



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock Code: 00874)



2021
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 15th meeting of the eighth session of the Board, among whom, Mr. Wong Hing 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 2021 and did not propose any increase in share capital from the capitalization of capital reserve.
- V. The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises and are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any 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 did not provide any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. There is no situation where more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of this interim report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there are no significant risks that have substantive and significant effect on the production and operations of the Group. Please refer to “(1) Potential challenges and risks” under “5. Other Disclosures” set out in the section headed “3. Management Discussion and Analysis” in this interim report.

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



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DOCUMENTS AVAILABLE FOR INSPECTION

- I. The financial statements signed and stamped by the legal representative of the Company, the responsible persons of the accounting work of the Company and the responsible person of the accounting firm;
- 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) of the PRC during the Reporting Period;
- III. The documents listed above are available at the office of the Secretariat of the Company.

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2021
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 2021 to 18 August 2021
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director	a director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	a supervisor of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the PRC
Securities Law	Securities Law of the PRC
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on the HKEX
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)

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)
Guangzhou Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
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)

Definitions

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)
Xing Zhu	Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (廣州白雲山星珠藥業有限公司)
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 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)

Definitions

Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (廣州白雲山醫療器械投資有限公司)
Baiyunshan Yihu Company	Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司)
Baiyunshan Jianhu Company	Guangzhou Baiyunshan Jianhu Medical Products Company Limited (廣州白雲山健護醫療用品有限公司)
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)
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
DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly

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 price and supply and availability are guaranteed to the public
National Medical Insurance	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 2020 version), being the national standard of drugs fees payable for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of 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 2020 version) issued by every province of the PRC
DRGs Payment	payment according to the disease diagnosis related groups
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))
The Material Assets Reorganization in 2013	the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPHL that was completed in 2013
C.Q. Pharmaceutical Holding	C.Q. Pharmaceutical Holding Company Limited (重藥控股股份有限公司)
Three-Medicine Linkage	Linkage between medical insurance system reform, health system reform and pharmaceutical circulation system reform (醫保體制改革、衛生體制改革與藥品流通體制改革聯動)
Drug Administration Law	PRC Drug Administration Law (《中華人民共和國藥品管理法》)
Vaccine Administration Law	PRC Vaccine Administration Law (《中華人民共和國疫苗管理法》)

Company Profile and Principal Financial Indicators

A. COMPANY PROFILE

- Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED
English Name Abbreviation: GYBYS
- Legal Representative: Li Chuyuan
- Secretary to the Board: Huang Xuezheng
Representative of securities affairs: Huang Ruimei
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

The historical changes of the registered address: No

Telephone: (8620) 6628 1216/6628 1219
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Postal code of office address: 510130
Company website: <http://www.gybys.com.cn>
Company e-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
- Stock exchanges, 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
- Designated newspapers for information disclosure: 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)

Websites for publishing the interim report: <http://www.sse.com.cn>
<http://www.hkex.com.hk>

Place for inspection of the interim report: Office of the Secretariat of the Company

Company Profile and Principal Financial Indicators

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal financial data	The Reporting Period	The corresponding period of 2020	Changes as compared with the corresponding period of 2020
	(Unaudited)	(Unaudited)	(%)
Income from operations (RMB'000)	36,128,577	30,469,650	18.57
Net profit attributable to the shareholders of the Company (RMB'000)	2,502,381	1,764,269	41.84
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	2,495,645	1,627,382	53.35
Net cash flow from operating activities (RMB'000)	2,184,410	(2,404,751)	190.84
Net cash flow from operating activities per share (RMB)	1.34	(1.48)	190.84
Total profit (RMB'000)	3,189,274	2,264,734	40.82

Principal financial data	As at	As at	Changes as compared with
	30 June 2021	31 December 2020	31 December 2020
	(Unaudited)	(Audited)	(%)
Net assets attributable to the shareholders of the Company (RMB'000)	27,768,504	26,144,843	6.21
Total assets (RMB'000)	62,598,928	59,760,063	4.75
Equity attributable to the shareholders of the Company per share (RMB/share)	17.08	16.08	6.21

Company Profile and Principal Financial Indicators

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS *(Continued)*

Principal financial indicators	The Reporting Period <i>(Unaudited)</i>	The corresponding period of 2020 <i>(Unaudited)</i>	Changes as compared with the corresponding period of 2020 (%)
Basic earnings per share (RMB/share)	1.539	1.085	41.84
Diluted earnings per share (RMB/share)	1.539	1.085	41.84
Basic earnings per share after deducting non-recurring items (RMB/share)	1.535	1.001	53.35
Ratio of weighted average return on net assets (%)	9.13	7.04	An increase of 2.09 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	9.11	6.49	An increase of 2.62 percentage points

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

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

√ Applicable □ Not applicable

The year-on-year increase in total profit and net profit attributable to the shareholders of the Company was attributable to: the decrease in total profit in the corresponding period of 2020 resulting from the sales decline of the subsidiaries of the Company due to the significant decline in market demands under the impacts of the COVID-19 coronavirus epidemic (“the COVID-19 epidemic”). Due to the gradual easing of the COVID-19 epidemic in China during the Reporting Period, the recovery of market demands boosted the growth in sales and profit from principal operations of the subsidiaries of the Company. The Group also enhanced capital management, achieving a year-on-year increase in income from capitals and hence total profit.

The year-on-year increase in net cash flow from operating activities was attributable to: (1) a year-on-year increase in net cash flow from operating activities during the Reporting Period as the receipt of payments for the sale of goods by WLJ Great Health, a wholly-owned subsidiary of the Company, during the 2021 Spring Festival mainly took place in January 2021 while the receipt of payments for the sale of goods during the 2020 Spring Festival mainly took place in the end of 2019 given the delayed 2021 Spring Festival as compared with the 2020 Spring Festival; and (2) a year-on-year increase in net cash flow from operating activities resulting from the year-on-year increase in the sales receivables received by the subsidiaries of the Company due to the easing of the COVID-19 epidemic in China during the Reporting Period.

Company Profile and Principal Financial Indicators

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

Applicable Not applicable

D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount (RMB'000)	Note (if applicable)
Profit or loss from disposal of non-current assets	51	
Government grants included in the profit or loss for the current period except for the government grants that are closely related to enterprise's normal business and are enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	82,542	This represents the amount of government subsidies received by the Company and its subsidiaries which were 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 trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt instruments	3,660	
Reverse of provision for impairment of receivables under individual impairment test	1,383	
Other non-operating income and expenses except for the above-mentioned items	(57,719)	
Other profit and loss items that meet the definition of non-recurring gains and losses	(1,057)	
Amount of minority equity impact (after tax)	(6,364)	
Amount of income tax influence	(15,760)	
Total	6,736	

E. OTHERS

Applicable Not applicable

Management Discussion and Analysis

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

(A) Main business and products

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

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

The Great Southern TCM has 26 subsidiary medical manufacturing enterprises and organizations (including 3 branch companies, 20 holding subsidiaries and 3 joint ventures). The above enterprises and organizations engage in the research and development and manufacturing of Chinese patent medicine, western medicine, chemical raw materials, chemical raw materials intermediates, 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 325 varieties of the Group and its joint ventures were included in the Medical Insurance Catalogue, 331 varieties were included in the Provincial Medical Insurance Catalogue, and 143 varieties were included in the Essential Drug List. Main Chinese medicine products include Xiao Ke Pill, Compound Danshen Tablets services, Banlangen Granules series, Qing Kai Ling series, Zi Shen Yu Tai Pill, Xiao Chai Hu Granules, Huo Tuo Zai Zao Pill, Xia Sang Ju Granule, Xiao Er Qi Xing tea granule, Zhuang Yao Jian Shen Pill, An Gong Nin Huang Pill, Shu Jin Jian Yao Pill, Mi Lian Chuan Bei Pi Pa and Ke Gan Li Yan Oral liquid etc.. The Group has clear advantages in brand and variety in proprietary Chinese medicines in southern China and even countrywide.

Management Discussion and Analysis

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

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

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

- (2) The Group has a complete antibiotic production chain ranging from 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 Cefixime series, Sildenafil Citrate ("Jin Ge" as product name), Cefathiamidine, Cefprozil series, Amoxicillin, Cefuroxime sodium for injection etc..

2. **Great Health**

The Great Health segment of the Group is mainly involved in the production, research and development and sale of beverage, food, healthcare product, etc., which is operated primarily by the subsidiaries of the Company, WLJ Great Health and Wang Lao Ji; the Great Health's main products include Wang Lao Ji Herbal Tea, Ci Ning Ji series, ganoderma spore oil capsules, lozenges, tortoise herb jelly etc..

Management Discussion and Analysis

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

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

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. As a core enterprise of the Great Commerce segment, GP Corp., a subsidiary of the Company, is responsible for the wholesale and retail of the pharmaceutical distribution business of the Group. The retail business is carried out principally through Jian Min pharmacy chains, GPC prescription pharmacy chains and Cai Zhi Lin medicine pharmacy chains, etc.. Cai Zhi Lin leverages on its advantages in the field of TCM to develop the businesses of production and sale of Chinese herbal medicines and TCM decoction-piece products. GP Corp. is a leading pharmaceutical logistics company in Southern China.

4. **Great Medical Care**

The Great Medical Care segment is at the stage of development and investment expansion. The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicles and used various means, including new establishment, joint venture and co-operation to focus on the development of three areas, namely medical services, TCM health maintenance and modern elderly care, as well as the medical device 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), Baiyunshan Yihu Company and Baiyunshan Jianhu Company.

Management Discussion and Analysis

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

(B) Current circumstances of the development of the industry

With the acceleration in the aging of population and the improvement of social and economic development, people's awareness on health has been increasingly enhanced. The size of the pharmaceutical and health market will continue to expand with great demand and the prospects of the development of the industry are positive. At the same time, with the increasing results in the prevention and control of the COVID-19 epidemic, the economic development in various industries showed a sound trend of recovery and growth. Certain segments injected new drivers into the industry and brought an increasing trend on high-quality development. From January to June 2021, the operating revenue of national pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB1.40469 trillion, representing a year-on-year increase of 28%, and the total profit reached RMB300.04 billion, representing a year-on-year increase of 88.8%. The operating revenue of national liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB825.27 billion, representing a year-on-year increase of 18.3%, and the total profit reached RMB143.58 billion, representing a year-on-year increase of 29.7%. (Data resource: the website of National Bureau of Statistics).

(C) Periodic characteristics

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

Management Discussion and Analysis

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

(D) Position of the Company in the Industry

The Group is one of the largest pharmaceutical conglomerates in the PRC. After years of 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. Wang Lao Ji, a core brand of the Great Health segment of the Company, has been ranking the first in the ranking list of herbal tea brands under the China Brand Power Index for five consecutive years, maintaining the leading position in the herbal tea industry. Based on the statistics released by the Ministry of Commerce, GP Corp. ranked the sixth among the top 100 pharmaceutical wholesales enterprises in terms of revenue from principal businesses in 2020.

(E) The main performance driving factors

During the Reporting Period, the Group's revenue amounted to RMB36,128,577,000, representing an increase of 18.57% compared with the corresponding period last year. For details of reasons for changes, please refer to the relevant informational in "C. Discussion and Analysis of Operations" of this chapter.

Management Discussion and Analysis

B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

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

1. The Group possesses rich product and brand resources:
 - (1) Products: the Group has formed 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 Material Assets Reorganization in 2013 and non-public offering of A shares in 2015, the Group promoted the grand brand strategy on the basis of integrating brand resources, implementing the changes in brand marketing model from developing individual brands to grouping brands under one umbrella with collective strategy, gradually developing four business segments with unique characteristics, namely, Great Southern TCM, Great Health, Great Commerce and Great Medical Care. 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 the 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" (大神口焮清) 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 and splendid culture of Chinese medicine and to rebuild the famous brands of Chinese medicine.

Management Discussion and Analysis

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

3. The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of 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 60 GAP herbs bases nationwide and established a centralized procurement platform for raw and auxiliary materials, which effectively ensure the quality and supply of Chinese herbs and control 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, both domestic and abroad, formulated a professional think tank which employs noble prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.
4. The Group has a relatively large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest pharmaceutical terminal retail network and medicine logistics center in Southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in 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 industry's leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.

Management Discussion and Analysis

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

5. The Group has a technological innovation system which is improving on a continuous basis. 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, 5 provincial level key laboratories, 1 provincial level engineering laboratory, 14 municipal level corporate technical centers, 15 municipal level engineering technical research and development centers, 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.

The Group and its joint ventures have 1 new provincial level key laboratory, namely Guangdong TCM Immune Agents Manufacturers Key Laboratory, and 1 municipal project technology R&D center, namely the Modern TCM Agents Project 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 high level talent team with 3 Nobel Prize winners, 1 Guangdong innovation group, double hired academicians, 19 state-level Chinese medicine experts, 7 foreign academicians, 3 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.

Management Discussion and Analysis

C. DISCUSSION AND ANALYSIS OF OPERATIONS

During the Reporting Period, the Group adhered to the general principle of “seeking improvement in stability”, strictly controlled risks and improved quality and efficiency. The Group adopted active and effective measures in responding to the impact of the COVID-19 epidemic and further strengthened efforts in the marketing innovation and promotion of all business segments to boost product sales volume, with a view to achieving sustainable and stable development of the Group’s operating results during the Reporting Period.

In the first half of 2021, the Group recorded revenue of RMB36,128,577,000, representing an increase of 18.57% year on year; total profit of RMB3,189,274,000, representing an increase of 40.82% year on year; and net profit attributable to shareholders of the Company of RMB2,502,381,000, representing an increase of 41.84% year on year.

During the Reporting Period, the Group proactively worked on the followings:

- (A) Maintaining extensive work and promoting solid and all-round development of the Great Southern TCM segment. During the Reporting Period, the sales volume of the Great Southern TCM segment was boosted by concentrating resources to build core brands, strengthening channel development and maintenance, enhancing terminal promotion and marketing and tapping into the potential of the second-tier products. Meanwhile, the Group continued to advance the revitalization of the Group’s time-honored brands, intensified the marketing of such brands and products and constantly improved the visibility and reputation of such brands and products. During the Reporting Period, sales revenue from Sildenafil Citrate Tablet, Zi Shen Yu Tai Pill, Amoxicillin series, Hua Tuo Zai Zao Pill, Zhuang Yao Jian Shen Pill and other products achieved a significant year-on-year increase.
- (B) Adhering to “one core with multi-elements” and expanding and deepening the business of the Great Health segment. During the Reporting Period, the Group further consolidated the Wang Lao Ji Herbal Tea market in the Great Health segment and introduced family name cans, mystery cans, good luck cans and other innovative and customized products to attract young consumers and promote sales growth of Wang Lao Ji Herbal Tea. Meanwhile, following the new trend of online consumption and with marketing efforts on Tmall and other e-commerce platforms, the Group made breakthroughs on e-commerce, continuously carried out marketing through all personnel and boosted efforts in the development of new products and market cultivation. In the first half of 2021, WLJ Great Health launched the “Leilong” energy flavor beverage and put more efforts in market cultivation for Ci Ning Ji, coconut juice, walnut dew and other new products.

Management Discussion and Analysis

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

- (C) Maintaining transformation and deepening and enlivening the business of the Great Commerce segment. During the Reporting Period, with respect to GP Corp., a subsidiary of the Company, firstly, it actively responded to the adverse impacts of the COVID-19 epidemic and industrial policies, promoted the linkage and development of wholesales and retails and strengthened cooperation with medical institutions in actively developing O2O business; secondly, it constantly advanced the chain-oriented process in Guangdong Province, accelerated the expansion of retail stores, smoothed the circulation of online follow-up prescriptions of the Internet hospitals of medical institutions, established a closed loop with doctors, medicine, insurance and delivery and explored the new retail model with the integration of diagnosis and treatment; thirdly, it accelerated infrastructure construction. Its Baiyun Logistics Park project (phase I) has completed commissioning and acceptance and has been officially put into operation in mid August; fourthly, it continued to advance its spin-off listing on the Main Board of the HKEX. So far, it has received the approval on the issuance of overseas listed foreign invested shares from the CSRC and the preliminary preparation works for the spin-off and overseas listing are progressing in an orderly manner.
- (D) Maintaining expansion and innovation and developing the business of the Great Medical Care segment in terms of both size and professionalism. During the Reporting Period, Guangzhou Baiyunshan Hospital successfully introduced expert teams on gynaecology and obstetrics, general surgery, internal medicine and rehabilitation gynaecology to enhance its overall strength. Baiyunshan Traditional Chinese Medicine Hospital (白雲山中醫院) has completed industrial and commercial registration and obtained business license. Baiyunshan Yihu Company and Baiyunshan Jianhu Company developed cultural and creative masks, self-sterilizing and deodorizing masks and other new products. Based on the development of the COVID-19 epidemic in Guangdong in the first half of the year and market demand, they increased the production and supply of masks and protective gowns.
- (E) Strengthening industry-university-research collaboration, strengthening the overall evaluation of scientific research, continuing in enhancing investments in scientific research and promoting coordinated development and the enhancement of innovation. In the first half of 2021, the research and development expenses of the Group reached RMB386 million, representing a year-on-year increase of 43.54%.

Management Discussion and Analysis

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

- (F) Accelerating in promoting the construction of industrial bases, continuously advancing the integration of production resources and improving production efficiency and benefits. During the Reporting Period, Cai Zhi Lin sped up in implementing the construction of production bases and putting them into operation and gradually improved the full industrial chain system on TCMs. Cai Zhi Lin's traditional Chinese medicine industrialized production and service base in Meizhou (采芝林梅州中藥產業化生產服務基地) has been awarded the drug manufacturing certificate and officially put into operation. At the same time, the Group further consolidated the integration of internal production resources of the Jiexi production base of Baiyunshan General Factory and the production base of Xing Zhu.
- (G) Promoting the establishment of industrial equity investment fund and enhancing the capability of capital operations. In the first half of 2021, the Company participated in the establishment of Guangzhou Guangyao Jinzang Equity Investment Partnership (Limited Partnership) (廣州廣藥金藏股權投資合夥企業(有限合夥)), which has completed fundraising and filing procedures. The Company also participated in the establishment of Guangzhou GuangyaoJinshen Equity Investment Partnership (Limited Partnership) (廣州廣藥金申股權投資合夥企業(有限合夥)), which has completed industrial and commercial registration.
- (H) Focusing on reform, controlling risks and enhancing corporate management. The Group further improved the corporate governance structure, responsibilities and authorities, consistently enhanced normalized management on internal control and risk control, reinforced the comprehensive capability of the Group on risk alarming, monitoring, prevention and control and coordinated and facilitated the strengthening of comprehensive management.

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

Applicable Not applicable

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(A) Analysis of principal operations

1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB'000)	The corresponding period of 2020 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2020 (%)
Revenue	36,128,577	30,469,650	18.57
Including: income from principal operations	36,007,775	30,375,492	18.54
Cost of sales	28,597,774	24,677,620	15.89
Including: cost from principal operations	28,569,535	24,658,050	15.86
Selling and distribution expenses	3,000,359	2,391,059	25.48
General and administrative expenses	970,031	849,551	14.18
Financial expenses ^{note (1)}	(73,535)	3,678	(2,099.56)
Research and development expenses ^{note (2)}	385,897	268,846	43.54
Net cash flow from operating activities ^{note (3)}	2,184,410	(2,404,751)	190.84
Net cash flow from investing activities	(278,015)	(232,386)	(19.64)
Net cash flow from financing activities ^{note (4)}	1,297,153	3,138,823	(58.67)
Other income ^{note (5)}	78,151	202,420	(61.39)
Investment income ^{note (6)}	137,598	33,821	306.85
Gains from changes in fair value ^{note (7)}	(6,219)	(23,537)	73.58
Impairment losses in respect of credit ^{note (8)}	(36,977)	(89,071)	58.49
Gains on disposal of assets ^{note (9)}	124	3,289	(96.23)
Non-operating income ^{note (10)}	11,743	26,614	(55.88)
Non-operating expenses ^{note (11)}	67,697	21,133	220.35
Total profit ^{note (12)}	3,189,274	2,264,734	40.82
Income tax expenses ^{note (13)}	539,771	379,657	42.17
Net profit ^{note (14)}	2,649,503	1,885,077	40.55
Net profit attributable to the parent company's shareholders ^{note (15)}	2,502,381	1,764,269	41.84

Management Discussion and Analysis

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

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

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

Notes:

- (1) The year-on-year decrease in financial expenses was attributable to: a year-on-year increase in interest income from deposits of the Company and its subsidiaries during the Reporting Period.
- (2) The year-on-year increase in research and development expenses was attributable to: a year-on-year increase in investment of special research and development expenses by the subsidiaries of the Company during the Reporting Period.
- (3) The year-on-year increase in net cash flow from operating activities was attributable to: ① a year-on-year increase in net cash flow from operating activities during the Reporting Period as the receipt of payments for the sale of goods by WLJ Great Health, a wholly-owned subsidiary of the Company, during the 2021 Spring Festival mainly took place in January 2021 while the receipt of payments for the sale of goods during the 2020 Spring Festival mainly took place in the end of 2019 given the delayed 2021 Spring Festival as compared with the 2020 Spring Festival; and ② a year-on-year increase in net cash flow from operating activities resulting from the year-on-year increase in the sales receivables received by subsidiaries of the Company due to the easing of the COVID-19 epidemic in China during the Reporting Period.
- (4) The year-on-year decrease in net cash flow from financing activities was attributable to: ① a year-on-year decrease in net bank borrowings loans of the subsidiaries of the Company; and ② a year-on-year increase in cash dividends distributed by the Company.
- (5) The year-on-year decrease in other income was attributable to: a year-on-year decrease in government subsidies recognized by the subsidiaries of the Company.
- (6) The year-on-year increase in investment income was attributable to: ① a year-on-year increase in investment income from long-term equity investments of the Company and its subsidiaries accounted under the equity method; ② a year-on-year increase in investment income owing to a downward adjustment of the discount rate for trade receivables during the Reporting Period arising from investment losses recognized for the difference between the carrying amount and selling price of trade receivables sold during the Reporting Period due to the issuance of asset-backed securities (ABS) on trade receivables by GP Corp., a holding subsidiary of the Company, combined with the comprehensive financing cost, asset quality and terms and other factors; and ③ the interest income from held-to-maturity time deposits recognized by the Company during the Reporting Period while no such income was recognized in the corresponding period of last year.

Management Discussion and Analysis

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

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

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

Notes: *(Continued)*

- (7) The year-on-year increase in gains from changes in fair value was attributable to: a year-on-year decrease in the decline of the fair value of shares of C.Q. Pharmaceutical Holding and China Everbright Bank Company Limited (中國光大銀行股份有限公司) etc. held by the Company.
- (8) The year-on-year increase in impairment losses in respect of credit was attributable to: the year-on-year decrease in the impairment losses in respect of credit for provision of accounts receivable of the subsidiaries of the Company.
- (9) The year-on-year decrease in gains on disposal of assets was attributable to: the year-on-year decrease in gains on disposal of assets recognized by the subsidiaries of the Company.
- (10) The year-on-year decrease in non-operating income was attributable to: the year-on-year decrease in government compensation for relocation recognized by the subsidiaries of the Company.
- (11) The year-on-year increase in non-operating expenses was attributable to: the provisions for export tax rebates payable and litigation losses made by the subsidiaries of the Company during the Reporting Period.
- (12) The year-on-year increase in total profit was attributable to: the decrease in total profit in the corresponding period of 2020 resulting from the sales decline of the subsidiaries of the Company due to the significant decline in market demands under the impacts of the COVID-19 epidemic. Due to the gradual easing of the COVID-19 epidemic in China during the Reporting Period, the recovery of market demands boosted the growth in sales and profit from principal operations of the subsidiaries of the Company. The Group also enhanced capital management, achieving a year-on-year increase in income from capitals and hence total profit.
- (13) The year-on-year increase in income tax expenses was attributable to: the increase in the profit of the Company and its subsidiaries during the Reporting Period.
- (14) The year-on-year increase in net profit was attributable to: the increase in total profit of the Company and its subsidiaries.
- (15) The year-on-year increase in net profit attributable to the parent company's shareholders was attributable to: the increase in net profit of the Company and its subsidiaries.

Management Discussion and Analysis

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

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

2. Analysis on industry, product and regional operation result

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

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2020 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2020 <i>(%)</i>	Profit margin of principal operations <i>(%)</i>	Increase/ (Decrease) over the corresponding period of 2020 <i>(percentage point)</i>
Great Southern TCM	6,057,912	8.14	3,343,426	(0.63)	44.81	An increase of 4.87 percentage points
Great Health ^(Note 1)	6,604,147	46.71	3,420,228	45.51	48.21	An increase of 0.43 percentage point
Great Commerce	23,205,337	14.98	21,688,582	14.89	14.89	An increase of 0.07 percentage point
Other ^(Note 12)	140,379	56.80	117,299	77.99	16.44	A decrease of 9.95 percentage points
Total	36,007,775	18.54	28,569,535	15.86	20.66	An increase of 1.84 percentage points

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(A) Analysis of principal operations (Continued)

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

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

Types of products	Results of principal operations by products		Results of principal operations by industry		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)	Cost of principal operations		Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2020 (percentage point)
			Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)		
Chinese patent medicine	2,886,830	13.35	1,628,193	7.64	43.60	An increase of 2.99 percentage points
Chemical medicine	3,171,082	3.80	1,715,233	(7.38)	45.91	An increase of 6.53 percentage points
Total of Great Southern	6,057,912	8.14	3,343,426	(0.63)	44.81	An increase of 4.87 percentage points

Notes:

- 1) The significant increase in the income from and the cost of the principal operations of the Great Health segment was mainly because: the market of WLJ Great Health during the 2020 Spring Festival holiday was seriously affected by the COVID-19 epidemic. As the market demand recovered during the Reporting Period, the sales revenue recorded a year-on-year increase and the cost of the principal operations increased correspondingly.
- 2) The significant increase in the income from and the cost of the other segments was mainly attributable to: ① the year-on-year increase in the number of outpatient visits of Guangzhou Baiyunshan Hospital resulting from the easing of the COVID-19 epidemic during the Reporting Period; and ② the expansion of the brand operation business of Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd. (廣州創贏廣藥白雲山知識產權有限公司).

Management Discussion and Analysis

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

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

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

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

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2020 <i>(%)</i>
Southern China	27,187,187	18.24
Eastern China	3,330,610	26.66
Northern China	1,608,498	18.59
North-Eastern China	307,771	22.91
South-Western China	2,486,263	15.99
North-Western China	1,076,579	10.68
Exports	10,867	(64.41)
Total	36,007,775	18.54

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

Applicable Not applicable

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

Applicable Not applicable

Management Discussion and Analysis

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

(C) Analysis on financial conditions

1. **Liquidity**

As at 30 June 2021, the current ratio of the Group was 1.66 (31 December 2020: 1.62), and its quick ratio was 1.39 (31 December 2020: 1.29). During the Reporting Period, accounts receivable turnover was 59.19 in days, representing an increase of 5.47 days as compared with 31 December 2020; inventory turnover was 56.92 in days, representing an increase of 11.30 days as compared with 31 December 2020.

2. **Financial resources**

As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB20,969,067,000 (31 December 2020: RMB17,765,133,000), of which approximately 99.54% and 0.46% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, respectively.

As at 30 June 2021, the Group had bank borrowings of RMB11,037,588,000 (31 December 2020: RMB8,763,280,000) including short-term borrowings of RMB10,269,717,000 (31 December 2020: RMB8,265,730,000), and long-term borrowings of RMB767,871,000 (31 December 2020: RMB497,550,000).

3. **Capital structure**

As at 30 June 2021, the Group's current liabilities amounted to RMB30,059,548,000 (31 December 2020: RMB29,243,232,000), representing an increase of 2.79% as compared to the beginning of 2021, and its long-term liabilities was RMB2,580,624,000 (31 December 2020: RMB2,311,564,000), with an increase of 11.64% as compared to the beginning of 2021. Shareholders' equity attributable to the shareholders of the Company amounted to RMB27,768,504,000 (31 December 2020: RMB26,144,843,000), with an increase of 6.21% as compared to the beginning of 2021.

4. **Capital expenditure**

The Group expects the capital expenditure for 2021 to be approximately RMB2.115 billion among which the expenditure in the first half of 2021 amounted to RMB0.483 billion (in the first half of 2020: RMB0.355 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..

