661,229.00	704,408,193.33	88,654,707.00	591,031,380.00
Other non-current financial assets	11,520,485.55	76,803,237.00	12,416,646.79	82,777,645.27
Fixed assets depreciation differences between accounting and tax law	4,637,771.95	30,918,479.67	4,637,771.95	30,918,479.67
Book value of amortization provided for intangible assets appreciation	2,418,905.17	13,198,232.91	2,592,358.68	13,436,996.29
Book value of depreciation provided for fixed assets appreciation	5,942,286.54	39,615,243.58	252,646.20	1,684,308.00
Other equity instruments investments	144,961.82	776,073.95	80,480.95	321,923.80
Others	197,520.00	1,316,800.00	197,520.00	1,316,800.00
Subtotal	277,196,770.63	1,453,730,702.84	266,908,733.88	1,369,886,581.39

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

- (2) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	76,201,935.83	16,319,732.81
Deductible losses	214,786,343.54	166,424,564.61
Total	290,988,279.37	182,744,297.42

- (3) Deductible losses which are not recognized as deferred tax assets will expire in the following years

Year	Closing balance	Opening balance	Remark
2020	–	31,102,837.77	
2021	37,807,818.60	35,399,376.92	
2022	59,661,333.86	53,565,207.91	
2023	39,750,879.15	26,913,491.62	
2024	46,536,587.24	19,443,650.39	
2025	31,029,724.69	–	
Total	214,786,343.54	166,424,564.61	

22. Other Non-current Assets

Item	Closing balance	Opening balance
Advance payment of project	289,583,889.11	289,535,847.27
Total	289,583,889.11	289,535,847.27

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Opening balance
Pledge borrowings	465,543,027.39	331,492,899.63
Guarantee borrowings	191,263,502.18	729,000,000.00
Credit borrowings	7,396,540,413.45	4,794,182,563.96
Bills Discounted	7,983,538.64	14,333,453.37
Total	8,061,330,481.66	5,869,008,916.96

Note:

- ① Please refer to Note. V. 64. Assets with Restricted Ownership or Use Right for details on category and amount of pledge borrowings.
- ② As on 30 June 2020, short-term borrowings of RMB146,084 thousand of the Group's guarantee borrowings are guaranteed by the Group's internal enterprises. Other guarantee loans are guaranteed by minority shareholders of the sub-subsidiaries.
- ③ As on 30 June 2020, the weighted average annual interest rate of short-term borrowings is 3.6566% (31 December 2019: 4.0414%).

(2) The Group had no overdue short-term borrowings as on 30 June 2020.

24. Financial liabilities held for trading

Category	Closing balance	Opening balance
Financial liabilities held for trading	–	–
Including: Issued transaction bonds	–	–
Others	–	–
Financial liabilities designated as fair value through profit or loss	–	–
Total	–	–

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Financial liabilities held for trading (Continued)

In May 2018, the Group acquired 30% equity of the pharmaceutical company held by Lianhemeihua (the shareholding ratio reached 80% after the acquisition). According to the acquisition agreement, the Group granted Lianhemeihua a sale option, and the group accounted for the sale option as a derivative instrument. According to the acquisition agreement, the expected fair value of the target instrument on the expected exercise date is consistent with the expected exercise price. The value of financial instruments is zero.

25. Notes Payable

Category	Closing balance	Opening balance
Commercial acceptance notes	1,812,633,216.87	3,838,313,929.94
Bank acceptance notes	82,208,153.57	144,111,724.43
Total	1,894,841,370.44	3,982,425,654.37

Note: As on 30 June 2020, amount expected to be matured within a year is RMB1,894,841 thousand (31 December 2019: RMB3,982,426 thousand).

26. Accounts Payable

(1) The aging of accounts payable based on the booking date is as follows:

Item	Closing balance	Opening balance
Within 1 year	8,864,388,099.56	9,293,107,363.52
Over 1 year	417,653,140.16	405,844,876.94
Total	9,282,041,239.72	9,698,952,240.46

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Accounts Payable (Continued)

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	47,405,089.60	Litigation is involved. Please refer to Note XIII (8). 1. (2) ③.
Supplier 2	35,214,363.07	Payment terms not satisfied.
Supplier 3	22,576,000.00	Litigation is involved. Please refer to Note XIII (18). 1. (2) ②.
Supplier 4	21,359,931.34	Payment terms not satisfied.
Supplier 5	18,440,000.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ①.
Total	144,995,384.01	

27. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Opening balance
Product sales payment received in advance	1,229,419,067.42	4,673,372,543.66
Medical payment received in advance	1,777,415.98	1,989,255.80
Total	1,231,196,483.40	4,675,361,799.46

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Proportion (%)	Opening balance	Proportion (%)
Within 1 year	1,127,376,110.26	91.57	4,628,421,767.16	99.00
Over 1 year	103,820,373.14	8.43	46,940,032.30	1.00
Total	1,231,196,483.40	100.00	4,675,361,799.46	100.00

(3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee Benefits Payable

(1) Presentation of employee benefits payable

Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	837,966,226.64	2,222,470,820.99	2,268,049,461.60	792,387,586.03
Post-employment benefits				
- set up a deposit plan	1,674,081.65	110,042,433.54	106,102,075.62	5,614,439.57
Termination benefits	–	1,200,678.43	1,200,678.43	–
Total	<u>839,640,308.29</u>	<u>2,333,713,932.96</u>	<u>2,375,352,215.65</u>	<u>798,002,025.60</u>

(2) Presentation of short-term benefits

Item	Opening balance	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	789,136,232.88	1,922,895,057.26	1,988,216,664.38	723,814,625.76
Employee welfare	5,072,824.69	76,680,538.70	62,468,943.98	19,284,419.41
Social Insurance premium	135,384.83	61,833,922.94	59,490,777.96	2,478,529.81
Including: Medical insurance premium	116,721.50	53,761,989.39	51,795,700.13	2,083,010.76
Industrial injury insurance premium	12,076.76	800,133.35	806,531.05	5,679.06
Maternity insurance premium	6,586.57	7,271,800.20	6,888,546.78	389,839.99
Housing funds	106,625.41	120,756,947.97	119,358,344.97	1,505,228.41
Labor-union expenditure and employee education funds	12,785,360.62	28,230,111.22	30,324,315.66	10,691,156.18
Non-monetary welfare	–	140,642.02	2,730.00	137,912.02
Housing allowance	30,472,805.52	9,447,958.99	5,849,627.44	34,071,137.07
Other short-term benefits	256,992.69	2,485,641.89	2,338,057.21	404,577.37
Total	<u>837,966,226.64</u>	<u>2,222,470,820.99</u>	<u>2,268,049,461.60</u>	<u>792,387,586.03</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee Benefits Payable (Continued)

(3) Disclosure of defined contribution plan by categories

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	659,741.51	50,445,708.53	49,052,709.99	2,052,740.05
Unemployment insurance premiums	34,987.93	778,606.37	753,376.38	60,217.92
Enterprise annuity	186,886.18	46,845,352.93	43,873,478.92	3,158,760.19
Others	792,466.03	11,972,765.71	12,422,510.33	342,721.41
Total	<u>1,674,081.65</u>	<u>110,042,433.54</u>	<u>106,102,075.62</u>	<u>5,614,439.57</u>

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of June 2020. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in this year.

29. Tax Payable

Item	Closing balance	Opening balance
Value-added tax	93,032,433.97	43,777,553.09
Enterprise income tax	170,113,701.97	170,516,110.36
Property tax	6,224,371.48	2,073,057.40
Land use tax	2,170,173.66	228,654.93
Individual income tax	3,327,933.67	13,949,810.26
Urban maintenance and construction tax	7,303,762.75	8,276,042.50
Educational surcharge	3,189,186.75	3,627,073.79
Local education surcharge	2,039,896.74	2,287,002.79
Stamp duty	1,864,549.90	3,169,010.21
Others	140,394.11	110,654.70
Total	<u>289,406,405.00</u>	<u>248,014,970.03</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables

Item	Closing balance	Opening balance
Interest payable	21,717,468.45	34,840,834.22
Dividends payable	1,005,510,334.03	47,933,025.07
Other payables	3,638,228,901.50	3,144,611,773.41
Total	4,665,456,703.98	3,227,385,632.70

(1) Interest payable

Item	Closing balance	Opening balance
Long-term borrowings interest payable	–	40,027.78
Short-term borrowings interest payable	21,717,468.45	34,800,806.44
Total	21,717,468.45	34,840,834.22

(2) Dividends payable

Item	Closing balance	Opening balance
Foreign public shares	129,679,251.18	158,151.19
Domestic public shares	397,257,089.30	515,026.00
Minority shareholders	47,246,242.87	47,259,802.87
BYS Group	45.01	45.01
GP Corp.	431,327,705.67	–
Total	1,005,510,334.03	47,933,025.07

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables (Continued)

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Opening balance
Sales discounts	1,296,014,832.32	1,191,315,114.52
Accrued expenses	653,551,837.77	754,061,734.99
Accounts payable to external entities	502,288,711.20	454,129,043.02
Margin, deposit, and down payment received	510,644,248.36	524,896,337.00
Epidemic prevention supplies turnover fund	451,785,659.50	–
Accruals for fixed assets	61,810,833.88	35,455,839.86
Current accounts to related parties	35,725,496.10	65,236,915.30
Funds received temporarily from employees	28,741,881.88	11,144,725.60
Technological development expenditures	6,000,000.00	–
Others	91,665,400.49	108,372,063.12
Total	3,638,228,901.50	3,144,611,773.41

② Breakdown of accrued expenses

Item	Closing balance	Opening balance
Advertisement and promotion expenses	252,694,510.04	96,534,389.43
Freight expenses	187,134,795.47	220,324,070.10
Terminal expenses	71,299,073.43	308,206,575.70
Research and development expenditures	19,952,774.96	20,170,653.31
Travel expenses	18,564,289.20	5,998,139.73
Conference expenses	9,449,336.27	12,574,474.78
Rental expenses	7,806,105.23	5,998,139.73
Utilities expenses	7,783,616.65	5,120,987.47
Consulting fee	3,715,393.48	4,337,132.03
Agency fee	2,180,575.45	4,840,381.18
Trademark fee	1,800,000.00	860,019.48
Medicine service expenses	170,000.00	1,060,000.00
Others	71,001,367.59	55,341,656.99
Total	653,551,837.77	754,061,734.99

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables (Continued)

(3) Other payables (Continued)

③ Disclosures of other payables by aging

Item	Closing balance	Proportion (%)	Opening balance	Proportion (%)
Within 1 year	3,245,139,183.46	89.20	2,740,818,462.50	87.16
Over 1 year	393,089,718.04	10.80	403,793,310.91	12.84
Total	3,638,228,901.50	100.00	3,144,611,773.41	100.00

④ The Group had no significant other payables with aging over 1 year as on 30 June 2020 and 31 December 2019.

31. Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year (Note V. 33)	–	15,500,000.00
Lease liabilities due within 1 year (Note V. 34)	234,516,401.34	213,861,467.97
Total	234,516,401.34	229,361,467.97

32. Other Current Liabilities

Item	Closing balance	Opening balance
Pending output VAT	133,921,018.08	606,814,819.73
Total	133,921,018.08	606,814,819.73

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Opening balance	Interest rate range
Mortgage borrowings	–	20,000,000.00	–
Credit borrowings	–	–	–
Less: Long-term borrowings due within 1 year (Note V. 31)	–	15,500,000.00	–
Total	<u>–</u>	<u>4,500,000.00</u>	–

(2) The Group had no overdue long-term borrowings as on 30 June 2020.

34. Lease Liabilities

Item	Closing balance	Opening balance
Lease liabilities	810,046,526.45	760,856,022.18
Less: Amount due within 1 year (Note V. 31)	234,516,401.34	213,861,467.97
Total	<u>575,530,125.11</u>	<u>546,994,554.21</u>

35. Long-term Payables

Item	Closing balance	Opening balance
Long-term payables	20,464,502.00	20,464,502.00
Special payables	4,764,540.00	4,764,540.00
Total	<u>25,229,042.00</u>	<u>25,229,042.00</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term Payables (Continued)

(1) Long-term payables

Item	Closing balance	Opening balance
State funds payable	17,486,188.17	17,486,188.17
Department of Finance of Guangxi Zhuang Autonomous Region	2,264,426.47	2,264,426.47
State Administration of Medicine	305,000.00	305,000.00
Others	408,887.36	408,887.36
Total	20,464,502.00	20,464,502.00

(2) Special payables

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Compensation for relocation due to policies	4,764,540.00	–	–	4,764,540.00	Government compensation for relocation due to policies
Total	4,764,540.00	–	–	4,764,540.00	

36. Long-term Employee Benefits Payable

Item	Closing balance	Opening balance
Post-employment benefits – provision for long service bonus	328,548.47	329,428.98
Total	328,548.47	329,428.98

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Provisions

Item	Opening balance	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	46,458,609.10	–	178,017.88	46,280,591.22	Note (1)
Unemployed fee for relocation of Qi Xing	247,072.03	–	192,290.91	54,781.12	Note (2)
Pending litigation	6,000,000.00	–	–	6,000,000.00	Note (3)
Estimated loss on return of products	500,191.19	–	–	500,191.19	Estimated based on the disposal assets agreement. It has not been settled yet
Total	53,205,872.32	–	370,308.79	52,835,563.53	

Note:

- (1) The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 30 June 2014, and employee benefits are accrued consequently.
- (2) According to the employee resettlement scheme arising from the relocation of Qi Xing, the employee who has provided continuous service for 15 years and within 5 years to the age of mandatory retirement shall be paid salary monthly till retirement if no position is assigned to them. The settlement fee for relocation of Qi Xing were accrued consequently.
- (3) Litigation is involved. Please refer to Note XIII (8). 1. (2) ②.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred income

Item	Opening balance	Current increase in grants	Amount recognized into non-operating income	Amount recognized into other income	Amount offset costs	Appropriation to cooperators	Other decrease	Closing balance	Reason
Government grants related to assets	276,291,385.25	18,045,600.00	55,987.32	6,121,538.14	-	247,240.00	2,352,543.71	285,559,676.08	
Including:									
Technology funds granted by the government	81,286,413.93	965,000.00	-	4,523,871.77	-	247,240.00	2,352,543.71	75,127,758.45	Government grant
Compensation for relocation	1,287,150.25	-	36,498.78	-	-	-	-	1,250,651.47	Government grant
Government subsidies on interests	-	-	-	-	-	-	-	-	Government grant
Special project funds for environmental protection	1,402,159.95	-	-	147,231.64	-	-	-	1,254,928.31	Government grant
Construction funds for innovation platform and laboratory	12,574,794.12	-	-	175,895.96	-	-	-	12,398,898.16	Government grant
Land support funds granted by the government	67,887,619.16	10,004,800.00	-	-	-	-	-	77,892,419.16	Government grant
Support funds for industrial development	95,599,271.82	7,075,800.00	-	982,408.08	-	-	-	101,692,663.74	Government grant
Others	16,253,976.02	-	19,488.54	292,130.69	-	-	-	15,942,356.79	Government grant
Other government grants related to income	299,545,794.00	269,446,812.14	17,133,559.48	174,027,296.79	28,890,474.86	542,077.36	5,998,256.29	342,400,941.36	
Including:									
Technology funds granted by the government	82,516,707.44	3,703,728.61	-	3,142,879.44	-	20,377.36	5,998,256.29	77,058,922.96	Government grant
Special funds for technology exports	-	-	-	-	-	-	-	-	Government grant
Medical industrial research project funds	937,320.22	-	-	-	-	-	-	937,320.22	Government grant
Special funds for energy-saving project	-	-	-	-	-	-	-	-	Government grant
Special fund for innovative enterprises	3,965,756.09	2,121,900.00	-	1,520,328.92	-	521,700.00	-	4,045,627.17	Government grant
Compensation for relocation	199,724,366.11	92,048,068.69	17,133,559.48	-	28,890,474.86	-	-	245,748,400.46	Government grant
Support funds for industrial development	1,600,000.00	167,397,872.04	-	167,397,872.04	-	-	-	1,600,000.00	Government grant
Others	10,801,644.14	4,175,242.80	-	1,966,216.39	-	-	-	13,010,670.55	Government grant
Total	575,837,179.25	287,492,412.14	17,189,546.80	180,148,834.93	28,890,474.86	789,317.36	8,350,800.00	627,960,617.44	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred income (Continued)

Note: According to the "Notice of the Guangdong Provincial Department of Finance on Recovering Funds for Some Provincial Science and Technology Plan Projects in Previous Years" (Yuecai Kejjiao [2020] No. 47), "Notice of Guangzhou Municipal Finance Bureau on Transferring Funds for Some Provincial Science and Technology Plan Projects in Previous Years" (Sui Caijiao [2020] No. 44), "Notice of the Finance Bureau of Liwan District, Guangzhou City on the Transfer of Funds for Some Provincial Science and Technology Plan Projects in Previous Years" (Li Caiqi [2020] No. 74), Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Pharmaceutical General Factory refunds the amount RMB8,350.80 thousand of the Provincial Science and Technology Plan Project (Project name: "Special Fund for Introducing Innovative Scientific Research Teams and Leading Talents in 2013", Provincial Finance Bureau issued document number: Yue Cai Jiao [2014] No. 326, Municipal Finance Bureau Issued document number: Yue Cai Jiao [2014] No. 292), this amount shall be refunded before June 5, 2020 and the proof shall be provided.