Management Discussion and Analysis

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

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

5. Description of assets and liabilities

Item	As at 30 June 2021 (RMB'000)	% of the total assets (%)	As at 31 December 2020 (RMB'000)	% of the total assets (%)	Increase/ (Decrease) as compared to 31 December 2020 (%)	Reasons for changes
Financial assets held for trading	20,000	0.03	4,000	0.01	400	The reclassification of wealth management products held by the subsidiaries of the Company from "other current assets" to this item.
Advances to suppliers	629,987	1.01	1,032,533	1.73	(38.99)	The medicines and other materials purchased by the subsidiaries of the Company in 2020 through the prepayment method were delivered during the Reporting Period, resulting in a decrease in the amount of this item.
Other receivables	1,041,323	1.66	765,711	1.28	35.99	(1) The increase in dividends receivable from joint ventures in 2020; and (2) the year-on year increase in the amount of business transactions of GP Corp., a holding subsidiary of the Company.
Other equity instrument investment	161,467	0.26	116,367	0.19	38.76	The investment in new investment entities by the Company.
Long-term borrowings	767,871	1.23	497,550	0.83	54.33	The increase in bank loans of the subsidiaries of the Company.
Provisions	71,521	0.11	104,528	0.17	(31.58)	(1) The reclassification of export tax rebates payable by the subsidiaries of the Company during the Reporting Period to the item of "other payables"; and (2) the provision made by the subsidiaries of the Company for losses relating to litigations.

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 2021, the Group had no material contingent liabilities.

8. Charge on the Group's assets

As at 30 June 2021, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, with buildings of fixed assets with an original value amounting to HKD8,893,000 and net value amounting to HKD6,105,000 and investment properties with an original value amounting to HKD6,843,000 and net value amounting to HKD3,351,000 as security, obtained overdraft amounting to HKD300,000, letter of credit and 90 days credit in the total amount of HKD100,000,000 as well as unexpired letter of credit of RMB3,938,000, and USD467,000 from Bank of China (Hong Kong) Co., Ltd.

Management Discussion and Analysis

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

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

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

As at 30 June 2021, the bank loans of the Group amounted to RMB11,037,588,000 (31 December 2020: RMB8,763,280,000), with an increase of RMB2,274,308,000 as compared to the beginning of 2021. The above bank loans included short-term borrowings of RMB10,269,717,000 and long-term borrowings of RMB767,871,000.

10. **Gearing ratio**

As at 30 June 2021, the Group's gearing ratio (total liabilities/total assets×100%) was 52.14% (31 December 2020: 52.80%).

11. **Material investment**

As at 30 June 2021, the Group had no other material investment.

12. **Overseas assets**

Applicable Not applicable

(1) *Asset size*

Including: Foreign assets of RMB195,877,000, represent 0.31% of total assets.

(2) *Description of overseas assets*

Applicable Not applicable

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

Applicable Not applicable

Management Discussion and Analysis

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

(D) Issues and difficulties in operations and plans for the second half of 2021

In the first half of 2021, China's economic development showed a trend of consolidation and improvement while maintaining stability. Meanwhile, driven by policies, the pharmaceutical and health industry is undergoing profound changes. On one hand, the country's attention on the pharmaceutical and health industry, the TCM industry in particular, the deepening of the aging population and other factors created important opportunities for the development of the pharmaceutical and health industry. On the other hand, driven by the new Drug Administration Law, the Vaccine Administration Law, the normalization of centralized volume-based procurement and other policies and under the impacts of the COVID-19 epidemic and other social and public events, a series of regulatory policies has been continuously introduced or revised, resulting in significant changes in the research and development, manufacturing, circulation and other processes of drugs and medical devices and bringing certain challenges to the high-quality development of enterprises.

In the second half of 2021, the Group will focus on advancing the following work:

1. We will promote the solid and all-round development of the Great Southern TCM segment and lay a solid foundation. We will further reinforce market management, actively promote marketing innovation and create more "Diva brands" in different areas with specific strategies and classifications; boost efforts to promote the revitalization of the sleep category and cultivate potential categories; activate the Group's original resources for raw material pharmaceuticals with high market value, discover potential products and enhance the competitiveness of the business of raw material pharmaceuticals.
2. We will expand and optimise the business of the Great Health segment to achieve innovative development. We will continue to consolidate the business of herbal tea, increase the channel distribution rate of Wang Lao Ji Herbal Tea and focus on strengthening the expansion of catering channels to drive the growth of terminal sales volume and further expand market share in major cities across the country; focus on the new products of the Ci Ning Ji series and the market expansion and cultivation of lozenges, tortoise herb jelly, coconut juice and other potential products, strengthen brand promotion and accelerate the expansion of channel distribution coverage.
3. We will deepen and enliven the Great Commerce segment and promote service transformation. We will advance the overseas spin-off listing of GP Corp. in an orderly manner to enhance the Group's financing capability and optimize its capital structure; accelerate the deployment of retail distribution and vigorously expand pharmacies in the proximities of hospitals and DTP pharmacies. We will improve the service provision ability of pharmacies and enhance the ability of pharmacies to provide innovative value-added services; constantly strengthen the building of the e-commerce system, build an intelligent service platform for the pharmaceutical supply chain, and commit to developing the new business of health care e-commerce.

Management Discussion and Analysis

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

(D) Issues and difficulties in operations and plans for the second half of 2021 *(Continued)*

4. We will develop the business of the Great Medical Care segment in terms of both size and professionalism to build its brand influence. We will continuously advance the introduction of featured professional teams; advance the preparation for the establishment of Baiyunshan Traditional Chinese Medicine Hospital in an orderly manner; accelerate the opening and operations of Runkang Confinement Company; expand the product lines in the field of medical devices, focus on the distribution of specialty products, and create a brand enterprise of health products.
5. We will focus on increasing investment and improving skills, promote scientific research and innovation and speed up the establishment of a high-level scientific research platform and system to establish a high-quality new drug R&D platform and enhance ability of scientific research and innovation and integrated capability of the scientific research system.
6. We will continue to strengthen fundamental management and risk control, build a highly efficient risk management system and strengthen the Group's integrated capability in early warning, monitoring, prevention and control of risks.

(E) Analysis on investment

1. Overall analysis on foreign equity investment

Applicable Not applicable

As at the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB1,834,661,000, representing a decrease of RMB31,205,000 as compared to 31 December 2020, mainly due to the Group's recognition of the investment income of the joint ventures and associates under the equity method and the recognition of cash dividends declared by the joint ventures and associates, which led to a decrease in long-term equity investment.

(1) Significant equity investment

Applicable Not applicable

(2) Significant non-equity investment

Applicable Not applicable

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on foreign equity investment (Continued)

(3) Financial assets evaluating at fair value

√ Applicable □ Not applicable

① Financial assets held for trading

Item	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)
Financial assets measured at FVTPL	20,000	4,000
Including: Equity instrument investments	–	–
Others	20,000	4,000
Total	20,000	4,000

② Other equity instrument investments

Item	As at 30 June 2021 (RMB'000)	As at 31 December 2020 (RMB'000)
Sino-Israel Bio-industry Investment Fund	97,404	98,246
South China Center for innovative Pharmaceuticals Co., Ltd.	10,000	10,000
Guangzhou Nanxi Pharmaceutical Co., Ltd.	7,678	7,678
Yilin Bio-industry Co., Ltd	427	443
Guangzhou Guangyao Jinzang Equity Investment Partnership (Limited Partnership)	45,958	–
Total	161,467	116,367

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on foreign equity investment (Continued)

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

③ Stocks investments

Number	Type of Stock	Stock Code	Stock name	The initial amount of investment (RMB'000)	Number of shares held as at the end of the Reporting Period (share)	Book value as at the end of the Reporting Period (RMB'000)	% of stock investment as at the end of the Reporting Period (%)	Gain/(loss) during the Reporting Period (RMB'000)
1	A share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	57,810	3,049	1.91	(576)
2	A share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	376,103	1,087	0.68	(90)
3	A share of Shenzhen Stock Exchange	000950	C.Q. Pharmaceutical Holding	150,145	25,992,330	130,741	81.92	(4,419)
4	A share of SSE	601328	Bank of Communications	511	378,734	1,856	1.16	159
5	A share of SSE	601818	Everbright Bank	10,725	6,050,000	22,869	14.33	(1,271)
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	159,602	100.00	(6,197)

(F) Significant asset and equity disposal

Applicable Not applicable

Management Discussion and Analysis

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

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

Applicable Not applicable

Name of enterprise	Business nature or services	Business nature or services	Registered capital (RMB'000)	Equity directly held by the Company (%)	Income from principal operations (RMB'000)	Profit from principal operations (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sales of pre-packaged food, dairy products, etc	900,000.00	100	6,005,732	2,853,507	9,489,966	6,738,445	1,168,819
GP Corp.	Pharmaceutical business	Wholesale and retail business	2,449,305.50	72.74	23,231,692	1,356,867	26,722,637	5,207,879	303,415

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

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

(H) Circumstance of structured subjects controlled by the company

Applicable Not applicable

Management Discussion and Analysis

E. OTHER MATTERS

(A) Risk exposure

Applicable Not applicable

In 2021, with the further acceleration of the Three-Medicine Linkage reform, there are still many uncertainties in the pharmaceutical industry. As the state's centralized drug procurement program has become normalized, more generic drugs were covered by the program, leading to an obvious decrease in drug prices, which imposed further pressure on the generic drug business. As the DRGs Payment model kept expanding, and in conjunction with the improvement in the monitoring and examination systems for rational drug use, the drug consumption of medical institutions will continue to decrease. At the same time, the implementation and promotion of a series of new policies, such as the tightening of medical insurance fee control and the favoring of cost-effective generic drugs and innovative drugs, under the National Medical Insurance Catalogue and the DRGs Payment model have brought challenges to the development of the Group's traditional business.

As the COVID-19 epidemic continues to spread globally, it may still seriously challenge the social and economic development of the world and bring uncertainties to the production and operations of the Group. And the extent of the impact brought by the epidemic depends on the progress and duration of the control and prevention of the epidemic, and the implementation of policies of control and prevention in different places towards the epidemic. The Group will pay attention to the development of the epidemic continuously, evaluate and actively respond to its impact on the financial conditions and operation results of the Group.

(B) Other disclosures

Applicable Not applicable

F. DEVELOPED/DISPOSED PROPERTIES

According to the requirements of rule 23 of Appendix 16 to the Listing Rules of HKEX, the Company did not have any investment properties the assets ratio, consideration ratio, profits ratio and revenue ratio of which exceeded 5% during the Reporting Period.

A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session	Date of the meeting	Index on the designated website for publication of the resolution	Date of publication of the resolutions	Resolutions
The Annual General Meeting for year 2020	3 June 2021	http://www.sse.com.cn http://www.hkex.com.hk	4 June 2021 (SSE), 3 June 2021 (HKEX)	All the resolutions of the shareholders' meeting were deliberated and passed. Please refer to the relevant announcements published on the designated websites for the particulars.

Holders of preferred shares with restored voting rights request for convening extraordinary general meetings

Applicable Not applicable

Explanation in respect of the general meetings of shareholders

Applicable Not applicable

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

Applicable Not applicable

Name	Position	Changes in circumstances
Jian Huidong	Supervisor	Election

The information on the changes of directors, supervisors and senior management personnel of the Company

Applicable Not applicable

At the 2020 annual general meeting of the Company held on 3 June 2021, Mr. Jian Huidong was elected as the supervisor representing the shareholders of the eighth session of the Supervisory Committee. His term of office commenced from the date of election and will continue up to the date on which members of the new session of the Supervisory Committee are elected. Ms. Gao Yanzhu resigned from her position as Supervisor on the same day.

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

On 16 August 2021, Mr. Wu Changhai and Mr. Zhang Chunbo resigned as standing deputy general manager of the Company and deputy general manager of the Company respectively due to job transfers. They will continue to serve as Directors after their resignations.

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 2020 are set out below:

Name of Directors/ Supervisors	Details of the changes
Li Chuyuan	Appointed as a director of GP Corp. from March 2021.
Zhang Chunbo	Appointed as the deputy general manager of GPLH from August 2021.
Wu Changhai	Appointed as the deputy general manager of GPLH from August 2021.
Li Hong	Appointed as the vice chairperson and ceased to be the general manager of Guangyao Group (Macau) International Development Industry Co., Ltd. from April 2021. Ceased to be the party branch secretary of Guangzhou Haima Pharmaceutical Advertising Co., Ltd. from May 2021.
Wong Hin Wing	Ceased to be an independent non-executive director of Zhaoke Ophthalmology Limited (兆科眼科有限公司) (a public company listed on the HKEX) from April 2021.
Chen Yajin	Ceased to be the officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University from March 2021.
Cheng Jinyuan	Appointed as a supervisor representing the employees of GPLH from January 2021.

C. 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 2021 or 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)	/
Explanation on profit distribution or increase in share capital by transfer from capital reserve	/

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

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

Applicable Not applicable

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

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentive

Applicable Not applicable

E. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company 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 the directors and supervisors of the Company. After making specific inquiry with all the Directors and Supervisors, the Company confirmed that the 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.

F. 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 fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules of HKEX (“CG Code”) except that Ms. Liu Junyan, an executive director, was unable to attend the 2020 annual general meeting due to business reasons 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.

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 3 which entitled “Management Discussion and Analysis” in this interim report.

F. CORPORATE GOVERNANCE *(Continued)*

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

- (A) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2020 pursuant to the requirements of the “Notice on Proper Preparation of the 2020 Annual Report by Listed Companies” issued by the SSE, and the “Self- assessment Report on Internal Control for 2020” and the “Report on Performance of Social Responsibilities for 2020” were prepared accordingly, which were disclosed after being duly considered and approved at the 10th meeting of the eight session of the Board of the Company held on 18 March 2021.
- (B) To further improve the corporate governance and in accordance with the Companies Law, the Code of Corporate Governance of Listed Companies (the 2018 version), the Articles of Association and other relevant regulations, the Company has revised relevant provisions of the Code of Practice of the Strategic Development and Investment Committee of the Board of Directors. The above revisions have been considered and approved at the 10th meeting of the eight session of the Board convened on 18 March 2021 by the Company.
- (C) According to the Companies Law, the Securities Law, the Code of Corporate Governance for Listed Companies (the 2018 version), the Administrative Measures on Information Disclosure of the Listed Companies, the Guidelines for Management System of Information Disclosure of the Listed Companies and other relevant regulations and based on the Articles of Association and the actual conditions of the Company, the Company revised relevant provisions of the Information Disclosure Management System and the Insiders Registration System. The above revisions have been considered at the 12th meeting of the eighth session of the Board convened on 27 April 2021 by the Company.
- (D) According to the Companies Law, the Securities Law, the Articles of Association of the Company, the Insiders Registration System of the Company and other relevant regulations, the Company revised relevant provisions of the External Information User Management System. The above revisions have been considered at the 13th meeting of the eighth session of the Board convened on 31 May 2021 by the Company.

F. CORPORATE GOVERNANCE *(Continued)*

(E) During the Reporting Period, the Company firmly focused on the “Audit Risk Control 133” annual work plan to enhance the risk prevention capability and reduce the operational and management risks of the enterprise. It mainly carried out the following work:

1. Conducting tour inspections and audits on 8 subsidiaries with the focus on financing trade, decision-making on “three significant and one serious” events, compliance of significant capitals use, the implementation of the negative list of investment projects as well as the operation management of non-principal and non-advantageous businesses.
2. Arranging over 20 subsidiaries to carry out special risk inspections, covering self-inspections on operational risks of trade businesses strictly prohibited and special inspections on the procurement business.
3. Establishing a multi-department collaborative supervision mechanism to form a unified supervision force and promote enterprises to standardize operation and prevent risks. It included: the establishment of a mechanism with unified force on information sharing to advance prevention and punishment and build a close “warning line”; and the establishment of a mechanism on the use of results of risk control audit, risk management work and annual performance appraisal.
4. Continuously facilitating overall risk management on key enterprises, significant contracts and account receivables. It effectively advanced the collection of large-sum aged trade receivables through regularly tracking the operation of key enterprises and follow-up analysis on trade receivables with risks and highlighting collection responsibilities. It arranged relevant departments to review significant economic contracts of the Group to prevent risks on economic contracts. It organized annual risk appraisal of the Group and urged enterprises to formulate rectification strategies and plans on risks identified.

G. THE AUDIT COMMITTEE OF THE EIGHTH SESSION OF THE BOARD COMPRISED FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM POSSESSED ACCOUNTING PROFESSIONAL QUALIFICATION. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP'S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING WITH THE MANAGEMENT, INCLUDING REVIEWING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021.

Environmental and Social Responsibility

A. 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 items of waste emission being monitored were 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	16	"Integrated emission standard of air pollutants", ≤50	0.356	-	None
	Nitrogen oxides	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	101	"Integrated emission standard of air pollutants", ≤200	2.21	-	None
	Particulate matter (smoke dust)	Intermittently	5	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	1.56	"Integrated emission standard of air pollutants", ≤30	0.1124	-	None
	Total VOCs	Intermittently	6	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	3.168	"Integrated emission standard of air pollutants", ≤120	0.122	-	None
WLJ Ya'an	COD	Discharge after treatment	1	No. 1 Deguang Road, Ya'an Economic Development Zone, Sichuan Province	15.45	"Integrated Wastewater Discharge Standard (III class criteria)"	0.60	5.86	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province	66.85	"Integrated Wastewater Discharge Standard (III class criteria)"	1.10	4.50	None

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

Environmental and Social Responsibility

A. 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
	205 oral cephalosporin APIs production dust and exhaust gas treatment facility DA002 (10#)	2016.01.20	Particulate matter	Cellulose filter cylinder filtration	5, 350

Environmental and Social Responsibility

A. 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)
	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	3,000; 2,200
WLJ 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

Environmental and Social Responsibility

A. 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.

Environmental and Social Responsibility

A. 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)*

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.

6. ***Administrative punishment on environmental issues during the Reporting Period***

Applicable Not applicable

7. ***Other disclosable environmental information***

Applicable Not applicable

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

Applicable Not applicable

1. **Administrative punishment on environmental issues**

Applicable Not applicable

2. **Other environmental information disclosed with reference to other 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.

3. **Reasons for non-disclosure of other environmental information**

Applicable Not applicable

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

Applicable Not applicable

(D) Relevant information beneficial to ecological protection, pollution prevention and fulfillment of environmental responsibilities

Applicable Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Company strictly controls the treatment and discharge of various pollutants through emission reduction from the source, green production in the intermediate process, and pollution prevention at the end. It not only meets discharge standards but also strives to minimize emissions. In addition, it establishes nationwide planting bases of medicinal herbs with adaptations to varying local conditions, carries out standard plantation of Chinese medicinal herbs and conducts researches on planting technology on medicinal herbs, quality seedlings and quality traceability on Chinese medicinal herbs to promote biodiversity conservation. The Company actively advocates the concept of environmental protection, contributes to the green development of the whole society, and strives to promote the development of green economy, low-carbon economy and circular economy.

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

(E) Measures adopted for reducing its carbon emission during the Reporting Period and their effects

Applicable Not applicable

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

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

Applicable Not applicable

The Company has provided pair-up assistance to three poverty-stricken villages in Songyuan Town, Meizhou City, namely Jingkou, Wanxi and Yuanling, since 2016. It has invested funds and materials with over RMB10 million. All impoverished population in the three villages receiving pair-up assistance have got rid of poverty, marking the full completion of the tasks on poverty alleviation.

The Company has earnestly advanced targeted poverty alleviation through various measures. Firstly, through the Party's leadership. It signed joint building agreements with Party branches of poverty-stricken villages and brought Party classes to the countryside. It established education bases for Party members in villages to enhance the endogenous drivers of Party organizations and members of villages to lead agricultural households to get rid of poverty and achieve prosperity. Secondly, through industrial assistance alleviation. The WLJ Great Health base and the Cai Zhi Lin industrial service base have been completed and put into operation in Guangzhou (Meizhou) Industrial Transfer Park, bringing great support to tobacco and pomelo cultivation in impoverished villages. Thirdly, through education. It built brand night schools for farmers in the three villages under the joint building by villages and enterprises. The brand night school for farmers in Jingkou Village is the first night school for farmers at the village level in Meizhou City and the first demonstration education point for Party members at the village level in Meixian District. It irregularly appoints agricultural experts and masters with skills to get rich in the village to give lectures for villagers and impoverished households and teach planting skills and practical knowledge to improve their skills. Fourthly, through the construction of beautiful countryside. The Company advanced road building and the construction of cultural activity centers for villagers and implemented the improvement of living environment and other programs for the construction of beautiful countryside, which significantly improved infrastructure construction in villages and perfected the appearance of villages.

A. PERFORMANCE OF UNDERTAKINGS

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

Applicable Not applicable

1 *Independence of listed company*

Item	Content
Background of undertakings	Undertakings related to 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, 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. 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

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

2 *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 GYBYS subsisting after completion of the Material Assets Reorganization in 2013, and avoid increasing investment in companies and enterprises other than the GYBYS and its subsidiaries, and engaging in business and operations which substantially compete with those of the GYBYS. GPLH will not and will procure its subsidiaries not to engage in the same or similar business of the GYBYS to avoid direct or indirect competition with the operation and business of the GYBYS. In addition, GPLH will voluntarily and vigorously procure its subsidiaries forego competition with the GYBYS if GPLH and its subsidiaries will bring unfair impact on the GYBYS in respect of market shares, business opportunities and allocation of resources. 2. GPLH shall bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by the GYBYS due to any breach of the above undertakings. 3. The undertaking letter shall 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
Complied with or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

3 *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 the Company. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreement with the Company in accordance with laws and perform the legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of SSE and the Listing Rules of HKEX and the articles of association of GPC, and warrant that it will not harm the legitimate rights and interests of the subsisting the GYBYS after completion of the Material Assets Reorganization in 2013 and its other shareholders. 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
Complied with or not	Yes

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

4 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. 3. After completion of the merger, GPLH will fully compensate the Company within 2 months from the date of incurrence of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted land use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but are not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any losses.
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

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

5 *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	<p>1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry date of 1 May 2020, or earlier when the license agreement and its supplemental agreement were 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.</p>

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

5 **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	No

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

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

Item	Content
Whether timely and strictly performed	Yes In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the effective date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of Wang Lao Ji trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Complied with or not Note	Yes 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.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period *(Continued)*

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

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

A. PERFORMANCE OF UNDERTAKINGS (Continued)

(A) The commitments made by the actual controller, shareholders, affiliates, acquirer and other relevant parties of the Company during or continuing to the current reporting period (Continued)

e) Undertakings related to trademarks by the controlling shareholder (Continued)

Item	Content
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As at 30 June 2021, the Company has submitted the application documents for changing the trademarks of Wang Lao Ji series to both domestic and foreign intellectual property departments. The registrations of 14 domestic basic trademarks and 339 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 34 defensive trademarks registered in one single foreign country pending approval.

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

Name of shareholders or related parties	Relationship with the Company	Appropriation time	Reasons	Amount	New	Total amount repaid during the Reporting Period (RMB'000)	Balance at the end of the Reporting Period (RMB'000)	Balance as at the disclosure date of the interim report (RMB'000)	Expected repayment method	Expected repayment amount (RMB'000)	Expected repayment time
				at the beginning of the Reporting Period (RMB'000)	appropriation amount during the Reporting Period (RMB'000)						
GPHL	Parent Company	-	Advance of remuneration	81	0	81	0	0	0	0	-
Guangzhou South China Medical Instruments Co., Ltd.	Controlled by the same parent company	-	Liquidity borrowing and fees on appropriation of funds	100	0	100	0	0	0	0	-
HWBYS	Joint venture	Within 1 year	Dividend	0	150,000	0	150,000	150,000	Cash	150,000	-
HWBYS	Joint venture	-	Borrowings and interest	92	827	919	0	0	0	0	-
Nuo Cheng	Joint venture	-	Dividend	37,939	0	37,939	0	0	0	0	-
Total	/	/	/	38,212	150,827	39,039	150,000	150,000	/	150,000	/

Proportion of total amount at the end of the period in the latest audited net assets

0.53%

Decision-making procedures for appropriation of funds for non-operating purposes by controlling shareholder and other related parties

-

Reasons for new appropriation of funds for non-operating purposes by substantial shareholders and their affiliated enterprises, investigation of responsible persons and explanations to measures proposed to be adopted by the Board

-

Reasons for failure to settle appropriation of funds for non-operating purposes as planned, investigation of responsibilities and explanations to measures proposed to be adopted by the Board

-

Special audit opinion of certified public accountants on appropriation of funds (if any)

-

Note: HWBYS convened the meeting of the board of directors in May 2021 to declare the distribution of dividends for 2020. According to the resolution of its board, the specific time and arrangement of this dividend payment shall be approved separately by the board of HWBYS. Currently, the dividend has not been received.

Major Events

C. BREACH OF GUARANTEES

Applicable Not applicable

D. AUDIT OF THE INTERIM REPORT

Applicable Not applicable

(A) Explanation on 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 2nd meeting of the Audit Committee in 2021 of the Company, the Company approved the cessation of appointment of WUYIGE Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for year 2021.
- (2) As considered and approved at the 2nd meeting of the Audit Committee in 2021 of the Company, the 11th meeting of the eighth session of the Board, the 7th meeting of the eighth session of the Supervisor Committee and the 2020 annual general meeting of the Company, the Company approved the proposed appointment of Shu Lun Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for the year 2021.

Explanation change in appointment of auditors during the audit period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

F. MATTERS RELEVANT TO BANKRUPTCY AND SCHEME OR ARRANGEMENT

Applicable Not applicable

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

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

On 13 April 2021, the Company received the Written Civil Judgment captioned (2021) Yue 01 Min Zhong No. 3984 from the Intermediate People's Court of Guangzhou City, Guangdong Province in relation to the case of disputes over liabilities for cyber tort between the Company and Beijing Kangyeyuan Investment Consulting Co., Ltd. (北京康業元投資顧問有限公司) ("Beijing Kangyeyuan"). According to the written ruling, the judgment of the case was to dismiss the appeal and uphold the original judgment. For details, please refer to the announcement and the supplemental announcements dated 13 April 2021 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.

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

Applicable Not applicable

(C) Others

Applicable Not applicable

Major Events

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

Applicable Not applicable

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

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	10,792	0.04	Cash
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	131,860	0.48	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	55,535	0.20	Cash
Subtotal					198,187		
HWBYS	Joint venture	Acceptance of service	Publicity service	Market price	5,136	0.75	Cash
Subtotal					5,136		
GPHL	Parent company	Sales of goods	Medicinal material or medicine	Market price	35	0.00	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	73,194	0.20	Cash

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	96,651	0.27	Cash
Nuo Cheng	Joint venture	Sales of goods	Medicinal material or medicine	Market price	17	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	212	0.00	Cash
Subtotal					170,109		
GPHL	Parent company	Rendering of service	Advertising agency service	Market price	238	0.88	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	5,768	21.35	Cash
HWBYS	Joint venture	Rendering of service	Advertising agency service	Market price	19,114	70.74	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Consigned processing	Market price	13,814	11.28	Cash
HWBYS	Joint venture	Rendering of service	Consigned processing	Market price	3,258	2.66	Cash
HWBYS	Joint venture	Rendering of service	Other services	Market prices	167	0.00	Cash
Nuo Cheng	Joint venture	Rendering of service	Other services	Market prices	1,969	0.01	Cash
Baxter Qiao Guang	Joint venture	Rendering of service	Other services	Market prices	1,802	0.01	Cash
Subtotal					46,130		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Providing rights to use patents, trademarks, etc.	Rights to use trademarks	Agreement price	193	31.48	Cash
HWBYS	Joint venture	Providing rights to use patents, trademarks, etc.	Rights to use trademarks	Agreement price	420	68.52	Cash
HWBYS	Joint venture	Others	Assets leased from related parties	Agreement price	2,337	1.43	Cash
GPHL	Parent company	Others	Assets leased from related parties	Agreement price	5,633	3.44	Cash
Subtotal					8,583		
GPHL	Parent company	Others	Assets leased to related parties	Agreement price	134	0.51	Cash
Baxter Qiao Guang	Joint venture	Others	Assets leased to related parties	Agreement price	1,888	7.19	Cash
Nuo Cheng	Joint venture	Others	Assets leased to related parties	Agreement price	1,619	6.17	Cash
Subtotal					3,641		
Total					431,786		

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 disclosed in temporary announcement

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

Applicable Not applicable

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

Applicable Not applicable

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 and the 2019 first extraordinary general meeting 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 in the process of registration) held by GPLH, the controlling shareholder of the Company. The transaction constitutes a connected transaction. 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, and the 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 in one lump sum, and had obtained the underlying assets in accordance with laws.

As at 30 June 2021, 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, 339 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 34 defensive trademarks registered in one single foreign country pending approval.



Major Events

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

3. *Events not disclosed in temporary announcements*

Applicable Not applicable

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

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(C) Material related party transactions on joint external investment

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

Applicable Not applicable

Summary of events

Index for query

On 26 March 2021, the Company, Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd. (廣東廣藥金申股權投資基金管理有限公司) (“Guangyao Jinshen”), Shenzhen Jin Shen Yi Financial Investment Co., Ltd. (深圳市金申翊金融投資有限公司) and Guangzhou Guoqi Innovation Fund Co., Ltd. (廣州國企創新基金有限公司) entered into the Partnership Agreement on Guangzhou Guangyao Jinshen Equity Investment Partnership (Limited Partnership) (廣州廣藥金申股權投資合夥企業(有限合夥)) and proposed to establish a fund with a total size of RMB505 million. The Company proposed to invest RMB200 million to subscribe for the units of limited partnership of the fund with limited partnership. As the Company holds 40% equity interest in Guangyao Jinshen and Mr. Li Hong, an executive director and the general manager of the Company, serves as a director of Guangyao Jinshen, Guangyao Jinshen is a related party of the Company. The investment constitutes a related party transaction.

<http://www.sse.com.cn/>
<http://www.hkex.com.hk>

Major Events

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

Applicable Not applicable

On 8 March 2021, the Company, Guangyao Jinshen and Tibet Qizheng Tibetan Medicine Co., Ltd. entered into the Partnership Agreement on Guangzhou Guangyao Jinzang Equity Investment Partnership (Limited Partnership) (廣州廣藥金藏股權投資合夥企業(有限合夥)) and proposed to establish a fund with a total size of RMB115 million. The Company proposed to invest RMB46 million to subscribe for the units of limited partnership of the fund. Guangyao Jinshen is a related party of the Company. The investment constitutes a related party transaction. For details, please refer to the announcements of the Company published on the websites of SSE and HKEX on 8 March 2021. On 10 June 2021, the Company received a notice from Guangyao Jinshen that Guangzhou Guangyao Jinzang Equity Investment Partnership (Limited Partnership) has completed filing procedures with the Asset Management Association of China.

3. *Events not disclosed in temporary announcements*

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(D) Credit claims and liabilities between related parties

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(F) Other significant related party transactions

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(G) Other

Applicable Not applicable

On 31 May 2021, the Company, Alliance BMP Limited and GP Company entered into the Supplemental Contract to the Contract on the Transfer of the 30% Equity Interests in Guangzhou Pharmaceuticals Company Limited among Alliance BMP Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and Guangzhou Pharmaceuticals Co., Ltd. (the “Supplemental Contract”). According to the Supplemental Contract, the exercise period of the put options under the Contract on the Transfer of the 30% Equity Interests in Guangzhou Pharmaceuticals Co., Ltd. among Alliance BMP Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and Guangzhou Pharmaceuticals Co., Ltd. shall be modified from the period starting from the day six (6) months subsequent to the settlement date to anytime within thirty-six (36) months subsequent to the settlement date to the period starting from the day six (6) months subsequent to the settlement date to anytime within forty-two (42) months subsequent to the settlement date and the first day on which the H shares of GP Corp. are listed and traded on the Main Board of HKEX, whichever is earlier. According to the Guidelines of the Shanghai Stock Exchange for the Implementation of Related Party Transactions and the Listing Rules of HKEX, Alliance BMP Limited, the counterparty, is recognized as a related party of the Company. The extension of the exercise period of the put options is deemed as a related party transaction. For details please refer to the announcement dated 31 May 2021 and the circular dated 17 August 2021 published on the websites of the SSE and HKEX.

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

No.	Approval body	Subject matter	Status
1	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.
2	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 established 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 THE GROUP'S ACQUISITION AND DISPOSAL OF ASSETS, CORPORATE MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD (Continued)

No.	Approval body	Subject matter	Status
	3rd meeting of the Strategic Development and Investment Committee in 2020	Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company, applied for a capital injection of RMB300.00 million from the Company for the use of the construction of the Zhuhai Project.	Initial increases capital of RMB100.00 million has been completed and In progress
3	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. (廣州奧諮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.	First phase of capital increase completed.
4	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 construction work is in progress.
5	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
6	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 has been completed.

K THE GROUP'S ACQUISITION AND DISPOSAL OF ASSETS, CORPORATE MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

No.	Approval body	Subject matter	Status
7	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
8	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 capital contribution of RMB72 million has been completed.
9	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.	The construction work is in progress.
	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.	
10	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 construction 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.	The pre-construction preparatory work is in progress.

Major Events

K THE GROUP'S ACQUISITION AND DISPOSAL OF ASSETS, CORPORATE MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

No.	Approval body	Subject matter	Status
11	4th meeting of the Strategic Development and Investment Committee in 2020	<p>The Company made a capital increase of RMB10 million to Chemical & Pharmaceutical Technology Company.</p> <p>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).</p>	In progress
12	6th meeting of the Strategic Development and Investment Committee in 2020	The relocation improvement project (phase I) of Ming Xing, a subsidiary of the Company, was adjusted and supporting works were added with an additional investment of RMB210.78 million.	Completed

K THE GROUP'S ACQUISITION AND DISPOSAL OF ASSETS, CORPORATE MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD (Continued)

No.	Approval body	Subject matter	Status
13	1st meeting of the Strategic Development and Investment Committee in 2021	The estimate budget on the Phase-II project of WLJ Ya'an was adjusted to RMB67 million.	In progress
		The Company, Cai Zhi Lin, Zhong Yi and Guangzhou Hanfang proposed to establish a joint venture named Guangdong Hanchao TCM Technology Co., Ltd. with Guangzhou Jinan University Asset Operation Co., Ltd. (廣州暨南大學資產經營有限公司), Gansu Pharmaceutical Industry Research Institute Co., Ltd. (甘肅藥物產業研究院有限公司) and Lanzhou Nuoran Intestinal Health Precision Nutrition Research Institute (蘭州諾然腸道健康精準營養研究所). The registered capital of the joint venture is RMB30 million, of which, the Company contributes RMB6 million, accounting for 20%. The comprehensive shareholding proportion of the Group in the joint venture is 75%.	In progress
14	2nd meeting of the Strategic Development and Investment Committee in 2021	GP Corp., a subsidiary of the Company, applied for RMB150 million of self-owned funds to purchase land for the phase two of the logistics project of the Baiyun base in the Biological Medicine Town of GPLL.	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.

Major Events

L. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(A) Trusteeship, contract and lease matters

Applicable Not applicable

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

(B) Guarantees

Applicable Not applicable

(Unit: RMB'000)

Guarantor	The relationship between the guarantor and the Company	External guarantees of the Company (excluding guarantees to subsidiaries)										Whether guarantee is for the benefit of related parties	Connected relationship	
		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			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee provided during the Reporting Period (excluding guarantee provided to the subsidiaries of the Company)													-	
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantee provided to the subsidiaries of the Company)													-	
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													180,000	
Total balance of guarantee provided for the benefit of subsidiaries at the end of the Reporting Period (B)													180,000	
Amounts of guarantees provided by the Group (including guarantees for subsidiaries)														
Total amount of guarantee (A+B)													180,000	
The proportion of the total amount of guarantees to the Company's net assets (%)													0.64	
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)													180,000	
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)													180,000	
Description of the potential joint and several repayment liability for outstanding guarantee													-	
Description of guarantee													-	

L. MATERIAL CONTRACTS AND THEIR PERFORMANCE *(Continued)*

(C) Other major contracts

Applicable Not applicable

M. DESCRIPTION OF OTHER IMPORTANT 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

(C) Others

Applicable Not applicable

1. According to the overall strategic layout of the Company and 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.

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

(C) Others *(Continued)*

1. *(Continued)*

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The resolution on the capital injection and enlargement of GP Corp. was considered and approved at the third meeting of the eighth session of the Board on 6 August 2020. The resolution on the initial public offering of foreign shares (H shares) by GP Corp. by way of overseas listing and a series of resolutions related to the listing proposals were considered and approved at the sixth meeting of the eighth session of the Board on 30 September 2020. GP Corp. solicited qualified investors by way of a public tender process via the Guangzhou Enterprises Mergers and Acquisition Services from 12 October 2020 to 4 December 2020. According to the delisting, comprehensive evaluation and competitive negotiation of the public tender of the Guangzhou Enterprises Mergers and Acquisition Services, the capital injection of GP Corp. eventually solicited one strategic investor and five ordinary investors and its capital increased by 222,305,300 new shares by way of capital injection and enlargement. On 30 December 2020, GP Corp. completed the business registration for the changes relating to the said capital injection and enlargement. On 9 March 2021, GP Corp. submitted the application materials for the initial public offering of overseas listed foreign shares (H shares) and listing on the Main Board of the HKEX to the CSRC, which were accepted on 17 March 2021. On 31 March 2021, GP Corp. submitted the Form A1 listing application to the HKEX for the listing and trading of the shares of GP Corp. on the Main Board of the HKEX.

For details, please refer to the announcements of the Company dated 29 April 2020, 6 August 2020, 30 September 2020, 31 December 2020, 18 March 2021 and 31 March 2021 published in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

Currently, GP Corp. has received the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Guangzhou Pharmaceuticals Co., Ltd. from the CSRC, and the preliminary preparation works for the spin-off and overseas listing are progressing in an orderly manner.

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

(C) Others *(Continued)*

2. The Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the Resolution on Approving GP Corp., a subsidiary of the Company, to Conduct Asset backed Securitization was considered and approved, pursuant to which the conduct of asset backed securitization of accounts receivable by GP Corp. and the establishment of the "Accounts Receivable Asset-backed Special Scheme" by Industrial Securities Asset Management Co., Ltd. (the "Industrial Securities Asset Management") were approved. The above-mentioned resolution was considered and approved at the second extraordinary general meeting in 2019 held by the Company on 12 November 2019. For details, please refer to the announcement of the Company dated 10 September 2019 published in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

As at 30 June 2021, the accumulative asset sale scale of GP Corp.'s asset-backed securitization of accounts receivable amounted to RMB4.798 billion. At present, Underlying Assets of the Industry Yuanrong-Accounts Receivables Phase I of GP Corp. has been liquidated.

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

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

Major Events

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

The Company used proceeds in the amount of RMB519,168,400 in January to June 2021. As at 30 June 2021, the aggregate proceeds invested amounted to RMB5,720,514,900, and the aggregate proceeds invested (after the deduction of bank charges and addition of accrued interest income) amounted to RMB2,596,129,500, details of which are as follows:

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2021 (RMB'0000)	Difference between the accumulated amount invested and the total amount committed for investment as at the end of the Reporting Period (RMB'0000)	Date of the projects becoming ready for intended use
1	The construction project of the Great Southern TCM research and development platform	150,000.00	39,880.87	(110,119.13)	31 December 2022 <i>(note a and note e)</i>
2	The construction project of the Great Southern TCM production base (phase 1)	64,391.67	14,201.45	(50,190.22)	31 January 2021 <i>(note b)</i>
Including	Ming Xing relocation improvement project	60,000.00	9,809.78	(50,190.22)	31 January 2024 <i>(note d)</i>
	He Ji Gong relocation improvement project	4,391.67	4,391.67	0	Change in the intended use <i>(note d)</i>
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPLH (the controlling shareholder of the Company)	108,000.00	108,000.00	0	Change in the intended use <i>(note c)</i>
4	The project for establishment of channels and brands	200,000.00	174,526.67	(25,473.33)	N/A
5	The project for establishment of information platform	2,744.99	2,744.99	0	31 December 2020 <i>(note b)</i> , change in a portion of the intended use of by the Company <i>(note c and note d)</i>
6	The project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	48,901.37	9,562.31	(39,339.06)	<i>(note d)</i>
7	Replenishment of liquidity	222,049.70	223,105.20 <i>(including the use of deposits interest)</i>	1,055.50	N/A
Total		796,117.73	572,051.49	(224,066.24)	-

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

Notes:

- 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 and passed the resolution on postponing the implementation date of the construction project of the Great Southern TCM research and development base to 31 December 2022. For details, please refer to the announcement of the Company dated 11 December 2019 and the circular of the Company dated 31 January 2019 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 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, were passed. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and 4 January 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- c. The Company convened the 18th meeting of the seventh session of the Board, the 12th meeting of the seventh session of the Supervisory Committee and the first EGM in 2019 on 28 March 2019, and passed the resolution on changing the use of RMB1,000 million and RMB80 million out of the proceeds for the extension project of modern medical logistics services and for the project for the establishment of the information platform respectively to the acquisition of the “Wang Lao Ji” series trademarks held by GPLH, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018, 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- d. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of the construction project of the Great Southern TCM production base (phase 1) of Ming Xin’s relocation improvement project to 31 January 2024 redesignated RMB104.725 million (the actual amount is based on the balance of designated account on the day the proceeds are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the designated account on the day when proceeds are transferred) for He Ji Gong’s relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. Please refer to the announcement dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites SSE and HKEX for details.



Major Events

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

Notes: *(Continued)*

- e. On 2 August 2021, the Company convened the 14th meeting of the eighth session of the Board and the 10th meeting of the eighth session of the Supervisory Committee, at which the Resolution on Changes in Use of Proceeds from the Fund Raising of the Company was considered and approved. Based on the actual conditions of the current investment projects with the proceeds from the fund raising and after prudent consideration, the Company proposed to change the use of RMB118,429,000 and RMB384,000,000 for the construction project of the Great Southern TCM research and development platform to the project of Gansu Guanyao Baiyunshan Traditional Chinese Medicine Technology Industrial Park (first phase) and the project of Nansha Base of WLJ Great Health (first phase) and the remaining approximately RMB318,828,800 will still be invested in the original project. The matter is still subject to consideration and approval at the general meeting of the Company. For details, please refer to the announcements dated 2 August 2021 and the circular dated 17 August 2021 on the websites of SSE and HKEX.

Save as disclosed above, as of 30 June 2021, 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 2021 (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

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2021, the Company had 97,075 shareholders in total, of which 97,033 were holders of domestically listed Reminbi-denominated ordinary shares (A shares) and 42 were holders of overseas listed foreign share (H shares).

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

Shareholders	Increase/ (Decrease) during the Reporting Period (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	0	0	State-owned legal person
HKSCC Nominees Limited	5,921	219,765,300	13.52	0	–	Others
GZ Chengfa	0	73,313,783	4.51	0	0	Others
GZ SOA Development	(659,500)	60,905,800	3.75	0	0	State-owned legal person
China Securities Finance Corporation Limited	(46)	47,277,962	2.91	0	0	Others
Hong Kong Securities Clearing Company Limited	6,240,826	23,730,612	1.46	0	0	Others
Central Huijin Investment Limited	(2,685,806)	12,574,894	0.77	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
China-Europe Fund – Agricultural Bank – China-Europe China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Others
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	0	8,662,836	0.53	0	0	Others

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS (Continued)

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

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

Shareholders	Number of shares without selling restrictions (share)	Class and number of shares	
		Class of shares	The number of shares (share)
GPHL	732,305,103	Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,765,300	Overseas listed foreign shares	219,765,300
GZ Chengfa	73,313,783	Ordinary shares denominated in RMB	73,313,783
GZ SOA Development	60,905,800	Ordinary shares denominated in RMB	60,905,800
China Securities Finance Corporation Limited	47,277,962	Ordinary shares denominated in RMB	47,277,962
Hong Kong Securities Clearing Company Limited	23,730,612	Ordinary shares denominated in RMB	23,730,612
Central Huijin Asset Management Co., Ltd.	12,574,894	Ordinary shares denominated in RMB	12,574,894
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Ordinary shares denominated in RMB	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	Ordinary shares denominated in RMB	8,680,636
Boshi AMC-Agricultural Bank-Boshi China Securities Financial Asset Management Plan	8,662,836	Ordinary shares denominated in RMB	8,662,836
Top ten shareholders in the buyback special account	N/A		
Explanation on the above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right	N/A		
Explanation on the connection or persons acting in concert among the above shareholders:		(1) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.	
		(2) The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Rules Governing the Disclosure of Changes in Shareholders' Shareholding in Listed Companies".	
Preferred shareholders with their voting rights restored and the number of shares they hold	N/A		

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

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

Applicable Not applicable

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

Applicable Not applicable

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS (Continued)

(E) As at 30 June 2021, 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	32,801,000 (Long position)	Benefit owner	–	About 14.92
Citigroup Inc <small>(note 1 and note 2)</small>	Foreign shares	20,748,690 (Long position)	Interest in controlled corporation	–	About 9.44
		185,960 (Short position)	Interest in controlled corporation	–	About 0.08
		20,038,862 (Lending pool)	Approved lending agent	–	About 9.11
LSV ASSET MANAGEMENT	Foreign shares	9,095,000 (Long position)	Investment manager	–	About 4.14
		4,157,000 (Long position)	Other <small>(note 3)</small>	–	About 1.89

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

(E) As at 30 June 2021, 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: *(Continued)*

Notes:

1. According to the notice of corporate substantial shareholders submitted by the CitiGroup Inc..
 - (1) Interests in long position in 523,868 long position 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 50.21% by Citigroup Global Markets (International) Finance GmbH ("Citigroup Markets (International)"), which was wholly owned by Citigroup Global Markets Europe Finance Limited ("Citigroup Markets Europe"), Citigroup Markets Europe was wholly owned 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 Markets (International), Citigroup Financial, Citigroup Markets Europe, Citigroup Holdings and Citigroup Inc. were deemed to be interested the shares held by Citigroup Markets under the SFO.
 - (2) Interests in long position in 960 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.
 - (3) Interests in long position in 20,223,862 foreign shares and short position in 185,000 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.
2. In which 4,000 long position foreign shares in the Company are unlisted derivatives to be settled in cash, whereas 185,000 long position foreign shares and 185,000 short position foreign shares in the Company are unlisted derivatives to be settled physically.
3. Interests in 2,912,000 long position foreign shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in 542,000 long position foreign shares in the Company were held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund") and interests in 703,000 long position foreign shares in the Company were held by LSV International(AC)Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT separately controls the 100% general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund. Therefore, LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund were deemed to be interested in the shares held by LSV ASSET MANAGEMENT under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2021, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

Changes in Share Capital and Shareholders

C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

(A) Interests in shares (A shares) of the current and the outgoing Directors, Supervisors and senior management of the Company 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)	Change in shareholding during the Reporting Period (share)	Reasons for change
Li Chuyuan	Chairperson	0	0	0	N/A
Yang Jun	Vice chairperson	0	0	0	N/A
Cheng Ning	Vice chairperson	0	0	0	N/A
Liu Juyan	Executive Director	0	0	0	N/A
Zhang Chunbo	Executive Director	0	0	0	N/A
Wu Changhai	Executive Director	0	0	0	N/A
Li Hong	Executive Director General manager	0	0	0	N/A
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	0	0	0	N/A
Huang Min	Independent non-executive Director	0	0	0	N/A
Cai Ruiyu	Chairperson of the Supervisory Committee	0	0	0	N/A
Gao Yanzhu	Supervisor (Resigned on 3 June 2021)	0	0	0	N/A
Cheng Jinyuan	Supervisor	0	0	0	N/A
Jian Huidong	Supervisor (Appointed on 3 June 2021)	0	0	0	N/A
Huang Haiwen	Deputy general manager	0	0	0	N/A
Zheng Haoshan	Deputy general manager	0	0	0	N/A
Zheng Jianxiong	Deputy general manager	2,300	2,300	0	Note
Huang Xuezheng	Secretary to the Board	0	0	0	N/A

Note:

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

Changes in Share Capital and Shareholders

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

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

Applicable Not applicable

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

- As at 30 June 2021, 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) <i>(share)</i>	Percentage of issued A shares <i>(%)</i>
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.

- Saved as disclosed above, as at 30 June 2021, 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.

Changes in Share Capital and Shareholders

D. EMPLOYEES OF THE GROUP

(A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 24,825. The total salary payment for the first half of 2021 was approximately RMB1.841 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' various career development 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.



Changes in Share Capital and Shareholders

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

F. PUBLIC FLOAT

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

G. PRE-EMPTIVE RIGHTS

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

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



Relevant Information on Preferred Shares

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



Relevant Information of Company Bonds

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

CONSOLIDATED BALANCE SHEET

30 June 2021

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

Assets	Notes	30 June 2021	31 December 2020
Current assets:			
Cash at bank and on hand	V(1)	22,092,141,389.45	19,470,276,224.53
Financial assets held for trading	V(2)	20,000,000.00	4,000,000.00
Derivative financial assets		-	-
Notes receivable	V(3)	1,314,417,249.51	1,134,815,993.39
Accounts receivable	V(4)	13,413,855,802.70	12,389,655,576.61
Financing receivables	V(5)	2,747,695,682.36	2,164,978,925.29
Advances to suppliers	V(6)	629,986,582.67	1,032,533,165.54
Other receivables	V(7)	1,041,322,784.28	765,711,481.37
Including: Interest receivable		-	4,477,916.67
Dividends receivable		150,000,000.00	37,938,523.45
Inventories	V(8)	8,161,361,392.72	9,764,531,363.80
Contract assets		-	-
Assets held for sales		-	-
Current portion of non-current assets		-	-
Other current assets	V(9)	509,072,368.83	670,115,291.06
Total current assets		49,929,853,252.52	47,396,618,021.59
Non-current assets:			
Debt investment	V(10)	618,878,334.18	505,069,444.73
Other debt investment		-	-
Long-term receivables		-	-
Long-term equity investment	V(11)	1,834,661,467.63	1,865,866,171.60
Other equity instrument investment	V(12)	161,466,859.20	116,367,414.84
Other non-current financial assets	V(13)	247,478,167.48	263,528,067.86
Investment properties	V(14)	215,467,526.91	213,001,989.80
Fixed assets	V(15)	2,919,721,274.19	2,912,513,169.84
Construction in progress	V(16)	1,487,179,536.15	1,276,251,488.95
Bearer biological assets	V(17)	2,979,180.00	3,153,885.00
Oil and gas assets		-	-
Right-of-use assets	V(18)	862,490,635.39	909,338,251.24
Intangible assets	V(19)	2,426,066,551.61	2,443,588,248.17
Development expenditure	V(20)	7,566,341.72	6,735,587.41
Goodwill	V(21)	825,573,066.90	825,573,066.90
Long-term prepaid expenses	V(22)	112,486,480.08	111,306,370.33
Deferred tax assets	V(23)	764,409,621.76	751,722,372.84
Other non-current assets	V(24)	182,649,575.34	159,429,328.02
Total non-current assets		12,669,074,618.54	12,363,444,857.53
TOTAL ASSETS		62,598,927,871.06	59,760,062,879.12

CONSOLIDATED BALANCE SHEET

30 June 2021

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

Liabilities and shareholders' equity	Notes	30 June 2021	31 December 2020
Current liabilities:			
Short-term borrowings	V(25)	10,269,716,611.47	8,265,729,653.03
Financial liabilities held for trading	V(26)	–	–
Derivative financial liabilities		–	–
Notes payable	V(27)	2,496,371,082.29	3,284,549,237.79
Accounts payable	V(28)	10,341,226,624.26	10,874,808,379.60
Advances from customers		–	–
Contract liabilities	V(29)	1,333,532,175.22	1,249,255,585.45
Employee benefits payable	V(30)	860,483,445.32	846,778,208.52
Taxes payable	V(31)	371,185,218.42	316,109,068.00
Other payables	V(32)	4,005,210,432.32	4,013,915,065.13
Including: Interest payable		–	17,844,845.53
Dividends payable		174,032,002.76	57,512,041.85
Liabilities classified as held for sale		–	–
Current portion of non-current liabilities	V(33)	232,961,580.59	236,106,690.45
Other current liabilities	V(34)	148,860,607.75	155,979,889.85
Total current liabilities		30,059,547,777.64	29,243,231,777.82
Non-current liabilities:			
Long-term borrowings	V(35)	767,870,599.94	497,550,000.00
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V(36)	524,773,316.91	561,824,454.28
Long-term payables	V(37)	22,846,772.00	22,846,772.00
Long-term employee benefits payable	V(38)	309,635.77	302,723.26
Provisions	V(39)	71,521,323.27	104,528,196.76
Deferred income	V(40)	837,622,303.62	784,074,821.24
Deferred tax liabilities	V(23)	301,638,292.38	286,359,056.86
Other non-current liabilities	V(41)	54,042,085.51	54,078,462.71
Total non-current liabilities		2,580,624,329.40	2,311,564,487.11
Total Liabilities		32,640,172,107.04	31,554,796,264.93

CONSOLIDATED BALANCE SHEET

30 June 2021

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

Liabilities and shareholders' equity	Notes	30 June 2021	31 December 2020
Shareholders' equity:			
Share capital	V(42)	1,625,790,949.00	1,625,790,949.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Capital reserve	V(43)	9,885,011,185.13	9,885,011,185.13
Less: Treasury shares			
Other comprehensive income	V(44)	(21,717,571.99)	(17,673,498.70)
Special reserve		-	-
Surplus reserve	V(45)	1,720,302,768.39	1,720,302,768.39
Undistributed profits	V(46)	14,559,116,879.49	12,931,411,564.72
		<hr/>	<hr/>
Total equity attributable to shareholders of the parent company		27,768,504,210.02	26,144,842,968.54
Minority interest		2,190,251,554.00	2,060,423,645.65
		<hr/>	<hr/>
Total Shareholders' Equity		29,958,755,764.02	28,205,266,614.19
		<hr/>	<hr/>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		62,598,927,871.06	59,760,062,879.12
		<hr/>	<hr/>

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

CONSOLIDATED INCOME STATEMENT

January to June 2021

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

Item	Notes	Current period	Prior period
I. Total revenue		36,128,577,150.09	30,469,650,474.76
Including: Operating revenue	V(47)	36,128,577,150.09	30,469,650,474.76
II. Total cost of sales		33,042,874,692.93	28,324,409,423.16
Including: Cost of sales	V(47)	28,597,774,408.52	24,677,619,889.97
Taxes and surcharges	V(48)	162,347,913.50	133,656,485.66
Selling and distribution expenses	V(49)	3,000,359,234.80	2,391,058,762.14
General and administrative expenses	V(50)	970,031,051.16	849,551,134.83
R&D expenses	V(51)	385,896,688.40	268,845,605.31
Financial expenses	V(52)	(73,534,603.45)	3,677,545.25
Including: Interest expense	V(52)	203,792,083.36	187,138,690.11
Interest income	V(52)	286,009,185.72	192,423,212.75
Add: Other income	V(53)	78,151,305.15	202,419,575.46
Investment income ("-" for loss)	V(54)	137,598,490.38	33,820,619.43
Including: Share of profit or loss of associates and joint ventures	V(54)	128,698,641.73	59,105,772.40
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(55)	(6,219,324.42)	(23,536,542.83)
Credit impairment losses ("-" for loss)	V(56)	(36,976,500.79)	(89,070,664.55)
Assets impairment losses ("-" for loss)	V(57)	(13,152,332.97)	(12,909,650.23)
Gains on disposal of assets ("-" for loss)	V(58)	123,987.72	3,288,794.32
III. Operating profit ("-" for loss)		3,245,228,082.23	2,259,253,183.20
Add: Non-operating income	V(59)	11,742,752.28	26,613,711.92
Less: Non-operating expenses	V(60)	67,697,125.04	21,132,544.16
IV. Total profit ("-" for loss)		3,189,273,709.47	2,264,734,350.96
Less: Income tax expenses	V(61)	539,770,865.01	379,657,449.08
V. Net profit ("-" for net loss)		2,649,502,844.46	1,885,076,901.88
(I) Categorized by operation continuity			
1. Net profit from continuing operations ("-" for loss)		2,649,502,844.46	1,885,076,901.88
2. Net profit from discontinued operations ("-" for loss)		-	-
(II) Categorized by ownership			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		2,502,380,845.33	1,764,269,356.81
2. Net profit attributable to minority interests ("-" for loss)		147,121,999.13	120,807,545.07

CONSOLIDATED INCOME STATEMENT

January to June 2021

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

Item	Notes	Current period	Prior period
VI. Other comprehensive income, net of tax		(4,580,485.54)	(904,016.78)
Other comprehensive income, net of tax attributable to the parent company's shareholders		(4,044,073.29)	45,908.02
(I) Other comprehensive income that will not be reclassified to profit or loss		(900,555.64)	897,146.62
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		(900,555.64)	897,146.62
4. Change in fair value of the company's own credit risk		-	-
(II) Other comprehensive income that may be reclassified into profit or loss		(3,143,517.65)	(851,238.60)
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
2. Change in fair value of other debt investments		(6,305,013.20)	(3,799,699.20)
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		4,873,734.42	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements		(1,712,238.87)	2,948,460.60
7. Others		-	-
Other comprehensive income, net of tax attributable to minority shareholders		(536,412.25)	(949,924.80)
VII. Total comprehensive income		2,644,922,358.92	1,884,172,885.10
Total comprehensive income attributable to shareholders of the parent company		2,498,336,772.04	1,764,315,264.83
Total comprehensive income attributable to minority shareholders		146,585,586.88	119,857,620.27
VIII. Earnings per share (EPS):			
1. Basic earnings per share	V(62)	1.539	1.085
2. Diluted earnings per share	V(62)	1.539	1.085

The accompanying notes to the financial statements are an integral part of the financial statements.