39. Other non-current liabilities

Item	Closing balance	Opening balance
Commitment to the investment of Guangzhou Baiyunshan in Southern Anti-tumor Biological Products Co., Ltd.	50,225,000.00	50,225,000.00
Pending output VAT	3,820,319.53	3,976,557.40
Total	54,045,319.53	54,201,557.40

Note: Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Share capital

	Opening balance	Issuance	Changes in the current period			Subtotal	Closing balance
			Share dividends	Capitalizing of capital reserves	Others		
Restricted shares							
Shares held by state-owned companies	236,315,006.00	-	-	-	-	-	236,315,006.00
Shares held by other domestic investors	98,396,693.00	-	-	-	-	-	98,396,693.00
Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	98,396,693.00	-	-	-	-	-	98,396,693.00
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	334,711,699.00	-	-	-	-	-	334,711,699.00
Unrestricted shares							
Ordinary shares denominated in RMB	1,071,179,250.00	-	-	-	-	-	1,071,179,250.00
Domestically-listed shares held by foreign investors	-	-	-	-	-	-	-
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
Others	-	-	-	-	-	-	-
Total Unrestricted shares	1,291,079,250.00	-	-	-	-	-	1,291,079,250.00
Total shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Capital Surplus

Item	Opening balance	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	–	–	9,048,269,635.38
Other capital reserves	816,814,414.01	–	–	816,814,414.01
Including: Capital reserve transferred under previous accounting system	24,955,836.66	–	–	24,955,836.66
Total	<u>9,865,084,049.39</u>	<u>–</u>	<u>–</u>	<u>9,865,084,049.39</u>

42. Other Comprehensive Income

Item	Opening balance	Current period					Closing balance
		Current amount before tax	Less: profit or loss transferred from other comprehensive income in previous periods	Less: Income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	
I. Other comprehensive income that will not be reclassified to profit or loss	(3,486,724.17)	1,055,466.60	–	158,319.98	897,146.62	–	(2,589,577.55)
Including: Other comprehensive income that will not be reclassified to profit or loss under equity method	1,448,181.81	–	–	–	–	–	1,448,181.81
Change in fair value of investments in other equity instruments	(4,934,905.98)	1,055,466.60	–	158,319.98	897,146.62	–	(4,037,759.36)
II. Other comprehensive income that may be reclassified into profit or loss	3,347,763.61	(3,384,371.40)	–	(1,583,208.00)	(851,238.60)	(949,924.80)	2,496,525.01
Including: Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	–	–	–	–	–	29,136.57
Difference arising from the translation of foreign currency financial statements	3,318,627.04	2,948,460.60	–	–	2,948,460.60	–	6,267,087.64
Change in fair value of investments in other debt instruments	–	(6,332,832.00)	–	(1,583,208.00)	(3,799,699.20)	(949,924.80)	(3,799,699.20)
Other	–	–	–	–	–	–	–
Total other comprehensive income	<u>(138,960.56)</u>	<u>(2,328,904.80)</u>	<u>–</u>	<u>(1,424,888.02)</u>	<u>45,908.02</u>	<u>(949,924.80)</u>	<u>(93,052.54)</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Surplus Reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,407,315,563.00	–	–	1,407,315,563.00
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
Reserve fund	–	–	–	–
Business development fund	–	–	–	–
Profit return for investment	–	–	–	–
Others	–	–	–	–
Total	<u>1,526,241,180.49</u>	<u>–</u>	<u>–</u>	<u>1,526,241,180.49</u>

Note: In accordance with the Company Law and the Company's Articles of Association, the Group should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Group can cease appropriation when the statutory surplus reserve accumulated reaches 50% of the registered capital.

Discretionary surplus reserve can be drawn after the Group drawing statutory surplus reserve. Discretionary surplus reserve can be utilized to cover losses of the previous years or to increase equity after the approval.

44. Undistributed profits

Item	Closing balance	Opening balance
Closing balance of undistributed profits of prior year before adjustments	11,167,819,445.53	8,825,776,191.86
Adjustments to opening balance of undistributed profits at the current year (Add: +; Less:–)	–	–
Undistributed profits at the beginning of current year after adjustments	11,167,819,445.53	8,825,776,191.86
Add: Net profit attributable to shareholders of the parent company for the current period	1,764,269,356.81	3,188,884,638.91
Less: Appropriation of statutory surplus reserve	–	157,506,022.86
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	957,590,868.96	689,335,362.38
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	<u>11,974,497,933.38</u>	<u>11,167,819,445.53</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Undistributed profits (Continued)

Note:

- (1) As on 30 June 2020, surplus reserve of subsidiaries comprised in undistributed profit, attributable to the parent company, was RMB360,003 thousand (31 December 2019: RMB360,003 thousand).
- (2) According to the resolution of the 2019 annual general meeting held on 29 June 2020, the Company shall issue cash dividends to all shareholders at RMB0.589 per share (tax included), RMB957,591 thousand in total, based on the 1,625,790,949 outstanding shares at the year end of 2019.

45. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	30,375,492,145.88	24,422,867,151.15	33,199,319,702.26	25,858,276,064.59
Other businesses	94,158,328.88	19,569,456.85	141,508,052.11	35,662,512.37
Total	30,469,650,474.76	24,442,436,608.00	33,340,827,754.37	25,893,938,576.96

(2) Disclosure by category

Reporting segment	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	5,601,804,455.98	3,325,930,978.67	6,760,668,903.25	3,731,153,951.68
Great Health	4,501,416,904.70	2,263,167,240.96	5,854,279,786.87	2,951,597,473.37
Great Commerce	20,182,740,566.14	18,767,867,655.06	20,526,806,266.78	19,129,059,783.02
Others	89,530,219.06	65,901,276.46	57,564,745.36	46,464,856.52
Total	30,375,492,145.88	24,422,867,151.15	33,199,319,702.26	25,858,276,064.59

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Operating Income and Operating Costs (Continued)

(3) Disclosure by primary operating region

Reporting segment	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	22,992,628,417.78	19,290,195,106.87	24,236,556,717.37	19,882,655,755.39
Eastern China Area	2,629,473,696.89	1,740,265,049.09	3,430,207,541.42	2,171,145,408.10
Northern China Area	1,356,303,624.85	893,420,254.40	1,529,709,194.93	936,715,519.64
Northeast Area	250,397,678.29	182,058,660.92	347,780,527.43	240,720,212.31
Southwest Area	2,143,458,208.43	1,506,785,510.82	2,508,066,008.18	1,747,738,266.31
Northwest Area	972,697,961.63	781,934,219.17	1,126,755,914.47	859,854,929.13
Export	30,532,558.01	28,208,349.88	20,243,798.45	19,445,973.72
Total	<u>30,375,492,145.88</u>	<u>24,422,867,151.15</u>	<u>33,199,319,702.26</u>	<u>25,858,276,064.59</u>

- (4) Total sales to the top five customers are RMB2,282,801 thousand (Jan to Jun 2019: RMB2,335,042 thousand), accounting for 7.51% of the Group's primary operating income for the current period. (Jan to Jun 2019: 7.03%)

Customer	Income	Proportion to total income (%)
Customer 1	610,253,618.88	2.01
Customer 2	566,306,486.04	1.86
Customer 3	420,490,592.80	1.38
Customer 4	383,263,146.67	1.26
Customer 5	302,486,790.27	1.00
Total	<u>2,282,800,634.67</u>	<u>7.51</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Operating Income and Operating Costs (Continued)

(5) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Leases of assets	17,776,015.47	6,071,669.23	37,352,743.18	12,386,307.00
Consulting fee	20,531,746.13	305,056.77	31,927,694.33	–
License fee for franchise	15,825,074.57	–	21,306,728.01	–
Destruction of goods revenue	–	–	13,381,504.24	7,945,268.11
E-commerce platform and store service fee	18,174,099.40	–	–	–
Property management fee	3,727,209.59	381,542.67	5,236,792.55	39,002.38
Collection of utility on behalf of others	1,628,187.29	3,678,114.89	2,969,277.58	4,740,114.90
Sales of materials	5,426,911.58	2,601,314.95	3,726,281.94	468,992.97
Technical service income	1,972,470.26	50,116.04	3,286,792.38	952,509.13
Service income	576,792.48	2,360,136.63	2,539,654.69	2,774,936.85
Trademark fee income	897,448.54	–	941,087.69	–
Income from franchise store management fee	170,589.06	–	318,365.24	–
Others	7,451,784.51	4,121,505.67	18,521,130.28	6,355,381.03
Total	94,158,328.88	19,569,456.85	141,508,052.11	35,662,512.37

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	60,530,614.25	72,736,083.03
Education surcharge	26,175,563.64	31,357,599.68
Local education surcharge	17,437,435.43	20,894,857.02
House property tax	9,046,233.15	12,986,749.02
Vehicle and vessel use tax	98,931.68	90,244.44
Stamp duty	17,260,695.99	20,863,086.83
Land use tax	3,036,391.14	3,480,662.58
Others	70,620.38	796,245.51
Total	133,656,485.66	163,205,528.11

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

47. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	1,270,225,362.39	1,341,928,850.61
Advertising and promotion fees	493,367,859.71	713,158,860.37
Sales and service fees	230,450,672.75	372,996,860.60
Freight and miscellaneous charges	351,449,597.42	410,394,557.85
Depreciation expenses	106,448,009.62	81,804,990.44
Traveling expenses	44,217,663.77	72,267,619.16
Conference expenses	19,135,238.63	32,339,999.91
Office expenses	14,272,887.91	25,183,312.02
Rental expenses	11,387,081.98	14,517,013.57
Consulting fees	1,943,781.02	7,593,944.61
Others	83,343,888.91	109,028,802.39
Total	2,626,242,044.11	3,181,214,811.53

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. General and administrative expenses

Item	Current period	Prior period
Employee benefits	571,637,201.10	594,365,356.12
Depreciation expenses	72,598,864.83	71,292,968.43
Amortization	43,927,242.92	41,331,457.44
Office expenses	27,800,888.31	31,121,118.66
Repairing expenses	21,127,771.58	23,395,604.03
Trademark license fees	11,706,514.95	101,978,366.05
Agency fees	9,012,233.88	9,027,129.01
Freight and miscellaneous charges	7,172,859.33	8,445,743.64
Utilities	7,045,416.51	7,613,233.77
Consulting fee	5,933,422.21	4,537,456.46
Traveling expenses	4,916,068.36	12,048,349.81
Insurance premium	2,555,025.02	2,241,956.89
Conference expenses	1,752,877.13	4,774,175.90
Rental expenses	641,176.43	8,808,066.01
Others	61,723,572.25	65,110,303.98
Total	849,551,134.83	986,091,286.20

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Research and development expenditures

Item	Current period	Prior period
Employee benefits	121,032,294.79	121,387,132.81
Special research and development	21,205,126.70	49,194,768.08
Raw materials	49,335,845.41	26,007,936.99
Trial production expenses	24,133,448.52	11,015,596.11
Depreciation expenses	15,683,580.84	14,929,240.56
Clinical trial expenses	4,813,638.00	10,309,703.36
Technique research expenses	7,373,772.87	8,968,095.68
Amortization cost	2,162,171.65	2,106,408.02
Safety research	–	194,174.76
Others	23,105,726.53	32,706,699.28
Total	268,845,605.31	276,819,755.65

50. Financial expenses

Item	Current period	Prior period
Interest expenses	158,350,433.25	177,686,291.20
Interest expenses of notes	10,632,534.63	7,982,688.37
Interest income	(192,423,212.75)	(140,283,685.29)
Exchange gains/(losses)	971,730.59	455,225.69
Service charge of finance institutions	6,920,502.21	7,823,134.33
Cash discount	(309,566.52)	4,424,188.17
Interest expenses related to lease	18,155,722.23	17,730,290.55
Others	1,379,401.61	4,055,293.13
Total	3,677,545.25	79,873,426.15

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Other Income

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period	Asset related/ income related
Technology funds granted by the government	4,523,871.77	4,422,610.88	4,523,871.77	Asset related
Special project fund for environmental protection	147,231.64	167,831.68	147,231.64	Asset related
Construction funds for innovation platform and laboratory	175,895.96	1,061,667.71	175,895.96	Asset related
Land support funds granted by the government	–	508,347.66	–	Asset related
Support funds for industrial development	982,408.08	309,335.42	982,408.08	Asset related
Others	293,004.48	1,445,814.04	293,004.48	Asset related
Subtotal	6,122,411.93	7,915,607.39	6,122,411.93	
Technology funds granted by the government	13,088,830.81	17,105,310.56	13,088,830.81	Income related
Special fund for Technology export	–	1,700.00	–	Income related
Medical industrial research project funds	–	1,408,087.63	–	Income related
Special funds for energy-saving project	30,700.00	6,300.00	30,700.00	Income related
Special fund for innovative enterprises	1,520,328.92	–	1,520,328.92	Income related
Support funds for industrial development	167,742,965.05	322,109,068.49	167,742,965.05	Income related
Others	13,914,338.75	7,964,310.22	13,914,338.75	Income related
Subtotal	196,297,163.53	348,594,776.90	196,297,163.53	
Total	202,419,575.46	356,510,384.29	202,419,575.46	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	59,105,772.40	81,252,582.98
Investment income from disposal of long-term equity investment	–	–
Investment income during the holding period of other non-current financial assets	15,204.20	989,254.20
Investment income from available-for-sale financial assets	–	7,286,631.84
Interest income from finance products and structured deposits	345,178.88	28,431,469.62
Others	(25,645,536.05)	–
Total	33,820,619.43	117,959,938.64

53. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	(23,536,542.83)	10,825,875.00
Total	(23,536,542.83)	10,825,875.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	378,881.56	(4,316,307.06)
Loss on bad debts of accounts receivable	(80,167,266.50)	(56,643,821.20)
Loss on bad debts of receivables financing	(4,183,601.05)	–
Loss on bad debts of other receivables	(5,098,678.56)	(25,035.66)
Total	<u>(89,070,664.55)</u>	<u>(60,985,163.92)</u>

55. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	(12,909,650.23)	(7,142,028.16)
Fixed asset impairment loss	–	–
Goodwill impairment loss	–	–
Development expenditure impairment loss	–	–
Total	<u>(12,909,650.23)</u>	<u>(7,142,028.16)</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Gains on damaging and scrapping of non-current assets	3,288,794.32	(41,511.02)	3,288,794.32
Including: gains from disposal of fixed assets	2,966,099.48	(41,511.02)	2,966,099.48
Gains from disposal of intangible assets	–	–	–
Gains from disposal of right-of-use assets	322,694.84	–	322,694.84
Total	3,288,794.32	(41,511.02)	3,288,794.32

57. Non-operating income

(1) Non-operating income by item

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Proceed from damage and scrapping of non-current assets	50,180.27	336,468.89	50,180.27
Government grant	19,551,441.44	24,935,383.34	19,551,441.44
Penalty income	71,565.56	132,103.66	71,565.56
Income from sale of scrap	1,414,879.36	2,358,952.07	1,414,879.36
Debt forgiveness	1,019,538.90	4,748,169.58	1,019,538.90
Demolition compensation income	–	266,517.78	–
Compensation	557,088.95	380,514.94	557,088.95
Remuneration of expatriates	510,834.91	1,192,838.68	510,834.91
Others	3,438,182.53	4,246,079.46	3,438,182.53
Total	26,613,711.92	38,597,028.40	26,613,711.92

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Non-operating expenses

Item	Current period	Prior period	Amount recognized
			into non-recurring profit or loss in the current period
Losses on damage and scrapping of non-current assets	1,210,408.87	930,534.89	1,210,408.87
Public welfare donation expenditure	13,070,219.82	1,091,034.92	13,070,219.82
Penalty and overdue fines	166,829.94	210,353.78	166,829.94
Reward of family planning	39,236.67	–	39,236.67
Inventory loss	1,591.54	–	1,591.54
Abnormal loss	5,086,986.33	–	5,086,986.33
Others	1,557,270.99	1,415,012.16	1,557,270.99
Total	21,132,544.16	3,646,935.75	21,132,544.16

59. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	423,413,419.30	561,621,493.45
Deferred tax expenses	(43,755,970.22)	(27,670,709.96)
Total	379,657,449.08	533,950,783.49

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Income Tax Expenses (Continued)

(2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	2,264,734,350.96
Income tax expenses calculated at statutory/applicable rates	339,710,152.64
Tax effect of different rates applicable to subsidiaries	27,199,924.24
Adjustment effect of income tax of prior period	2,721,574.73
Tax effect of non-taxable income	(6,028,231.86)
Tax effect of costs, expenses and losses not deductible for tax purposes	4,059,217.26
Tax effect of use of deductible loss of previously unrecognized DTA	(3,804,067.82)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	30,762,673.58
Tax effect of R&D expenditure deduction	(14,963,793.68)
Tax rate adjustment leads to the change of deferred income tax asset/liability balance at the beginning of the year	–
Income tax expenses	379,657,449.08

60. Other comprehensive income

Please refer to Note V. 42.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Earnings per share (EPS)

(1) Basic EPS

① *Weighted average basic EPS*

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net consolidated profit attributable to ordinary shareholders of the parent company	1,764,269,356.81	2,547,561,346.51
The number of weighted average outstanding ordinary shares at the period end	1,625,790,949	1,625,790,949
Weighted average basic EPS	1.085	1.567

② *EPS based on the number of shares as at the period end*

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Net consolidated profit attributable to ordinary shareholders of the parent company	1,764,269,356.81	2,547,561,346.51
The number of outstanding ordinary shares as at the period end	1,625,790,949	1,625,790,949
EPS based on the number of shares as at the period end	1.085	1.567

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Earnings per share (EPS) (Continued)

(2) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the period from January to June of year 2020, the Company had no dilutive potential ordinary share (for January to June of year 2019: NIL). The diluted EPS is equal to basic EPS.

62. Items in the Cash Flow Statement

(1) Cash received from or paid for other operating activities

Item	Current period	Prior period
Cash received from other operating activities		
Government grant	312,125,047.31	24,930,983.34
Interest income	192,423,212.75	140,283,685.29
Other operating income	94,158,328.88	141,508,052.11
Non-operating income	6,583,911.58	8,546,140.16
Deposit received and other items	453,329,067.00	37,901,799.57
Total	1,058,619,567.52	353,170,660.47
Cash paid for other operating activities		
Cash paid for selling and distribution expenses	1,236,139,077.49	1,605,161,781.97
Cash paid for general and administrative expenses	291,392,644.27	105,645,185.52
Financial expenses – bank charges	6,920,502.21	7,823,134.33
Others	251,756,198.13	66,724,746.55
Total	1,786,208,422.10	1,785,354,848.37

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Items in the Cash Flow Statement (Continued)

(2) Cash received from or paid to other investing activities

Item	Current period	Prior period
Cash received from other investing activities		
Interest received	889.91	42,083.41
Total	889.91	42,083.41

(3) Cash received from or paid to other financing activities

Item	Current period	Prior period
Cash received from other financing activities		
Return of deposit for notes	1,757,221,439.65	1,138,621,703.91
Return of deposit for bank loans	–	1,000,000.00
Total	1,757,221,439.65	1,139,621,703.91
Cash paid to other financing activities		
Deposit for notes paid	1,066,459,393.64	1,065,936,822.05
Lease payment	166,675,445.70	143,791,298.08
Other	2,000,000.00	–
Total	1,235,134,839.34	1,209,728,120.13

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary Information of Cash Flow Statement

(1) Supplementary information of cash flow statement

Supplementary information	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	1,885,076,901.88	2,677,811,173.76
Add: Provision for assets impairment	12,909,650.23	7,142,028.16
Impairment loss in respect of credit	89,070,664.55	60,985,163.92
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	161,666,730.53	197,752,602.11
Depreciation of right-of-use assets	109,297,749.41	101,721,223.39
Amortization of intangible assets	29,850,271.61	11,905,399.14
Amortization of long-term prepaid expenses	18,124,255.07	14,761,795.86
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(3,288,794.32)	41,511.02
Losses on scrapping of fixed assets ("-" refers to income)	1,160,228.60	594,066.00
Loss on changes in fair value ("-" refers to income)	23,536,542.83	(10,825,875.00)
Financial expenses ("-" refers to income)	176,506,155.48	195,416,581.75
Investment losses ("-" refers to income)	(33,820,619.43)	(117,959,938.64)
Decrease in deferred tax assets ("-" refers to income)	(55,468,894.67)	(18,592,878.85)
Increase in deferred tax liabilities ("-" refers to income)	10,288,036.75	11,364,227.19
Decrease in inventories ("-" refers to income)	824,604,727.31	818,684,114.61
Decrease of operating receivables ("-" refers to income)	944,954,135.14	(2,234,013,426.88)
Increase of operating payables ("-" refers to income)	(6,599,218,724.04)	(2,642,531,112.81)
Others ("-" refers to income)	-	-
Net cash flow from operating activities	(2,404,750,983.07)	(925,743,345.27)
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
Factoring financing payable	1,729,825,100.39	1,887,754,990.15
3. Net changes in cash and cash equivalents		
Cash at the end of period	17,336,125,524.93	15,142,206,211.91
Less: Cash at the beginning of period	16,833,622,508.23	15,071,612,198.38
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase in cash and cash equivalents	502,503,016.70	70,594,013.53

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary Information of Cash Flow Statement (Continued)

(2) Net cash paid for acquisition of subsidiaries in the current period

Nil

(3) Net cash received for disposal of subsidiaries in the current period

Nil

(4) Breakdown of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	17,336,125,524.93	16,833,622,508.23
Including: Cash on hand	1,011,741.80	883,955.59
Bank deposits that are readily available for payment	17,302,719,183.66	16,829,618,823.88
Other cash that are readily available for payment	32,394,599.47	3,119,728.76
II. Cash equivalents	–	–
Including: Debt investment maturing within three months	–	–
III. Closing balance of cash and cash equivalents	17,336,125,524.93	16,833,622,508.23
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	–	–

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Assets with Restriction on Ownership or Use Right

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	1,149,519 thousand	The Group's deposit of notes payable is RMB622,076 thousand, term deposit of RMB405,064 thousand, guarantee deposit of RMB7,875 thousand, frozen account funds of RMB61,288 thousand, L/C deposit of RMB52,209 thousand, housing fund is RMB591 thousand, others RMB416 thousand.
Accounts receivable	1,050,911 thousand	The Group's short-term borrowings of RMB1,050,911 thousand is derived from accounts receivable as pledge or factoring.
Notes receivable	316,134 thousand	The Group's notes receivable pledged is RMB15,487 thousand. Notes receivable endorsed but not yet due is RMB292,664 thousand. Notes receivable discounted but not yet due is RMB7,983 thousand.
Fixed assets	5,651 thousand	This group's the original value of the houses and buildings of fixed assets of HKD8,893 thousand, the net value of HKD6,187 thousand(Converted to RMB5,651 thousand), the original value of the investment properties of HKD6,843 thousand, the net value of HKD4,622 thousand(Converted to RMB4,222 thousand) as collateral, to obtain the overdraft limit of HKD300 thousand, and 90 days L/C issue credit of HKD100,000 thousand, which has been issued before maturity of the L/C EUR 4399 thousand, USD964 thousand, JPY 116,290 thousand from the Bank of China (Hong Kong) Co., Ltd.
Investment properties	4,222 thousand	
Total	<hr/> 2,526,437 thousand <hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Foreign Currency Funds Items

(1) Foreign Currency Funds Item

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			
Including: USD	8,221,868.15	7.0795	58,206,715.56
HKD	13,907,969.29	0.9134	12,704,095.47
EUR	50,274.19	7.9610	400,232.83
AUD	8,019.58	4.8657	39,020.87
JPY	110,752,130.00	0.0658	7,288,376.17
Accounts receivable			
Including: USD	2,238,659.31	7.0795	15,848,588.58
HKD	18,149,249.46	0.9134	16,578,250.43
Other receivables			
Including: AUD	36,041.97	4.8657	175,369.41
HKD	7,613,786.21	0.9134	6,954,736.88
Accounts payable			
Including: USD	3,430,640.07	7.0795	24,287,216.38
EUR	68,123.78	7.9610	542,333.41
HKD	1,401,455.01	0.9134	1,280,145.06
JPY	110,752,130.00	0.0658	7,288,376.17
Shor-term borrowings			
Including: USD	103,838.44	7.0795	735,124.23
HKD	20,394,372.14	0.9134	18,629,035.29
Other payables			
Including: HKD	882,327.33	0.9134	805,953.08

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination not under the common control during the period

Nil

2. Business combination under the common control during the period

Nil

3. Sales of equity in subsidiaries during the period

Nil

4. Reasons of changing in the scope of consolidation

The reasons for the addition of 2 companies and decrease of 1 company in scope of consolidation comparing to the prior period are as follows:

- (1) In February of this year, Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (“Medical Instrument Investment Company”), a wholly-owned subsidiary of the Company, established Guangzhou Baiyunshan Yihu Health Technology Co., Ltd. with a registered capital of RMB5,000 thousand, of which the capital contribution actually paid by Medical Equipment Investment Company accounts for 60% of the registered capital.
- (2) In April of this year, Guangzhou WLJ Great Health Industry Co., Ltd., a wholly-owned subsidiary of the Company, established Guizhou Wanglaoji Ci Ningji Industry Development Co., Ltd. with a registered capital of RMB1,000 thousand, of which the capital contribution actually paid 100% by Guangzhou WLJ Great Health Industry Co., Ltd.
- (3) In May of this year, Guangzhou Caizhilin Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, cancelled its holding subsidiary Jingyu Guangyao Dong’e Chinese Medicinal Materials Development Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Equity in subsidiaries

① Composition of Enterprises Group

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Pharmaceutical manufacturing	77,168.90	88.99	–	Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	–	88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Pharmaceutical manufacturing	217,410.00	100.00	–	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Pharmaceutical manufacturing	112,845.41	100.00	–	Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Trading	15,000.00	–	44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Pharmaceutical manufacturing	246,046.30	99.96	–	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	82,416.74	100.00	–	Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	–	100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Pharmaceutical manufacturing	86,232.35	88.40	–	Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	–	45.08	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Pharmaceutical manufacturing	65,436.20	87.77	–	Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	14,000.00	–	87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Pharmaceutical manufacturing	204,756.88	96.093	–	Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Trading	1,000.00	–	96.093	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Wholesale and retail	1,000.00	–	96.09	Establishment or Investment
GP Corp.	Guangzhou	Guangzhou	Pharmaceutical trading	2,227,000.00	80.00	–	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	86,000.00	–	80.00	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	8,000.00	–	80.00	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	44,880.00	–	80.00	Business combination not under common control
Guangzhou Wan Kang Orthopedics Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	10,000.00	–	80.00	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Pharmaceutical trading	30,100.00	–	41.60	Business combination not under common control
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Pharmaceutical trading	60,00.00	–	40.80	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	552,000.00	–	80.00	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	123,000.00	–	80.00	Business combination not under common control
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	13,500.00	–	48.00	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Pharmaceutical trading	90,000.00	–	80.00	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Pharmaceutical trading	85,000.00	–	80.00	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Pharmaceutical trading	156,000.00	–	48.00	Business combination not under common control
Shanxi Guangyao Kang Jian Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Pharmaceutical trading	87,500.00	–	48.00	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Pharmaceutical trading	14,000.00	–	48.00	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Pharmaceutical trading	80,000.00	–	80.00	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Pharmaceutical trading	50,000.00	–	40.80	Business combination not under common control
Hubei Guangyao Ji Da Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Pharmaceutical trading	30,500.00	–	56.00	Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Pharmaceutical trading	50,000.00	–	56.00	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	5,000.00	–	80.00	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	HKD300.00	–	80.00	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical trading	13,210.00	–	80.00	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	5,700.00	–	80.00	Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	60,000.00	–	80.00	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Service	60,000.00	–	80.00	Establishment or Investment
Guangzhou Pharmaceutical Nanpi Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	1,500.00	–	52.00	Establishment or Investment
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Pharmaceutical trading	6,000.00	–	80.00	Establishment or Investment
Hainan Guangyao Chen Fei Pharmacy Co., Ltd.	Haikou	Haikou	Wholesale and retail	20,000.00	–	48.00	Establishment or Investment
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Pharmaceutical trading	6,450.00	–	80.00	Establishment or Investment
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Pharmaceutical trading	7,000.00	–	80.00	Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical trading	8,000.00	–	80.00	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Pharmaceutical trading	32,202.00	100.00	–	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Pharmaceutical trading	2,940.00	–	100.00	Establishment or Investment
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Fengshun	Fengshun	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment
Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory	Guangzhou	Guangzhou	Pharmaceutical manufacturing	20,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	5,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical services	10,000.00	–	51.00	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	6,680.00	–	100.00	Establishment or Investment
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Pharmaceutical trading	3,000.00	–	60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Pharmaceutical trading	1,000.00	–	80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Pharmaceutical manufacturing	10,000.00	–	100.00	Establishment or Investment
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Pharmaceutical trading	50,000.00	–	100.00	Establishment or Investment
Pharmaceutical Import & Export	Guangzhou	Guangzhou	Pharmaceutical trading	24,000.00	100.00	–	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Pharmaceutical manufacturing	131,600.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Trading	10,000.00	–	51.00	Establishment or Investment
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Pharmaceutical trading	2,000.00	–	54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Food manufacturing	900,000.00	100.00	–	Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Food manufacturing	50,000.00	–	100.00	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENTS

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VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	10,000.00	–	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Industry Company	Guangzhou	Guangzhou	Food manufacturing	1,000.00	–	100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Trading	5,000.00	–	100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Food manufacturing	50,000.00	–	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Trading	3,000.00	–	100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Trading	50,000.00	–	100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd	Qiannan	Qiannan	Commercial services	1,000.00	–	100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Pharmaceutical manufacturing	31,884.50	51.00	–	Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Pharmaceutical manufacturing	55,000.00	60.00	–	Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Commercial services	116,000.00	100.00	–	Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Health services	50,000.00	–	100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Medical	40,816.00	–	51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Service	10,000.00	–	51.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Pharmaceutical manufacturing	126,480.00	100.00	–	Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Commercial services	10,000.00	100.00	–	Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Commercial services	20,000.00	–	80.00	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Tian Xin	Guangzhou	Guangzhou	Pharmaceutical manufacturing	45,693.14	82.49	–	Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	800.00	–	100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Pharmaceutical manufacturing	55,285.00	84.48	–	Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Pharmaceutical manufacturing	10,000.00	–	63.36	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	46,091.90	100.00	–	Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Manufacturing	100.00	–	100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Pharmaceutical manufacturing	11,790.00	100.00	–	Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Pharmaceutical trading	2,000.00	51.00	–	Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Food manufacturing	50,000.00	–	60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	35,000.00	–	60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Pharmaceutical trading	HKD 132,500.00	100.00	–	Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Pharmaceutical trading	MOP 1,000.00	–	100.00	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENTS

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VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Wholesale and retail	100,000.00	–	100.00	Establishment or Investment
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	163,470.00	100.00	–	Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Pharmaceutical manufacturing	100,000.00	–	51.00	Business combination not under common control
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	–	100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Advertising	500.00	100.00	–	Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Pharmaceutical trading	40,000.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Service	1,000.00	–	100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Medical research	80,000.00	100.00	–	Business combination under common control
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Commercial services	10,000.00	–	100.00	Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Commercial services	5,000.00	–	60.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	100.00	–	Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Service	10,000.00	100.00	–	Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Service	9,000.00	100.00	–	Establishment or Investment

Note: In this period, the holding subsidiary of the group "Guangzhou Pharmaceutical Co., Ltd." was renamed "Guangzhou Pharmaceutical Co., Ltd.", and "Guangzhou Qihua Medical Equipment Co., Ltd." was renamed "Guangyao Qihua Medical Equipment Co., Ltd." "Shanxi Guangyao Kangjian Pharmaceutical Co., Ltd." was renamed "Guangyao Shanxi Pharmaceutical Co., Ltd.".

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividend paid to minority shareholders in the current period	Closing balance of minority shareholders' equity
GP Corp.	20.00	40,698,514.28	–	1,270,272,152.20

(3) Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance			Non-current liabilities		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	21,459,768,106.96	2,031,754,002.60	23,491,522,109.56	18,059,264,208.12	462,016,089.99	18,521,280,298.11

Subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	21,393,099,691.70	1,867,282,154.29	23,260,381,845.99	17,998,139,506.23	458,593,202.54	18,456,732,708.77

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	19,662,226,893.16	171,278,054.14	166,528,430.14	1,703,744,327.39

Subsidiary	Previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	19,902,234,347.48	168,813,606.84	168,813,606.84	(2,270,767,967.67)

NOTES TO THE FINANCIAL STATEMENTS

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

VII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Summary for financial information of insignificant associates and joint ventures

(1) Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Opening balance/ Prior period
Joint ventures:		
Total book balance of investments	460,749,433.41	432,357,047.91
Calculated by rate of interests held:		
– Net profit	32,352,924.58	55,763,592.24
– Total comprehensive income	32,352,924.58	55,763,592.24
Associates:		
Total book balance of investments	1,182,169,710.62	1,166,668,144.51
Calculated by rate of interests held:		
– Net profit	4,166,494.28	27,709,976.18
– Other comprehensive income	–	31,704.40
– Total comprehensive income	4,166,494.28	27,741,680.58

- (2) There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the company.
- (3) There are no excessive losses incurred by joint ventures or associates.
- (4) There are unrecognized commitments related to joint venture investment.
- (5) There are no contingent liabilities related to joint venture or associate investment.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities are subject to various financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 30 June 2020, except for the assets or liabilities described in the following table, which are in US dollars, Euros, Japanese Yen, and Hong Kong Dollars, Australian Dollars, the Group's assets and liabilities balances are all in Renminbi. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances may have an impact on the Group's operating results

Item	Closing Balance	Opening Balance
Cash at bank and on hand	78,638,440.90	75,150,547.24
Accounts receivable	32,426,839.01	23,637,384.85
Other receivables	7,130,106.29	3,369,763.67
Total financial assets in foreign currency	118,195,386.20	102,157,695.76
Short-term borrowings	19,364,159.52	42,173,211.38
Accounts payable	33,398,071.02	32,457,153.90
Other payables	805,953.08	2,962,797.98
Total financial liabilities in foreign currency	53,568,183.62	77,593,163.26

Note: The financial department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.

As on 30 June 2020, for all types of financial assets and financial liabilities of the Group in foreign currency, if the RMB appreciates or depreciates against the foreign currency by 10% and other factors remain unchanged, the Group's net profit will increase or decrease by approximately RMB4,847 thousand (As on 31 December 2019: approximately RMB1,842 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Market risk (Continued)

(2) Interest rate risk

As on 30 June 2020, the Group's long-term interest-bearing debt balance was RMB0 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will increase by RMB0 thousand (As on 31 December 2019: RMB299 thousand).

(3) Other price risks

The equity investments in listed companies held by the Company are as below:

Item	Closing Balance	Opening Balance
Other equity instruments investments	–	–
Other non-current financial assets	150,754,080.13	174,290,622.96
Total	150,754,080.13	174,290,622.96

As on 30 June 2020, if all other variables remain unchanged and the value of equity instruments rises or falls by 10%, the Company's net profit will increase or decrease by RMB15,075 thousand (As on 31 December 2019: net profit will increase or decrease by RMB17,429 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

Period Item	Closing balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial assets:						
Cash at bank and on hand	18,485,644,479.36	-	-	-	-	18,485,644,479.36
Notes receivable	942,659,307.47	-	-	-	-	942,659,307.47
Accounts receivable	12,171,947,520.11	-	-	-	-	12,171,947,520.11
Accounts receivable financing	1,569,082,593.79	-	-	-	-	1,569,082,593.79
Other receivables	935,246,855.18	-	-	-	-	935,246,855.18
Subtotal	<u>34,104,580,755.91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,104,580,755.91</u>
Financial liabilities:						
Short-term borrowings	8,061,330,481.66	-	-	-	-	8,061,330,481.66
Current portion of non-current liabilities	234,516,401.34	-	-	-	-	234,516,401.34
Notes payable	1,894,841,370.44	-	-	-	-	1,894,841,370.44
Accounts payable	9,282,041,239.72	-	-	-	-	9,282,041,239.72
Lease liability	-	179,790,895.98	246,118,115.42	149,621,113.71	-	575,530,125.11
Other payables	4,665,456,703.98	-	-	-	-	4,665,456,703.98
Long-term payables	-	-	-	25,229,042.00	-	25,229,042.00
Subtotal	<u>24,138,186,197.14</u>	<u>179,790,895.98</u>	<u>246,118,115.42</u>	<u>174,850,155.71</u>	<u>-</u>	<u>24,738,945,364.25</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

3. Liquidity risk (Continued)

Period Item	Opening balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial assets:						
Cash at bank and on hand	18,469,618,237.41	-	-	-	-	18,469,618,237.41
Notes receivable	1,526,081,541.94	-	-	-	-	1,526,081,541.94
Accounts receivable	12,555,024,519.58	-	-	-	-	12,555,024,519.58
Accounts receivable financing	1,515,914,114.01	-	-	-	-	1,515,914,114.01
Other receivables	1,173,360,042.04	-	-	-	-	1,173,360,042.04
Subtotal	<u>35,239,998,454.98</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,239,998,454.98</u>
Financial liabilities:						
Short-term borrowings	5,869,008,916.96	-	-	-	-	5,869,008,916.96
Current portion of non-current liabilities	229,361,467.97	-	-	-	-	229,361,467.97
Notes payable	3,982,425,654.37	-	-	-	-	3,982,425,654.37
Accounts payable	9,698,952,240.46	-	-	-	-	9,698,952,240.46
Lease liability	-	178,165,204.97	208,233,296.84	160,596,052.40	-	546,994,554.21
Other payables	3,227,385,632.70	-	-	-	-	3,227,385,632.70
Long-term payables	-	-	-	25,229,042.00	-	25,229,042.00
Subtotal	<u>23,007,133,912.46</u>	<u>178,165,204.97</u>	<u>208,233,296.84</u>	<u>185,825,094.40</u>	<u>-</u>	<u>23,579,357,508.67</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

IX. DISCLOSURE OF FAIR VALUE

1. Financial instruments not measured at fair value

Financial assets and financial liabilities not measured at fair value comprise: receivables, short-term borrowings, payables and long-term payables.