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 2021

(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		33,970,829,884.23	27,357,486,924.30
Receipts of taxes refunds		8,646,819.66	7,748,411.19
Other cash receipts relating to operating activities	V(63)	1,040,450,730.94	1,058,619,567.52
Subtotal of cash inflow from operating activities		35,019,927,434.83	28,423,854,903.01
Cash payments for goods purchased and services		26,651,904,411.98	25,211,296,904.97
Cash payments to and on behalf of employees		2,655,573,707.98	2,375,354,256.80
Payments of all types of taxes		1,624,676,919.19	1,455,746,302.21
Other cash payments relating to operating activities	V(63)	1,903,362,780.30	1,786,208,422.10
Subtotal of cash outflow from operating activities		32,835,517,819.45	30,828,605,886.08
Net cash flow from operating activities		2,184,409,615.38	(2,404,750,983.07)
II. Cash flow from investing activities:			
Cash receipts from returns of investments		259,000,000.00	60,400,000.00
Cash receipts from returns on investments		122,149,357.56	63,179,737.17
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,080,998.39	3,157,177.12
Net cash receipts from the disposals of subsidiaries and other business units		33,386,871.10	-
Other cash receipts relating to investing activities	V(63)	127,897.99	889.91
Subtotal of cash inflow from investment activities		415,745,125.04	126,737,804.20
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		482,197,680.93	317,623,781.19
Cash payments to acquire investments		211,562,500.00	41,500,000.00
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Subtotal of cash outflow from investment activities		693,760,180.93	359,123,781.19
Net cash flow from investing activities		(278,015,055.89)	(232,385,976.99)

CONSOLIDATED STATEMENT OF CASH FLOW

January to June 2021

(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		1,000,000.00	12,734,660.39
Including: cash receipts from minorities making		1,000,000.00	12,734,660.39
Cash receipts from borrowing		6,760,997,866.69	6,168,942,619.43
Other cash receipts relating to financing activities	V(63)	1,587,802,938.05	1,757,221,439.65
Subtotal of cash inflow from financing activities		8,349,800,804.74	7,938,898,719.47
Cash repayments of amounts borrowed		4,591,429,671.67	3,365,495,122.43
Cash payments for distribution of dividends, profits or interest expenses		963,542,068.95	199,446,043.77
Including: payments for distribution of dividends or profit to minorities of subsidiaries		22,669,578.53	24,561,478.00
Other cash payments relating to financing activities	V(63)	1,497,676,455.26	1,235,134,839.34
Subtotal of cash outflow from financing activities		7,052,648,195.88	4,800,076,005.54
Net cash flow from financing activities		1,297,152,608.86	3,138,822,713.93
IV. Effect of foreign exchange rate changes on cash and cash equivalents		387,317.83	817,262.83
V. Net increase in cash and cash equivalents		3,203,934,486.18	502,503,016.70
Add: opening balance of cash and cash equivalents		17,765,132,774.10	16,833,622,508.23
VI. Closing balance of cash and cash equivalents		20,969,067,260.28	17,336,125,524.93

The accompanying notes to the financial statements are an integral part of the financial statements.

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 2021

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

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity		
	Other equity instruments			Other			Less: Treasury shares					Subtotal	Minority Equity
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits				
I. Balance at 31 December 2020	1,625,790,949.00	-	-	-	9,885,011,185.13	(17,673,488.70)	-	1,720,302,768.39	12,931,411,564.72	26,144,842,968.54	2,060,423,845.65	28,205,266,614.19	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	
Combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at 1 January 2021	1,625,790,949.00	-	-	-	9,885,011,185.13	(17,673,488.70)	-	1,720,302,768.39	12,931,411,564.72	26,144,842,968.54	2,060,423,845.65	28,205,266,614.19	
III. Increase (decrease) during period ("-" for losses)													
(1) Total comprehensive income	-	-	-	-	-	(4,044,073.29)	-	-	1,627,706,314.77	1,623,661,241.48	129,827,908.35	1,753,489,149.83	
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	(4,044,073.29)	-	-	2,502,380,845.33	2,498,336,772.04	146,595,586.88	2,644,922,338.92	
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	4,000,000.00	4,000,000.00	
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	4,000,000.00	4,000,000.00	
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	
(3) Profit distribution	-	-	-	-	-	-	-	-	(874,675,550.56)	(874,675,550.56)	(20,757,878.53)	(895,433,209.09)	
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	(874,675,550.56)	(874,675,550.56)	(20,757,878.53)	(895,433,209.09)	
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	
(4) Transfer within 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 2021	1,625,790,949.00	-	-	-	9,885,011,185.13	(21,717,571.99)	-	1,720,302,768.39	14,559,116,879.49	27,768,504,210.02	2,190,251,534.00	29,958,755,764.02	

The accompanying notes to the financial statements are an integral part of the financial statements.

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 2021

(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	Other equity instruments	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	
I. Balance at 31 December 2019	1,625,790,949.00	-	-	-	9,865,084,049.39	-	(138,960.56)	25,989,486,948.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-
Combination under common control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,625,790,949.00	-	-	-	9,865,084,049.39	-	(138,960.56)	25,989,486,948.19
III. Increase/(decrease) during period ("-" for losses)	-	-	-	-	-	-	45,908.02	91,338,028.57
(1) Total comprehensive income	-	-	-	-	-	-	45,908.02	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) Transfer within 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	-	-	-	9,865,084,049.39	-	(93,052.54)	26,902,624,976.76

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

BALANCE SHEET

30 June 2021

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

Assets	Notes	30 June 2021	31 December 2020
Current assets:			
Cash at bank and on hand		8,171,679,213.98	7,521,190,578.73
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		870,932,919.84	532,824,889.92
Accounts receivable	XIV(1)	127,060,049.15	201,331,485.77
Financing receivables		203,632,297.90	274,695,510.29
Advances to suppliers		16,325,320.18	27,549,396.18
Other receivables	XIV(2)	667,072,071.86	703,246,345.85
Including: Interest receivable		–	–
Dividends receivable		313,054,898.43	165,044,898.43
Inventories		411,705,216.56	484,244,589.88
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets		275,601,400.12	257,168,644.21
Total current assets		10,744,008,489.59	10,002,251,440.83
Non-current assets:			
Debt investments		618,878,334.18	505,069,444.73
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XIV(3)	10,827,154,806.60	10,619,786,236.44
Other equity instrument investments		161,466,859.20	116,367,414.84
Other non-current financial assets		240,597,133.97	246,975,526.67
Investment properties		192,967,999.93	197,265,068.14
Fixed assets		455,599,787.03	468,753,101.75
Construction in progress		258,616,553.63	239,669,203.07
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		13,034,047.45	16,033,325.27
Intangible assets		1,735,815,096.66	1,733,508,114.31
Development expenditure		–	–
Goodwill		–	–
Long-term prepaid expenses		3,829,432.62	3,994,695.36
Deferred tax assets		164,225,716.39	164,225,716.39
Other non-current assets		97,433,596.00	97,433,596.00
Total non-current assets		14,769,619,363.66	14,409,081,442.97
TOTAL ASSETS		25,513,627,853.25	24,411,332,883.80

BALANCE SHEET

30 June 2021

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

Liabilities and shareholders' equity	Notes	30 June 2021	31 December 2020
Current liabilities:			
Short-term borrowings		401,000,000.00	300,000,000.00
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	513,766.96
Accounts payable		638,246,641.82	641,752,407.73
Advances from customers		-	-
Contract liabilities		183,862,581.41	199,057,095.72
Employee benefits payable		73,273,602.12	71,717,415.33
Taxes payable		51,450,427.13	26,411,509.32
Other payables		3,746,784,376.77	2,719,555,447.38
Including: Interest payable		-	495,879.17
Dividends payable		119,239,701.09	807,840.18
Liabilities classified as held for sale		-	-
Current portion of non-current liabilities		6,283,260.80	6,108,194.90
Other current liabilities		26,052,588.38	27,180,326.31
Total current liabilities		5,126,953,478.43	3,992,296,163.65
Non-current liabilities:			
Long-term borrowings		297,593,099.94	297,550,000.00
Bonds payable		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Lease liabilities		8,051,661.41	10,646,083.96
Long-term payables		7,802,224.39	7,802,224.39
Long-term employee benefits payable		-	-
Provisions		557,567,713.19	473,152,845.19
Deferred income		65,495,514.77	51,990,599.86
Deferred tax liabilities		12,957,950.22	12,957,950.22
Other non-current liabilities		180,509.41	75,646.19
Total non-current liabilities		949,648,673.33	854,175,349.81
Total liabilities		6,076,602,151.76	4,846,471,513.46

BALANCE SHEET

30 June 2021

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

Liabilities and shareholders' equity	Notes	30 June 2021	31 December 2020
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Capital reserve		9,820,175,495.89	9,820,175,495.89
Less: Treasury shares		-	-
Other comprehensive income		(8,260,065.60)	(7,359,509.96)
Special reserve		-	-
Surplus reserve		1,347,694,333.79	1,347,694,333.79
Undistributed profits		6,651,624,988.41	6,778,560,101.62
Total Shareholders' Equity		19,437,025,701.49	19,564,861,370.34
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		25,513,627,853.25	24,411,332,883.80

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

INCOME STATEMENT

January to June 2021

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

Item	Notes	Current period	Prior period
I. Operating revenue	XIV(4)	2,540,833,502.58	2,306,239,702.64
Less: Cost of sales	XIV(4)	1,156,346,611.44	1,312,290,060.63
Taxes and surcharges		18,859,959.09	22,372,572.75
Selling and distribution expenses		441,736,760.06	363,816,890.21
General and administrative expenses		158,556,366.62	148,768,010.26
R&D expenses		129,587,717.55	82,323,210.44
Financial expenses		(68,030,663.21)	(40,001,509.11)
Including: Interest expense		11,228,867.03	10,838,631.88
Interest income		79,411,690.32	50,961,021.62
Add: Other income		10,600,936.17	6,610,371.19
Investment income ("-" for loss)	XIV(5)	141,352,511.73	67,383,196.54
Including: Share of profit or loss of associates and joint ventures		128,947,186.46	67,383,196.54
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)		(6,378,392.70)	(23,347,175.83)
Credit impairment losses ("-" for loss)		189,593.58	(159,462.57)
Assets impairment losses ("-" for loss)		(12,265,641.45)	128,883.39
Gains on disposal of assets ("-" for loss)		–	77,110.18
II. Operating profit ("-" for loss)		837,275,758.36	467,363,390.36
Add: Non-operating income		1,514,543.12	611,552.52
Less: Non-operating expenses		3,172,262.96	527,720.56
III. Total profit ("-" for loss)		835,618,038.52	467,447,222.32
Less: Income tax expenses		87,877,621.17	53,401,177.56
IV. Net profit ("-" for net loss)		747,740,417.35	414,046,044.76
(I) Net profit from continuing operations ("-" for loss)		747,740,417.35	414,046,044.76
(II) Net profit from discontinued operations ("-" for loss)		–	–

INCOME STATEMENT

January to June 2021

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

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		(900,555.64)	897,146.62
(I) Other comprehensive income that will not be reclassified to profit or loss		(900,555.64)	897,146.62
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		(900,555.64)	897,146.62
4. Change in fair value of the company's own credit risk		-	-
(II) Other comprehensive income that may be reclassified into profit or loss		-	-
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
2. Change in fair value of other debt investments		-	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		-	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements		-	-
7. Others		-	-
VI. Total comprehensive income		746,839,861.71	414,943,191.38
VII. Earnings per share (EPS):			
1. Basic earnings per share		-	-
2. Diluted earnings per share		-	-

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

STATEMENT OF CASH FLOW

January to June 2021

(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		1,744,289,460.66	1,616,065,628.72
Receipts of taxes refunds		-	-
Other cash receipts relating to operating activities		421,185,801.79	209,351,028.87
Subtotal of cash inflow from operating activities		2,165,475,262.45	1,825,416,657.59
Cash payments for goods purchased and services received		766,421,651.44	451,367,335.09
Cash payments to and on behalf of employees		242,076,772.19	220,692,233.24
Payments of all types of taxes		175,085,356.74	207,443,832.89
Other cash payments relating to operating activities		64,209,187.69	541,944,455.24
Subtotal of cash outflow from operating activities		1,247,792,968.06	1,421,447,856.46
Net cash flow from operating activities		917,682,294.39	403,968,801.13
II. Cash flow from investing activities:			
Cash receipts from returns of investments		-	-
Cash receipts from returns on investments		917,311,725.76	678,291,778.91
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		31,200.00	111,908.00
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash receipts relating to investing activities		364,786,749.34	431,595,346.58
Subtotal of cash inflow from investment activities		1,282,129,675.10	1,109,999,033.49
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		77,514,585.14	60,556,948.65
Cash payments to acquire investments		391,582,500.00	240,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities		202,000,000.00	363,200,000.00
Subtotal of cash outflow from investment activities		671,097,085.14	663,756,948.65
Net cash flow from investing activities		611,032,589.96	446,242,084.84

STATEMENT OF CASH FLOW

January to June 2021

(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		101,000,000.00	5,527,600.00
Other cash receipts relating to financing activities		626,356.26	-
Subtotal of cash inflow from financing activities		101,626,356.26	5,527,600.00
Cash repayments of amounts borrowed		-	554,431,644.92
Cash payments for distribution of dividends, profits or interest expenses		766,213,940.60	11,821,948.24
Other cash payments relating to financing activities		3,012,308.50	2,546,724.94
Subtotal of cash outflow from financing activities		769,226,249.10	568,800,318.10
Net cash flow from financing activities		(667,599,892.84)	(563,272,718.10)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		-	-
V. Net increase in cash and cash equivalents			
		861,114,991.51	286,938,167.87
Add: opening balance of cash and cash equivalents		7,290,448,816.07	6,301,162,971.77
VI. Closing balance of cash and cash equivalents			
		8,151,563,807.58	6,588,101,139.64

The accompanying notes to the financial statements are an integral part of the financial statements.

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 2021

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

January to June 2021

Item	Share capital			Other equity instruments			Capital Reserve	Less: Treasury shares	Other Comprehensive Income			Surplus Reserve	Undistributed profits	Total Shareholders' Equity
	Perpetual bond	Perpetual bond	Others	Perpetual bond	Perpetual bond	Others			Special reserve	Income	Special reserve			
I. Balance at 31 December 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	-	-	(7,359,509.96)	-	1,347,694,333.79	6,778,560,101.62	19,564,861,370.34	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2021	1,625,790,949.00	-	-	-	9,820,175,495.89	-	-	-	(7,359,509.96)	-	1,347,694,333.79	6,778,560,101.62	19,564,861,370.34	
III. Increase(decrease) during period ("-" for losses)	-	-	-	-	-	-	-	-	(900,555.64)	-	-	(126,935,113.21)	(127,835,668.85)	
(1) Total comprehensive income	-	-	-	-	-	-	-	-	(900,555.64)	-	-	747,740,417.35	746,839,861.71	
(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	-	-	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
(4) Transfer within 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 2021	1,625,790,949.00	-	-	-	9,820,175,495.89	-	-	-	(8,260,065.60)	-	1,347,694,333.79	6,651,624,988.41	19,437,025,701.49	

The accompanying notes to the financial statements are an integral part of the financial statements.

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 2021

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

Item	Other equity instruments				Less: Treasury shares	Other Comprehensive Income			Total Shareholders' Equity	
	Share capital	Perpetual bond	Perpetual bond	Others		Capital Reserve	Special reserve	Surplus Reserve		Undistributed profits
I. Balance at 31 December 2019	1,625,790,949.00	-	-	-	-	-	-	1,153,632,745.89	5,989,596,679.50	18,584,290,100.87
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,625,790,949.00	-	-	-	-	-	-	1,153,632,745.89	5,989,596,679.50	18,584,290,100.87
III. Increase(decrease) during period ("+" for losses)										
(1) Total comprehensive income	-	-	-	-	-	-	(4,905,769.41)	-	-	(4,905,769.41)
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	897,146.62	-	-	897,146.62
1. Capital contribution from owners	-	-	-	-	-	-	897,146.62	-	-	897,146.62
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-
3. Share-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) Transfer within 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)	1,153,632,745.89	5,446,051,855.30	18,041,642,423.29

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Hong

Head of accounting department:
Yao Zhizhi

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION

1. Summarization of the Company

Approved by 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.

Approved by 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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION *(Continued)*

1. Summarization of the Company *(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”), Banlangen Granules series (“板藍根顆粒系列”), Zi Shen Yu Tai Pills (“滋腎育胎丸”), Xiao Chai Hu Granules (“小柴胡顆粒”), Fu Fang Dan Shen Tablets series (“複方丹參片系列”), Qing Kai Ling series (“清開靈系列”), Hua Tuo Zai Zao Pill (“華佗再造丸”), Xia Sang Ju Granules (“夏桑菊顆粒”), Bao Ji series (“保濟系列”), Xiao Er Qi Xing Cha Granules (“小兒七星茶顆粒”), An Gong Niu Huang Pills (“安宮牛黃丸”), Zhuang Yao Jian Shen Pills (“壯腰健腎丸”), Shu Jin Jian Yao Pills (“舒筋健腰丸”), Mi Lian Chuan Bei Pi Pa Gao Jelly (“蜜煉川貝枇杷膏”), etc. The main products of western medicine are cefixime series, sildenafil citrate, cefathiamidine, cefprozil series, argafen powder series, amoxicillin, etc. The main products of pre-packaged food manufacturers include Wang Lao Ji Herbal Tea (“王老吉涼茶”), Ci Ning Ji series (“刺檸吉系列”), etc.

The financial statements were authorized for issue by the Board on 18 August 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation

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

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

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "Xing Qun")	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as "Zhong Yi")	Direct holding
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
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Indirect 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 Baiyun Jiujigong Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as "Pan Gao Shou")	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as "Wang Lao Ji")	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect Indirect
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect Indirect
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding
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
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (hereinafter referred to as "Cai Zhi Lin")	Direct holding
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd. (primitive name is Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory)	Indirect holding
Guangzhou Cai Zhi Lin Medicinal Co., Ltd. (primitive name is Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine 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 Cai Zhi Lin National Medical Museum 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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Tibet Linzhi Guangyao Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as "WLJ Great Health")	Direct holding
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
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
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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
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
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	Direct holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect 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 (hereinafter referred to as "Guangyao General Institute")	Direct holding
Guangzhou Baiyunshan Medical Instruments investment Co., Ltd. (hereinafter referred to as "Medical Instruments investment")	Direct holding
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Direct holding
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Direct holding

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

II. BASIS OF PREPARATION

1. Basis of Preparation

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

2. Going Concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company's financial position as of 30 June 2021, 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, 2021 to June 30, 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

3. Operating Cycle

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

4. Functional Currency

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

5. Business Combination

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

(1) Business combination under common control

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

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

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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

5. Business Combination *(Continued)*

(2) Business combination not under common control

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

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

5. Business Combination *(Continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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

5. Business Combination *(Continued)*

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

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

6. Preparation Method for Consolidated Financial Statements

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

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

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 Closing balance of last year 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 Closing balance of last year 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 Closing balance of last year of shareholders' equity of the subsidiary, the excess shall be allocated against the minority interests.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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

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(All amounts in Renminbi yuan unless otherwise stated)

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.

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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.

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

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

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

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

The foreign currency adopted in the foreign currency financial statements for overseas operation shall be translated into RMB as per the following methods: Assets and liabilities on the balance sheet shall be translated at the spot rate at the balance sheet date; shareholders’ equity items shall be translated at the spot rate occurred except for the item of “undistributed profit”. The income and expense items in the profit statement shall be translated at the average rate in the current year. The Closing balance of last year 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.

Closing balance of last year 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.

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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 STATEMENT

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(All amounts in Renminbi yuan unless otherwise stated)

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.

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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.

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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.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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.

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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.

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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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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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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.

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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

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: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

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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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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.

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(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

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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.

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(All amounts in Renminbi yuan unless otherwise stated)

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.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

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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.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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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.

NOTES TO THE FINANCIAL STATEMENT

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(All amounts in Renminbi yuan unless otherwise stated)

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	20.00

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

(3) Impairment Testing and Accounting Treatment

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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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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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(All amounts in Renminbi yuan unless otherwise stated)

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.

NOTES TO THE FINANCIAL STATEMENT

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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.

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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, Wang Lao Ji Da Zhai and Wei Yi 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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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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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.

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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 STATEMENT

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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.

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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: (a) Customer can obtain and consume the economic benefit from the performance of the company at the same time the company performs the contractual obligations; (b) Customer has control over the work in progress when the company performs the contractual obligations; (c) The goods produced from the company's performance of contractual obligations have irreplaceable application. And the company are entitled to receive payments for the accumulated completed portion of the whole contract. Methods of measuring progress include output methods and input methods. When progress cannot be reliably measured, if the cost incurred is expected to be compensated, the amount of cost incurred shall be recognized as revenue until the progress can be reliably measured.

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

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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:

License fee income is recognized when the right to receive payment is established over the grand period;

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 year.

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

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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 STATEMENT

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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 excepted future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences. Except the above-mentioned cases, the Company shall recognize the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain, and which can be deducted from the deductible temporary difference.

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

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

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

(3) Tax expenses

Tax expenses include current tax and deferred tax.

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

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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.

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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

① *leasing classification*

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

② *operating lease*

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

③ *financial lease*

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

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

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

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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

Nil

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:

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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.

Note: As a taxpayer of production and living services, the Group can add 10% of the deductible input tax to the deduction of tax payables for the current period from April 1, 2019 to December 31, 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXES (Continued)

1. Main Tax Types and Tax Rate (Continued)

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. GR202044005583), Xing Qun (No. GR202044001705), Zhong Yi (No. GR202044006988), Chen Li Ji (No. GR202044002810), Guangzhou Han Fang (No. GR202044003115), Jing Xiu Tang (No. GR202044006124), Pan Gao Shou (No. GR202044002092), Wang Lao Ji (No. GR202044006736), Tian Xin (No. GR202044001663), Guang Hua (No. GR201844003890), Ming Xing (No. GR202044000339), Guangxi Ying Kang (No. GR201845000342), Weiling (No. GR201844007959), WLJ Great Health (No. GR201944000953), Guangyao General Institute (No. GR201844005664). The 4 certificates of Guang Hua (No. GR201844003890), Guangxi Ying Kang (No. GR201845000342), Weiling (No. GR201844007959) and Guangyao General Institute (No. GR201844005664), the certificate of High/New Technology Enterprise from the above four companies was issued in year 2018, and the validity period is 3 years. As the certificate of High/New Technology Enterprise has expired in year 2021, the certificate of High/New Technology Enterprise of this enterprise is in the process of being reconfirmed. At present, the temporary use of 15% preferential tax rate to declare prepaid enterprise income tax.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	612,975.20	814,579.91
Cash at bank	20,910,372,875.78	17,738,141,398.59
Other currency balance	1,181,155,538.47	1,731,320,246.03
Total	22,092,141,389.45	19,470,276,224.53
Including: Total amount of cash kept in foreign countries	91,440,812.01	82,251,385.28

Notes:

- (1) Other currency balance RMB1,181,156 thousand (31 December 2020: RMB1,731,320 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 2021, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,123,074 thousand (31 December 2020: RMB1,705,143 thousand). Breakdown of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Closing balance of last year
Deposit for notes payable	902,014,093.57	1,137,188,905.68
Frozen account funds	38,216,500.00	64,529,762.25
Letters of credit	50,496,072.01	48,297,983.42
Term deposit	80,000,000.00	445,000,000.00
Guarantee deposits	51,379,953.87	9,164,375.92
Housing funds	926,362.28	925,606.04
Others	41,147.44	36,817.12
Total	1,123,074,129.17	1,705,143,450.43

Note: The freezing of account funds is mainly due to the principal and interest frozen in the litigation case between the group's subsidiaries and Guangdong Guangsheng Nonferrous Metals Group Co., Ltd., involving an amount of RMB38,217 thousand. For details of the litigation information, please refer to Note 13 (8), 1.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Transactional financial assets

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	20,000,000.00	4,000,000.00
Including: Debt instrument investment	–	–
Equity instrument investment	–	–
Derivative financial assets	–	–
Hybrid instrument assets	–	–
Others	20,000,000.00	4,000,000.00
Designated as financial assets that are measured at fair value and whose changes are included in the current profit and loss	–	–
Including: Debt instrument investment	–	–
Hybrid instrument assets	–	–
Others	–	–
Total	20,000,000.00	4,000,000.00

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	1,230,642,115.10	1,036,369,577.94
Commercial acceptance notes	91,025,607.14	102,760,544.13
Less: Bad debt reserves	7,250,472.73	4,314,128.68
Total	1,314,417,249.51	1,134,815,993.39

The Group hold certain bank acceptance notes receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These bank acceptance notes receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB1,115,440 thousand.

(2) Notes receivable pledged at the period end

Item	Amount pledged at the period end
Bank acceptance notes	42,177,924.71
Commercial acceptance notes	–
Total	42,177,924.71

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (3) Notes which are not matured as at the balance sheet date but have been endorsed or discounted at the period end

Item	Amount derecognized at the period end (Note)	Amount not derecognized at the year end
Bank acceptance notes	2,534,383,700.46	370,968,652.82
Commercial acceptance notes	—	—
Total	<u>2,534,383,700.46</u>	<u>370,968,652.82</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 For the above endorsed or discounted notes receivable, if the Group considers that almost all risks and remuneration have been transferred, the Group terminates the confirmation of this part of notes receivable, and because the fair value of the continued involvement is not significant, the Group doesn't confirm any assets or liabilities on the book. If the Group considers that almost all the risks and remuneration have not been completely transferred, the Group has not terminated the confirmation of notes receivable, and the Group confirms the receivable financing of RMB370,969 thousand, and the short-term borrowings, accounts payable of RMB370,969 thousand.
- ③ The maximum loss from the continuing involvement of the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value of RMB2,905,352 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 2021 which shall be matured by 30 June 2022.
- ⑤ For the year from January to June 2021, 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 period and the distribution is roughly balanced either.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (4) As on 30 June 2021, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB2,441,005 thousand (31 December 2020: RMB2,461,751 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	13 May 2021	13 Aug 2021	16,157,220.00
Customer 2	24 Jun 2021	24 Sep 2021	15,000,000.00
Customer 3	16 Apr 2021	16 Jul 2021	13,000,000.00
Customer 4	31 May 2021	31 Aug 2021	11,871,326.00
Customer 5	22 Mar 2021	22 Sep 2021	10,000,000.00

- (5) As on 30 June 2021 and 31 December 2020, there are no commercial acceptance notes endorsed by the Group but not matured.

- (6) As on 30 June 2021, bank acceptance notes discounted by the Group but not matured was RMB464,348 thousand (31 December 2020: RMB394,002 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	22 Jun 2021	22 Sep 2021	10,000,000.00
Customer 2	29 Jan 2021	29 Jul 2021	10,000,000.00
Customer 3	28 Apr 2021	28 Oct 2021	10,000,000.00
Customer 4	28 Apr 2021	28 Oct 2021	10,000,000.00
Customer 5	21 Jan 2021	21 Jul 2021	10,000,000.00

- (7) As on 30 June 2021 and 31 December 2020, there are no commercial acceptance notes discounted by the Group but not expired.

- (8) As on 30 June 2021 and 31 December 2020, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit	
				loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,321,667,722.24	100.00	7,250,472.73	0.55	1,314,417,249.51
Including: portfolio 1	91,025,607.14	6.89	7,250,472.73	7.97	83,775,134.41
portfolio 2	1,230,642,115.10	93.11	-	-	1,230,642,115.10
Total	1,321,667,722.24	100.00	7,250,472.73		1,314,417,249.51

Category	Book balance		Closing balance of last year Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit	
				loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,139,130,122.07	100.00	4,314,128.68	0.38	1,134,815,993.39
Including: portfolio 1	102,760,544.13	9.02	4,314,128.68	4.20	98,446,415.45
portfolio 2	1,036,369,577.94	90.98	-	-	1,036,369,577.94
Total	1,139,130,122.07	100.00	4,314,128.68		1,134,815,993.39

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

1) There is no notes receivable subject to separate provision at the end of the period.

2) Provision for bad debts by portfolio:

Portfolio 1: portfolio aging (aging calculated by record date of the accounts receivable)

Aging	Book balance	Closing balance Provision for bad debts	Proportion (%)
Within 1 year	68,125,607.14	681,256.07	1.00
1 – 2 years	1,503,916.69	150,391.67	10.00
2 – 3 years	21,396,083.31	6,418,824.99	30.00
Total	91,025,607.14	7,250,472.73	7.97

Portfolio 2: portfolio low risk

Portfolio	Book balance	Closing balance Provision for bad debts	Proportion (%)
Portfolio low risk	1,230,642,115.10	–	–
Total	1,230,642,115.10	–	–

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (10) Provision for accrual, return or recovery of provision for bad debts of the current period

Catrgoy	Closing balance of last year	Current movement			Closing balance
		Amount	Return of recovery	Pay-off or write-off	
Provision for bad debts of notes receivable	4,314,128.68	2,936,344.05	-	-	7,250,472.73
Total	4,314,128.68	2,936,344.05	-	-	7,250,472.73

4. Accounts receivable

- (1) The aging analysis of accounts receivable based on booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	13,019,817,456.11	12,061,337,011.07
1 to 2 years	461,721,448.11	393,436,764.62
2 to 3 years	79,307,165.97	60,706,620.53
3 to 4 years	145,409,596.84	148,699,324.24
4 to 5 years	15,212,760.24	7,790,540.34
Over 5 years	183,562,897.69	184,115,980.53
Sub-total	13,905,031,324.96	12,856,086,241.33
Less: Provision for bad debts	491,175,522.26	466,430,664.72
Total	13,413,855,802.70	12,389,655,576.61

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance		Book Vaule
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss (%)	
Accounts receivable subject to separate provision	357,165,429.23	2.57	264,763,893.96	74.13	92,401,535.27
Accounts receivable subject to provision by portfolio	13,547,865,895.73	97.43	226,411,628.30	1.67	13,321,454,267.43
Including: portfolio 1	13,547,865,895.73	97.43	226,411,628.30	1.67	13,321,454,267.43
Total	13,905,031,324.96	100.00	491,175,522.26		13,413,855,802.70

Category	Book balance		Closing balance of last year		Book Vaule
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss (%)	
Accounts receivable subject to separate provision	356,541,754.08	2.77	262,084,458.27	73.51	94,457,295.81
Accounts receivable subject to provision by portfolio	12,499,544,487.25	97.23	204,346,206.45	1.63	12,295,198,280.80
Including: portfolio 1	12,499,544,487.25	97.23	204,346,206.45	1.63	12,295,198,280.80
Total	12,856,086,241.33	100.00	466,430,664.72		12,389,655,576.61

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

① Accounts receivable subject to separate provision:

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	With the termination of the business there is in dispute and is expected to be unrecoverable
Customer 2	50,998,659.40	5,099,865.94	10.00	For litigation involved, see this Note 13 (8) 1 (1)
Customer 3	37,710,221.64	3,771,022.16	10.00	For litigation involved, see this Note 13 (8) 1 (1)
Customer 4	19,432,662.47	19,432,662.47	100.00	With the termination of the business there is in dispute and is expected to be unrecoverable
Customer 5	19,260,088.46	7,846,258.33	40.74	The expected amount cannot be recovered in full
Customer 6	18,611,963.06	18,611,963.06	100.00	For litigation involved, see this Note 13 (8) 1 (3)
Customer 7	10,541,832.00	10,541,832.00	100.00	For litigation involved, see this Note 13 (8) 1 (1)
Customer 8	5,762,294.75	5,762,294.75	100.00	The company funds were frozen by the court and are expected to be unrecoverable
Customer 9	5,191,200.00	5,191,200.00	100.00	It is expected to be unrecoverable
Customer 10	4,971,878.60	4,971,878.60	100.00	In the successful execution, recoverability is expected to be low
Others	38,817,875.99	37,668,163.79	97.04	It is expected to be unrecoverable
Total	357,165,429.23	264,763,893.96		

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

② Accounts receivable subject to provision by portfolio

Portfolio 1: portfolio aging

Aging	Book balance	Closing balance Provision for bad debts	Expected credit loss (%)
Within 1 year	13,002,341,491.83	130,060,840.56	1.00
1 to 2 years	458,256,452.52	45,825,645.30	10.00
2 to 3 years	43,782,990.50	13,134,897.16	30.00
3 to 4 years	10,644,600.93	5,322,300.49	50.00
4 to 5 years	3,862,075.78	3,089,660.62	80.00
Over 5 years	28,978,284.17	28,978,284.17	100.00
Total	<u>13,547,865,895.73</u>	<u>226,411,628.30</u>	

Aging	Book balance	Closing balance of last year Provision for bad debts	Expected credit loss (%)
Within 1 year	12,041,994,363.29	120,417,054.30	1.00
1 to 2 years	387,113,838.75	38,711,383.90	10.00
2 to 3 years	29,536,810.35	8,861,043.08	30.00
3 to 4 years	7,629,036.28	3,814,518.16	50.00
4 to 5 years	3,641,167.87	2,912,934.30	80.00
Over 5 years	29,629,270.71	29,629,270.71	100.00
Total	<u>12,499,544,487.25</u>	<u>204,346,204.45</u>	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

- (3) Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current movement		Closing balance	
		Amount	Return of recovery		Pay-off or write-off
Provision for bad debts of accounts receivable	466,430,664.72	25,416,682.59	626,855.87	44,969.18	491,175,522.26
Total	466,430,664.72	25,416,682.59	626,855.87	44,969.18	491,175,522.26

- (4) Accounts receivable written off in the period:

Item	Amount written off
Accounts receivable written off	44,969.16

- (5) The top five customers by balances at the period are as follows

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	290,323,509.96	2.09	2,903,235.10
Customer 2	279,953,135.99	2.01	3,018,628.02
Customer 3	274,916,818.89	1.98	2,745,373.82
Customer 4	274,087,869.48	1.97	2,740,878.70
Customer 5	267,790,240.28	1.93	5,693,121.26
Total	1,387,071,574.60	9.98	17,101,236.90

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(6) Accounts receivables derecognized due to transfer of financial assets in the period.

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
Accounts receivable asset-backed securities	Sold	518,955,411.93	1,700,467.60
Total		<u>518,955,411.93</u>	<u>1,700,467.60</u>

Certain amounts of the account receivable that meeting the qualified standard is possible to carry out circular purchase of accounts receivable asset-backed securities in the future. The Group hold these account receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These account receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB1,632,256 thousand.

(7) The Group had no assets or liabilities arising from the transfer of the accounts receivable with the continuing involvement for the period.

5. Financing Receivables

Item	Closing balance	Closing balance of last year
Notes receivable	1,115,439,912.75	1,414,124,906.14
Accounts receivable	1,632,255,769.61	750,854,019.15
Total	<u>2,747,695,682.36</u>	<u>2,164,978,925.29</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Advances to suppliers

(1) The aging analysis of advances to suppliers based on booking date is as follows:

Aging	Closing balance		Closing balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	604,459,363.93	95.95	1,018,522,816.40	98.64
1 to 2 years	12,273,824.99	1.95	4,116,764.85	0.40
2 to 3 years	6,130,296.16	0.97	4,369,038.25	0.42
Over 3 years	7,123,097.59	1.13	5,524,546.04	0.54
Total	629,986,582.67	100.00	1,032,533,165.54	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	152,852,632.18	24.26
Supplier 2	137,320,208.47	21.80
Supplier 3	24,382,369.80	3.87
Supplier 4	16,797,243.13	2.67
Supplier 5	12,580,852.61	2.00
Total	343,933,306.19	54.60

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable	–	4,477,916.67
Dividends receivable	150,000,000.00	37,938,523.45
Other receivables	891,322,784.28	723,295,041.25
Total	1,041,322,784.28	765,711,481.37

(1) Interest receivable

① Interest receivable by category

Item	Closing balance	Closing balance of last year
Term deposit	–	4,477,916.67
Subtotal	–	4,477,916.67
Less: Provision for bad debts	–	–
Total	–	4,477,916.67

(2) Dividends receivable

① Dividends receivable are as follows

Item (or investee)	Closing balance	Closing balance of last year
Guangzhou Nuo Cheng Biological Products Co., Ltd. (hereinafter referred to as "Nuo Cheng")	–	37,938,523.45
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (hereinafter referred to as "HWBYS")	150,000,000.00	–
Subtotal	150,000,000.00	37,938,523.45
Less: Provision for bad debts	–	–
Total	150,000,000.00	37,938,523.45

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	756,171,962.64	597,533,813.85
1 to 2 years	55,967,060.01	54,057,466.95
2 to 3 years	33,609,687.04	51,927,772.55
3 to 4 years	42,025,243.66	22,664,539.72
4 to 5 years	8,365,743.10	14,612,015.90
Over 5 years	49,094,676.72	36,094,430.35
Subtotal	945,234,373.17	776,890,039.32
Less: Provision for bad debts	53,911,588.89	53,594,998.07
Total	891,322,784.28	723,295,041.25

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables (Continued)

② 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
Closing balance of last year	10,630,440.48	–	42,964,557.59	53,594,998.07
Closing balance of last year in current period	–	–	–	–
--transfer into 2nd stage	–	–	–	–
-- transfer into 3rd stage	–	–	–	–
--back to 2nd stage	–	–	–	–
-- back to 1st stage	–	–	–	–
Current amount	872,469.45	–	200,000.00	1,072,469.45
Current return	–	–	755,878.63	755,878.63
Current pay-off	–	–	–	–
Current write-off	–	–	–	–
Other movements	–	–	–	–
Closing balance	11,502,909.93	–	42,408,678.96	53,911,588.89

③ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current movement		Closing balance	
		Amount	Return of recovery		Pay-off or write-off
Provision for bad debts of other receivables	53,594,998.07	1,072,469.45	755,878.63	–	53,911,588.89
Total	53,594,998.07	1,072,469.45	755,878.63	–	53,911,588.89

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables (Continued)

④ There are no other receivables actually written-off in current period.

⑤ Category of other receivables by nature

Nature	Closing book balance	Closing balance of last year
Receivables due from external parties	641,881,313.38	533,487,361.80
Margin, deposit and down payment	129,701,981.19	125,216,738.57
Advances to employees	74,320,261.81	41,940,796.10
Petty cash	13,109,106.85	11,280,929.84
Receivables due from related parties	8,654,652.54	14,390,894.18
Tax refund for exports	2,810,479.81	2,617,054.55
Others	74,756,577.59	47,956,264.28
Total	945,234,373.17	776,890,039.32

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. 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 provision for bad debts
Customer 1	Receivables due from external parties	35,970,575.41	Within 1 year	3.81	359,705.75
Customer 2	Receivables due from external parties	23,622,689.50	Within 1 year	2.50	236,226.90
Customer 3	Receivables due from external parties	22,267,162.23	Within 1 year, 3 – 4 years	2.36	98,936.99
Customer 4	Receivables due from external parties	19,382,648.04	Within 1 year	2.05	193,108.93
Customer 5	Receivables due from external parties	19,015,182.87	Within 1 year	2.01	75,802.97
Total	-	120,258,258.05	-	12.73	963,781.54

⑦ The Group had no other receivables related to government grants for the period.

⑧ The Group had no other receivables that had been derecognized due to transfer of financial assets for the period.

⑨ The Group had no assets or liabilities arising from the transfer other receivable with the continuing involvement for the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

(1) Disclosure of inventories by categories is as follows:

Item	Book balance	Closing balance		Closing balance of last year		
		Provision for decline in value of inventories	Book value	Book balance	Provision for decline in value of inventories	Book value
Raw materials	806,428,256.61	2,594,828.09	803,833,428.52	881,270,726.45	2,362,973.18	878,907,753.27
Turnover materials	167,299,916.45	-	167,299,916.45	147,351,892.09	-	147,351,892.09
Consignment processing material	2,948,731.90	-	2,948,731.90	3,158,510.07	-	3,158,510.07
Work in progress	484,892,195.97	-	484,892,195.97	546,798,886.75	-	546,798,886.75
Commodity stocks	6,777,055,970.55	74,668,850.67	6,702,387,119.88	8,252,511,887.77	64,197,566.15	8,188,314,321.62
Total	8,238,625,071.48	77,263,678.76	8,161,361,392.72	9,831,091,903.13	66,560,539.33	9,764,531,363.80

(2) Provision for decline in value of inventories

Item	Closing balance of last year	Increase in the period		Decrease in the period		Closing balance
		Provision	Others	Reversed	Written-off	
Raw materials	2,362,973.18	237,759.56	-	5,904.65	-	2,594,828.09
Commodity stocks	64,197,566.15	17,656,335.87	-	7,185,051.35	-	74,668,850.67
Total	66,560,539.33	17,894,095.43	-	7,190,956.00	-	77,263,678.76

(3) In the end of the period, there is no capitalization of borrowing costs in the inventory.

(4) No amortization of contract performance costs in the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other Current Assets

Item	Closing balance	Closing balance of last year
Balance of outstanding VAT debit	434,853,090.21	481,459,130.39
Input tax to be certified	38,683,462.46	78,662,023.84
Prepaid income tax	12,407,151.52	49,137,617.20
Structured deposits	–	30,000,000.00
Bank financial products	–	20,000,000.00
Undisposed assets for whole relocation (Note)	1,466,534.44	1,440,641.32
Others	21,662,130.20	9,415,878.31
Total	509,072,368.83	670,115,291.06

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Debt investment

(1) Classification of debt investment

Item	Book balance	Closing balance		Closing balance of last year		
		Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Fixed deposit held to maturity	514,295,834.18	-	514,295,834.18	505,069,444.73	-	505,069,444.73
Large-denomination certificates of deposit held to mature	104,582,500.00	-	104,582,500.00	-	-	-
Total	618,878,334.18	-	618,878,334.18	505,069,444.73	-	505,069,444.73

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Equity Investment

Investee	Closing balance of last year	Increase	Decrease	Investment gains and losses recognized under equity method	Change in the period			Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits				
I. Joint ventures											
HWBYS	366,024,411.38	-	-	85,219,786.18	-	-	(150,000,000.00)	-	-	301,244,197.56	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.(hereinafter referred to as "Baxter Qiao Guang")	50,575,057.64	-	-	7,087,220.23	-	-	-	-	-	57,662,277.87	-
Nuo Cheng	239,445,236.39	-	-	(2,736,650.98)	-	-	-	-	-	236,708,585.41	-
Chengdu Hejian Guangyao Pharmaceutical Co., Ltd.(hereinafter referred to as "Chengdu Hejian")	-	980,000.00	-	(205,669.69)	-	-	-	-	-	774,330.31	-
Subtotal	656,044,705.41	980,000.00	-	89,364,685.74	-	-	(150,000,000.00)	-	-	596,389,391.15	-
II. Associates											
Golden Eagle Fund Management Co., Ltd	68,827,384.77	-	-	3,956,236.34	-	-	-	-	-	72,783,621.11	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,051,803.36	-	-	(862.62)	-	-	-	-	-	2,050,940.74	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	951,554,608.49	-	-	36,828,017.72	-	-	(12,578,616.30)	-	-	975,804,009.91	-

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Long-term Equity Investment (Continued)

Investee	Closing balance of last year	Increase	Decrease	Investment gains and losses recognized under equity method	Change in the period		Declaration of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Change in other equity					
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	71,639,042.67	-	-	(850,107.89)	-	-	-	-	-	70,788,934.78	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	7,670,543.53	-	-	(571,234.39)	-	-	-	-	-	7,099,309.14	-
Guangzhou Baiyunshan Southern Anti-Tumor Biological Products Co., Ltd. (hereinafter referred to as "Southern Anti-Tumor Biological")	44,040,969.76	-	-	(736,802.74)	-	-	-	-	-	43,304,167.02	-
Chuangmei Medicines Co., Ltd. (hereinafter referred to as "Chuang Mei")	63,131,675.84	-	-	-	-	-	-	-	1,335,988.02	64,467,663.86	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	905,437.77	-	-	1,067,992.15	-	-	-	-	-	1,973,429.92	-
Subtotal	1,209,821,466.19	-	-	39,693,238.57	-	-	(12,578,616.30)	-	1,335,988.02	1,238,272,076.48	-
Total	1,865,866,171.60	980,000.00	-	129,057,924.31	-	-	(162,578,616.30)	-	1,335,988.02	1,834,661,467.63	-

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other Equity Instruments investments

Item	Investment cost	Closing balance	Closing balance of last year	Dividend income recognized in the period	Amount of cumulative profits and losses transferred from other comprehensive income to retained earnings for the period	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	112,122,500.00	97,403,889.52	98,246,271.20	-	-	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.	450,000.00	427,134.45	443,267.13	-	-	Long-term holdings for strategic purposes
Guangzhou Guangyao Jinzang Equity Investment Partnership (Limited Partnership)	46,000,000.00	45,957,958.72	-	-	-	Long-term holdings for strategic purposes
Total	176,250,376.51	161,466,859.20	116,367,414.84	-	-	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for the period	247,478,167.48	263,528,067.86
Including: Equity instrument investments	243,781,349.71	250,000,674.13
Others	3,696,817.77	13,527,393.73
Total	247,478,167.48	263,528,067.86

14. Investment Properties

1. Investment property measured using the cost model

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Closing balance of last year	392,875,449.57	18,344,900.69	5,626,773.47	416,847,123.73
2. Increase	21,720,258.00	-	1,295,293.21	23,015,551.21
(1) Purchase	-	-	1,295,293.21	1,295,293.21
(2) Transfer to inventory/ fixed assets/ construction in progress	21,720,258.00	-	-	21,720,258.00
3. Decrease	77,078.54	-	-	77,078.54
(1) Changes in foreign exchange rate	77,078.54	-	-	77,078.54
4. Closing balance	414,518,629.03	18,344,900.69	6,922,066.68	439,785,596.40
II. Accumulated depreciation and amortization				
1. Closing balance of last year	193,640,400.11	10,204,733.82	-	203,845,133.93
2. Increase	20,278,082.53	230,928.37	-	20,509,010.90
(1) Provision or amortization	5,117,178.79	230,928.37	-	5,348,107.16
(2) Transfer to inventory/ fixed assets/ construction in progress	15,160,903.74	-	-	15,160,903.74
3. Decrease	36,075.34	-	-	36,075.34
(1) Changes in foreign exchange rate	36,075.34	-	-	36,075.34
4. Closing balance	213,882,407.30	10,435,662.19	-	224,318,069.49
III. Provision for impairment				
1. Closing balance of last year	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	200,636,221.73	7,909,238.50	6,922,066.68	215,467,526.91
2. Closing balance of last year of book value	199,235,049.46	8,140,166.87	5,626,773.47	213,001,989.80

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment Properties (Continued)

1. Investment property measured using the cost model (Continued)

- (1) Depreciation is RMB5,117 thousand for Jan to Jun 2021 (Jan to Jun 2020: RMB5,003 thousand). Amortization is RMB231 thousand for Jan to Jun 2021 (Jan to Jun 2020: RMB138 thousand).
- (2) From Jan to Jun 2021, the original investment property value and accumulated depreciation decreased by RMB77 thousand and RMB36 thousand due to exchange rate changes respectively. (Jan to Jun 2020: increase RMB143 thousand and RMB62 thousand respectively)
- (3) Most of the investment properties with land use right are located in Mainland China with useful life vary from 10 to 50 years.
- (4) The original value and the accumulated depreciation of the real estate or inventory of the Group into investment real estate are RMB21,720 thousand and RMB15,161 thousand respectively (Jan to Jun 2020: nil)

15. Fixed Assets

(1) Fixed assets and disposal of fixed assets

Item	Closing balance	Closing balance of last year
Fixed assets	2,919,721,274.19	2,912,513,169.84
Disposal of fixed assets	-	-
Total	2,919,721,274.19	2,912,513,169.84

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(2) Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Closing balance of last year	3,116,873,232.91	2,506,332,325.48	120,763,257.24	191,282,739.32	291,688,156.18	54,938,752.48	6,281,878,463.61
2. Increase	24,297,451.63	129,868,893.54	4,694,828.13	5,325,772.27	20,899,868.77	888,482.70	185,975,297.04
(1) Purchases	238,848.71	25,203,671.23	4,094,412.13	3,559,246.27	13,357,553.96	33,430.66	46,487,162.96
(2) Transferred from construction in progress	24,058,602.92	104,665,222.31	600,416.00	1,766,526.00	7,542,314.81	855,052.04	139,488,134.08
3. Decrease	22,013,062.04	16,236,590.15	3,821,142.83	2,595,843.42	4,928,922.94	805,062.20	50,400,623.58
(1) Disposal or scrap	216,139.07	16,236,590.15	3,821,142.83	2,595,843.42	4,588,616.76	805,062.20	28,263,394.43
(2) Transfer to investment properties	21,720,258.00	-	-	-	340,306.18	-	22,060,564.18
(3) Changes in foreign exchange rate	76,664.97	-	-	-	-	-	76,664.97
4. Closing balance	3,119,157,622.50	2,619,964,628.87	121,636,942.54	194,012,668.17	307,659,102.01	55,022,172.98	6,417,453,137.07
II. Accumulated depreciation							
1. Closing balance of last year	1,348,460,948.34	1,559,124,283.05	84,096,774.63	126,341,565.44	192,729,428.00	40,239,908.19	3,350,992,907.65
2. Increase	62,321,767.81	79,122,493.01	3,525,483.76	7,165,150.61	14,458,498.27	2,058,928.21	168,652,321.67
(1) Provision	62,321,767.81	79,122,493.01	3,525,483.76	7,165,150.61	14,458,498.27	2,058,928.21	168,652,321.67
3. Decrease	15,191,562.84	14,552,483.45	3,587,928.42	2,489,107.87	3,361,466.09	897,333.89	40,079,882.56
(1) Disposal or scrap	-	14,552,483.45	3,587,928.42	2,489,107.87	3,350,123.49	897,333.89	24,876,977.12
(2) Transfer to investment properties	15,160,903.74	-	-	-	11,342.60	-	15,172,246.34
(3) Changes in foreign exchange rate	30,659.10	-	-	-	-	-	30,659.10
4. Closing balance	1,395,591,153.31	1,623,694,292.61	84,034,329.97	131,017,608.18	203,826,460.18	41,401,502.51	3,479,565,346.76
III. Provision for impairment							
1. Closing balance of last year	11,767,229.72	5,001,980.63	158,224.47	1,443,365.80	1,585.50	-	18,372,386.12
2. Increase	-	-	-	-	-	-	-
3. Decrease	-	205,870.00	-	-	-	-	205,870.00
(1) Disposal or scrap	-	205,870.00	-	-	-	-	205,870.00
4. Closing balance	11,767,229.72	4,796,110.63	158,224.47	1,443,365.80	1,585.50	-	18,166,516.12
IV. Book value							
1. Closing balance of book value	1,711,799,239.47	991,474,225.63	37,444,388.10	61,551,694.19	103,831,056.33	13,620,670.47	2,919,721,274.19
2. Closing balance of last year of book value	1,756,645,054.85	942,206,061.80	36,508,258.14	63,497,808.08	98,957,142.68	14,698,844.29	2,912,513,169.84

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Fixed Assets *(Continued)*

(2) Fixed assets *(Continued)*

- ① Original value of fixed assets transferred from construction in progress is RMB139,488 thousand from Jan to June 2021 (Jan to June 2020: RMB29,959 thousand).
- ② Decrease in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB77 thousand and RMB31 thousand respectively from Jan to June 2021 (Jan to June 2020: increased RMB145 thousand and RMB49 thousand respectively).
- ③ Fixed assets depreciation accrued from Jan to Jun 2021 is RMB168,652 thousand (Jan to Jun 2020: RMB156,352 thousand), which is comprised of depreciation in operating cost RMB72,188 thousand, depreciation in selling expenses RMB35,648 thousand, depreciation in General and administrative expenses RMB46,121 thousand and depreciation in R&D expenditure RMB14,765 thousand (Jan to Jun 2020: depreciation in operating cost RMB65,584 thousand, depreciation in selling expenses RMB28,992 thousand, depreciation in General administrative expenses RMB47,034 thousand and depreciation in R&D expenditure RMB14,742 thousand).

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Fixed Assets *(Continued)*

(3) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	266,949.43	–	163,663.93	
Machinery and equipment	1,678,344.15	1,434,498.66	243,845.49	–	
Total	<u>2,108,957.51</u>	<u>1,701,448.09</u>	<u>243,845.49</u>	<u>163,663.93</u>	

(4) There is no fixed assets leased out under operating lease in the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(5) Fixed assets which do not have a certificate of property right

Item	Book value	Reason for do not have certificate of property right
Buildings	46,189,559.62	Not handled yet as necessary procedures were not complete

As on 30 June 2021, 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\$6,105 thousand (Converted into RMB5,080 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$3,356 thousand (Converted into RMB2,792 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 RMB3,938 thousand, USD467 thousand from the Bank of China (Hong Kong) Co., Ltd.

16. Construction in Progress

(1) Construction in progress and construction material

Item	Closing balance	Closing balance of last year
Construction in progress	1,487,179,536.15	1,276,251,488.95
Construction material	—	—
Total	1,487,179,536.15	1,276,251,488.95

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

(2) Construction in progress

Item	Book balance	Closing balance		Closing balance of last year		
		Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	1,487,431,270.53	251,734.38	1,487,179,536.15	1,276,503,223.33	251,734.38	1,276,251,488.95
Total	1,487,431,270.53	251,734.38	1,487,179,536.15	1,276,503,223.33	251,734.38	1,276,251,488.95

(3) Changes of significant construction in progress in the period

Project	Budget	Closing balance of		Increase	Amount transferred into fixed assets in the period	Other decrease in the period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Accumulated capitalization of interest	Including the amount of capitalization		Source of funds
		last year	interest								of current interest	rate of current interest (%)	
Baiyun project	527,000,000.00	270,062,714.65	52,018,282.93	-	-	322,080,997.58	70.77	70.77	-	-	-	-	Self-raised funds
Construction of Bio-island R&D Headquarters	1,099,853,000.00	176,727,760.60	26,524,828.02	-	-	203,252,588.62	37.52	38.00	-	-	-	-	Self-raised funds, issuing shares
Ming Xing relocation improvement	475,620,000.00	155,657,704.22	15,129,813.08	-	-	170,787,517.30	35.91	40.00	-	-	-	-	Self-raised funds, issuing shares
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuha) Co., Ltd.	731,879,100.00	94,558,839.64	52,810,102.77	-	-	147,368,942.41	36.67	55.00	-	-	-	-	Self-raised funds, issuing shares
Nansha Base Project	750,000,000.00	55,786,085.44	60,623,849.30	-	-	116,409,934.74	15.52	15.52	-	-	-	-	Self-raised funds
Base of Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	400,000,000.00	104,678,366.72	1,561,566.89	1,373,249.58	273,583.14	104,593,100.89	54.08	61.50	-	-	-	-	Self-raised funds
Chinese medicine modernization GMP phase III construction project	287,620,000.00	60,560,506.00	19,970,957.96	-	-	80,531,463.96	28.00	28.00	-	-	-	-	Self-raised funds
Cai Zhi Lin Meizhou TCM Industrialized production and service base	130,000,000.00	72,986,722.34	5,963,302.75	2,419,538.15	-	76,530,486.94	90.00	98.00	-	-	-	-	Self-raised funds
Monoclonal antibody project	62,650,000.00	13,395,171.96	21,241,909.45	-	-	34,637,081.41	66.95	66.95	-	-	-	-	Self-raised funds
Zhongluotan Wulonggang AB08070981 block	159,750,000.00	30,538,332.13	425,116.72	-	-	30,963,448.85	43.02	43.02	-	-	-	-	Self-raised funds

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

(3) Changes of significant construction in progress in the period (Continued)

Project	Budget	Closing balance of last year	Increase	Amount transferred into fixed assets in the period	Other decrease in the period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Accumulated capitalization of interest	Including the amount of capitalization of current interest	Capitalization rate of current interest (%)	Source of funds
Project of special medical use formula food production line	42,400,000.00	24,404,588.38	1,464,736.95	-	-	25,869,325.33	68.32	80.00	-	-	-	Self-raised funds
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	904,533.22	14,396,347.40	-	-	15,300,880.62	8.19	8.00	-	-	-	Self-raised funds
Extension project R of Hospital service	103,000,000.00	7,008,314.21	8,142,321.59	2,678,543.77	-	12,472,092.03	96.63	96.63	-	-	-	Self-raised funds
Alteration of equipments	67,430,000.00	1,093,175.16	9,162,444.28	-	-	10,255,619.44	30.82	45.00	-	-	-	
Confinement Club House Renovation Project	10,000,000.00	6,883,359.89	804,366.92	-	-	7,687,726.81	76.88	99.00	-	-	-	Self-raised funds
Building 3/4/5	8,400,000.00	6,947,742.71	98,452.81	-	6,403.96	7,039,791.56	83.88	80.00	-	-	-	Self-raised funds
S2B2C information software of Guangyao	17,000,000.00	3,681,720.84	1,636,556.60	-	-	5,318,277.44	56.59	56.59	-	-	-	Self-raised funds
Extension project for hospital service T	8,163,000.00	1,880,621.93	4,664,869.51	2,002,762.11	226,071.14	4,316,658.19	80.18	80.18	-	-	-	Self-raised funds
Power distribution project	6,000,000.00	4,033,856.66	125,353.07	-	-	4,159,209.73	69.32	90.00	-	-	-	Self-raised funds
Extension project for hospital service U	37,000,000.00	1,439,530.81	2,653,097.44	-	-	4,092,628.25	71.04	71.04	-	-	-	Self-raised funds
Guangzhou Pharmaceutical EHR project	4,175,000.00	3,493,251.10	367,924.53	-	-	3,861,175.63	92.48	95.00	-	-	-	Self-raised funds, issuing shares
Renovation for sewage	3,904,255.21	3,017,860.30	789,971.70	-	-	3,807,832.00	97.53	90.00	-	-	-	Self-raised funds

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

(3) Changes of significant construction in progress in the period (Continued)

Project	Budget	Closing balance of last year	Increase	Amount transferred into fixed assets in the period	Other decrease in the period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Accumulated capitalization of interest	Including the amount of capitalization of current interest	Capitalization rate of current interest (%)	Source of funds
Integrate renovation project for the front door of Baiyun Mountain	5,430,000.00	2,684,208.81	744,491.31	-	-	3,428,700.12	63.14	99.00	-	-	-	Self-raised funds
Horizontal wet legal grain dry production line equipment	5,528,000.00	3,316,800.00	-	-	-	3,316,800.00	60.00	60.00	-	-	-	Self-raised funds
Improvement for Wang Lao Ji Herbal Tea Museum	5,800,000.00	3,101,357.95	-	-	-	3,101,357.95	53.47	53.47	-	-	-	Self-raised funds
Total	5,135,411,355.21	1,108,843,125.67	301,320,663.98	8,474,093.61	506,058.24	1,401,183,637.80	/	/	-	-	-	-

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.