Difference between book value and fair value of financial assets and financial liabilities not measured at fair value is insignificant.

2. Financial instruments measured at fair value

According to the lowest hierarchy of input value, which is significant to the overall measurement, in the measurement of fair value, hierarchies of the fair value can be divided into:

The first hierarchy: Quoted price (unadjusted) of the same assets or liabilities in active market;

The second hierarchy: Direct (i.e. price) or indirect (i.e. estimated results based on price) observable input value of assets or liabilities excluding quoted market price in the first hierarchy;

The third hierarchy: Input value of assets or liabilities based on variables excluding observable market data (unobservable input value).

The hierarchy of a fair value measurement result is determined by the bottom level of the input value, which is significant to the overall measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Financial instruments measured at fair value (Continued)

(1) Closing balance of fair value of assets and liabilities measured at fair value

Item	Closing balance of fair value			Total
	The first hierarchy	The second hierarchy	The third hierarchy	
Continuous measurement at fair value				
A. Financial assets held for trading	-	-	-	-
1. Financial assets measured at FVTPL	-	-	-	-
2. Financial assets designated at FVTPL	-	-	-	-
B. Other debt investments	-	-	-	-
C. Other equity instrument investments	-	-	-	-
(1) Equity instrument investments	-	-	83,033,426.64	83,033,426.64
D. Other non-current financial assets				
(1) Equity instrument investments	27,134,559.36	-	207,798,816.91	234,933,376.27
(2) Others	-	-	6,612,334.72	6,612,334.72
E. Investment properties	-	-	-	-
F. Biological assets	-	-	-	-
Total assets continuously measured at fair value	27,134,559.36	-	297,444,578.27	324,579,137.63

3. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the period.

4. Valuation methods and qualitative and quantitative information of important parameters adopted in valuation techniques for the continuing third hierarchy fair value measurement projects are as follows:

Item	Closing balance of fair value	Valuation method	Significant unobservable input	Influence on fair value
Equity instrument investment	83,033,426.64	Market discount method	Lack of liquidity discount	The higher the discount, the lower the liquidity
Other non-current financial assets	214,411,151.63	Market discount method	Lack of liquidity discount	The higher the discount, the lower the liquidity

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Adjustment information between the beginning and closing book value of the continuing third hierarchy fair value measurement projects is as follows:

Item	Opening balance	Increase in this period	Decrease in this period	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the current period		Closing balance	Gains and losses recognized through profit or loss at the period end of assets held at the period end
						Recognized in profit or loss	Recognized in other comprehensive income		
Other equity instrument investments	81,977,960.04	-	-	-	-	-	1,055,466.60	83,033,426.64	-
Other non-current financial assets	229,473,601.21	2,612,334.72	-	-	-	(17,674,784.30)	-	214,411,151.63	-

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPLH	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

Note: The ultimate control party of the Group is State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government.

2. Subsidiaries of the Group

Please refer to Note VII. 1. Equity in subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Associates and joint ventures of the Group

For important joint ventures or associates of this enterprise, please refer to the note “VII. (2) Equity in joint ventures or associates”

Information of associates or joint ventures which have had transactions with the Company in the current year, or had had transactions with the Company in prior years and formed a balance in current year is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS Nuo Cheng	Joint venture
Baxter Qiao Guang	Joint venture
Nuo Cheng	Joint venture
Baiyunshan Yi Xin Tang	Associates
Yunnan Yi Xin Tang	Associates
Chuangmei Medicines	Associates
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	Associates

4. Other Related Parties without Control Relationship

Other related parties	Relationship with the Company
Guangzhou Yu Fa Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou South China Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (hereinafter referred to as “Hua Cheng”)	Controlled by the same parent company

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods:							
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	132,161,572.47	0.50	92,587,495.59	0.31
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	21,702,226.21	0.08	20,694,654.16	0.07
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	22,240,477.11	0.08	18,239,761.51	0.06
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	10,940,396.87	0.04	4,272,130.98	0.01
Yunnan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	88,343.40	0.00	(5,362.18)	0.00
Subtotal				187,133,016.06	0.70	135,788,680.06	0.45
Receiving of services:							
HWBYS	Acceptance of service	Publicity fee	Market price	4,543,728.77	0.92	-	-
Subtotal				4,543,728.77	0.92	-	-
Total				191,676,744.83		135,788,680.06	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Sales of good:							
Southern Anti-tumor Biological	Sales of good	Medicinal material or medicine	Market price	141.59	0.00	-	-
HWBYS	Sales of good	Medicinal material or medicine	Market price	108,468,607.24	0.36	89,562,909.77	0.27
Nuo Cheng	Sales of good	Medicinal material or medicine	Market price	7,964.60	0.00	60,868.11	0.00
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	2,401,398.46	0.01	756,851.47	0.00
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	277,287,604.93	0.91	218,644,291.87	0.66
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	83,151,170.44	0.27	49,826,574.72	0.15
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	7,963,258.12	0.03	2,891,424.59	0.01
Yunnan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	34,772,363.43	0.11	33,699,783.18	0.10
Subtotal				514,052,508.81	1.69	395,442,703.71	1.19

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For January – June 2020
(Unless otherwise stated, amount shall be expressed in RMB.)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Rendering of services:							
GPHL	Rendering of services	Advertising agency service	Market price	1,204,143.86	3.27	744,415.25	2.99
HWBYS	Rendering of services	Advertising agency service	Market price	22,913,315.86	62.19	16,982,919.11	68.26
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	-	-	22,954.72	0.09
Hua Cheng	Rendering of services	Advertising agency service	Market price	11,456,795.58	31.10	5,461,262.76	21.95
Subtotal				35,574,255.30	-	23,211,551.84	-
HWBYS	Rendering of services	Consigned processing	Market price	3,573,948.07	3.40	414,354.86	100.00
Hua Cheng	Rendering of services	Consigned processing	Market price	14,612,717.70	13.89	12,188,012.10	14.09
Yunnan Yi Xin Tang	Rendering of services	Consigned processing	Market price	760,936.19	0.72	-	-
Subtotal				18,947,601.96	-	12,602,366.96	-
HWBYS	Rendering of services	Research and development services	Market price	29,716.98	0.99	-	-
Subtotal				29,716.98	-	-	-
Collecting trademark fee:							
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	205,723.57	22.92	-	-
HWBYS	Collecting trademark fee	Right to use trademark	Market price	526,271.60	58.64	640,530.82	68.06
Subtotal				731,995.17	-	640,530.82	-
Total				569,336,078.22		431,897,153.33	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Note: From May 1, 2019, the Company has obtained the exclusive right to use the “Wanglaoji” series of trademarks in accordance with the law. From January to June 2020, the Company shall collect the above-mentioned trademark license fees from HWBYS RMB526 thousand (January-June 2019: RMB641 thousand), a total of RMB0 thousand should be paid to Guangzhou Pharmaceutical Group (January-June 2019: RMB356 thousand).

(2) The Group had no associated trusteeship/Entrusted management for the current period.

(3) Related leases

① *The Group as the lessor*

A. Office Tenancy Agreement – 5th Floor, Front building, North Shamian Street

According to the tenancy agreement entered into by the Company and GPLH on 27 June 2013, the Company leases 5th Floor of the Front building located at No. 45 North Shamian Street to GPLH for office use. The lease is renewed on 1 July 2016, with a term of three years. According to the renewal of the office lease contract between the Company and GPLH on July 16, 2019, the new lease term is 3 years, which was renewed from July 1, 2019 to June 30, 2022. The company should collect RMB220 thousand from January to June in 2020 (January – June 2019: RMB201 thousand).

B. Warehouse and Office Building Tenancy Agreement

According to the tenancy agreement entered into by the Company and Baxter Qiao Guang, the Company leases the building located on No. 25 of Fangcun Dadao Road, Guangzhou to Baxter Qiao Guang as workshop. The lease agreement started on 10 May 2007 to the relocation date. The rent is RMB1,634 thousand for the year January – June 2020 (January – June 2019: RMB1,590 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

(3) Related leases (Continued)

① *The Group as the lessor (Continued)*

B. Warehouse and Office Building Tenancy Agreement (Continued)

According to the tenancy agreement entered into by the Company's subsidiaries, Guangzhou Bai Di and Nuo Cheng, Guangzhou Bai Di leases the building located in No.1 of North Wanbao Street, Panyu District, Guangzhou to Nuo Cheng for the use as a plant. Rent is paid at the price specified in the agreement annually with a lease term from 15 March 2011 to 14 March 2019. According to the plant lease agreement signed by Guangzhou Baiyunshan Bai Di bio-pharmaceutical co., Ltd. and Nuo Cheng biological on March 11, 2019, the new lease term is from 15 March 2019 to 14 March 2022. And Nuo Cheng should pay Guangzhou Bai Di the rent of RMB1,428 thousand for the year January – June 2020 (January – June 2019: RMB1,430 thousand).

② *The Group as the lessee*

According to the tenancy agreement entered into by the Company and GPLL, GPLL leases certain premises to the Company for the use of warehouse and office. Rent is paid at the price specified in the agreement annually with a lease term from 1 January 2017 to 31 December 2019. The original contract has expired. According to the newly signed lease contract, the new lease period is from January 1, 2020 to December 31, 2022. The Company should pay RMB644 thousand for the above-mentioned venue rental rent to GPLL in this period (January-June 2019: 3,733 thousand yuan).

According to the tenancy agreement entered into by HWBYS and Baiyunshan Pharmaceutical Marketing, a subsidiary of the Company, Baiyunshan Pharmaceutical Marketing is authorized by HWBYS to use 704 room on the 7 floor and the 8 to 11 floor of Shennong Building on No. 389 of North Sha Tai Road, Baiyun District, Guangzhou as office place. Rent is paid at the price specified in the agreement annually. Thereinto, the lease term for 704 room on the 7 floor started from 1 April 2018 to 31 December 2023; the lease term for the 8 to 11 floor started from 1 January 2018 to 31 December 2023. The original lease contract has been cancelled through negotiations. According to the lease contract signed on January 1, 2019, the new lease period is from January 1, 2019 to December 31, 2021. The rent is RMB2,366 thousand for January to June 2020.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related Party Transactions (Continued)

- (4) The Group had no guarantee for related parties for the current period.
- (5) The Group had no borrowing or lending between related parties for the current period.
- (6) The Group had no transfer of asset and debt restructuring for the current period.
- (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,927 thousand for January to June 2020 (January to June 2019: RMB1,430 thousand). The Group's key management personnel of current period include 10 persons, such as director, general manager, vice general manager, and secretary to the Board of Director (January to June 2019: 9 persons). Among them, 4 received their salaries from the Company (January to June 2019: 4 persons).

(8) Other related party transactions

① License Agreement

Since May 1, 2019, the Company has obtained the exclusive right to use the "Wang Lao Ji" series of trademarks.

- (a) The Company should receive license fee of "Wang Lao Ji" amounted to RMB118,009 thousand for January to June 2020 (January to June 2019: RMB151,824 thousand) and pay to GPLH RMB0 thousand (January to June 2019: RMB96,348 thousand).
- (b) The Company should receive license fee of "Wang Lao Ji" amounted to RMB337 thousand from Xing Qun for January to June of 2020. (January to June 2019: RMB54 thousand) and pay to GPLH RMB0 thousand (January to June 2019: RMB8 thousand).
- (c) The Company should receive license fee of "Wang Lao Ji" amounted to RMB313 thousand from Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd. for January to June of 2020. (January to June 2019: RMB693 thousand) and pay to GPLH RMB0 thousand (January to June 2019: RMB554 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and Payables of Related Parties

(1) Receivables

Item	Closing Balance		Opening Balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable:				
Chuangmei Medicines	19,036,400.00	–	14,429,259.30	–
Hua Cheng	–	–	106,760.73	–
Yunnan Yi Xin Tang	–	–	250,559.98	–
Total	19,036,400.00	–	14,786,580.01	–
Accounts receivable financing:				
Chuangmei Medicines	66,968,276.87	–	70,282,749.32	–
Yunnan Yi Xin Tang	4,114,077.04	–	3,177,623.26	–
Total	71,082,353.91	–	73,460,372.58	–
Accounts receivable:				
GPHL	375,410.00	3,754.10	98,894.00	988.94
HWBYS	40,754,578.19	407,545.78	29,844,457.94	298,444.58
Baxter Qiao Guang	330,238.45	3,302.38	137,980.00	1,379.80
Chuangmei Medicines	50,316,277.34	503,162.77	68,141,619.08	681,416.19
Hua Cheng	40,978,090.57	409,780.91	38,283,096.08	382,830.96
Yunnan Yi Xin Tang	7,665,838.38	82,109.81	13,205,593.86	144,509.59
Baiyunshan Yi Xin Tang	3,948,216.92	39,482.17	986,106.19	9,378.02
Total	144,368,649.85	1,449,137.92	150,697,747.15	1,518,948.08
Advances to suppliers:				
HWBYS	29,423,205.67	–	27,069,261.96	–
Chuangmei Medicines	2,028,984.15	–	665.60	–
Hua Cheng	1,816,024.52	–	1,011,904.17	–
Total	33,268,214.34	–	28,081,831.73	–
Dividends receivable:				
Nuo Cheng	37,938,523.45	–	37,938,523.45	–
HWBYS	178,767,530.00	–	278,767,530.00	–
Chuangmei Medicines	1,581,120.00	–	–	–
Total	218,287,173.45	–	316,706,053.45	–

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Closing Balance		Opening Balance	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables:				
GPHL	2,256,893.86	–	1,724,900.04	–
Guangzhou South China Medical Instruments Co., Ltd.	100,000.00	100,000.00	100,000.00	100,000.00
HWBYS	2,690,263.99	–	2,519,287.00	–
Nuo Cheng	639,498.88	–	–	–
Baxter Qiao Guang	1,860,937.71	–	363,947.16	–
Hua Cheng	1,816,800.00	–	2,345,655.31	–
Total	9,364,394.44	100,000.00	7,053,789.51	100,000.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and Payables of Related Parties (Continued)

(2) Payables

Item	Closing Balance	Opening Balance
Notes payable:		
HWBYS	67,645,736.09	42,351,939.87
Baxter Qiao Guang	–	4,573,709.80
Hua Cheng	6,014,585.20	–
Total	73,660,321.29	46,925,649.67
Accounts payable:		
HWBYS	14,817,944.02	9,817,750.54
Baxter Qiao Guang	5,570,610.93	4,029,898.92
Chuangmei Medicines	11,721,185.46	1,959,157.13
Hua Cheng	1,004,482.93	16,133,712.70
Total	33,114,223.34	31,940,519.29
Contract liabilities:		
HWBYS	1,500,905.04	4,114,818.73
Chuangmei Medicines	14,795,143.81	35,535,869.27
Hua Cheng	–	19,911.51
Yunnan Yi Xin Tang	1.12	28,471.90
Nuo Cheng	23,893.81	–
Baiyunshan Yi Xin Tang	470,310.17	–
Total	16,790,253.95	39,699,071.41
Dividends payable:		
GPHL	431,327,705.67	–
Total	431,327,705.67	–
Other payables:		
GPHL	30,368,126.56	53,696,080.30
HWBYS	9,123,227.32	11,370,835.00
Chuangmei Medicines	20,000.00	170,000.00
Total	39,511,353.88	65,236,915.30
Other current liabilities:		
HWBYS	32,029.13	318,477.83
Nuo Cheng	3,106.19	–
Chuangmei Medicines	1,792,383.92	4,619,662.99
Hua Cheng	–	2,588.50
Yunnan Yi Xin Tang	0.09	1,304.60
Baiyunshan Yi Xin Tang	39,897.35	–
Total	1,867,416.68	4,942,033.92

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XI. COMMITMENTS OR CONTINGENCY

1. Significant Commitments

(1) Capital commitments

Item	Closing balance	Opening balance
Signed but not recognized in the financial statement		
– Commitment on purchasing long-term assets	3,513,144,773.72	3,631,474,882.45
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	3,513,144,773.72	3,631,474,882.45

(2) As on 30 June 2020, the Group has no unrecognized commitment related to investment in joint ventures.

(3) Other commitments

① *The Group's share of the capital expenditures commitments of the joint ventures is as follows:*

Item	Closing balance	Opening balance
Buildings, machineries and equipments	–	–
Total	–	–

② *Capital expenditures commitments authorized by the management but are not yet contracted for:*

Item	Closing balance	Opening balance
Buildings, machineries and equipment	1,976,136,691.82	1,986,647,470.17
Commitments on external investments	320,000,000.00	320,000,000.00
Total	2,296,136,691.82	2,306,647,470.17

③ *Fulfillment of commitments for the prior period*

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XI. COMMITMENTS OR CONTINGENCY (CONTINUED)

2. Contingencies

(1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical Science and Technology Company and other units signed the "Agreement", stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan Pharmaceutical General Factory, Baiyunshan Technology Company, It is determined that Baiyunshan Pharmaceutical General Factory is a production unit, and Baiyunshan Science and Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan Science and Technology Company obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan Pharmaceutical General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory ("Baiyunshan Chemical Pharmaceutical Factory" obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark "Jin Ge" registered by Baiyunshan Pharmaceutical General Factory was approved as the drug product name, and the "Jin Ge" trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Baiyunshan Technology Co., Ltd. in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan Pharmaceutical General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge's rights and interests, between the shareholders of the two sides, Baiyunshan Technology Co., Ltd. and Baiyunshan Pharmaceutical General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge's sales. Jin Ge has achieved good sales performance since its listing.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XI. COMMITMENTS OR CONTINGENCY (CONTINUED)

2. Contingencies (Continued)

(1) Jin Ge income distribution did not reach an agreement (Continued)

Affected by changes in the patent protection period of the original research drug and the actual cooperation mode between the two parties, in view of the different contributions of the parties in the process of research and development, production and operation of King Ge, in order to safeguard the interests of all parties, avoid the impact of income distribution disputes on Jin Ge's good development trend, the representatives of the two shareholders have conducted many consultations on Jin Ge's property rights and benefits, but the two sides have not been able to reach an agreement.

In terms of related income distribution, Baiyunshan Pharmaceutical General Factory has reasonably estimated the company's due income based on the contribution of Baiyunshan Technology Co., Ltd. to Jin Ge, and made corresponding provisions, but the shareholders of both parties have not yet reached the income distribution. Consensus, the company is temporarily unable to calculate the specific impact of the company's current or future profits.

(2) Please refer to Note XIII (8) ① for contingencies related to litigation.

XII. EVENTS AFTER THE BALANCE SHEET DATE

No

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS

1. Lease

(1) Rental information

① *operating lease*

Item	Amount
① Income situation	
Rental income	19,401,122.09
Revenue related to variable lease payments not included in lease receipts	(152,873.74)
② Undiscounted lease receipts to be received each year for five consecutive fiscal years after the balance sheet date	–
The First year	43,849,024.83
The Second year	33,634,992.85
The Third year	18,442,996.19
The Fourth year	13,486,656.28
The Fifth year	8,860,864.78
③ Total undiscounted lease payments to be received for the remaining years	<u>9,839,011.55</u>

(2) Lease situation

① *Tenant Information Disclosure*

Item	Amount
Short-term lease expenses included in the current profit and loss	16,526,477.68
Lease fees for low-value assets	1,273,857.49
Variable lease payments not included in lease liability measurement	(1,229,574.69)
Income from sublease of right-of-use assets	444,502.21
Total lease-related cash outflows	120,289,855.46
Related profit or loss from sale and leaseback transactions	–
Others	–

Information about the right-of-use asset can be found in Note V. (16), and interest expenses on lease liabilities can be found in Note V. (50)

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Debt restructuring

No

3. Asset replacement

(1) Non-monetary asset exchange

No

(2) Other asset replacement

No

4. Annuity plan

No

5. Termination of operations

No

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Information of Segments

(1) Recognition Basis and Accounting Policies for Reporting Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”. According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of “Great Medical Care” is lower than 10%, this segment is temporarily listed in “Others” column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and Medical 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.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments

① The segment information for the six months January to June 2020 and as of 30 June 2020 is as follows:

Item	Great				Offset between segments	Total
	Southern TCM	Great Health	Great Commerce	Other		
External revenue	5,643,353,466.16	4,505,252,152.95	20,229,730,414.00	91,314,441.65	-	30,469,650,474.76
Inter-segment revenue	177,261,835.89	1,415,590.76	65,739,126.45	-	(244,416,553.10)	-
Interest income	(52,326,716.20)	(94,593,099.29)	(18,439,885.08)	(27,066,166.23)	2,654.05	(192,423,212.75)
Interest expenses	13,081,861.42	1,050,380.83	203,199,970.76	11,508,777.26	(42,011,866.68)	186,829,123.59
Income from investments in associates and joint ventures	(10,367,854.32)	-	(673,513.02)	66,949,946.50	3,197,193.24	59,105,772.40
Impairment losses in respect of credit	(1,550,244.55)	(97,678.34)	(82,955,378.14)	(1,301,199.55)	(3,166,163.97)	(89,070,664.55)
Impairment losses in respect of assets	(9,539,759.27)	-	(104,861.07)	-	(3,265,029.89)	(12,909,650.23)
Depreciation and amortization expenses	134,722,434.79	22,689,178.54	161,236,093.87	17,281,906.78	(7,619,508.58)	328,310,105.40
Total profit	779,638,458.40	1,179,613,819.38	248,228,476.26	15,216,895.57	42,036,701.35	2,264,734,350.96
Total assets	13,953,136,726.99	8,641,264,538.59	27,099,391,757.84	21,263,197,970.29	(15,850,527,901.02)	55,106,463,092.69
Total liabilities	7,041,524,185.98	2,585,004,825.28	21,564,918,504.49	3,747,117,014.49	(6,734,726,414.31)	28,203,838,115.93
Long-term equity investment in associates and joint ventures	290,678,408.55	-	64,445,689.43	1,287,795,046.05	-	1,642,919,144.03
Increase in other non-current assets excluding long-term equity investment	133,115,309.44	18,584,419.60	302,324,066.47	56,169,995.02	-	510,193,790.53

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

② The segment information for the six months January to June 2019 and as of 31 December 2019 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	6,835,993,139.17	5,858,769,064.10	20,585,983,072.27	60,082,478.83	-	33,340,827,754.37
Inter-segment revenue	120,949,889.51	46,568,320.87	3,309,307,055.88	194,061,855.04	(3,670,887,121.30)	-
Interest income	(30,020,651.25)	(65,711,511.68)	(11,999,938.98)	(33,331,300.36)	779,716.98	(140,283,685.29)
Interest expenses	13,505,366.49	1,144,468.72	232,363,378.93	18,083,623.24	(57,273,379.09)	207,823,458.29
Income from investments in associates and joint ventures	21,348,676.14	-	2,321,230.47	56,935,095.90	647,580.47	81,252,582.98
Impairment losses in respect of credit	2,289,904.72	(108,941.70)	(60,208,585.46)	(14,413.50)	(2,943,127.98)	(60,985,163.92)
Impairment losses in respect of assets	(2,344,692.87)	-	(4,797,335.29)	-	-	(7,142,028.16)
Depreciation and amortization expenses	127,941,408.95	19,991,480.71	182,950,934.77	17,137,019.02	(6,141,028.68)	341,879,814.77
Total profit	1,250,387,678.34	1,425,456,934.16	242,596,385.82	167,342,023.50	125,978,935.43	3,211,761,957.25
Total assets	13,617,263,984.14	11,559,245,317.93	27,909,137,809.70	20,859,483,056.03	(17,051,471,041.60)	56,893,659,126.20
Total liabilities	7,357,860,154.04	6,434,061,417.99	22,593,101,212.71	2,796,378,305.26	(8,277,228,911.99)	30,904,172,178.01
Long-term equity investment in associates and joint ventures	301,068,028.49	-	65,423,790.37	1,232,533,373.55	-	1,599,025,192.41
Increase in other non-current assets excluding long-term equity investment	355,011,321.12	128,949,114.99	503,350,933.97	1,592,142,742.37	-	2,579,454,112.45

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ③ The Group's total revenue from external customers in the PRC and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
PRC	30,439,117,916.75	33,313,240,412.17
Other countries/regions	30,532,558.01	27,587,342.20
Total	<u>30,469,650,474.76</u>	<u>33,340,827,754.37</u>

Item	Closing balance	Opening balance
Total non-current assets:		
PRC	10,147,477,542.45	10,135,780,517.31
Other countries/regions	16,225,488.03	16,697,391.35
Total	<u>10,163,703,030.48</u>	<u>10,152,477,908.66</u>

7. Other significant transactions and events that affect investor decisions

No

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters

(1) Litigations

① *Litigations of the Group*

On October 14, 2019, the Group filed a litigation against Guangzhou Kangyeyuan Investment Consulting Co., Ltd. with the Guangzhou Internet Court for infringement of reputational rights on the Internet, involving an amount of RMB10,135,700.00. On November 11, 2019, Beijing Kangyeyuan Investment Consulting Co., Ltd. filed a jurisdiction objection to the Guangzhou Internet Court, and was rejected on November 19, 2019. Beijing Kangyeyuan Investment Consulting Co., Ltd. appealed to Guangzhou Intermediate People's Court within the time limit. On January 21, 2020, Guangzhou Intermediate People's Court ruled that Beijing Kangyeyuan Investment Consulting Co., Ltd.'s jurisdictional objection was rejected. In August, 2020, the Guangzhou Internet Court issued a public judgment in accordance with the law, ruling: 1. Beijing Kangyeyuan Investment Consultants Co., Ltd. shall post the "Beijing Kangyeyuan Investment Consultants Co., Ltd." on Weibo and WeChat public within five days from the date when this judgment becomes legally effective No. "Beijing Kangyeyuan Investment Consulting Co., Ltd." issued a public apology to eliminate the impact and restore reputation for the plaintiff; 2. Beijing Kangyeyuan Investment Consulting Co., Ltd. shall compensate the plaintiff Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. within five days from the effective date of this judgment The company suffered an economic loss of RMB150,000.00 including reasonable expenses; 3. Dismissed other claims of Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A*

- (a) Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. filed a claim with the Court on the unreceived payment of RMB36,880 thousand against the Group's Subsidiary A on 28 January 2015, and claimed compensation for the due payment and the overdue interest.

Pursuant to the Paper of Civil Judgment numbered (2015) SuiYueFaMinErChuZi No.328-3 issued by the People's Court of Guangzhou Yuexiu District on 14 March 2016, the prosecution by Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. was dismissed.

On 23 March 2016, Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. lodged an appeal.

Pursuant to Paper of Civil Judgment numbered (2016) Yue01MinZhong No.10682 issued by the Intermediate People's Court of Guangzhou on 16 December 2016, Paper of Civil Judgment numbered (2015) SuiYueFaMinErChuZi No.328-3 issued by the People's Court of Guangzhou Yuexiu District was quashed, and the case was referred to the People's Court of Guangzhou Yuexiu District.

On 5 February, 2018, the People's Court of Guangzhou Yuexiu District rendered a judgment of the first instance that: lacking sufficient fact and without merit, the claims of Guangdong Guangsheng Nonferrous Metal Group Co., Ltd., which seeks for compensation from Subsidiary A, were dismissed by the Court because Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. failed to present evidence to prove that the goods involved had been delivered to Subsidiary A. Hence, Subsidiary A had no need to pay the due payment and the overdue interest mentioned in the above case.

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For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(a) (Continued)

On 12 March 2018, Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. lodged an appeal against the case. On August 30, 2018, the second trial was held in the Intermediate People's Court of Guangzhou. On November 6, 2018, the Intermediate People's Court of Guangzhou made a Paper of Civil Judgment numbered 2018 Yue01MinZhong No.12715, and decided that the appeal of Guangdong Guangsheng Nonferrous Metals Group Co., Ltd. was not established. The appeal was dismissed, and the original judgment was upheld.

On January 4, 2019, Guangdong Guang Sheng Nonferrous Metals Group co., LTD. filed a claim against Subsidiary A to Guangzhou Tianhe district people's court, the request for informal lending dispute case ordered Subsidiary A together with five other defendants to repay the principal and RMB36 million from the date of payments to the actual repayment date, according to the annual interest rate to pay capital takes up 6% of the interest during the period of RMB9,060,000.00.

On February 18, 2019, Subsidiary A submitted the Application for Extension of Evidence and Application for Jurisdiction Objection to the Tianhe District People's Court of Guangzhou City. On March 8, 2019, Subsidiary A submitted to the court the "Report on Requesting Public Security Authorities to File and Investigate Cases Related to (2018) Yue 0106 Minchu No. 23672 and (2018) Yue 0106 Minchu No. 29792", and asked the court to transfer it to the Public Security Authorities. On April 30, 2019, the people's court of Tianhe district of Guangzhou issued a civil order (2018) no. 29792 of the early days of the People's Republic of Guangdong 0106, and ruled to dismiss the objection to the jurisdiction of Subsidiary A.

On May 5, 2019, Subsidiary A submitted the petition of objection to jurisdiction to the people's court of Tianhe district, Guangzhou. The Guangzhou Intermediate People's Court made a ruling on July 24, 2019, dismissing Subsidiary A's appeal against jurisdiction in this case and upholding the original ruling.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(a) (Continued)

On February 11, 2020, Subsidiary A received a “subpoena” from the Guangzhou Tianhe District People’s Court. After the court hearing on April 27, 2020, Subsidiary A submitted a supplementary “Pleading 2” to the Tianhe District Court. On May 26, 2020, Subsidiary A received the first-instance judgment issued by the Tianhe District Court. The verdict: 1. Subsidiary A and the other four defendants returned Guangsheng Metal’s loan of RMB120 thousand including interest; 2. Dismissed Guangsheng Metal’s other litigation claims; the case acceptance fee was RMB267,100, and Guangsheng Metal Company was responsible for RMB266,170. Subsidiary A and the other four defendants were responsible for RMB930.00; the property preservation fee was RMB5,000.00 and Guangsheng Metal Company was responsible for RMB4,980.00. Subsidiary A and the other four bear RMB20.00.

On June 5, 2020, Subsidiary A submitted the “Civil Appeal” to the Guangzhou Intermediate People’s Court.

As of the reporting date, the above cases are still under trial. Based on full reference to the professional opinions of external lawyers, the management of Subsidiary A evaluated the case and considered that it was unlikely that Subsidiary A would lose the case in this case and cause direct economic losses.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

- (b) Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. filed a claim against Subsidiary A for the unreceived payment of RMB18,440 thousand on 4 February 2015, and required Subsidiary A to pay the due payment and the overdue interest.

Pursuant to Paper of Civil Judgment numbered (2015) SuiLiFaMinErChuZi No.774-3 issued by the People's Court of Guangzhou Liwan District on 21 December 2015, the prosecution by Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. was dismissed, and transferred to public security organization to handle as criminal case. Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. has lodged an appeal.

Pursuant to Paper of Civil Judgment numbered (2016) Yue01MinZhong No.3446 issued by the Intermediate Court of Guangzhou on 16 December 2016, Paper of Civil Judgment numbered (2015) SuiYueFaMinErChuZi No.774-3 issued by the People's Court of Guangzhou Liwan District was quashed, and the case was referred to the People's Court of Guangzhou Liwan District.

On 27 December 2017, the People's Court of Guangzhou Liwan District made a civil judgment that all the claims of Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. were dismissed.

On 10 January 2018, Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. appealed to the Intermediate People's Court of Guangzhou. On 9 May 2018, the meeting was held at the Intermediate People's Court of Guangzhou. The judgment made by the Intermediate People's Court of Guangzhou on 27 August on the second trial of the re-examination of the Guangsheng case, case number: (2018) Yue01MinZhong No.6503, dismissed the appeal of Guangsheng and upheld the original judgment.

On September 6, 2018, Guangdong Guangsheng Nonferrous Metals Group Co., Ltd. sued Subsidiary A to the People's Court of Tianhe District, Guangzhou City in a private loan dispute, and requested that Subsidiary A and the other five defendants jointly repay the principal of RMB18 million to it from the date of overdue repayment to the date of actual repayment, the interest during the capital occupation period was paid at the rate of 6% per annum of RMB4,216,500.00.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(b) (Continued)

On December 18, 2018, the first trial of this case was held in the People's Court of Tianhe District, Guangzhou. On March 5, 2019, the case was heard in the first instance at the Tianhe District People's Court in Guangzhou. On June 24, 2019, the case was held for the second time in the first instance at the Tianhe District People's Court in Guangzhou.

On October 22, 2019, the Tianhe District People's Court of Guangzhou issued the " (2018) Yue 0106 Min Chu 23672 Civil Judgment", deciding the defendants Chen Xijiang, Guangzhou Tengtai Fuel Chemical Co., Ltd., and Dongguan Hualian Road Asphalt Limited The company, Subsidiary A, Liu Xianghong repaid the borrower's principal of RMB18,800,000 and its interest to the plaintiff Guangsheng Metal Company, and at the same time they shared the total case acceptance fee and security fee of RMB157,780.00.

On November 7, 2019, Subsidiary A submitted the Civil Appeal to Tianhe Court. On March 3, 2020, Subsidiary A received the "Notice of Accepting Appeal Cases" and "Subpoena" from the Guangzhou Intermediate People's Court. On May 8th and 27th, 2020, Subsidiary A sent two copies of "Attorney" to Guangzhou Intermediate People's Court.

On July 21, 2020, Subsidiary A received the second instance ruling from the Guangzhou Intermediate People's Court. The Guangzhou Intermediate People's Court held that the court of first instance failed to notify the manager of Dongguan Yelian Road Modified Asphalt Co., Ltd. to appear in court to participate in the litigation. The judgment was in absentia and a serious violation of legal procedures. Ruling: 1. Revocation of the first instance judgment made by Tianhe District Court; 2. The case was sent back to Tianhe District Court for retrial.

As of the reporting date, the above cases are still under trial. On the basis of full reference to the professional opinions of external lawyers, the management of Subsidiary A evaluated the case and believed that Subsidiary A lost the case in this case and caused direct economic losses of approximately RMB6 million, with a provision of RMB6 million.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

- (c) Guangdong Guangsheng Investment Group Energy Co., Ltd. filed a claim with the Court on the unreceived payment of RMB47,400 thousand against the Group's Subsidiary A on 25 December 2014, and seek for freezing the bank accounts of Subsidiary A, and required Subsidiary A to pay the due payment and the overdue interest.

Pursuant to Paper of Civil Judgment numbered (2015) SuiLiFaMinErChuZi No.454-1 to No.468-1 issued by the People's Court of Guangzhou Liwan District on 21 December 2015, the prosecution by Guangdong Guangsheng Investment Group Energy Co., Ltd. was dismissed, and the case was transferred to public security organization to handle as criminal case. Guangdong Guangsheng Investment Group Energy Co., Ltd. lodged an appeal to the Intermediate People's Court of Guangzhou.

Pursuant to a total of 15 Paper of Civil Judgments numbered (2016) Yue01MinZhong No.3437 to No. 3445, No.5158 to No. 5163 issued by the Intermediate Court of Guangzhou on 16 December 2016, a total of 15 Paper of Civil Judgments numbered (2015) SuiLiFaMinErChuZi No.454-1 to No. 468-1 issued by the People's Court of Guangzhou Liwan District was quashed, and the case was referred to the People's Court of Guangzhou Liwan District.

On 22 December 2017, the People's Court of Guangzhou Liwan District made a civil judgment that all the claims of Guangdong Guangsheng Investment Group Energy Co., Ltd. were dismissed.

On 4 January 2018, Guangdong Guangsheng Investment Group Energy Co., Ltd. appealed to the Intermediate People's Court of Guangzhou. The second instance review of the case was tried at the Intermediate People's Court of Guangzhou on 9 May 2018 and a court order was to be made.

On 27 August 2018, the Intermediate People's Court of Guangzhou finalized the judgment, Guangdong Guangsheng Investment Group Energy Co., Ltd. could not prove that it had delivered the goods involved to Subsidiary A. The appeal was finally dismissed, and the original judgment was upheld considering the fact that a sales contract between the two parties existed and the goods had been delivered so that Subsidiary A had to pay is lack of evidence.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(c) (Continued)

On October 15, 2019, Guangdong Guangsheng Investment Group Energy Co., Ltd. filed two lawsuits in Haizhu Court on the basis of a dispute over a loan contract, suing Chen Xijiang, Guangzhou Suntech Fuel Chemical Co., Ltd., Subsidiary A, Ni Li He and Peng Beizhan a total of five defendants, and the total amount involved was RMB49,654,400.00.

On February 24, 2020, Subsidiary A received the “subpoena” and “Notice of Response” from the Haizhu District People’s Court of Guangzhou City. The case was heard on May 12, 2020, in the A603 of 30th court of the Haizhu District Court and the court has not yet made a judgment.