(4) There is no provision for impairment of construction in progress in the period.

(5) Impairment of construction in progress

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Expansion of the Guang Hua sewage station	251,734.38	-	-	251,734.38	Project stopped
Total	251,734.38	-	-	251,734.38	-

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Bearer biological assets

Cost Measurement Method

Item	Corp farming		Total
	Immature biological assets – Trees of citrus reticulata cv. 'Chachiensis'	Mature biological assets – Trees of citrus reticulata cv. 'Chachiensis'	
I. Original cost			
1. Closing balance of last year	–	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. Closing balance of last year	–	524,115.00	524,115.00
2. Increase	–	174,705.00	174,705.00
(1) Provision	–	174,705.00	174,705.00
3. Decrease	–	–	–
4. Closing balance	–	698,820.00	698,820.00
III. Provision for impairment			
1. Closing balance of last year	–	–	–
2. Increase	–	–	–
3. Decrease	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	–	2,979,180.00	2,979,180.00
2. Closing balance of last year of book value	–	3,153,885.00	3,153,885.00

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Closing balance of last year	1,006,184,512.36	356,264,796.42	1,362,449,308.78
2. Increase	77,941,178.78	16,749.50	77,957,928.28
(1) New lease	77,941,178.78	16,749.50	77,957,928.28
3. Decrease	45,874,424.54	–	45,874,424.54
(1) Disposal	45,874,424.54	–	45,874,424.54
4. Closing balance	1,038,251,266.60	356,281,545.92	1,394,532,812.52
II. Accumulated depreciation			
1. Closing balance of last year	341,944,310.72	111,166,746.82	453,111,057.54
2. Increase	105,041,082.75	17,163,687.52	122,204,770.27
(1) Provision	105,041,082.75	17,163,687.52	122,204,770.27
3. Decrease	43,273,650.68	–	43,273,650.68
(1) Disposal	43,273,650.68	–	43,273,650.68
4. Closing balance	403,711,742.79	128,330,434.34	532,042,177.13
III. Provision for impairment			
1. Closing balance of last year	–	–	–
2. Increase	–	–	–
3. Decrease	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	634,539,523.81	227,951,111.58	862,490,635.39
2. Closing balance of last year of book value	664,240,201.64	245,098,049.60	909,338,251.24

The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the period, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note V. (67) Lease.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. 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. Closing balance of last year	866,589,124.62	22,185,679.98	64,860,711.53	1,561,818,053.54	127,793,900.00	235,801,056.23	2,879,048,525.90
2. Increase	-	3,450,000.00	-	236,942.56	-	9,345,385.60	13,032,328.16
(1) Purchase	-	450,000.00	-	236,942.56	-	8,803,141.96	9,490,084.52
(2) Internal R&D	-	-	-	-	-	542,243.64	542,243.64
(3) Other	-	3,000,000.00	-	-	-	-	3,000,000.00
3. Decrease	-	-	-	-	-	-	-
4. Closing balance	866,589,124.62	25,635,679.98	64,860,711.53	1,562,054,996.10	127,793,900.00	245,146,441.83	2,892,080,854.06
II. Accumulated amortization							
1. Closing balance of last year	194,269,116.42	11,339,055.67	36,457,535.26	32,792,424.68	-	159,565,229.66	434,423,361.69
2. Increase	10,556,224.69	620,317.84	2,608,939.11	-	-	16,769,279.32	30,554,760.96
(1) Provision	10,556,224.69	620,317.84	2,608,939.11	-	-	16,769,279.32	30,554,760.96
3. Decrease	-	-	-	736.24	-	-	736.24
(1) Other	-	-	-	736.24	-	-	736.24
4. Closing balance	204,825,341.11	11,959,373.51	39,066,474.37	32,791,688.44	-	176,334,508.98	464,977,386.41
III. Provision for impairment							
1. Closing balance of last year	-	453,343.04	-	583,573.00	-	-	1,036,916.04
2. Increase	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
4. Closing balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
IV. Book value							
1. Closing balance of book value	661,763,783.51	13,222,963.43	25,794,237.16	1,528,679,734.66	127,793,900.00	68,811,932.85	2,426,066,551.61
2. Closing balance of last year of book value	672,320,008.20	10,393,281.27	28,403,176.27	1,528,442,055.86	127,793,900.00	76,235,826.57	2,443,588,248.17

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible Assets (Continued)

(1) Intangible assets (Continued)

- The purchase of intangible assets in the period includes the amount transferred from construction in progress.
- The amortization amount for Jan to Jun 2021 was RMB30,555 thousand (Jan to Jun 2020: RMB29,850 thousand), which were recorded into 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.

20. Development expenditure

Item	Closing balance of last year	Increase		Decrease			Closing balance	Provision for impairment
		Internal development expenditure	Others	Confirmed as Intangible assets	Transfer to current P&L	Others		
Capital expenditure	6,735,587.41	1,372,997.95	-	542,243.64	-	-	7,566,341.72	800,000.00
Expense expenditure	-	385,896,688.40	-	-	385,896,688.40	-	-	-
Total	6,735,587.41	387,269,686.35	-	542,243.64	385,896,688.40	-	7,566,341.72	800,000.00

Development expenditure RMB800 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 the period ended, it is expected to no longer practical value, Therefore, the full provision for impairment is made.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill

(1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
Guangzhou Baiyunshan Hospital	9,216,610.56	-	-	-	-	9,216,610.56
Guangyao Haima	2,282,952.18	-	-	-	-	2,282,952.18
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	932,349,003.84	-	-	-	-	932,349,003.84
Total	944,324,323.50	-	-	-	-	944,324,323.50

(2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	91,061,403.37	16,655,764.93	13,130,854.32	-	94,586,313.98
ABC Buildings certification service	514,162.88	-	67,432.92	-	446,729.96
GMP reconstruction expenses	3,150,441.94	857,718.53	844,313.37	-	3,163,847.10
Computer system expenses	2,002,603.35	128,848.47	593,955.57	-	1,537,496.25
Others	14,577,758.79	2,307,324.07	4,132,990.07	-	12,752,092.79
Total	<u>111,306,370.33</u>	<u>19,949,656.00</u>	<u>18,769,546.25</u>	-	<u>112,486,480.08</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Assets and Deferred Tax Liabilities

(1) Breakdown of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for credit impairment	559,357,463.08	136,113,095.73	535,389,937.11	130,198,717.21
Provision for decline in value of inventories	64,728,074.72	13,811,853.67	64,045,662.50	13,619,088.04
Provision for impairment of fixed assets	10,214,401.28	1,549,311.61	10,214,401.28	1,549,311.61
Provision for impairment of construction in progress	251,734.38	37,760.16	251,734.38	37,760.16
Provision for impairment of intangible assets	196,261.57	32,674.46	200,883.33	33,829.90
Other equity instruments investments	14,026,228.80	2,103,934.32	14,026,228.80	2,103,934.32
Other non-current financial assets	19,590,996.28	2,938,649.44	19,590,996.28	2,938,649.44
Fixed assets depreciation differences between accounting and tax law	55,919,193.73	13,124,261.30	54,442,369.56	12,755,055.25
Intangible assets depreciation differences between accounting and tax law	221,666.67	33,250.00	287,325.87	43,098.88
Employee benefits payable	87,285,792.02	16,042,630.82	75,080,186.51	13,664,665.28
Other payables	1,500,001,357.21	285,576,200.00	1,475,078,761.11	288,141,294.54
Deferred income	562,135,680.55	88,933,932.73	561,565,680.51	88,850,432.72
Provisions	620,622,597.26	94,893,389.59	620,622,597.26	94,893,389.59
Impact on total profit arising from elimination	145,794,442.08	26,906,149.20	152,794,135.27	27,615,601.14
Deductible tax losses	411,856,822.98	67,053,679.65	395,822,625.92	63,470,362.48
Others	65,925,094.55	15,258,849.08	52,123,615.27	11,807,182.28
Total	4,118,127,807.16	764,409,621.76	4,031,537,140.96	751,722,372.84

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

(2) Breakdown of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Book value of the appreciated intangible assets and fixed assets in business combination	567,592,131.24	141,898,032.81	590,939,612.96	147,734,903.25
Other receivables – profit distribution	928,445,870.00	139,266,880.50	787,754,423.33	118,163,163.50
Other non-current financial assets	78,390,275.12	11,758,541.28	78,307,682.13	11,746,152.32
Fixed assets depreciation differences between accounting and tax law	46,324,924.78	6,948,738.72	46,324,924.78	6,948,738.72
Book value of amortization provided for intangible assets appreciation	7,436,512.00	1,115,476.80	7,436,512.00	1,115,476.80
Book value of depreciation provided for fixed assets appreciation	1,590,024.00	238,503.60	1,590,024.00	238,503.60
Other equity instruments investments	238,280.61	59,558.67	238,280.61	59,558.67
Others	2,350,400.00	352,560.00	2,350,400.00	352,560.00
Total	1,632,368,417.75	301,638,292.38	1,514,941,859.81	286,359,056.86

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

- (3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible temporary difference	77,975.38	176,837.40
Deductible losses	272,315,512.49	262,897,086.88
Total	272,393,487.87	263,073,924.28

- (4) Deductible losses which are not recognized as deferred tax assets will expire in the following years

Year	Closing balance	Closing balance of last year	Remark
2021	–	35,399,376.92	
2022	58,877,444.43	58,877,444.43	
2023	39,403,272.77	39,403,272.77	
2024	49,096,232.53	49,436,130.85	
2025	82,038,198.66	79,780,861.91	
2026	42,900,364.10	–	
Total	272,315,512.49	262,897,086.88	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other Non-current Assets

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	182,473,035.34	-	182,473,035.34	159,146,450.00	-	159,146,450.00
Others	176,540.00	-	176,540.00	282,878.02	-	282,878.02
Total	182,649,575.34	-	182,649,575.34	159,429,328.02	-	159,429,328.02

25. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Pledge borrowings	930,333,099.43	398,420,821.22
Guarantee borrowings	175,158,723.35	153,003,037.43
Credit borrowings	9,100,222,838.43	7,667,414,100.02
Bills Discounted	64,001,950.26	46,891,694.36
Total	10,269,716,611.47	8,265,729,653.03

- ① As on 30 June 2021, 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 2021, short-term borrowings of RMB125,000 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 2021, the weighted average annual interest rate of short-term borrowings is 3.5069% (31 December 2020: 3.2988%).

(2) The Group had no overdue short-term borrowings as on 30 June 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Financial liabilities held for trading

Category	Closing balance of last year	Increase	Decrease	Closing balance
Financial liabilities held for trading	-	-	-	-
Including: Issued transaction bonds	-	-	-	-
Derivative financial liabilities	-	-	-	-
Others	-	-	-	-
Financial liabilities designated as fair value through profit or loss	-	-	-	-
Total	-	-	-	-

In May 2018, the Group acquired 30% equity of the pharmaceutical company held by Alliance BMP Ltd. In the meantime, the Group granted Alliance BMP Ltd 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.

27. Notes Payable

Category	Closing balance	Closing balance of last year
Bank acceptance notes	2,469,328,654.72	3,265,703,451.04
Commercial acceptance notes	27,042,427.57	18,845,786.75
Total	2,496,371,082.29	3,284,549,237.79

As on 30 June 2021, amount expected to be matured within a year is RMB2,496,371 thousand (31 December 2020: RMB3,284,549 thousand).

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts Payable

(1) The aging of accounts payable based on the booking date is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	9,909,298,657.57	10,483,901,955.40
Over 1 year	431,927,966.69	390,906,424.20
Total	10,341,226,624.26	10,874,808,379.60

(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. (1)
Supplier 2	32,118,020.33	Payment terms not satisfied
Supplier 3	22,576,000.00	Litigation is involved. Please refer to Note XIII (8). 1. (1)
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. (1)
Total	141,899,041.27	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	1,331,656,609.18	1,244,021,767.32
Medical payment received in advance	1,875,566.04	5,233,818.13
Total	1,333,532,175.22	1,249,255,585.45

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	1,293,103,537.26	1,213,397,998.28
Over 1 year	40,428,637.96	35,857,587.17
Total	1,333,532,175.22	1,249,255,585.45

(3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2021 and 31 December 2020.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable

(1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	838,502,417.07	2,441,679,950.24	2,429,551,013.26	850,631,354.05
Post-employment benefits-set up a deposit plan	6,275,791.45	226,854,208.79	225,122,112.97	8,007,887.27
Termination benefits	2,000,000.00	744,785.75	900,581.75	1,844,204.00
Total	<u>846,778,208.52</u>	<u>2,669,278,944.78</u>	<u>2,655,573,707.98</u>	<u>860,483,445.32</u>

(2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
1. Wages, bonuses, allowances and subsidies	786,286,425.70	2,085,815,912.59	2,089,257,134.36	782,845,203.93
2. Employee welfare	4,913,047.48	82,194,696.58	68,494,183.74	18,613,560.32
3. Social Insurance premium	155,096.37	94,124,470.86	94,256,891.12	22,676.11
Including: Medical insurance premium	149,598.43	82,433,280.60	82,565,061.47	17,817.56
Industrial injury insurance premium	3,649.51	2,946,576.98	2,949,668.68	557.81
Maternity insurance premium	1,848.43	8,744,613.28	8,742,160.97	4,300.74
4. Housing funds	109,352.01	131,540,264.05	131,459,449.82	190,166.24
5. Labor-union expenditure and employee education funds	13,953,005.59	37,109,327.30	39,127,118.49	11,935,214.40
6. Non-monetary welfare	329,623.45	69,200.89	398,824.34	-
7. Housing allowance	32,498,625.90	8,748,274.66	4,460,936.26	36,785,964.30
8. Other short-term benefits	257,240.57	2,077,803.31	2,096,475.13	238,568.75
Total	<u>838,502,417.07</u>	<u>2,441,679,950.24</u>	<u>2,429,551,013.26</u>	<u>850,631,354.05</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable (Continued)

(3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	751,723.66	165,969,708.77	166,664,684.31	56,748.12
Unemployment insurance premiums	45,554.72	4,631,046.65	4,675,272.94	1,328.43
Enterprise annuity	4,810,199.24	45,774,657.38	42,899,235.70	7,685,620.92
Others	668,313.83	10,478,795.99	10,882,920.02	264,189.80
Total	<u>6,275,791.45</u>	<u>226,854,208.79</u>	<u>225,122,112.97</u>	<u>8,007,887.27</u>

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	2,000,000.00	744,785.75	900,581.75	1,844,204.00
Total	<u>2,000,000.00</u>	<u>744,785.75</u>	<u>900,581.75</u>	<u>1,844,204.00</u>

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 2021. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in the year.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Tax Payable

Item	Closing balance	Closing balance of last year
Value-added tax	114,672,850.59	47,522,893.95
Enterprise income tax	221,137,663.23	238,379,083.67
Individual income tax	3,316,762.08	14,936,489.94
Urban maintenance and construction tax	10,824,364.20	5,253,657.87
Educational surcharge	4,765,767.50	2,341,757.27
Local education surcharge	3,064,823.53	1,422,322.56
Property tax	5,485,229.09	1,671,400.93
Land use tax	1,842,932.20	1,111,608.05
Stamp duty	5,966,923.76	3,361,431.50
Others	107,902.24	108,422.26
Total	<u>371,185,218.42</u>	<u>316,109,068.00</u>

32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	–	17,844,845.53
Dividends payable	174,032,002.76	57,512,041.85
Other payables	3,831,178,429.56	3,938,558,177.75
Total	<u>4,005,210,432.32</u>	<u>4,013,915,065.13</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(1) Interest payable

Item	Closing balance	Closing balance of last year
Long-term borrowings interest payable	–	495,879.17
Short-term borrowings interest payable	–	17,348,966.36
Total	–	17,844,845.53

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	118,461,402.86	155,202.85
Domestic public shares	778,253.22	652,592.32
Minority shareholders	54,792,301.67	56,704,201.67
BYS Group	45.01	45.01
Total	174,032,002.76	57,512,041.85

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Sales discounts	1,497,390,343.58	1,455,832,831.71
Accrued expenses	770,560,218.21	504,429,838.09
Margin, deposit, and down payment received	550,432,008.39	544,055,936.52
Epidemic prevention supplies turnover fund	486,495,046.28	652,627,225.38
Accounts payable to external entities	220,824,750.86	597,085,560.22
Make up for export tax refund had obtained(note)	92,184,150.67	–
Accruals for fixed assets	71,251,574.59	51,792,676.21
Current accounts to related parties	28,695,033.97	28,280,422.08
Funds received temporarily from employees	26,326,110.59	26,090,020.74
Others	87,019,192.42	78,363,666.80
Total	3,831,178,429.56	3,938,558,177.75

Note: In the period, the Tax Bureau issued the Tax Handling Decision, The subsidiaries of the Group have recovered the obtained export tax rebate of RMB95,184 thousand Last year was for RMB40,610 thousand (included into estimated liabilities and non-operating expenses), Current addition amounted to RMB54,574 thousand (included into other payables and non-operating expenses), this period has been paid for RMB3 million, and the original estimated liabilities was calculated into other payables, the balance of other supplementary export rebates is RMB92,184 thousand, the above supplementary payment is scheduled to be paid within six years.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(3) Other payables (Continued)

② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	312,915,750.53	115,410,316.76
Freight expenses	185,642,816.88	129,209,916.74
Terminal expenses	136,953,808.42	135,407,894.51
Research and development expenditures	21,164,794.95	5,944,526.20
Travel expenses	17,033,188.86	17,196,578.70
Conference expenses	13,363,246.00	14,162,187.64
Rental expenses	9,211,512.23	9,074,370.19
Utilities expenses	7,249,836.70	8,345,264.63
Agency fee	2,326,333.94	10,801,807.17
Trademark fee	1,950,000.00	1,800,000.00
Consulting fee	1,709,227.91	1,120,351.62
Others	61,039,701.79	55,956,623.93
Total	770,560,218.21	504,429,838.09

③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	3,355,989,245.58	3,486,852,580.09
Over 1 year	475,189,183.98	451,705,597.66
Total	3,831,178,429.56	3,938,558,177.75

④ The Group had no significant other payables with aging over 1 year as in the current period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Current portion of non-current liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities due within 1 year	232,961,580.59	236,106,690.45
Total	232,961,580.59	236,106,690.45

34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	148,860,607.75	155,979,889.85
Total	148,860,607.75	155,979,889.85

35. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	767,870,599.94	497,550,000.00
Total	767,870,599.94	497,550,000.00

As on 30 June 2021, the average annual rate of long-term borrowings is 3.2462% (as on 31 December 2020: 3.0000%).

(2) The Group had no overdue long-term borrowings as on 30 June 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	757,734,897.50	797,931,144.73
Less: Amount due within 1 year	232,961,580.59	236,106,690.45
Total	524,773,316.91	561,824,454.28

37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	20,464,502.00	20,464,502.00
Special payables	2,382,270.00	2,382,270.00
Total	22,846,772.00	22,846,772.00

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term Payables (Continued)

(1) Long-term payables

Item	Closing balance	Closing balance of last year
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	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Compensation for relocation due to policies	2,382,270.00	-	-	2,382,270.00	Government compensation for relocation due to policies
Total	2,382,270.00	-	-	2,382,270.00	

38. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	309,635.77	302,723.26
Total	309,635.77	302,723.26

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	45,418,005.57	–	459,373.49	44,958,632.08	Note (1)
Pending litigation	18,000,000.00	8,062,500.00	–	26,062,500.00	Note (2)
Estimated tax refund	40,610,000.00	–	40,610,000.00	–	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	104,528,196.76	8,062,500.00	41,069,373.49	71,521,323.27	

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) Litigation is involved. please refer to Note XIII (8). 1. (1).
- (3) Estimated tax rebate, please refer to Note V (32). 3. (1)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Government grants	784,074,821.24	127,525,162.52	73,977,680.14	837,622,303.62	Government funding
Total	784,074,821.24	127,525,162.52	73,977,680.14	837,622,303.62	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Deferred income (Continued)

Item related to government grants:

Item	Closing balance of last year	Current increase in grants	Amount recognized into other income	The amount of other income is included in the current period	The amount of cost write-down in this period	Disbursement to project partners	Other decrease	Closing balance	Asset related/ income related
Government grants related to assets	321,171,549.74	25,111,000.00	55,987.32	5,555,056.78	-	-	-	340,671,505.64	
Including:									
Technology funds granted by the government	69,041,029.75	661,000.00	-	3,554,211.31	-	-	-	66,147,818.44	Asset related
Compensation for relocation	22,925,406.39	-	36,498.78	-	-	-	-	22,888,907.61	Asset related
Government subsidies on interests	126,417.00	-	-	-	-	-	-	126,417.00	Asset related
Special project funds for environmental protection	1,203,556.67	-	-	47,411.64	-	-	-	1,156,145.03	Asset related
Construction funds for innovation platform and laboratory	12,126,701.03	-	-	660,460.62	-	-	-	11,466,240.41	Asset related
Land support funds granted by the government	67,887,619.16	-	-	-	-	-	-	67,887,619.16	Asset related
Support funds for industrial development	125,451,849.43	24,450,000.00	-	1,025,842.71	-	-	-	148,876,006.72	Asset related
Others	22,408,970.31	-	19,488.54	267,130.50	-	-	-	22,122,351.27	Asset related
Government grants related to income	462,903,271.50	102,414,162.52	1,489,048.89	36,633,522.35	28,211,605.65	100,000.00	1,932,459.15	496,950,797.98	
Including:									
Technology funds granted by the government	84,919,739.04	23,296,595.00	-	13,121,413.06	-	100,000.00	1,932,459.15	93,062,461.83	Income related
Medical industrial research project funds	757,320.22	150,000.00	-	-	-	-	-	907,320.22	Income related
Special fund for innovative enterprises	4,102,900.08	9,561,400.00	-	12,183,167.76	-	-	-	1,481,132.32	Income related
Compensation for relocation	361,711,095.22	58,604,895.00	1,489,048.89	-	27,813,398.61	-	-	391,013,542.72	Income related
Support funds for industrial development	1,600,000.00	-	-	-	-	-	-	1,600,000.00	Income related
Others	9,812,216.94	10,801,272.52	-	11,328,941.53	398,207.04	-	-	8,886,340.89	Income related
Total	784,074,821.24	127,525,162.52	1,545,036.21	42,188,579.13	28,211,605.65	100,000.00	1,932,459.15	837,622,303.62	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Other non-current liabilities

Item	Closing balance	Closing balance of last year
Commitment to the investment of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	50,225,000.00	50,225,000.00
Pending output VAT	3,817,085.51	3,853,462.71
Total	54,042,085.51	54,078,462.71

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Share capital

Item	Closing balance of last year	Issuance	Changes in the period			Others	Subtotal	Closing balance
			Share dividends	Capitalizing of capital reserves				
Restricted shares								
State shareholding	-	-	-	-	-	-	-	-
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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Capital reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	-	-	9,048,269,635.38
Other capital reserves	836,741,549.75	-	-	836,741,549.75
Including: Capital reserve transferred under previous accounting system	24,955,836.66	-	-	24,955,836.66
Total	9,885,011,185.13	-	-	9,885,011,185.13

44. Other Comprehensive Income

Item	Closing balance of last year	Current amount before tax	Current period					Closing balance
			Less: profit or loss transferred from other comprehensive income in previous year	Less: retained earnings transferred from other comprehensive income in previous year	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	(5,940,464.72)	(900,555.64)	-	-	-	(900,555.64)	-	(6,841,020.36)
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	(7,388,646.53)	(900,555.64)	-	-	-	(900,555.64)	-	(8,289,202.17)
II. Other comprehensive income that may be reclassified into profit or loss	(11,733,033.98)	(4,335,826.91)	-	-	(655,897.01)	(3,143,517.65)	(536,412.25)	(14,876,551.63)
Including: Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	-	-	-	-	-	-	29,136.57
Change in fair value of investments in other debt instruments	(9,665,799.91)	(11,557,327.24)	-	-	(2,889,331.81)	-6,305,013.20	(2,362,982.23)	(15,970,813.11)
Provision for credit impairment of other debt investments	4,601,782.14	8,933,739.20	-	-	2,233,434.80	4,873,734.42	1,826,569.98	9,475,516.56
Difference arising from the translation of foreign currency financial statements	(6,698,152.78)	(1,712,238.87)	-	-	-	(1,712,238.87)	-	(8,410,391.65)
Total other comprehensive income	(17,673,498.70)	(5,236,382.55)	-	-	(655,897.01)	(4,044,073.29)	(536,412.25)	(21,717,571.99)

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	1,601,377,150.90	–	–	1,601,377,150.90
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
Total	<u>1,720,302,768.39</u>	<u>–</u>	<u>–</u>	<u>1,720,302,768.39</u>

46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	12,931,411,564.72	11,167,819,445.53
Adjustments to Closing balance of last year of undistributed profits at the period (Add: +; Less:–)	–	–
Undistributed profits at the beginning of the period after adjustments	12,931,411,564.72	11,167,819,445.53
Add: Net profit attributable to shareholders of the parent company for the period	2,502,380,845.33	2,915,244,576.05
Less: Appropriation of statutory surplus reserve	–	194,061,587.90
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	874,675,530.56	957,590,868.96
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	<u>14,559,116,879.49</u>	<u>12,931,411,564.72</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Undistributed profits (Continued)

Note:

- (1) As on 30 June 2021, surplus reserve of subsidiaries comprised in undistributed profits, attributable to the parent company, was RMB423,836 thousand (31 December 2020: RMB423,836 thousand).
- (2) According to the resolution of the 2020 annual general meeting held on 3 June 2021, the Company shall issue cash dividends to all shareholders at RMB0.538 per share (tax included), RMB874,676 thousand in total, based on the 1,625,790,949 outstanding shares at the year end of 2020.
- (3) After consideration at a meeting of the Board of directors of the Company, the Board of Directors of the Company has recommended that there be no interim dividend for the six months ending 30 June 2021 and no accumulation fund conversion of capital stock

47. Operating Revenue and Cost of sales

(1) Operating Revenue and Cost of sales

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	36,007,774,756.86	28,569,535,197.67	30,375,492,145.88	24,658,050,433.12
Other businesses	120,802,393.23	28,239,210.85	94,158,328.88	19,569,456.85
Total	<u>36,128,577,150.09</u>	<u>28,597,774,408.52</u>	<u>30,469,650,474.76</u>	<u>24,677,619,889.97</u>

(2) Disclosure by category

Reporting segment	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Great Southern TCM	6,057,911,813.23	3,343,425,949.31	5,601,804,455.98	3,364,469,846.96
Great Health	6,604,146,860.64	3,420,228,091.16	4,501,416,904.70	2,372,424,579.43
Great Commerce	23,205,337,053.25	21,688,581,961.31	20,182,740,566.14	18,855,253,881.66
Others	140,379,029.74	117,299,195.89	89,530,219.06	65,902,125.07
Total	<u>36,007,774,756.86</u>	<u>28,569,535,197.67</u>	<u>30,375,492,145.88</u>	<u>24,658,050,433.12</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Revenue and Cost of sales (Continued)