As of the reporting date, the above cases are still under trial. With full reference to the professional opinions of outside lawyers, the management of Subsidiary A evaluated the case. For the account receivables of Guangzhou Defengxing Petrochemical Co., Ltd. and accounts receivable Guangzhou Tengtai Fuel Chemical Co., Ltd., the provision for bad debts is made at a rate of 10.00%. For the actual funds paid, including other accounts receivable of Guangzhou Defenghang Petrochemical Co., Ltd. of RMB10,315.70 thousand, and accounts receivable of Zhongyou Jieneng (Zhuhai) Petrochemical Co., Ltd. of RMB10,541.80 thousand, a single provision for bad debts was made and accrued. The ratio is 100.00%.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

- (d) On November 11, 2014, Guangzhou Linhai trading industry co., Ltd. sued to the court on the grounds that Subsidiary A of the group did not pay RMB8,364.9 thousand in accordance with the contract, requiring Subsidiary A to pay the due payment and overdue interest.

On December 30, 2015, Guangzhou Liwan district people's court issued (2014) civil judgment no. 2424, 2425-4 of Guangzhou Liwan district people's court, and ordered Subsidiary A to pay due goods payment and overdue interest to Guangzhou Linhai trading industry co., Ltd.

On January 25, 2016, Subsidiary A appealed to Guangzhou Intermediate People's Court.

On December 21, 2016, the intermediate people's court of Guangzhou issued the civil judgment on (2016) No.7733 and 7734 of Guangdong 01 Minzhong, and decided to revoke the civil judgment No.2424 and 2425 of Guangzhou Liwan district people's court (2014). And rejected the appellee Guangzhou Linhai trade industrial co., LTD.

On August 28, 2017, Guangzhou Linhai Trade Industrial Co., Ltd. submitted an application for retrial to the Guangdong Higher People's Court. On November, 2017, the higher people's court of Guangdong province issued (2017) yuemin shen 6100 civil order, rejecting the retrial application of Guangzhou Linhai trade industry co., LTD.

On March 15, 2018, Subsidiary A received from Guangzhou city people's procuratorate issued check KongShen accused people are subject to supervision by (2018) no. 357 of the civil case acceptance notice, content at Guangzhou Linhai trade industrial co., LTD. With Subsidiary A business contract dispute case, leads to the Guangzhou intermediate people's court (2016), No.7733 and 7734 of Guangdong 01Minzhong as a result, apply to the Guangzhou municipal people's procuratorate for supervision. The procuratorate has accepted the case.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(d) (Continued)

On July 13, 2018, Subsidiary A received Guangzhou municipal people's procuratorate of Guangzhou check people (XING) (2018) 44010000573, Guangzhou check people(XING) supervisor (2018) 44010000574 which shows not support supervision application decision, decision according to the rules of the people's procuratorate civil litigation supervision (TRYOUT), the provisions of article ninety of the people's procuratorate decides not to support the supervision application of Guangzhou Linhai trade industrial co., Ltd.

On May 17, 2019, Guangzhou Linhai trading industry co., ltd. filed two lawsuits respectively with the people's court of Nansha district, Guangzhou regarding the above matters on the basis of two contracts, requesting to order subsidiary A and another defendant Hainan Lanhui new energy development co., ltd. to pay off the loan, interest, overdue interest and overdue repayment loss.

In one case, the loan amount was RMB4,031,300, the loss of overdue repayment was RMB228,900.00, the interest was RMB121,000.00, and the overdue interest was RMB3,764,000.00. In the other case, the loan amount is RMB4,031,300.00, the loss of overdue repayment is RMB228,900.00, the interest is RMB181,500.00, and the overdue interest is RMB3,756,000.00.

On June 17, 2019, Subsidiary A filed two jurisdictional objections to the people's court of Nansha district, Guangzhou. On July 9, 2019, the people's court of Nansha district of Guangzhou issued A civil order (2019) No.3946 of Guangdong 0115 Minchu and (2019) No.3947 of Guangdong 0115 Minchu, and ruled to reject the objection of jurisdiction raised by Subsidiary A.

On July 18, 2019, Subsidiary A submitted the petition of objection to jurisdiction to the people's court of Nansha district, Guangzhou. In view of the jurisdiction objection raised by subsidiary A, the court date of this case has been rescheduled and has not been determined.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(d) (Continued)

On December 24, 2019, Subsidiary A submitted the Evidence One and Evidence Two Lists to the Nansha District People's Court in Guangzhou. On December 26, 2019, Subsidiary A sent the "Additional Defendant Application" to the Nansha District People's Court of Guangzhou City, asking the court to add Guangzhou Yongyi Energy Technology Development Co., Ltd. as the defendant in this case.

The case has been heard for the first time on January 20, 2020, in the eighth court of the Nansha District People's Court, Guangzhou. On February 18, 2020, Subsidiary A received the "Subpoena", "Application for Change of Litigation Request" and "Notification of Re-appointment of Evidence Period" of the Nansha District People's Court of Guangzhou City. The third trial of the case was held on May 8, 2020 in the eighth court of the Nansha District Court. On July 15, 2020, Subsidiary A received the judgment of the first instance sent by the Nansha District Court, and the judgment rejected all claims of Subsidiary A by Linhai Company. For Case No. 3947 (same as Case No. 3946), the Nansha District Court's first-instance judgment was as follows: 1. The defendant Lanhui Company returned to the plaintiff Linhai Company the loan principal of RMB4,031.25 thousand; 2. The defendant Lanhui Company compensated the plaintiff Linhai Company for interest losses; 3. Other claims of the plaintiff Linhai Company were rejected. The case acceptance fee of 68,814.30 yuan was borne by the plaintiff Linhai Company and the defendant Lanhui Company. In addition, the Nansha District Court found that the reasons for the application to add Yongyi Company as a co-defendant were untenable and ruled to reject Subsidiary A's application.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

② *Litigations of the Group's Subsidiary A (Continued)*

(d) (Continued)

On August 4, 2020, Linhai Company received the "Letter of Appeal" for this case. The content of the appeal was mainly: 1. Subsidiary A was revised to assume joint and several liability for the debts of Lanhui Company and the losses caused to Linhai Company; 2. The judgment was changed to Lanhui Company and Subsidiary A to bear the fees for the first instance and second instance of this case; 3. The third item of the first instance judgment of the Nansha District Court was revoked.

As of the reporting date, the above cases are still under trial. On the basis of full reference to the professional opinions of external lawyers, the management of Subsidiary A evaluated the case and considered that it was unlikely that Subsidiary A would lose the case in this case and cause direct economic losses.

③ *Other litigation of the Group's Subsidiary A*

On March 26, 2019, Subsidiary A filed A lawsuit against Fujian Bestway Medical Polymer co., Ltd. in Liwan district people's court of Guangzhou for contract dispute, requiring the defendant to return the payment of RMB7,310 thousand, the returned products of 4,550 thousand and the overdue liquidated damages of about RMB1,657 thousand to Subsidiary A, totaling about RMB13,512 thousand.

On April 1, 2019, Subsidiary A applied for property preservation to the Liwan District People's Court in Guangzhou. On June 3, 2019, Subsidiary A received the " (2019) Yue 0103 Minchu No. 2801 Civil Ruling Letter" and " (2019) Yue 0103 License No. 250 Property Security Notice" issued by the Guangzhou Liwan District People's Court., ruled that the bank account of Fujian Bestway Medical Polymer Co., Ltd. (funds: RMB650 thousand) and its 100.00% equity interest in Fuzhou Kanglite Medical Devices Co., Ltd. were frozen.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

③ *Other litigation of the Group's Subsidiary A (Continued)*

On May 22, 2019, Fujian Bestwell Medical Polymer Co., Ltd. filed a jurisdiction objection to the Liwan District People's Court in Guangzhou. On June 5, 2019, Subsidiary A received the "Civil Ruling of (2019) Yue 0103 Minchu No. 2801" issued by the Liwan District People's Court of Guangzhou City, which rejected the Fujian Bestway Medical Polymer Co., Ltd. Jurisdiction raised. On July 25, 2019, Fujian Bestway Medical Polymer Co., Ltd. filed an appeal of jurisdictional objection to Guangzhou Intermediate People's Court.

On August 26, 2019, Guangzhou Intermediate People's Court issued a (2019) Yue 01 Minzhong No. 1796 civil ruling, which ruled that the case was transferred to the People's Court of Taijiang District, Fuzhou City, Fujian Province for trial.

On November 7, 2019, Subsidiary A received a "subpoena" from the Taijiang District People's Court of Fuzhou City. On November 12, 2019, Subsidiary A submitted the "Application for Withdrawal" to the Taijiang People's Court in Fuzhou. On November 18, 2019, Subsidiary A received the (2019) Min 0103 Minchu No. 4329 Civil Ruling Letter issued by the People's Court of Taijiang District, Fuzhou City, and ruled that Subsidiary A was allowed to withdraw its lawsuit.

On January 14, 2020, Subsidiary A sued Fujian Bestway Medical Polymer Co., Ltd. to the Liwan District People's Court of Guangzhou City for a dispute over the sales contract.

On February 26, 2020, Subsidiary A received the " (2020) Yue 0103 Minchu 1684 Civil Ruling Letter" issued by the Liwan District People's Court of Guangzhou. The Liwan District People's Court of Guangzhou concluded that it had no jurisdiction over the case. The ruling was rejected.

On March 2, 2020, Subsidiary A submitted the "Civil Appeal" to the Liwan District People's Court in Guangzhou.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

③ Other litigation of the Group's Subsidiary A (Continued)

On May 7, 2020, Subsidiary A received a text message from the court. The Guangzhou Intermediate People's Court has accepted the appeal filed by Subsidiary A. The case number is (2020) Yue 01 Min Zhong No. 8249, which was obtained after communicating with the clerk. Knowing that the second instance of the case will not be heard in court.

On June 3, 2020, Subsidiary A received the "Civil Ruling" from the Guangzhou Intermediate People's Court. The Guangzhou Intermediate People's Court held that Subsidiary A filed this case with the Liwan District Court again with the same litigants and claims. It has constituted a repeated prosecution, so it was ruled to reject our appeal and maintain the original ruling.

On July 2, 2020, Subsidiary A filed a retrial application with the Guangdong Higher People's Court. On the same day, the Guangdong Higher People's Court notified that the case has been accepted by SMS, and the case number is (2020) Yuemin Shen No. 7585.

On July 21, 2020, Subsidiary A sued Bestway to the Taijiang District Court and submitted the "Property Preservation Application" for the court to take property preservation measures against Bestway. At the same time, it entrusted Hua'an Property Insurance Co., Ltd. The Fuzhou Central Branch of the company provided guarantee for Subsidiary A's application for property preservation in litigation and issued a letter of guarantee to the court.

On July 21, 2020, the Taijiang District Court issued the "Notice of Accepting Cases", and the Taijiang District Court has accepted the case. The case number is (2020) Min 0103 Min Chu 3105.

On August 10, 2020, Subsidiary A received the "Civil Ruling" from the Taijiang District Court, ruling to seal up and freeze Bestway's assets worth RMB20,929,398.59.

According to the professional opinions of external lawyers, the management of Subsidiary A evaluated the case with the principle of prudence, Subsidiary A made a provision for the inventory price of the Bestway project inventory of RMB5,680 thousand.

NOTES TO THE FINANCIAL STATEMENTS

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

④ *Litigation against the Group's Subsidiary G*

On 27 December 2016, Guangzhou Keyun branch of Ping'an Bank Co., Ltd. filed a claim for the unreceived repayment from Guangdong Huaqiang Pharmaceutical Co., Ltd. (hereinafter referred to as "Huaqiang") of the loan obtained from a transfer of accounts receivable to the Group's Subsidiary G, against Huaqiang, and several guarantors, and Subsidiary G which is the debtor of the accounts receivable.

During the period from April to June of 2014, Huaqiang obtained the loan through transferring the accounts receivable due from Subsidiary G to Ping'an Bank without notifying Subsidiary G. Subsidiary G was the debtor of the accounts receivable but was not aware of the transfer and has paid the involved payments for goods of RMB66,340 thousand to Huaqiang. Ping'an Bank alleged that Subsidiary G should repay payments for goods because Huaqiang did not repay the loan in time. On 10 August 2018, the case is tried at the Intermediate People's Court of Guangzhou.

On 29 December 2018, the first-instance judgment was received. The court of first instance dismissed all the claims of Ping'an Bank Co., Ltd. Guangzhou Keyun branch to the Subsidiary G. Ping'an Bank did not appeal. The current stage of the second instance is when the other defendant in the case disagrees with the judgment of the first instance (the judgment against him) and filed without involving the Subsidiary G. As of the date of this report, the case is in the second instance stage.

The management of Subsidiary G has evaluated the situation of the case and combined with the opinions of external lawyers. It is believed that, on the one hand, Subsidiary G has never received Guangdong Huaqiang's notice of the transfer of claims on the accounts receivable of Subsidiary G. The company has also settled all the payments involved in the case to Guangdong Huaqiang on time. Therefore, the management of Subsidiary G believes that Subsidiary G is not responsible for the liabilities of Guangdong Huaqiang to Ping'an Bank. The first instance of the court rejected all claims of Ping'an Bank against Subsidiary G, and the second instance appeal did not involve Subsidiary G. Therefore, the management of Subsidiary G has not confirmed the provisions.

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For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑤ *Litigation of the Group's Subsidiary G*

- (a) On July 24, 2015, the subsidiary G of the group filed a complaint against Hubei Hongqiao pharmaceutical co., LTD. (hereinafter referred to as "Hubei Hongqiao") to Wuhan intermediate people's court for payment of RMB27,725.1 thousand in arrears, requiring it to pay a total of RMB37,124.8 thousand in payment for goods, interest owed and liquidated damages, and implementing property preservation before the lawsuit.

On January 24, 2017, Wuhan intermediate people's court made a first-instance judgment on the case, ordering Hubei Hongqiao to pay a total of RMB27,725.10 thousand in arrears to Subsidiary G as of the effective date of the judgment, as well as liquidated damages and interest loss of part of the payment (counting to the date of actual repayment of the arrears). The judgment has taken effect, and the defendant has not fulfilled the court's judgment. Subsidiary G has entrusted local lawyers to submit materials to the court for enforcement. In this case, pre-litigation property preservation measures have been taken before the prosecution to seal up and freeze the land use right and bank account under the name of Hubei Hongqiao. Up to now, the preserved property is still in the effective sealing and freezing state. The court has commissioned an appraisal agency to evaluate the property. In March 2018, the court informed that the evaluation report had been sent to Hongqiao, Hubei, and the court organized an auction. The auction was successful in October 2018. Next, the court will verify the rights and interests in accordance with relevant laws and draw up the distribution plan of auction money. In May 2019, Subsidiary G received the first execution payment of RMB4 million distributed by the court. In July 2019, the remaining execution funds deducted by the court were RMB7,342.10 thousand. Subsidiary G allocated a total of RMB11,342.10 thousand for execution. On August 26, 2019, the Wuhan Intermediate People's Court issued [(2017) E 01 Zhi No. 316_7] "Execution Ruling", ruling to terminate the (2015) Wuhan Civil and Commercial Business The current execution procedure of the Civil Judgment Chuzei No. 00822. As of June 30, 2020, the first execution procedure has ended, and the execution will be applied when the other party is found to have executable property.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑤ *Litigation of the Group's Subsidiary G (Continued)*

(a) (Continued)

The management of Subsidiary G evaluated the case and combined with the opinions of external lawyers, reviewed the above-mentioned recovery of the execution money, and after deducting the costs related to the lawsuit, written off the relevant accounts receivable and its bad debt provisions, and for the remaining uncollected, the management has made a full provision for bad debts.

- (b) On 18 August 2016, the Group's Subsidiary G filed a claim against Guilin Pharmaceutical Group Co., Ltd. (hereinafter referred to as "Guilin Medicine") for a total overdue payment of RMB4,130.8 thousand and applied for property preservation. The People's Court of Guangzhou made the final the judgment that Guilin Medicine is required to pay Subsidiary G the due payment of RMB4,130.8 thousand, the liquidated damages (from 22 August 2014 to the date of the actual payment is made, at the rate of five ten thousandth per day), the legal fees, and the litigation fees and litigation preservation fees for this case within 10 days from the effective date of the judgment. Both the first and second trials succeeded, and the relevant assets were seized in full, including 3 sets of real estate. The Subsidiary G applied to the court for enforcement, and is waiting for the court to auction the seized property.

After evaluating the case and considering the professional opinions provided by external lawyers, the management of Subsidiary G decided to make a provision for bad debts at the ratio of 100% to the above accounts receivable of RMB4,130.8 thousand.

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For January – June 2020

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑤ *Litigation of the Group's Subsidiary G (Continued)*

- (c) Sub-subsidiary J (whose parent company is Subsidiary G) filed a claim against Hebei Xinglin Pharmaceutical Co., Ltd. for arrear of RMB2,797,654.40 together with relevant interest.

After the second trial of the case on 26 February 2018, the defendant, Hebei Xinglin Pharmaceutical Co., Ltd., applied for judicial identification on the authenticity of the "Contract seal of Hebei Xinglin Pharmaceutical Co., Ltd." on the "Purchase and Sales Contract" and on whether the signatures of "Su Xueliang" on the three documents were signed by Su Xueliang himself. On 8 May 2018, the third trial were opened for the sample discussion. On the morning of 18 May 2018, the Intermediate People's Court of Nanning chose Guangxi Guigongming Forensic Center as the judicial appraisal institution through plate lottery. On 18 December 2018, Sub-subsidiary J sent the original contract and receipt to the Guangxi Guigongming Forensic Center for appraisal. On 8 April 2018, the People's Court of Nanning Qingxiu District, Guangxi Zhuang Autonomous Region, continued to freeze the bank deposit of Hebei Xinglin Pharmaceutical Co., Ltd., the defendant, for RMB2,842,153.00, and the freezing period was till 7 April 2019. On April 19 2019, the court went to Shijiazhuang to complete the freezing of the account amount RMB2,842,153 of Hebei Xinglin Company, the basic bank account in Huainan branch of Hebei Bank. On July 15, 2019, Sub-subsidiary J received the "Civil Judgment" (2015) Qingmin Er Chu Zi No. 2158 from the People's Court of Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region, and the court supported all Sub-subsidiary J's claims. On July 27, 2019, Hebei Xinglin refused to accept the result of the first instance and filed an appeal. The court has seized 2,842,153 yuan of deposits in Hebei Xinglin Bank (freezing period until April 2, 2021). On May 18, 2020, the court rejected the appeal of Hebei Xinglin and upheld the result of the first instance. After the court sent the judgment into effect, Sub-subsidiary J applied for enforcement.