(3) Disclosure by primary operating region

Reporting segment	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Southern China Area	27,187,186,246.12	22,648,103,246.47	22,992,628,417.78	19,475,952,633.49
Eastern China Area	3,330,610,257.29	2,223,647,581.63	2,629,473,696.89	1,757,023,165.29
Northern China Area	1,608,497,835.66	1,014,813,579.20	1,356,303,624.85	902,023,564.83
Northeast Area	307,770,546.20	226,618,748.86	250,397,678.29	183,811,819.27
Southwest Area	2,486,263,480.98	1,611,129,897.64	2,143,458,208.43	1,521,295,304.43
Northwest Area	1,076,579,274.57	835,810,922.19	972,697,961.63	789,463,959.83
Export	10,867,116.04	9,411,221.68	30,532,558.01	28,479,985.98
Total	<u>36,007,774,756.86</u>	<u>28,569,535,197.67</u>	<u>30,375,492,145.88</u>	<u>24,658,050,433.12</u>

(4) Main business income to the top five customers

Total sales to the top five customers are RMB2,779,126 thousand (Jan to Jun 2020: RMB2,282,801 thousand), accounting for 7.71% of the Group's primary operating revenue for the period. (Jan to Jun 2020: 7.51%)

Customer	Revenue	Proportion to total income (%)
Customer 1	892,938,538.15	2.48
Customer 2	611,295,341.41	1.70
Customer 3	512,246,735.05	1.42
Customer 4	397,361,386.94	1.10
Customer 5	365,283,859.52	1.01
Total	<u>2,779,125,861.07</u>	<u>7.71</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Revenue and Cost of sales (Continued)

(5) Other business revenue and other business cost

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Leases of assets	26,256,523.84	8,853,421.54	17,776,015.47	6,071,669.23
Sales of materials	3,777,169.06	3,766,273.29	5,426,911.58	2,601,314.95
Income from franchise store management fee	8,866,981.05	2,429,813.26	170,589.06	–
Trademark fee income	1,138,259.66	–	897,448.54	–
Consulting fee	7,738,689.64	–	20,531,746.13	305,056.77
Collection of utility on behalf of others	2,230,050.48	4,654,085.79	1,628,187.29	3,678,114.89
Service income	1,911,455.07	786,584.07	576,792.48	2,360,136.63
Property management fee	6,200,671.38	1,180,038.48	3,727,209.59	381,542.67
Technical service income	8,082,128.06	1,252,384.13	1,972,470.26	50,116.04
License fee for franchise	–	–	15,825,074.57	–
E-commerce platform and store service fee	38,783,771.27	191,241.60	18,174,099.40	–
Others	15,816,693.72	5,125,368.69	7,451,784.51	4,121,505.67
Total	120,802,393.23	28,239,210.85	94,158,328.88	19,569,456.85

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	72,296,131.05	60,530,614.25
Education surcharge	31,228,138.20	26,175,563.64
Local education surcharge	20,804,279.69	17,437,435.43
House property tax	12,380,412.36	9,046,233.15
Vehicle and vessel use tax	98,918.55	98,931.68
Land use tax	2,805,738.26	3,036,391.14
Stamp duty	22,652,548.89	17,260,695.99
Others	81,746.50	70,620.38
Total	162,347,913.50	133,656,485.66

49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	1,442,170,770.70	1,270,225,362.39
Advertising and promotion fees	686,854,948.53	493,367,859.71
Sales and service fees	380,731,822.68	230,450,672.75
Freight and miscellaneous charges	145,631,588.40	116,266,315.45
Depreciation expenses	119,543,068.79	106,448,009.62
Traveling expenses	60,212,646.30	44,217,663.77
Conference expenses	27,332,801.52	19,135,238.63
Rental expenses	18,669,743.99	11,387,081.98
Office expenses	13,457,457.12	14,272,887.91
Others	105,754,386.77	85,287,669.93
Total	3,000,359,234.80	2,391,058,762.14

According to the "Accounting Standards for Business Enterprises No. 14-Revenue" revised by the Ministry of Finance and the supplementary "Revenue Standard Cases-Transportation Services", the transportation and miscellaneous expenses that meet the performance costs of the period and the previous year are included in the operating costs.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	661,767,793.45	571,637,201.10
Depreciation expense	79,652,919.30	72,598,864.83
Amortization cost	44,857,350.99	43,927,242.94
Office expenses	30,427,586.30	27,800,888.31
Repairing expenses	21,681,304.80	21,127,771.58
Trademark license fees	8,815,608.93	11,706,514.95
Utilities	8,551,990.78	7,045,416.51
Traveling expenses	7,991,873.31	4,916,068.36
Freight and miscellaneous charges	6,409,173.18	7,172,859.33
Consulting fees/lei	4,487,195.46	5,933,422.21
Insurance premium	2,419,158.36	2,555,025.02
Conference expenses	2,164,401.74	1,752,877.13
Rental expenses	4,401,659.32	641,176.43
Agency fees	7,419,393.84	9,012,233.88
Others	78,983,641.40	61,723,572.25
Total	970,031,051.16	849,551,134.83

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	144,527,384.11	121,032,294.79
Special research and development	65,257,515.89	21,205,126.70
Raw materials	88,758,382.82	49,335,845.41
Trial production expenses	19,499,611.62	24,133,448.52
Depreciation expenses	14,765,121.16	15,683,580.84
Technique research expenses	11,339,091.19	7,373,772.87
Clinical trial expenses	8,192,995.01	4,813,638.00
Amortization cost	2,495,856.29	2,162,171.65
Others	31,060,730.31	23,105,726.53
Total	385,896,688.40	268,845,605.31

52. Financial expenses

Item	Current period	Prior period
Interest expenses	203,792,083.36	187,138,690.11
Including: interest expenses related to lease	18,459,026.15	18,155,722.23
Less: Interest income	286,009,185.72	192,423,212.75
Exchange gains/(losses)	(533,503.23)	971,730.59
Service charge of finance institutions	8,176,010.77	6,920,502.21
Cash discount	–	(309,566.52)
Others	1,039,991.37	1,379,401.61
Total	(73,534,603.45)	3,677,545.25

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Other Income

Item	Current period	Prior period
Government grants	78,151,305.15	202,419,575.46
Total	78,151,305.15	202,419,575.46

Government grants charges into other income

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period	Asset related/ income related
Technology funds granted by the government	3,554,211.31	4,523,871.77	3,554,211.31	Asset related
Special project fund for environmental protection	47,411.64	147,231.64	47,411.64	Asset related
Construction funds for innovation platform and laboratory	660,460.62	175,895.96	660,460.62	Asset related
Support funds for industrial development	1,025,842.71	982,408.08	1,025,842.71	Asset related
Others	529,385.68	293,004.48	529,385.68	Asset related
Subtotal	5,817,311.96	6,122,411.93	5,817,311.96	
Technology funds granted by the government	24,321,135.36	13,088,830.81	24,321,135.36	Income related
Special funds for energy-saving renovation project	-	30,700.00	-	Income related
Special fund for innovative enterprises	12,183,167.76	1,520,328.92	12,183,167.76	Income related
Support funds for industrial development	-	167,742,965.05	-	Income related
Others	35,829,690.07	13,914,338.75	35,829,690.07	Income related
Subtotal	72,333,993.19	196,297,163.53	72,333,993.19	
Total	78,151,305.15	202,419,575.46	78,151,305.15	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	128,698,641.73	59,105,772.40
Investment income from disposal of long-term equity investment	39,531.93	–
Investment income during the holding year of other non-current financial assets	37,634.48	15,204.20
Interest income from finance products and structured deposits	9,879,413.84	345,178.88
Others	(1,056,731.60)	(25,645,536.05)
Total	137,598,490.38	33,820,619.43

55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	(6,219,324.42)	(23,536,542.83)
Total	(6,219,324.42)	(23,536,542.83)

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Credit impairment losses

Item	Current period	Prior period
Loss on bad debts of notes receivable	(2,936,344.05)	378,881.56
Loss on bad debts of accounts receivable	(24,789,826.72)	(80,167,266.50)
Loss on bad debts of receivables financing	(8,933,739.20)	(4,183,601.05)
Loss on bad debts of other receivables	(316,590.82)	(5,098,678.56)
Total	(36,976,500.79)	(89,070,664.55)

57. Assets impairment losses

Item	Current period	Prior period
Loss on decline in value of inventories	(13,152,332.97)	(12,909,650.23)
Total	(13,152,332.97)	(12,909,650.23)

58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period
Gains on damaging and scrapping of non-current assets	123,987.72	3,288,794.32	123,987.72
Including: Gains from disposal of fixed assets	91,915.82	2,966,099.48	91,915.82
Gains from disposal of right-of-use assets	32,071.90	322,694.84	32,071.90
Total	123,987.72	3,288,794.32	123,987.72

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income

Item	Current period	Prior period	Amount recognized
			into non-recurring profit or loss in the period
Proceed from damage and scrapping of non-current assets	95,517.90	50,180.27	95,517.90
Government grant	4,390,466.90	19,551,441.44	4,390,466.90
Penalty income	387,928.40	71,565.56	387,928.40
Income from sale of scrap	2,264,390.63	1,414,879.36	2,264,390.63
Debt forgiveness	293,362.04	1,019,538.90	293,362.04
Compensation income	1,246,452.47	557,088.95	1,246,452.47
Remuneration of expatriates	1,374,896.65	510,834.91	1,374,896.65
Others	1,689,737.29	3,438,182.53	1,689,737.29
Total	11,742,752.28	26,613,711.92	11,742,752.28

Government grant included in non-operating income

Grant item	Current period	Prior period	Asset related/ income related
Demolition compensation	36,498.78	36,498.78	Asset related
Others	19,488.54	19,488.54	Asset related
Subtotal	55,987.32	55,987.32	
Demolition compensation	1,489,048.89	17,133,559.48	Income related
Others	2,845,430.69	2,361,894.64	Income related
Subtotal	4,334,479.58	19,495,454.12	
Total	4,390,466.90	19,551,441.44	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period
Losses on damage and scrapping of non-current assets	853,818.23	1,210,408.87	853,818.23
Public welfare donation expenditure	1,059,815.59	13,070,219.82	1,059,815.59
Abnormal loss	2,681,178.82	5,086,986.33	2,681,178.82
Inventory loss	431.38	1,591.54	431.38
Penalty and overdue fines	157,071.07	166,829.94	157,071.07
Reward of family planning	51,164.60	39,236.67	51,164.60
Withdrawal based on judgment	8,062,500.00	–	8,062,500.00
Supplementary export tax rebate obtained	54,574,150.67	–	54,574,150.67
Others	256,994.68	1,557,270.99	256,994.68
Total	67,697,125.04	21,132,544.16	67,697,125.04

For the supplementary export tax rebate obtained, please refer to Note V (32), 3,(1)

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	536,522,981.12	423,413,419.30
Deferred tax expenses	3,247,883.89	(43,755,970.22)
Total	539,770,865.01	379,657,449.08

(2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	3,189,273,709.47
Income tax expenses calculated at statutory/applicable rates	478,391,056.42
Tax effect of different rates applicable to subsidiaries	57,454,543.25
Adjustment effect of income tax of prior year	3,072,131.26
Tax effect of non-taxable income	(19,084,725.02)
Tax effect of costs, expenses and losses not deductible for tax purposes	20,096,610.84
Tax effect of use of deductible loss of previously unrecognized DTA	(312,621.64)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the period	18,393,999.33
Tax effect of R&D expenditure deduction	(18,240,129.43)
Income tax expenses	539,770,865.01

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Earnings per share (EPS)

(1) Basic EPS

Basic EPS is calculated by dividing the consolidated profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

① Weighted average basic EPS

Item	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	2,502,380,845.33	1,764,269,356.81
The number of weighted average outstanding ordinary shares at the period end	1,625,790,949	1,625,790,949
Weighted average basic EPS	1.539	1.085

② EPS based on the number of shares as at the year end

Item	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	2,502,380,845.33	1,764,269,356.81
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	1.539	1.085

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. 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 year from January to June 2021, the Company had no dilutive potential ordinary share (for January to June of year 2020: NIL). The diluted EPS is equal to basic EPS.

63. Items in the Cash Flow Statement

(1) Cash received from or paid for other operating activities

Item	Current period	Prior period
Interest income	286,009,185.72	192,423,212.75
Government grant	138,121,713.58	312,125,047.31
Other operating income	120,802,393.23	94,158,328.88
Non-operating income	6,937,166.21	6,583,911.58
Deposit received and other items	488,580,272.20	453,329,067.00
Total	<u>1,040,450,730.94</u>	<u>1,058,619,567.52</u>

(2) Cash paid for other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	1,164,964,538.58	1,236,139,077.49
Cash paid for general and administrative expenses	400,680,829.95	291,392,644.27
Financial expenses-bank charges	8,176,010.77	6,920,502.21
Others	329,541,401.00	251,756,198.13
Total	<u>1,903,362,780.30</u>	<u>1,786,208,422.10</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Items in the Cash Flow Statement (Continued)

(3) Cash received from or paid to other investing activities

Item	Current period	Prior period
Interest received	35,532.03	889.91
Other	92,365.96	–
Total	<u>127,897.99</u>	<u>889.91</u>

(4) Cash received from or paid to other financing activities

Item	Current period	Prior period
Return of deposit for notes	1,587,802,938.05	1,757,221,439.65
Total	<u>1,587,802,938.05</u>	<u>1,757,221,439.65</u>

(5) Cash paid to other financing activities

Item	Current period	Prior period
Deposit for notes paid	1,352,876,363.25	1,066,459,393.64
Lease payment	138,304,540.01	166,675,445.70
Other	6,495,552.00	2,000,000.00
Total	<u>1,497,676,455.26</u>	<u>1,235,134,839.34</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. 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	2,649,502,844.46	1,885,076,901.88
Add: Provision for assets impairment	13,152,332.97	12,909,650.23
Impairment loss in respect of credit	36,976,500.79	89,070,664.55
Depreciation of fixed assets, oil and gas assets, investment properties and bearer biological assets	174,762,104.66	161,666,730.53
Depreciation of right-of-use assets	122,204,770.27	109,297,749.41
Amortization of intangible assets	30,554,760.96	29,850,271.61
Amortization of long-term prepaid expenses	18,769,546.25	18,124,255.07
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(123,987.72)	(3,288,794.32)
Losses on scrapping of fixed assets ("-" refers to income)	758,300.33	1,160,228.60
Loss on changes in fair value ("-" refers to income)	6,219,324.42	23,536,542.83
Financial expenses ("-" refers to income)	203,792,083.36	176,506,155.48
Investment losses ("-" refers to income)	(137,598,490.38)	(33,820,619.43)
Decrease in deferred tax assets ("-" refers to income)	(12,687,248.92)	(55,468,894.67)
Increase in deferred tax liabilities ("-" refers to income)	15,935,132.53	10,288,036.75
Decrease in inventories ("-" refers to income)	1,592,466,831.65	824,604,727.31
Decrease of operating receivables ("-" refers to income)	(1,656,192,130.88)	944,954,135.14
Increase of operating payables ("-" refers to income)	(874,083,059.37)	(6,599,218,724.04)
Others ("-" refers to income)	-	-
Net cash flow from operating activities	2,184,409,615.38	(2,404,750,983.07)

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement (Continued)

(1) Supplementary information of cash flow statement (Continued)

Supplementary information	Current period	Prior period
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	2,485,097,761.52	1,729,825,100.39
3. Net changes in cash and cash equivalents		
Cash at the end of year	20,969,067,260.28	17,336,125,524.93
Less: Cash at the beginning of year	17,765,132,774.10	16,833,622,508.23
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the year	-	-
Net increase in cash and cash equivalents	3,203,934,486.18	502,503,016.70

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

64. Supplementary Information of Cash Flow Statement *(Continued)*

(2) Net cash paid for acquisition of subsidiaries in the period

Nil

(3) Net cash received for disposal of subsidiaries in the period

Nil

(4) Breakdown of cash and cash equivalents

Item	Closing balance	Closing balance of last year
I. Cash	20,969,067,260.28	17,765,132,774.10
Including: Cash on hand	612,975.20	814,579.91
Bank deposits that are readily available for payment	20,910,372,875.78	17,738,141,398.59
Other cash that are readily available for payment	58,081,409.30	26,176,795.60
II. Cash equivalents	-	-
Including: Debt investment maturing within three months	-	-
III. Closing balance of cash and cash equivalents	20,969,067,260.28	17,765,132,774.10
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	-	-
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Assets with Restriction on Ownership or Use Right

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	1,123,074 thousand	The Group's deposit of notes payable is RMB902,014 thousand, term deposit of RMB80,000 thousand, guarantee deposit of RMB50,496 thousand, frozen account funds of RMB38,217 thousand, L/C deposit of RMB51,380 thousand, housing fund is RMB926 thousand, others RMB41 thousand.
Accounts receivable	1,555,369 thousand	The Group's short-term borrowings of RMB1,555,369 thousand is derived from accounts receivable as pledge or factoring.
Notes receivable	401,396 thousand	The Group's notes receivable pledged is RMB42,178 thousand. Notes receivable endorsed but not yet due is RMB359,218 thousand.
Fixed assets	5,080 thousand	This group's the original value of the houses and buildings of fixed assets of HKD8,893 thousand, the net value of HKD6,105 thousand(Converted to RMB5,080 thousand), the original value of the investment properties of HKD6,843 thousand, the net value of HKD3,356 thousand(Converted to RMB2,792 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
Investment properties	2,792 thousand	RMB3,938 thousand, USD467 thousand from the Bank of China (Hong Kong) co., Ltd.
Total	<u>3,087,711 thousand</u>	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Foreign Currency Funds Items

(1) Foreign Currency Funds Item

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			96,046,998.39
Including: USD	12,194,297.60	6.4601	78,776,381.93
HKD	20,749,887.61	0.8321	17,265,566.48
AUD	1,040.02	4.8528	5,047.01
JPY	51.00	0.0584	2.98
Accounts receivable			26,695,110.14
Including: USD	539,125.56	6.4601	3,482,805.03
HKD	23,496,124.82	0.8321	19,550,655.54
AUD	476,392.70	7.6862	3,661,649.57
Other receivables			1,319,577.24
Including: USD	125,000.00	6.4601	807,512.50
HKD	615,403.25	0.8321	512,064.74
Accounts payable			70,405,257.47
Including: USD	1,305,039.13	6.4601	8,430,683.28
EUR	526,300.00	7.6862	4,045,247.06
HKD	68,682,785.82	0.8321	57,149,572.43
AUD	160,681.40	4.8528	779,754.70
Shor-term borrowings			42,016,249.72
Including: HKD	50,495,444.81	0.8321	42,016,249.72
Other payables			492,507.96
Including: HKD	591,899.77	0.8321	492,507.96

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

67. Lease

1. As the lessee

Item	Current amount
Short-term rental expenses charged into current profit or loss	20,287,022.49
Rental expenses for low-value assets	1,359,720.91
Variable rental that are not included into lease liabilities	2,648,482.35
Revenue from the transfer of use right assets	400,247.76
Total cash outflow related to lease	152,803,351.07

2. As the lessor

(1) Operation lease

	Current amount
Revenue from operation lease	14,094,526.89
Including: revenue related to variable rental payment not included in the rental collection	—

The received non-discounting rental collection after 30 June 2021 are as follows:

Remaining lease term	Non-discounting rental collection
Within 1 year	30,364,902.47
1 – 2 years	24,768,563.61
2 – 3 years	18,202,719.53
3 – 4 years	15,336,765.83
4 – 5 years	11,276,407.13
Over 5 years	15,686,364.40
Total	115,635,722.96

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination not under the common control during the year

Nil

2. Business combination under the common control during the year

Nil

3. Counter purchase in the period

Nil

4. Sales of equity in subsidiaries during the year

Nil

5. Reasons of changing in the scope of consolidation

The reasons for the addition of 3 companies in scope of consolidation comparing to the prior year are as follows:

- (1) Guangzhou Baiyunshan Hospital, a direct subsidiary of the Company, established Guangzhou Baiyunshan Hospital of Traditional Chinese Medicine Co., Ltd. in April 2021, capital contribution of Guangzhou Baiyunshan Hospital accounts for 100% of registered capital amounted to RMB20 million.
- (2) Jing Xiu Tang, a subsidiary of the Company, established Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd. in May 2021, capital contribution of Jing Xiu Tang accounts for 51% of registered capital amounted to RMB3 million.
- (3) The Company and the 3 subsidiaries of the Company including Zhong Yi 、 Cai Zhi Lin and Guangzhou Han Fang, established Guangzhou Hanchao Chinese Medical Technology Co., Ltd. which registered capital amounted to RMB30 million in May 2021, capital contribution of the Company accounts for 20% of registered capital 、 capital contribution of Zhong Yi for 5% of registered capital 、 capital contribution of Cai Zhi Lin for 45% of registered capital and capital contribution of Guangzhou Han Fang for 5% of registered capital.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES

(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	112,845.42	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	252,564.30	98.02	1.98	Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical manufacturing	2,000.00	-	100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	82,416.70	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	86,230.00	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
Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	-	45.08	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Pharmaceutical manufacturing	65,440.00	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	96.09	-	Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Trading	1,000.00	-	96.09	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

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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	
GP Corp.	Guangzhou	Guangzhou	Pharmaceutical trading	2,449,305.50	72.74	-	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	86,000.00	-	72.74	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	37,000.00	-	72.74	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	50,000.00	-	72.74	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Pharmaceutical trading	30,100.00	-	37.82	Business combination not under common control
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Pharmaceutical trading	6,000.00	-	37.10	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	552,000.00	-	72.74	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	123,000.00	-	72.74	Business combination not under common control
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	13,500.00	-	72.74	Business combination not under common control
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Pharmaceutical trading	90,000.00	-	72.74	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Pharmaceutical trading	85,000.00	-	72.74	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Pharmaceutical trading	156,000.00	-	72.74	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Wholesale and retail	20,000.00	-	72.74	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Pharmaceutical trading	87,500.00	-	72.74	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Pharmaceutical trading	14,000.00	-	72.74	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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	
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Pharmaceutical trading	80,000.00	-	72.74	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Pharmaceutical trading	50,000.00	-	72.74	Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Pharmaceutical trading	50,000.00	-	50.92	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	5,000.00	-	72.74	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	HKD300.00	-	72.74	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical trading	13,210.00	-	72.74	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	57,000.00	-	72.74	Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	60,000.00	-	72.74	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Service	60,000.00	-	72.74	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Pharmaceutical trading	6,000.00	-	72.74	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Wholesale and retail	7,000.00	-	72.74	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Wholesale and retail	6,450.00	-	72.74	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Wholesale and retail	8,000.00	-	72.74	Business combination not under common control
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Pharmaceutical trading	2,940.00	-	72.74	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	6,680.00	-	72.74	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Pharmaceutical trading	112,809.88	100.00	-	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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	
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Fengshun	Fengshun	Pharmaceutical trading	2,000.00	-	60.00	Establishment or Investment
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	20,000.00	-	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	5,000.00	-	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
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Health and social work	10,000.00	-	51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Technology service	30,000.00	20.00	55.00	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	200,250.00	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
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	10,000.00	-	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

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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	
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	10,000.00	-	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 Ning Ji Industry Development 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	111,600.00	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
Guangzhou Baiyunshan Hospital of Traditional Chinese Medicine Co., Ltd.	Guangzhou	Guangzhou	Medical	20,000.00	-	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
Tian Xin	Guangzhou	Guangzhou	Pharmaceutical manufacturing	45,693.00	82.49	-	Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Technical Service Industry	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	Food 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

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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	
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	HKD132,500.00	100.00	-	Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Pharmaceutical trading	MOP1,000.00	-	99.90	Establishment or Investment
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 Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	593,470.00	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	537,500.00	-	100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Advertising	20,000.00	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 Co., Ltd.	Guangzhou	Guangzhou	Commercial services	10,000.00	-	100.00	Establishment or Investment
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Guangzhou	Guangzhou	Commercial services	5,000.00	-	60.00	Establishment or Investment
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	2,000.00	-	51.00	Establishment or Investment

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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	
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	100.00	-	Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Leasing and commercial services	10,000.00	100.00	-	Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Leasing and commercial services	9,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Commercial services	500,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Wholesale	70,000.00	100.00	-	Establishment or Investment

Note: In current period, Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory, a sub-subsidiary of the Company, was changed to Guangzhou Baiyunshan Chinese Medical Drink and Pill Co., Ltd.; Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd. was changed to Guangzhou Cai Zhi Lin Medicinal Co., Ltd.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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 period	Dividend paid to minority shareholders in the period	Closing balance of minority shareholders' equity
GP Corp.	27.26%	77,786,604.70	-	1,526,604,441.35

③ Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
GP Corp.	25,082,292,935.55	2,138,372,666.17	27,220,665,601.72	20,957,754,831.54	692,778,521.06	21,650,533,352.60

Subsidiary	Closing balance of last year			Current liabilities	Non-current liabilities	Total liabilities
	Current assets	Non-current assets	Total assets			
GP Corp.	24,277,456,470.22	2,137,048,078.42	26,414,504,548.64	20,659,476,369.61	466,976,719.16	21,126,453,088.77

Subsidiary	Operating revenue	Net profit	Current period	
			Total comprehensive income	Operating cash flows
GP Corp.	23,282,439,700.47	285,967,722.64	284,000,031.61	(1,940,033,278.88)

Subsidiary	Operating revenue	Net profit	Prior period	
			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)

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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	Closing balance of last year/Prior period
Joint ventures:		
Total book balance of investments	596,389,391.15	656,044,705.41
Calculated by rate of interests held:		
– Net profit	89,477,241.19	32,352,924.58
– Other comprehensive income	–	–
– Total comprehensive income	89,477,241.19	32,352,924.58
Associates		
Total book balance of investments	1,238,272,076.48	1,209,821,466.19
Calculated by rate of interests held:		
– Net profit	4,426,398.28	4,166,494.28
– Other comprehensive income	–	–
– Total comprehensive income	4,426,398.28	4,166,494.28

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 no unrecognized commitments related to joint venture investment.

⑤ There are no contingent liabilities related to joint venture or associate investment.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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. 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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. 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:

Item	Closing balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Short-term borrowings	10,269,716,611.47	-	-	-	-	10,269,716,611.47
Notes payable	2,496,371,082.29	-	-	-	-	2,496,371,082.29
Accounts payable	10,341,226,624.26	-	-	-	-	10,341,226,624.26
Other payables	4,005,210,432.32	-	-	-	-	4,005,210,432.32
Current portion of non-current liabilities	232,961,580.59	-	-	-	-	232,961,580.59
Long-term borrowings	-	-	767,870,599.94	-	-	767,870,599.94
Lease liability	-	174,528,941.31	183,528,933.66	166,715,441.94	-	524,773,316.91
Long-term payables	-	-	-	22,846,772.00	-	22,846,772.00
Subtotal	27,345,486,330.93	174,528,941.31	951,399,533.60	189,562,213.94	-	28,660,977,019.78

Item	Closing balance of last year					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Short-term borrowings	8,265,729,653.03	-	-	-	-	8,265,729,653.03
Notes payable	3,284,549,237.79	-	-	-	-	3,284,549,237.79
Accounts payable	10,874,808,379.60	-	-	-	-	10,874,808,379.60
Other payables	4,013,915,065.13	-	-	-	-	4,013,915,065.13
Current portion of non-current liabilities	236,106,690.45	-	-	-	-	236,106,690.45
Long-term borrowings	-	-	497,550,000.00	-	-	497,550,000.00
Lease liability	-	191,983,432.70	199,169,238.85	170,671,782.73	-	561,824,454.28
Long-term payables	-	-	-	22,846,772.00	-	22,846,772.00
Subtotal	26,675,109,026.00	191,983,432.70	696,719,238.85	193,518,554.73	-	27,757,330,252.28

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. 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 2021, 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 Total	Closing balance of last year Total
Cash at bank and on hand	96,046,998.39	89,655,045.78
Accounts receivable	26,695,110.14	12,200,877.95
Other receivables	1,319,577.24	992,686.10
Total financial assets in foreign currency	124,061,685.77	102,848,609.82
Short-term borrowings	42,016,249.72	34,019,924.99
Accounts payable	70,405,257.47	38,291,842.30
Other payables	492,507.96	3,205,160.89
Total financial liabilities in foreign currency	112,914,015.14	75,516,928.18

- (1) The financial department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.
- (2) As on 30 June 2021, 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 RMB836 thousand (As on 31 December 2020: approximately RMB2,050 thousand).

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. Market risk (Continued)

(2) Interest rate risk

As on 30 June 2021, the Group's long-term interest-bearing debt balance was RMB767,550 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB1,469 thousand (As on 31 December 2020: RMB581 thousand).