After evaluating the case and considering the professional opinions provided by external lawyers, the management of Sub-subsidiary J decided to make a provision for bad debts at the ratio of 50% to the above accounts receivable.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑤ *Litigation of the Group's Subsidiary G (Continued)*

- (d) On May 31, 2019, Sub-subsidiary K (whose parent company is Subsidiary G) filed a lawsuit against Guangzhou Lитай pharmaceutical co., ltd. for a dispute over sales contract, demanding the refund of the undelivered part of the payment and the disposal of the inventory of goods, involving an amount of RMB4,249,799.20. On December 20, 2019, the trial of the first instance judged Sub-subsidiary K to win the case, and the court has seized the other party's land. Guangzhou Lитай did not appeal and the judgment of this case has come into effect. On May 26, 2020, the court notified Sub-subsidiary K that the defendant had entered the bankruptcy review in the Guangzhou Intermediate People's Court, so the court will make a ruling to terminate the Sub-subsidiary K's execution procedures. On June 29, 2020, the court requested a final transcript, and Sub-subsidiary K stated that it did not agree to the final version.

The management of Sub-subsidiary K evaluated the situation of the case, combined with the opinions of external lawyers, and believed that the defendant had entered the bankruptcy review stage, and the uncertainty of the payment for the goods was high, and the bad debt provision should be made in full.

- (e) On January 19, 2020, Sub-subsidiary K (the parent company is a subsidiary of G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,202,456.00. On June 3, 2020, the first instance opened and waited for the court's judgment.

As of the date of this report, the case has not yet been judged. The management of Sub-subsidiary K evaluated the situation of the case, combined with the opinions of external lawyers, and believed that the possibility of loss is unlikely. The management of Sub-subsidiary K made a 1% bad debt provision based on the principle of prudence based on the bad debt matrix of accounts receivable.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group*

- (a) For the dispute between Wang Lao Ji Great Health, a wholly-owned subsidiary of the Company, and Wuhan JDB Beverage Co., Ltd. in Changsha City arising from the slogan of “The red cans herbal tea – national top sales – JDB”, “7 of 10 cans of herbal tea sold in China are JDB. Many more people drink JDB to avoid suffering from excessive internal heat. Many more people drink JDB as its formula is more authentic.” or “JDB is approved as a national intangible cultural heritage masterpiece” which constitute false propaganda, under both the 1st trial ((2013) ChangZhongMinWuChuZi No.00308) and the 2nd trial((2016) XiangMinZhong No.94), the slogan of Wuhan JDB Beverage Co., Ltd. and JDB (China) Beverage Co., Ltd. constitute false propaganda, and the infringement was sentenced to stop. And according to the judgment of the first trial, Wuhan JDB Beverage Co., Ltd. and JDB (China) Beverage Co., Ltd. were sentenced to pay Wang Lao Ji Great Health pecuniary loss of RMB9,022,978.20 and reasonable rights protection fee of RMB239,779.00. The court of the second trial upheld the judgment of the lower court except for the compensation of to RMB6 million, which is paid to Wang Lao Ji Great Health. Wuhan JDB Beverage Co., Ltd. and JDB (China) Beverage Co., Ltd. was dissatisfied with the first-instance judgment and applied for a retrial to the high court. The Supreme Court decided to arraign this case on 23 December 2016 as there are some applicable issues of this case, with reference of (2017) ZuiGaoFaMinZai No. 155. The Supreme People’s Court started the trial on 30 November 2017.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(a) (Continued)

The case was tried on 8 March 2019, and is at a retrial stage at present. On August 16, 2019, received the judgment from the Supreme People's Court: (1) the cancellation of the Hunan Provincial Higher People's Court (2016) Xiangmin No. 94 civil judgment; (2) the abolition of the Changsha Intermediate People's Court (2013) in Hunan Province. Minwu Chuzi No. 00308 civil judgment; (3) Wuhan JDB Beverage Co., Ltd. immediately ceased to publish in the "Xiaoxiang Morning News" on the effective date of this judgment, including "China can sell 10 cans of herbal tea 7 is JDB" Advertisements for advertising words and the immediate cessation of use and destruction of product packaging bearing the advertisement of "National Sales Leading Red Canned Herbal Tea – JDB"; (4) Hunan Fengcai Haorunjia Trading Co., Ltd. on the effective date of this judgment Immediately stop selling the JDB herbal tea with the slogan "National Leading Red Canned Herbal Tea – JDB" printed on the package; (5) Wuhan JDB Beverage Co., Ltd. will compensate within 10 days from the effective date of this judgment to Guangzhou Pharmaceutical Group, Guangzhou Wang Lao Ji Da Great Health economic losses and reasonable expenses totaled RMB1,000,000.00; (6) Rejected Guangzhou Pharmaceutical Group, Guangzhou Wang Lao Ji Great Health other litigation requests; The case acceptance fees for the first and second instance cases totaled RMB165,200.00, one part RMB99,120.00 was paid by Wuhan JDB Beverage Co., Ltd., and Guangzhou Pharmaceutical Group Co., Ltd. and Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. jointly paid one other part RMB66,080.00.

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For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ Respond to prosecution of other subsidiaries of the Group (Continued)

(a) (Continued)

On August 29, 2019, JDB (China) Beverage Co., Ltd. applied to the Changsha Intermediate People's Court for compulsory execution in accordance with the (2017) Supreme Fa Min Zai No. 155 Civil Judgment. The case number is 2019 (Xiang) 01 Zhi 1825. Request Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. to pay compensation of RMB5,239,779.00, pay interest of RMB664,811.00 and bear the case acceptance fee of RMB9,880.00 and application execution fee of RMB56,972.00. On September 29, 2019, the Changsha Intermediate People's Court issued (2019) Xiang 01 Executive No. 1825 execution ruling: freezing and deducting bank deposits of RMB5,971,442 under the names of the executors Guangzhou Pharmaceutical Group Co., Ltd. and Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. or After sealing up, seizing, detaining, and withdrawing their assets of equal value, Guangzhou Pharmaceutical Group Co., Ltd. and Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. filed an execution objection to the Changsha Intermediate People's Court. On November 14, 2019, Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. paid compensation and case acceptance fees and execution fees to Changsha Intermediate People's Court totaling RMB5,306,631. On December 12, 2019, the Changsha Intermediate People's Court issued an execution ruling, case number 2019 (Xiang) 01 Dispute No. 183, dismissing the objections of Guangzhou Pharmaceutical Group Co., Ltd. and Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. In December 2019, Guangzhou Pharmaceutical Group Co., Ltd. and Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. submitted an application for reconsideration of enforcement objections to the Hunan Higher People's Court. On June 11, 2020, the Hunan Provincial Higher People's Court issued an enforcement ruling, with case number (2020) Xiang Zhi Fu No. 64, revoking the Changsha Intermediate People's Court (2019) Xiang 01 Zhi Yi No. 183 enforcement ruling and (2019) Xiang 01 executed the ruling on No. 1825.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

- (b) In 2015, Guangzhou Hao Cheng Estate Management Development Co., Ltd. filed a claim to the dispute of lease contract by the Group's Subsidiary B and applied for termination to contract and compensation for the loss. Subsidiary B also filed a claim for the unreceived rental and penalty of Guangzhou Hao Cheng Estate Management Development Co., Ltd and its guarantor.

Pursuant to Paper of Civil Judgment numbered (2015) SuiYueFaMinSanChuZi No.186, issued by the People's Court of Guangzhou Yuexiu District on 30 June 2017, Lease Contract and Lease Supplementary Contract entered into by Guangzhou Hao Cheng Estate Management Development Co., Ltd. and Subsidiary B on 28 February 2014 was terminated on 9 September 2016. Subsidiary B shall fully pay Guangzhou Hao Cheng Estate Management Development Co., Ltd. the compensation of RMB1,955,325.00 within 10 days from the date when this Paper of Civil Judgment takes effect, and other claims of Guangzhou Hao Cheng Estate Management Development Co., Ltd. were dismissed.

Pursuant to Paper of Civil Judgment numbered (2015) SuiYueFaMinSanChuZi No.639, issued by the People's Court of Guangzhou Yuexiu District on 30 June 2017, Guangzhou Hao Cheng Estate Management Development Co., Ltd. shall pay Subsidiary B penalty and rental of to RMB9,800 thousand for the period from 1 October 2014 to 31 January 2015, its guarantor shall undertake joint liability for the debts, and other claims of Subsidiary B were dismissed.

Pursuant to Paper of Civil Judgment numbered (2016) Yue0104MinChu No.100 issued by the People's Court of Guangzhou Yuexiu District on 30 June 2017, Guangzhou Hao Cheng Estate Management Development Co., Ltd. shall pay Subsidiary B rental and the penalty of RMB33,205 thousand for the period from 1 February 2015 to 31 December 2015. Its guarantor shall undertake joint liability for the debts. Other claims of Subsidiary B were dismissed.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(b) (Continued)

Guangzhou Hao Cheng Estate Management Development Co., Ltd. refused to accept the above-mentioned civil judgment and lodged an appeal. Subsidiary B filed a claim against Guangzhou Hao Cheng Estate Management Development Co., Ltd. and its guarantor on delays in paying rental and breach of contract damages for the period from 1 January 2016 to 9 September 2016 numbered (2018) Yue0104Minchu No. 813.

The final judgment on 28 May 2018 included three cases in which Subsidiary B recovered the rent arrears from October 2014 to December 2015. The final judgment announced that rental shall be halved based on the contracted rental, and the interest on the rental payable was calculated based by the bank benchmark interest rate of similar loans. The estimated residual value of the renovation investment was 50% of the other leases except for the RMB1,955,325.00 which was agreed by Subsidiary B.

On 28 June 2018, Subsidiary B and Guangzhou Hao Cheng Estate Management Development Co., Ltd. signed the Settlement Agreement after Guangzhou Hao Cheng Estate Management Development Co., Ltd. paid the principal and interest of RMB27,966,723.12 to Subsidiary B and provided invoice of valuation fee of RMB128,000.00, assets of RMB230,000.00, invoice of RMB1,725,325.00, and cash voucher of RMB2,278,382.50 to Subsidiary B, and received the receipt from Subsidiary B for receiving refund of the deposit of RMB5,800,000.00. On 29 June, Subsidiary B handed in the written application of unblocking the assets of Haocheng and Cai Song, and the written application of withdrawal of the appealed but not judged case which was numbered as (2018) Yue0104Minchu No. 813.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(b) (Continued)

Both parties of the case had settled and had fulfilled the main part of the settlement agreement. Some legal settlement documents for the case are still being processed. Cai Song, one of the defendants in the latter two cases, filed a retrial application (case number: (2018) YueMinShen No. 12750 & No. 12751). Subsidiary B has submitted a defense opinion to the High Court. The court found that the second-instance judgment of this case confirmed that Hao Cheng Company should pay rent and interest to Subsidiary B, and Cai Song was jointly liable for the debt; The company and Hao Cheng Company reached a settlement agreement and it has been fulfilled. The claims and debts between Subsidiary B and Hao Cheng Company in this case have been settled and the debts have been eliminated. The guarantor does not have to bear the responsibility of guarantee. The second instance judgment confirmed that Cai Song should not bear the joint liability for settlement. According to regulations, it was ruled to terminate the review of Cai Song's retrial application..

As at the reporting date, the management of Subsidiary B considered that it is not probable that it will lose the case which results in direct economic loss after the assessment which takes the professional opinions provided by external lawyers into consideration. The management of Subsidiary B does not recognize any provisions.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

- (c) On June 23, 2015, the Land and Resources Planning Commission of Guangzhou Municipality issued an Administrative Decision (Sui Guofang Zi [2015] No. 56) to the Real Estate Development Company of Guangdong Provincial Construction Engineering Corporation and the Subsidiary E of the Group. The unit paid the unpaid land transfer fee of RMB13,160,051.26 and the liquidated damages calculated to June 23, 2015 of RMB13,216,059.26, which totaled RMB26,376,110.52.

Subsidiary E and Guangdong Provincial Construction Engineering Corporation Real Estate Development Company respectively applied for administrative reconsideration to the Guangzhou Municipal People's Government. The Guangzhou Municipal People's Government issued the "Administrative Review Decision" (Suifu Xingfu [2015] No. 872, 879) on January 5, 2017, maintaining the "Land and Resources and Planning Commission of Guangzhou Municipality" Administrative Decision " (Sui Guofang Zi [2015] No. 56).

Subsidiary E filed a lawsuit with the Guangzhou Railway First Court on January 15, 2017, requesting the revocation of the aforementioned administrative decision and administrative reconsideration decision.

The Guangzhou Railway First Court issued an Administrative Judgment ((2017) Yue 7101 Xingchu No. 558) on June 19, 2017, dismissing the lawsuit of Subsidiary E.

Subsidiary E filed an appeal to Guangzhou Railway First Court on June 30, 2017, requesting the revocation of the above-mentioned administrative decision and administrative reconsideration decision.

The Guangzhou Railway Intermediate Court issued the "Administrative Judgment" ((2017) Yue 71 Line End No. 1288) on October 17, 2017, rejected the E subsidiary's appeal, and maintained the original judgment of the first instance. The verdict is final. Subsidiary E provided a total of RMB26,376,110.52 in land transfer fees and liquidated damages based on the principle of accounting prudence in non-operating expenses. Subsidiary E applied for retrial to Guangdong Higher People's Court, and Guangdong Higher People's Court accepted the retrial application for Subsidiary E on March 22, 2018. However, no notice of retrial filing has been received.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(c) (Continued)

On March 5, 2019, the Guangzhou Railway Transport Court issued (2019) Yue 7101 execution No. 254 to the Subsidiary E, requiring the Subsidiary E and the Guangdong Provincial Construction Engineering Corporation Real Estate Development Company to immediately pay the unpaid land for sale. Gold of RMB13,160,051.26 and liquidated damages of RMB13,216,059.26, totaling RMB26,376,110.52.

On March 12, 2019, Subsidiary E reached a settlement with the Guangzhou Municipal Land Resources and Planning Commission. Subsidiary E paid the advance payment of RMB13,160,051.26 and liquidated damages 13,216,059.26 to Guangzhou Land and Resources and Planning Commission. No more land transfer fees, liquidated damages, and interest in the delayed performance period will be paid to the E subsidiary. As of the date of this report, the implementation case has now been closed.

On March 27, 2019, the Guangdong Provincial Higher People's Court issued (2018) Yuexing Shen No. 516 "Administrative Ruling", which ruled to reject the retrial application of Subsidiary E.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(c) (Continued)

On May 9, 2019, Subsidiary E filed a lawsuit with the Yuexiu District People's Court of Guangzhou City, asking Guangdong Construction Engineering Corporation Real Estate Development Company to return the advance land transfer fee of RMB13,160,051.26 and the penalty fee of RMB13,216,059.26 to Subsidiary E. Interest is paid on March 12, 2019 at the interest rate of the People's Bank of China for the same period until the date when the above amounts are fully settled. On November 11, 2019, the court issued the "Civil Judgment" (2019) Yue 0104 Minchu 19826, in support of the Subsidiary E's litigation request, and ruled that the Guangdong Provincial Construction Engineering Corporation Real Estate Development Company returned the land transfer fee to the Subsidiary E RMB13,160,051.26 and liquidated damages RMB13,216,059.26 totaling RMB26,376,110.52 and interest paid (since March 12, 2019, based on RMB26,376,110.52 as the base, and referring to the financial institution's standard for the calculation of interest on loans received by the People's Bank of China for the same period, the loan interest is calculated to pay off the above amount until the date).

On November 21, 2019, the Guangdong Provincial Construction Engineering Corporation Real Estate Development Company filed an appeal to the Guangzhou Intermediate People's Court, demanding that it be changed without paying interest to Subsidiary E. In the second instance of the case, the Guangzhou Intermediate People's Court made a judgment on April 3, 2020 (the judgment number is "Civil Judgment" (2020) Yue 01 Min Zhong No. 3668). It rejected the appeal request of Guangdong Construction Engineering Corporation and upheld the original judgment.

At present, Subsidiary E has submitted an application for enforcement to the court. On June 4, 2020, the Yuexiu District Court opened a case to accept the application for enforcement.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

- (d) On June 1, 2015, Guangzhou Ruigu enterprise management information consulting co., ltd. sued Subsidiary F of the group over a legal service contract dispute, requiring Subsidiary F to pay RMB22,421,800.00 of legal service fee and overdue interest.

On January 8, 2016, Guangzhou Nansha district people's court made a civil judgment of first instance (2015), which ordered F subsidiary to pay RMB13,192,825.00 of service fee to Guangzhou Ruigu enterprise management information consulting co., ltd. within 10 days after the judgment took legal effect.

Subsidiary F and Guangzhou Ruiju enterprise management information consulting co., ltd. both refused the first-instance judgment and filed an appeal to the intermediate people's court of Guangzhou. On May 17, 2016, the intermediate people's court of Guangzhou made the second instance civil judgment (2016) Guangdong01 minzhong 5137, ordering F subsidiary to pay RMB4,352,350.00 of service fee to Guangzhou Ruigu enterprise management information consulting co., ltd. within 10 days after the judgment takes legal effect. Subsidiary F has paid the above service fee.

Guangzhou Ruigu enterprise management information consulting co., ltd. still refuses to accept the judgment of the second instance and applies to the higher people's court of Guangdong province for retrial on September 1, 2016. On October 24, 2016, the higher people's court of Guangdong province issued the "notice of response to civil application for retrial" to F subsidiary [case No.:(2016) yuemin shen 6609], informing Subsidiary F about the response. On December 13, 2017, the higher people's court of Guangdong province held a hearing to decide whether to accept the retrial application of Guangzhou Ruiju enterprise management information consulting co., LTD.

On March 12, 2018, the higher people's court of Guangdong province issued a ruling rejecting the retrial application of Guangzhou Ruigu enterprise management information consulting co., LTD.

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(d) (Continued)

On September 12, 2018, Guangzhou Ruigu enterprise management information consulting co., ltd. once again filed a lawsuit with the people's court of Nansha district, Guangzhou for legal service contract dispute, requiring Subsidiary F to pay RMB18,069,450.00 legal service fee and overdue interest. The trial began on October 23, 2018. On November 15, 2018, Guangzhou Ruigu enterprise management information consulting co., ltd. applied to the court to withdraw the lawsuit. On November 19, 2018, the people's court of Nansha district, Guangzhou issued a ruling to allow Guangzhou Ruiju enterprise management information consulting co., ltd. to withdraw the lawsuit.

On March 17, 2019, Guangzhou Ruigu enterprise management information consulting co., LTD in Fujian province filed suit to the Subsidiary F. On March 28 Subsidiary F is put forward to the jurisdiction of the court, on April 17, 2019 in Longyan civil ruling, the second instance, the court ruled that the case transferred to the city of Guangzhou Nansha district people's court trial, on May 31, 2019, Longyan city intermediate people's court ruled make a second instance of civil ruling will be the case transferred to the city of Guangzhou Nansha district people's court for trial.

On March 24, 2019, Guangzhou Ruigu enterprise management information consulting co., LTD in Yueyang city of Hunan province to the subsidiary filed a lawsuit. On March 28 Subsidiary F sued is put forward to the jurisdiction of the court, on April 22, 2019, Yueyang Lou district first-instance civil ruling, the people's court ruled that the case transferred to the city of Guangzhou Nansha district people's court for trial. On August 21, 2019, the company received the written ruling of dropping the lawsuit from Guangzhou People's Court of Nansha District.

NOTES TO THE FINANCIAL STATEMENTS

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(d) (Continued)

On March 16, 2020, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued the Group's Subsidiary F. The case was a complaint concerning a legal service contract dispute. The amount involved was RMB18,069,450.00. Subsequently, the group's Subsidiary F proposed jurisdiction Objection, on April 15, 2020, the court ruled to reject the application of the Subsidiary F of the group; on April 22, the Subsidiary F filed an appeal against jurisdiction. On July 17, the Subsidiary F of the group received the judgment on the jurisdictional objection, and the Guangzhou Intermediate People's Court ruled that the case was transferred to the Nansha District Court for trial.

The above cases are all multiple lawsuits filed by Guangzhou Ruiju enterprise management information consulting co., ltd. for the same incident with different reasons. The management of Subsidiary F has assessed the case situation, and it is expected that compensation will not be required, so it is not handled in accounting.

- (e) In January 2018, Guangdong Guangsheng Investment Group Energy Co., Ltd. requested the subsidiary I of the Group to pay the purchase price of RMB81,408,500.00 on the ground that the purchase contract did not receive the payment. The plaintiff in this case has filed a lawsuit on the same grounds on March 11, 2015, and was dismissed by the Tianhe District Court on August 17, 2016 on the grounds that it involved criminal proceedings. This time, Guangdong Guangsheng Investment Group Energy Co., Ltd. re-prosecuted on the grounds that "there is no evidence to reflect the suspected economic crime in this dispute." At present, the first instance of the case has been rejected, and Guangdong Guangsheng Investment Group Energy Co., Ltd. has appealed it; the second instance has been returned to the first instance court for retrial. Four of the five retrial cases have been applied for by the plaintiff. The District Court ruled that Subsidiary I won the case and rejected all the plaintiff's claims. The other party did not appeal, the judgment has taken effect, and the case has all been concluded.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

8. Other significant matters (Continued)

(1) Litigations (Continued)

⑥ *Respond to prosecution of other subsidiaries of the Group (Continued)*

(e) (Continued)

However, on April 24, 2020, Guangdong Guangsheng Investment Group Energy Co., Ltd. filed a lawsuit against Yuexiu District Court for listing Subsidiary I as the fifth defendant. The reason for the lawsuit is that Guangdong Guangsheng Investment Group Energy Co., Ltd. has handed over the payment to the other defendants, demanding that the other defendants repay their loans of RMB5,274.50 thousand, and that Subsidiary I is directly at fault for its losses, and Subsidiary I is required to pay supplements liability for settlement. The case will go to court on August 31, 2020.

Since in (2017) Yue 0106 Min Chu No. 25326, the Subsidiary I has obtained an effective judgment, according to the principle of no second instance in the first case, the contract (amount of RMB2,763.60 thousand) involved in the case of No. 25326 Guangdong Guangsheng Investment Group Energy The limited company was unable to sue, so the subject matter of this case was less than RMB8,1408.50 thousand in the previous lawsuit. The management of the Subsidiary I combined the opinions of external lawyers to evaluate the situation of the case and it is expected that its litigation request will not be supported by the court.

(f) On April 24, 2014 and May 26, 2014, Guangdong Guangsheng Investment Group Energy Co., Ltd. and a branch of the group signed the "Oil Products Purchase and Sale Contract". Guangdong Guangsheng Investment Group Energy Co., Ltd. Since 2014, the branch has been sued to the Tianhe District People's Court for disputes over the sale and purchase contract. In June 2018, the Provincial Higher People's Court finally rejected the re-examination application of Guangdong Guangsheng Investment Group Energy Co., Ltd. On April 24, 2020, Guangdong Guangsheng Investment Group Energy Co., Ltd. filed a lawsuit on the grounds of "claiming rights through legal channels based on the true rights and obligations formed in the transactions involved".

The branch's management combined with the opinions of external lawyers to assess the situation of the case, and it is expected that the possibility of losses caused by this lawsuit is relatively small.

(2) No other significant matters

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Opening balance
Within 1 year	140,503,237.45	131,315,589.08
1 to 2 years	440,919.97	5,170.86
2 to 3 years	–	–
3 to 4 years	–	–
4 to 5 years	1,437,557.00	1,447,557.00
Over 5 years	2,940,186.52	2,940,186.52
Total book balance of accounts receivable	145,321,900.94	135,708,503.46
Less: Provision for bad debts	5,856,156.50	5,728,705.10
Total book value of accounts receivable	139,465,744.44	129,979,798.36

(2) Accounts receivable disclosed by category

Category	Closing balance			
	Book balance Amount	Proportion (%)	Provision for bad debts Amount	Expected credit loss ratio (%)
Accounts receivable subject to separate provision	2,674,626.24	1.84	2,674,626.24	100.00
Accounts receivable subject to provision by portfolio	142,647,274.70	98.16	3,181,530.26	2.23
Including: portfolio 1	142,647,274.70	98.16	3,181,530.26	2.23
Total	145,321,900.94	100.00	5,856,156.50	4.03

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

Category	Book balance		Opening balance	
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)
Accounts receivable subject to separate provision	2,674,626.24	1.97	2,674,626.24	100.00
Accounts receivable subject to provision by portfolio	133,033,877.22	98.03	3,054,078.86	2.30
Including: portfolio 1	133,033,877.22	98.03	3,054,078.86	2.30
Total	135,708,503.46	100.00	5,728,705.10	4.22

① Accounts receivable subject to separate provision at the period end

Accounts receivable (by company)	Accounts receivable	Provision for bad debts	Closing balance	
			Expected credit loss ratio (%)	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 2	470,000.00	470,000.00	100.00	Amount is expected to be unrecoverable.
Customer 3	320,000.00	320,000.00	100.00	Amount is expected to be unrecoverable.
Customer 4	315,508.74	315,508.74	100.00	Amount is expected to be unrecoverable.
Customer 5	69,117.50	69,117.50	100.00	Amount is expected to be unrecoverable.
Total	2,674,626.24	2,674,626.24	100.00	

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

② Accounts receivable subject to provision by portfolio

Aging	Closing balance		Expected credit loss ratio (%)
	Book balance	Provision for bad debts	
Within 1 year	140,183,237.45	1,401,832.38	1.00
1 to 2 years	440,919.97	44,092.00	10.00
2 to 3 years	–	–	–
3 to 4 years	–	–	–
4 to 5 years	1,437,557.00	1,150,045.60	80.00
Over 5 years	585,560.28	585,560.28	100.00
Total	<u>142,647,274.70</u>	<u>3,181,530.26</u>	–

Aging	Opening balance		Expected credit loss ratio (%)
	Book balance	Provision for bad debts	
Within 1 year	130,995,589.08	1,309,955.89	1.00
1 to 2 years	5,170.86	517.09	10.00
2 to 3 years	–	–	–
3 to 4 years	–	–	–
4 to 5 years	1,447,557.00	1,158,045.60	80.00
Over 5 years	585,560.28	585,560.28	100.00
Total	<u>133,033,877.22</u>	<u>3,054,078.86</u>	–

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

③ Provision for bad debts

Category	Opening balance	Provision	Current change amount		Closing balance
			Amount recovered or reversed	Amount resold or written-off	
Provision for accounts receivable bad debts	5,728,705.10	127,451.40	-	-	5,856,156.50
Total	5,728,705.10	127,451.40	-	-	5,856,156.50

(3) There is no accounts receivables written off in the current period.

(4) The top five customers by closing balance of accounts receivable:

Company	Closing balance	Proportion of total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	95,836,178.96	65.95	958,361.79
Customer 2	16,720,051.00	11.51	167,200.51
Customer 3	5,859,164.00	4.03	58,591.64
Customer 4	3,900,000.00	2.68	39,000.00
Customer 5	2,699,150.44	1.86	26,991.50
Total	125,014,544.40	86.03	1,250,145.44

(5) The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.

(6) The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	363,226,705.58	463,226,705.58
Other receivables	1,410,810,041.69	1,481,230,655.20
Less: provision for bad debts	10,090,703.59	10,058,692.42
Total	1,763,946,043.68	1,934,398,668.36

(1) Dividends receivable

① Dividends receivable are as follows:

Item (or investee)	Closing balance	Opening balance
Tian Xin	104,502,080.90	104,502,080.90
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
HWBYS	178,767,530.00	278,767,530.00
Total	363,226,705.58	463,226,705.58

② The Group had no significant dividends receivable with aging over one year for the current period.

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	1,273,144,856.36	90.25	1,468,890,589.44	99.16
1 to 2 years	126,042,003.53	8.93	2,044,140.00	0.14
2 to 3 years	1,160,333.65	0.08	296,940.52	0.02
3 to 4 years	98,900.00	0.01	2,478,497.34	0.17
4 to 5 years	2,437,311.34	0.17	403,590.42	0.03
Over 5 years	7,926,636.81	0.56	7,116,897.48	0.48
Total	1,410,810,041.69	100.00	1,481,230,655.20	100.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

② Category of other receivables as per nature

Nature	Closing balance	Opening balance
Receivables due from related parties	1,366,429,241.12	1,444,294,507.40
Including: Entrusted loans	1,102,233,486.36	1,102,233,486.36
Other receivables due from related parties	264,195,754.76	342,061,021.04
Rental, margins, deposit, advances to employees	4,503,716.95	3,925,945.88
Others	39,877,083.62	33,010,201.92
Less: provision for bad debts	10,090,703.59	10,058,692.42
Total	1,400,719,338.10	1,471,171,962.78

③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Opening balance	10,058,692.42	–	–	10,058,692.42
Provision at current period	82,011.17	–	–	82,011.17
Reversal of bad debt provision at current period	50,000.00	–	–	50,000.00
Charge off at current period	–	–	–	–
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance	10,090,703.59	–	–	10,090,703.59

④ The provision for bad debts was RMB82 thousand this period, and there was RMB50 thousand provision for recovering or reversing bad debts this period.

Including: There is no important recovery or reversal of other receivables in the current period.

⑤ There is no other receivables written off for this period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(2) Other receivables (Continued)

⑥ *The top five amount of the closing balance of other receivables by customers.*

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	567,059,059.13	Within 1 year	40.19	-
Other receivables 2	Receivables due from related parties	321,814,228.99	Within 1 year	22.81	-
Other receivables 3	Receivables due from related parties	144,433,921.66	Within 1 year	10.24	-
Other receivables 4	Receivables due from related parties	84,693,768.10	Within 1 year	6.00	-
Other receivables 5	Receivables due from related parties	76,374,245.54	Within 1 year	5.41	-
Total		<u>1,194,375,223.42</u>		<u>84.65</u>	

⑦ There is no receivables related to government grants for the current period.

⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.

⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term Equity Investment

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	9,275,716,281.83	171,500,000.00	9,104,216,281.83	9,035,716,281.83	171,500,000.00	8,864,216,281.83
Investment in joint ventures and associates	1,280,009,083.65	-	1,280,009,083.65	1,225,204,503.41	-	1,225,204,503.41
Total	10,555,725,365.48	171,500,000.00	10,384,225,365.48	10,260,920,785.24	171,500,000.00	10,089,420,785.24

(1) Investment in subsidiaries

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Xing Qun	125,322,300.00	-	-	125,322,300.00	-	-
Zhong Yi	324,320,391.34	-	-	324,320,391.34	-	-
Chen Li Ji	142,310,800.00	-	-	142,310,800.00	-	-
Guangzhou Han Fang	255,517,109.58	-	-	255,517,109.58	-	55,000,000.00
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	126,775,500.00	-	-	126,775,500.00	-	-
Jing Xiu Tang	101,489,800.00	-	-	101,489,800.00	-	-
Pan Gao Shou	144,298,200.00	-	-	144,298,200.00	-	-
Cai Zhi Lin	169,685,900.00	6,000,000.00	-	175,685,900.00	-	69,000,000.00
Pharmaceutical Import & Export	18,557,303.24	-	-	18,557,303.24	-	-
Guangzhou Bai Di	190,795,812.38	7,000,000.00	-	197,795,812.38	-	47,000,000.00
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
GP Corp.	3,313,425,159.88	-	-	3,313,425,159.88	-	-
Wang Lao Ji	854,431,508.17	-	-	854,431,508.17	-	-
Wang Lao Ji Great Health	2,100,000,000.00	-	-	2,100,000,000.00	-	-
Yi Gan	33,000,000.00	-	-	33,000,000.00	-	-
Xing Zhu	126,480,000.00	-	-	126,480,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Wang Lao Ji Investment	24,000,000.00	4,000,000.00	-	28,000,000.00	-	-
Tian Xin	96,192,658.47	-	-	96,192,658.47	-	-
Guang Hua	53,659,963.75	-	-	53,659,963.75	-	-
Ming Xing	95,381,794.18	123,000,000.00	-	218,381,794.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-
Pharmaceutical Technological	1,020,000.00	-	-	1,020,000.00	-	-
Baiyunshan Great Health Hotel	500,000.00	-	-	500,000.00	-	500,000.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries (Continued)

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Baiyunshan Medical and Healthcare Industry Company	111,600,000.00	-	-	111,600,000.00	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	263,470,000.00	100,000,000.00	-	363,470,000.00	-	-
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	98,000,000.00	-	-	98,000,000.00	-	-
Guangzhou Baiyunshan Medical Instruments investment	10,000,000.00	-	-	10,000,000.00	-	-
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	6,500,000.00	-	-	6,500,000.00	-	-
Total	9,035,716,281.83	240,000,000.00	-	9,275,716,281.83	-	171,500,000.00

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Opening balance	Increase	Decrease	Current period				Closing balance	Closing balance of provision for impairment	
				Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	Changes in other equity	Declaration of the payment of cash dividends or profits			Provision for impairment
I. Joint ventures										
HWBYS	124,258,711.89	-	-	36,009,008.44	-	-	-	-	160,267,720.33	-
Baxter Qiao Guang	47,518,816.60	-	-	846,372.35	-	-	-	-	48,365,188.95	-
Subtotal	171,777,528.49	-	-	36,855,380.79	-	-	-	-	208,632,909.28	-
II. Associates										
Golden Eagle Asset Management Co., Ltd.	63,796,881.10	-	-	341,022.58	-	-	-	-	64,137,903.68	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,033,367.82	-	-	9,194.37	-	-	-	-	2,042,562.19	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd.	71,772,551.47	-	-	90,169.20	-	-	-	-	71,862,720.67	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	9,383,230.68	-	-	(613,370.40)	-	-	-	-	8,769,860.28	-
Yi Xin Tang	906,440,943.85	-	-	30,700,800.00	-	-	(12,578,616.30)	-	924,563,127.55	-
Subtotal	1,053,426,974.92	-	-	30,527,815.75	-	-	(12,578,616.30)	-	1,071,376,174.37	-
Total	1,225,204,503.41	-	-	67,383,196.54	-	-	(12,578,616.30)	-	1,280,009,083.65	-

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	2,122,350,001.90	1,292,193,973.52	2,923,366,968.29	1,506,977,644.58
Other businesses	183,889,700.74	12,743,783.93	349,898,253.93	140,147,433.12
Total	<u>2,306,239,702.64</u>	<u>1,304,937,757.45</u>	<u>3,273,265,222.22</u>	<u>1,647,125,077.70</u>

(2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	2,122,350,001.90	1,292,193,973.52	2,923,359,319.40	1,506,972,936.06
Great Commerce	-	-	7,648.89	4,708.52
Total	<u>2,122,350,001.90</u>	<u>1,292,193,973.52</u>	<u>2,923,366,968.29</u>	<u>1,506,977,644.58</u>

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,354,814,873.69	801,060,436.62	1,727,899,261.29	838,731,868.55
Eastern China Area	412,664,472.15	269,224,171.64	639,164,918.52	353,938,487.02
Northern China Area	123,538,320.44	77,351,230.33	207,761,742.76	105,336,670.59
Northeast Area	20,929,872.17	13,453,145.09	39,709,540.23	24,275,916.55
Southwest Area	155,323,796.00	96,244,169.33	212,681,642.79	125,840,476.01
Northwest Area	55,078,667.45	34,860,820.51	96,149,862.70	58,854,225.86
Total	<u>2,122,350,001.90</u>	<u>1,292,193,973.52</u>	<u>2,923,366,968.29</u>	<u>1,506,977,644.58</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating Income and Operating Costs (Continued)

- (4) Information of the top five customers as per sales: the total sales to the top five customers are RMB1,025,853 thousand, which account for 48.35% of the Company's main business income for the period.

Customer	Main business income	Proportion of total income (%)
Customer 1	874,020,752.25	41.18
Customer 2	55,939,170.81	2.64
Customer 3	39,615,044.26	1.87
Customer 4	30,694,293.57	1.45
Customer 5	25,583,505.34	1.21
Total	<u>1,025,852,766.23</u>	<u>48.35</u>

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	–	–
Investment Income from long-term equity investments under equity method	67,383,196.54	57,203,980.24
Interest income from financial products and structured deposits	–	28,388,931.94
Investment income from the holding period of other non-current financial assets	–	974,050.00
Investment income generated by the disposal of transactional financial assets	–	7,286,631.84
Total	<u>67,383,196.54</u>	<u>93,853,594.02</u>

NOTES TO THE FINANCIAL STATEMENTS

For January – June 2020

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

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit and Loss for the Current Period

Item	Amount	Note
1. Profit or loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	3,116,612.74	
2. Government grants included in the profit or loss for the current period except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	221,971,016.90	
3. Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	(23,364,361.25)	
4. Reverse of provision for impairment of receivables under individual impairment test	178,419.50	
5. Other non-operating income and expenses except for the above-mentioned items	(14,056,397.32)	
6. Other profit and loss items that meet the definition of non-recurring gains and losses	(25,645,536.05)	
7. Amount of income tax influence	(22,833,289.44)	
8. Amount of minority equity impact	(2,479,073.13)	
Total	<u>136,887,391.95</u>	

2. Return on Equity and Earnings Per Share

Profits for the current period	Weighted Average Return on Equity (%)		Earnings per share			
	Current period	Prior period	Basic EPS		Diluted EPS	
			Current period	Prior period	Current period	Prior period
Net profit attributable to the ordinary shareholders of the Company	7.04	11.10	1.085	1.567	1.085	1.567
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	6.49	9.60	1.001	1.356	1.001	1.356



Documents Available for Inspection

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