(3) Other price risks

The equity investments in listed companies held by the Company are as below:

Item	Closing Balance	Closing balance of last year
Other equity instruments investments	–	–
Other non-current financial assets	159,602,053.57	165,821,377.99
Total	159,602,053.57	165,821,377.99

As on 30 June 2021, 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 RMB13,563 thousand (As on 31 December 2020: net profit will increase or decrease by RMB16,582 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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IX. DISCLOSURE OF FAIR VALUE

The input values used for fair value measurement are divided into three levels:

The first hierarchy: Quoted price (unadjusted) of the same assets or liabilities in active market;

The second hierarchy: Direct (i.e. price) or indirect (i.e. estimated results based on price) observable input value of assets or liabilities excluding quoted market price in the first hierarchy;

The third hierarchy: Input value of assets or liabilities based on variables excluding observable market 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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

IX. DISCLOSURE OF 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	
I. Continuous measurement at fair value				
Financial assets held for trading	-	20,000,000.00	-	20,000,000.00
1. Financial assets measured at FVTPL	-	20,000,000.00	-	20,000,000.00
Receivable financing	-	-	2,747,695,682.36	2,747,695,682.36
Other equity instrument investments	-	-	161,466,859.20	161,466,859.20
(1) Equity instrument investments	-	-	161,466,859.20	161,466,859.20
Other non-current financial assets	159,602,053.57	3,696,817.77	84,179,296.14	247,478,167.48
1. Financial assets measured at FVTPL	159,602,053.57	3,696,817.77	84,179,296.14	247,478,167.48
(1) Equity instrument investments	159,602,053.57	-	84,179,296.14	243,781,349.71
(2) Others	-	3,696,817.77	-	3,696,817.77
Total assets continuously measured at fair value	159,602,053.57	23,696,817.77	2,993,341,837.70	3,176,640,709.04

2. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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IX. DISCLOSURE OF FAIR VALUE (Continued)

3. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the second-level fair value measurement project:

Item	Closing balance of fair value	Valuation method	Significant parameter	
			Qualitative information	Qualitative information
Financial assets held for trading	20,000,000.00	Cash flow discount method	Contract or comparable expected yield	Interest rate
Other non-current financial assets	3,696,817.77	Cash flow discount method	Contract or comparable expected yield	Interest rate

4. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the third-level fair value measurement project:

Item	Closing fair value	Valuation technology	Unobservable input value
Receivable financing	2,747,695,682.36	Cash flow discount method	Discount rate of risk adjustment
Other equity instrument investment	161,466,859.20	Asset-based method	Net asset
Other non-current financial asset	84,179,296.14	Asset-based method	Net asset

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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IX. DISCLOSURE OF FAIR VALUE (Continued)

5. Adjustment information between the beginning and closing book value of the continuing third hierarchy fair value measurement projects is as follows:

Item	Closing balance of last year	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the period		Purchase, issue, sale and settle		Closing balance
				Recognized in profit or loss	Recognized in other comprehensive income	Increase in the period	Decrease in the period	
◆ Receivable financing	2,164,978,925.29	-	-	-	(1,431,278.78)	1,998,272,941.99	1,414,124,906.14	2,747,695,682.36
◆ Other equity instrument investments	116,367,414.84	-	-	-	(900,555.64)	46,000,000.00	-	161,466,859.20
◆ Other non-current financial assets	84,179,296.14	-	-	-	-	-	-	84,179,296.14
Financial assets based on fair value through profit or loss	84,179,296.14	-	-	-	-	-	-	84,179,296.14
—Equity instrument investment	84,179,296.14	-	-	-	-	-	-	84,179,296.14
Total	2,365,525,636.27	-	-	-	(2,331,834.42)	2,044,272,941.99	1,414,124,906.14	2,993,341,837.70

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPHL	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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 period, or had transactions with the Company in prior years and formed a balance in period is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS	Joint venture
Baxter Qiao Guang	Joint venture
Nuo Cheng	Joint venture
Chengdu Hejian	Joint venture
Baiyunshan Yi Xin Tang	Associates
Yi Xin Tang	Associates
Chuang Mei	Associates
Southern Anti-Tumor Biological	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 STATEMENT

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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

Details of purchase of goods/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)
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	131,859,951.26	0.48	132,161,572.47	0.50
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	55,534,509.96	0.20	21,702,226.21	0.08
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	10,792,068.44	0.04	10,940,396.87	0.04
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	4,917,739.36	0.02	22,240,477.11	0.08
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	97,953.63	0.00	-	-
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	-	-	88,343.40	0.00
Subtotal				203,202,222.65		187,133,016.06	
HWBYS	Acceptance of service	Publicity fee	Market price	5,135,875.06	0.75	4,543,728.77	0.92
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	461,603.77	0.07	-	-
Subtotal				5,597,478.83		4,543,728.77	
Total				208,799,701.48		191,676,744.83	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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)

Details of sales of goods/rendering 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)
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	222,254,762.64	0.62	277,287,604.93	0.91
HWBYS	Sales of good	Medicinal material or medicine	Market price	96,650,549.20	0.27	108,468,607.24	0.36
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	73,194,362.29	0.20	83,151,170.44	0.27
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	44,442,759.69	0.12	34,772,363.43	0.11
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	10,990,565.69	0.03	7,963,258.12	0.03
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	211,592.92	0.00	2,401,398.46	0.01
Chengdu Hejian	Sales of goods	Medicinal material or medicine	Market price	89,956.59	0.00	-	-
GPHL	Sales of good	Medicinal material or medicine	Market price	35,479.64	0.00	-	-
Nuo Cheng	Sales of good	Medicinal material or medicine	Market price	17,167.86	0.00	7,964.60	0.00
Southern Anti-tumor Biological	Sales of good	Medicinal material or medicine	Market price	-	-	141.59	0.00
Subtotal				447,887,196.52		514,052,508.81	

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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)

Details of sales of goods/rendering of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Rendering of services	Advertising agency service	Market price	19,114,143.09	70.74	22,913,315.86	62.19
Hua Cheng	Rendering of services	Advertising agency service	Market price	5,768,205.71	21.35	11,456,795.58	31.10
GPHL	Rendering of services	Advertising agency service	Market price	237,566.79	0.88	1,204,143.86	3.27
Subtotal				25,119,915.59		35,574,255.30	
Hua Cheng	Rendering of services	Consigned processing	Market price	13,814,455.17	11.28	14,612,717.70	13.89
HWBYS	Rendering of services	Consigned processing	Market price	3,257,532.72	2.66	3,573,948.07	3.40
Yi Xin Tang	Rendering of services	Consigned processing	Market price	-	-	760,936.19	0.72
Subtotal				17,071,987.89		18,947,601.96	

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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)

Details of sales of goods/rendering of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Collecting trademark fee	Right to use trademark	Market price	419,984.16	36.90	526,271.60	58.64
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	192,826.13	16.94	205,723.57	22.92
Subtotal				612,810.29		731,995.17	
HWBYS	Rendering of services	R & D	Market price	-	-	29,716.98	0.99
Subtotal						29,716.98	
Nuo Cheng	Rendering of services	Other services	Market price	1,968,615.94	0.01	-	-
Baxter Qiao Guang	Rendering of services	Other services	Market price	1,801,885.30	0.01	-	-
HWBYS	Rendering of services	Other services	Market price	166,769.37	0.00	-	-
GPHL	Rendering of services	Other services	Market price				
Subtotal				3,937,270.61		-	
Total	-	-	-	494,629,180.90		569,336,078.22	

(2) The Group had no associated trusteeship/Entrusted management for the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(3) Related leases

① The Group as the lessor

Unit: THOUSAND Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
The Company	Controlling shareholder	Venue for working	220.00	134.46
The Company Subsidiaries	Joint Venture	Warehouse Plant	1,634.00	1,888.02
	Joint Venture		1,428.00	1,618.80

② The Group as the lessee

(a) Short-term leases and leases of low value assets

Unit: THOUSAND Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Subsidiaries	Warehouse, Venue for working	4,124.56	644.00

(b) Leases other than short term leases and leases of low value assets

Unit: THOUSAND Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Depreciation of the right to use assets recognized in the current period	Interest expense of lease liability drawn in the current period
Controlling shareholder	The Company	Warehouse, Venue for working	436.55	36.46
Controlling shareholder	Subsidiaries	Warehouse, Venue for working, Shops	910.17	124.68
Joint Venture	Subsidiaries	Venue for working	2,241.23	95.66

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related Party Transactions *(Continued)*

- (4) The Group had no guarantee for related parties for the period.
- (5) The Group had no borrowing or lending between related parties for the period.
- (6) The Group had no transfer of asset and debt restructuring for the period.
- (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB2,334 thousand for January to June 2021 (January to June 2020: RMB1,927 thousand). The Group's key management personnel of the period include 11 persons, such as director, general manager, vice general manager, and secretary to the Board of Director (January to June 2020: 10 persons). Among them, 7 received their salaries from the Company (January to June 2020: 4 persons).

(8) Other related party transactions

① License Agreement

- (a) The company shall receive a total of RMB420 thousand (January-June 2020: RMB526 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Hehuang Great Health for January to June 2021, and shall pay RMB0 to GPLL (January to June 2020: RMB0 thousand).
- (b) The Company should receive license fee of "Bai yun shan" amounted to RMB193 thousand from Hua Cheng for January to June of 2021. (January to June 2020: RMB206 thousand)

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties

(1) Receivables

Item	Related party	Closing Balance		Closing balance of last year	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable:					
	Chuang Mei	16,903,751.00	–	31,038,038.38	–
	Total	16,903,751.00	–	31,038,038.38	–
Accounts receivable:					
	Chuang Mei	38,058,896.27	380,755.17	102,549,973.07	1,025,499.73
	Hua Cheng	35,784,342.37	357,843.42	22,898,108.96	228,981.09
	HWBYS	30,184,429.24	301,844.29	46,487,138.28	464,871.38
	Yi Xin Tang	10,178,241.24	127,451.17	17,180,565.94	180,305.35
	Baiyunshan Yi Xin Tang	3,179,197.27	31,791.97	2,931,428.71	29,314.29
	Baxter Qiao Guang	584,021.78	6,334.37	1,397,792.15	13,977.92
	GPHL	360,198.80	3,601.99	94,338.00	943.38
	Chengdu Hejian	100,000.00	–	–	–
	Total	118,429,326.97	1,209,622.39	193,539,345.11	1,943,893.14
Accounts receivable financing:					
	Chuang Mei	88,485,593.15	–	113,681,083.67	–
	Yi Xin Tang	5,781,824.45	–	3,783,987.05	–
	Hua Cheng	3,112,154.90	–	966,590.49	–
	Total	97,379,572.50	–	118,431,661.21	–

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Related party	Closing Balance		Closing balance of last year	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:					
	HWBYS	11,841,312.61	-	26,415,223.41	-
	Hua Cheng	307,275.16	-	4,231,662.79	-
	Chuang Mei	259,762.72	-	4,693,451.50	-
	Yi Xin Tang	4,000.00	-	-	-
	GPHL	-	-	621.00	-
	Total	12,412,350.49	-	35,340,958.70	-
Dividends receivable:					
	HWBYS	150,000,000.00	-	-	-
	Nuo Cheng	-	-	37,938,523.45	-
	Total	150,000,000.00	-	37,938,523.45	-
Other receivables:					
	HWBYS	3,059,035.41	-	2,728,464.67	-
	Hua Cheng	1,936,939.37	-	1,971,036.40	-
	GPHL	1,804,746.77	-	8,859,503.11	-
	Nuo Cheng	1,336,843.98	-	-	-
	Baxter Qiao Guang	448,403.01	-	731,890.00	-
	Chengdu Hejian	68,684.00	-	-	-
	Guangzhou South China Medical Instruments Co., Ltd.	-	-	100,000.00	100,000.00
	Total	8,654,652.54	-	14,390,894.18	100,000.00

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(2) Payables

Item	Related party	Closing Balance	Closing balance of last year
Notes payable:			
	HWBYS	57,367,814.52	53,000,565.58
	Total	57,367,814.52	53,000,565.58
Accounts payable:			
	HWBYS	9,550,548.23	10,362,885.61
	Baxter Qiao Guang	7,161,914.44	8,830,790.10
	Chuang Mei	1,735,573.98	1,459,110.29
	Hua Cheng	180,833.37	218,892.13
	Baiyunshan Yi Xin Tang	104,694.26	–
	Total	18,733,564.28	20,871,678.13
Other payables:			
	GPHL	27,072,526.80	28,112,222.08
	HWBYS	4,532,782.25	10,804,352.76
	Baxter Qiao Guang	855,600.00	–
	Chuang Mei	120,000.00	20,000.00
	Total	32,580,909.05	38,936,574.84

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

6. Receivables and Payables of Related Parties *(Continued)*

(2) Payables *(Continued)*

Item	Related party	Closing Balance	Closing balance of last year
Contract liabilities:			
	Chuang Mei	29,068,075.96	62,530,674.36
	HWBYS	1,254,527.15	3,448,096.77
	Baiyunshan Yi Xin Tang	117,370.36	313,073.44
	Yi Xin Tang	20.41	1.12
	Baxter Qiao Guang	–	285,868.14
	Hua Cheng	–	67,709.95
	Total	30,439,993.88	66,645,423.78
Other current liabilities:			
	Chuang Mei	3,654,007.17	7,939,464.90
	Baiyunshan Yi Xin Tang	15,258.14	40,699.54
	HWBYS	10,853.79	285,164.08
	Yi Xin Tang	2.60	0.09
	Baxter Qiao Guang	–	37,162.86
	Hua Cheng	–	8,802.29
	Total	3,680,121.70	8,311,293.76
Other non-current liabilities:			
	HWBYS	152,234.74	152,234.74
	Yi Xin Tang	0.05	0.05
	Total	152,234.79	152,234.79

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XI. COMMITMENTS OR CONTINGENCY

1. Significant Commitments

(1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement		
– Commitment on purchasing long-term assets	1,828,615,063.83	1,810,400,417.44
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	1,828,615,063.83	1,810,400,417.44

(2) As on 30 June 2021, 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	Closing balance of last year
Buildings, machineries and equipments	–	–
Total	–	–

② *Capital expenditures commitments authorized by the management but are not yet contracted for:*

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	1,734,527,771.27	1,556,547,175.17
Commitments on external investments	–	320,000,000.00
Total	1,734,527,771.27	1,876,547,175.17

③ *Fulfillment of commitments for the prior.*

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XI. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies

(1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan General Factory, Pharmaceutical Technological and Technology Company and other units signed the "Agreement", stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan General Factory, Pharmaceutical Technological, It is determined that Baiyunshan General Factory is a production unit, and Pharmaceutical Technological owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan General Factory and Pharmaceutical Technological obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan 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 Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory ("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 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 Pharmaceutical Technological in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan 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, Pharmaceutical Technological and Baiyunshan 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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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 General Factory has reasonably estimated the company's due income based on the contribution of Pharmaceutical Technological to Jin Ge, and made corresponding provisions, but the shareholders of both parties have not yet reached the income distribution. Consensus, the company is temporarily unable to calculate the specific impact of the company's current or future profits.

(2) Please refer to Note XIII (8) ① for contingencies related to litigation.

XII. EVENTS AFTER THE BALANCE SHEET DATE

Nil



NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS

1. Correction of prior accounting error

Nil

2. Debt restructuring

Nil

3. Asset replacement

Nil

4. Annuity plan

Nil

5. Termination of operations

Nil

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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 STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments

The segment information for the twelve months January to June 2021 and as of 30 June 2021 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	6,117,496,800.40	6,616,486,472.85	23,253,969,386.17	140,624,490.67	-	36,128,577,150.09
Inter-segment revenue	176,702,979.33	26,116,223.96	3,686,015,041.65	194,570,528.84	(4,083,404,773.78)	-
Interest income	(76,110,714.01)	(148,592,289.63)	(19,777,130.56)	(41,529,051.52)	-	(286,009,185.72)
Interest expenses	11,199,834.85	1,284,838.60	190,052,033.50	8,369,808.38	(7,114,431.97)	203,792,083.36
Income from investments in associates and joint ventures	(3,334,045.94)	-	1,938,843.58	130,015,178.61	78,665.48	128,698,641.73
Credit impairment losses	(143,584.94)	(18,360.68)	(33,048,021.51)	(2,701,799.50)	(1,064,734.16)	(36,976,500.79)
Impairment losses in respect of assets	(9,252,633.48)	-	(665,759.33)	382.66	(3,234,322.82)	(13,152,332.97)
Depreciation and amortization expenses	134,674,438.81	24,922,779.77	175,331,188.05	19,376,153.39	(8,335,172.90)	345,969,387.12
Total profit	1,114,487,179.77	1,487,882,213.38	354,167,761.95	317,198,593.48	(84,462,039.11)	3,189,273,709.47
Total assets	15,353,595,833.26	10,463,860,258.18	30,680,997,841.89	23,051,248,927.02	(16,950,774,989.29)	62,598,927,871.06
Total liabilities	7,932,382,006.24	3,384,887,847.65	24,636,813,379.00	4,262,906,121.59	(7,576,817,247.44)	32,640,172,107.04
Long-term equity investment in associates and joint ventures	280,012,752.43	-	65,241,994.17	1,489,406,721.03	-	1,834,661,467.63
Increase in other non-current assets excluding long-term equity investment	192,460,450.50	69,655,089.37	234,294,053.58	55,604,727.40	-	552,014,320.85

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

The segment information for the twelve months January to June 2020 and as of 31 December 2020 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
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
Credit impairment losses	(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	14,366,105,641.13	8,957,141,300.07	30,134,283,009.16	21,919,985,866.90	(15,617,452,938.14)	59,760,062,879.12
Total liabilities	7,689,574,328.70	3,032,263,839.23	24,283,858,483.50	3,012,743,433.40	(6,463,643,819.90)	31,554,796,264.93
Long-term equity investment in associates and joint ventures	283,486,206.15	-	63,131,675.84	1,519,248,289.61	-	1,865,866,171.60
Increase in other non-current assets excluding long-term equity investment	380,753,483.92	192,715,700.46	739,563,590.80	144,840,082.19	-	1,457,872,857.37

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. 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	36,117,710,034.05	30,439,117,916.75
Other countries/regions	10,867,116.04	30,532,558.01
Total	36,128,577,150.09	30,469,650,474.76

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	11,481,492,108.04	11,217,481,695.33
Other countries/regions	14,227,862.06	14,345,306.66
Total	11,495,719,970.10	11,231,827,001.99

7. Other significant transactions and events that affect investor decisions

Nil

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters

(1) Litigation of the Group

① Litigation of the Group's Subsidiary A

- a. Litigation involving the amount of RMB36,880 thousand

Litigant	Plaintiff:	Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. ("Guangsheng Metal")
	Defendant:	DongGuan YeLian Petroleum Bitumen Co., Ltd. ("Gongguan Yelian"), Guangzhou Tongtai Fuel Chemical Co., Ltd. ("Guangzhou Tongtai"), Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, Peng Beizhan
	Note:	Guangsheng Metal is the upstream supplier of Subsidiary A, and the downstream customer is Gongguan Yelian

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

a. Litigation involving the amount of RMB36,880 thousand *(Continued)*

Case facts

In 2015, Guangsheng Metal sued Subsidiary A in the People's Court of Yuexiu District, Guangzhou City on the grounds of a dispute over the sale and purchase contract, demanding payment of the purchase price and interest in accordance with the "Sale Contract". After the first instance, the second instance, and the first instance and the second instance in which the retrial was ordered, the Guangzhou Intermediate People's Court issued (2018) Yue 01 Min Zhong No. 12715 Civil Judgment on November 6, 2018, upholding the "rejection of Guangsheng Metal's litigation request" in the first instance.

In 2018, Guangsheng Metals filed a private lending dispute litigation with Dongguan Yelian, Guangzhou Tongtai, Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, and Peng Beizhan in the People's Court of Tianhe District, Guangzhou City. The case number is: (2018) Yue 0106 Min Chu No.29792.

The detail of the above case refer the notice on June 24, 2021

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① *Litigation of the Group's Subsidiary A (Continued)*

a. Litigation involving the amount of RMB36,880 thousand *(Continued)*

The main content of the court decision

The People's Court of Tianhe District, Guangzhou City issued a judgment (2018) Yue 0106 Min Chu No.29792 in May 2020: 1. Dongguan Yelian, Chen Xijiang, Subsidiary A, Ni Li, and Peng Beizhan shall return plaintiff's loan of RMB120 thousand and the interest during the period of capital occupation within 10 days from the date this judgment takes effect; 2. Plaintiff's other claims were dismissed.

The Guangzhou Intermediate People's Court made the judgment (2020) Yue 01 Min Zhong No. 20754 in December 2020: 1. To revoke the second item of the Civil Judgment (2018) Yue 0106 Min Chu No.29792 of the People's Court of Tianhe District; 2. Change The first item of the civil judgment (2018) Yue 0106 Min Chu No. 29792 to: Dongguan Yelian, Chen Xijiang, Ni Li, and Peng Beizhan shall return plaintiff's loan of RMB36 million and the interest during the period of capital occupation within 10 days from the date this judgment takes effect; 3. Subsidiary A shall bear one-third of the compensation liability for the parts that cannot be returned by Dongguan Yelian and Chen Xijiang; 4. Other claims of Guangsheng Metal were dismissed.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

a. Litigation involving the amount of RMB36,880 thousand (Continued)

The legal responsibilities for the Company or its subsidiaries

According to the above-mentioned court decision, Subsidiary A shall bear one-third of the compensation liability for the parts that Dongguan Yelian and Chen Xijiang cannot return.

The impact on the Company's operation and finance

Subsidiary A refused to obey court decision and has applied to the Guangdong Higher People's Court for a retrial. The retrial is still in the process of review.

The management of Subsidiary A evaluated the case on the basis of full reference to the professional opinions of external lawyers, and believed that Subsidiary A lost the case and the direct economic losses caused by it were estimated to be approximately RMB12 million, therefore RMB12 million was accrued as provisions.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

b. Litigation involving RMB18.44 million

Litigant	Plaintiff:	Guangsheng Metal
	Defendant:	Guangzhou Tongtai, Dongguan Yelian, Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, Peng Beizhan
	Note:	In this case, the upstream supplier of Subsidiary A is Guangsheng Metal, and the downstream customer is Guangzhou Tongtai

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

b. Litigation involving RMB18.44 million *(Continued)*

Case facts

In 2015, Guangsheng Metal sued Subsidiary A in the People's Court of Liwan District, Guangzhou City on the grounds of a dispute over the contract, demanding payment of the purchase price and interest in accordance with the "Purchase and Sale Contracts". After the first instance, the second instance, and the first instance and the second instance in which the retrial was ordered, the Guangzhou Intermediate People's Court issued (2018) Yue 01 Min Zhong No. 6503 Civil Judgment on August 27, 2018, upholding the "rejection of Guangsheng Metal's litigation request" in the first instance.

In September 2018, Guangsheng Metals filed a private lending dispute litigation with Dongguan Yelian, Guangzhou Tongtai, Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, and Peng Beizhan in the People's Court of Tianhe District, Guangzhou City. The case number is: (2018) Yue 0106 Min Chu No.29792.

The detail of the above case refer the notice on June 24, 2021.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

b. Litigation involving RMB18.44 million (Continued)

The main content of the court decision

The People's Court of Tianhe District, Guangzhou City issued a judgment (2018) Yue 0106 Min Chu No.23672 in October 2019: 1. Chen Xijiang, Guangzhou Tongtai, Dongguan Yelian, Subsidiary A, and Liu Xianghong shall return plaintiff's principle of loan of RMB18 million and the interest during the period of capital occupation within 10 days from the date this judgment takes effect; 2. Plaintiff's other claims were dismissed.

The Guangzhou Intermediate People's Court made the judgment (2020) Yue 01 Min Zhong No. 2198 in July 2020: 1. To revoke the Civil Judgment (2018) Yue 0106 Min Chu No.23672 of the People's Court of Tianhe District; 2. This case is remanded to the People's Court of Tianhe District, Guangzhou City for retrial.

The legal responsibilities for the Company or its subsidiaries

The case is currently under trial, and the legal liability that Subsidiary A should bear has yet to be determined by the court.

The impact on the Company's operation and finance

The case is still under trial. The management of Subsidiary A evaluated the case on the basis of full reference to the professional opinions of external lawyers, and believed that Subsidiary A lost the case and the direct economic losses caused by it were estimated to be approximately RMB6 million, therefore RMB6 million was accrued as provisions.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

c. Litigation involving RMB47.4 million

Litigant

1. Case (2019) Yue 0105 Min Chu No. 35467
Plaintiff: Guangdong Guangsheng Investment Group Energy Co., Ltd. ("Guangsheng Energy")
Defendant: Chen Xijiang, Guangzhou Tongtai, Subsidiary A, Ni Li, Peng Beizhan
 2. Case (2019) Yue 0105 Min Chu No. 35469
Plaintiff: Guangsheng Energy
Defendant: Chen Xijiang, Guangzhou Defenghang Petrochemical Co., Ltd. ("Defenghang"), Subsidiary A, Ni Li, Peng Beizhan
- Note: In this case, the upstream supplier of Subsidiary A is Guangsheng Energy, and the downstream customer is Defenghang.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

c. Litigation involving RMB47.4 million (Continued)

Case facts

Guangsheng Energy sued Subsidiary A in the People's Court of Liwan District, Guangzhou City in 2014 on the grounds of a dispute over the sale and purchase contract, demanding that Subsidiary A pay the purchase price and interest on the overdue payment in accordance with the "Sales Contract". After the first instance, the second instance, and the first instance and the second instance in which the retrial was ordered, the Guangzhou Intermediate People's Court issued the Civil Judgment (2018) Yue 01 Min Zhong No. 6488-6502 in August 2018, upholding the first instance of "rejection to Guangsheng Energy's litigation request".

In October 2019, Guangsheng Energy filed a contract dispute litigation with the People's Court of Haizhu District, Guangzhou City, with Chen Xijiang, Guangzhou Tongtai, Subsidiary A, Ni Li, and Peng Beizhan as defendant. Case number: (2019) Yue 0105 Min Chu No. 35467.

In the same month, Guangsheng Energy filed contract dispute litigation with the People's Court of Haizhu District, Guangzhou City with Chen Xijiang, Defenghang, Subsidiary A, Ni Li, and Peng Beizhan as Defendant. Case number: (2019) Yue 0105 Min Chu No. 35469.

The detail of the above case refer the notice on June 24, 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

c. Litigation involving RMB47.4 million *(Continued)*

The main content of the court decision	The People's Court of Haizhu District, Guangzhou City issued the civil judgment (2019) Yue 0105 Min Chu No. 35467 and (2019) Yue 0105 Min Chu No. 35469 in December 2020, and all claims of Guangsheng Energy were dismissed. Guangsheng Energy refused to obey court decision and has appealed to the Guangzhou Intermediate People's Court.
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The legal responsibilities for the Company or its subsidiaries	The case is currently under trial, and the legal liability that Subsidiary A should bear has yet to be determined by the court.
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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

c. Litigation involving RMB47.4 million (Continued)

The impact on the Company's operation and finance

The case is still under trial. The management of Subsidiary A evaluated the case on the basis of full reference to the professional opinions of external lawyers. Accounts receivable ② ③ of Defenghang and accounts receivable of Guangzhou Tongtai were individually subject to provision for bad debt with a ratio of 10%. Based on the prudence principle, for the actual paid funds not involved the above cases, which including pending other receivables of Defenghang amounted to RMB103.157 million and accounts receivable of SINO Gas (Zhuhai) Limited amounted to RMB105.418 million, were individually subject to provision for bad debt with a ratio of 100%.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

d. Litigation involving the amount of RMB8,364 thousand

Litigant

1. Case (2019) Yue 0115 Min Chu No. 3946
Plaintiff: Guangzhou Linhai Trade & Industry Co., Ltd. ("Guangzhou Linhai")
Defendant: Hainan Lanhui New Energy Development Co., Ltd. ("Hainan Lanhui"), Subsidiary A
2. Case (2019) Yue 0115 Min Chu No. 3947
Plaintiff: Guangzhou Linhai
Defendant: Hainan Lanhui, A subsidiary
Note: In this cas, the upstream supplier of Subsidiary A is Guangzhou Linhai, and the downstream customer is Hainan Lanhui

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

d. Litigation involving the amount of RMB8,364 thousand *(Continued)*

Case facts

In November 2014, Guangzhou Linhai sued Subsidiary A to the People's Court of Liwan District, Guangzhou City, requesting Subsidiary A to pay for the goods and interest on overdue payments. After the first instance, second instance, and retrial, the Guangzhou Intermediate People's Court issued civil judgment (2016) Yue 01 Min Zhong No. 7733 and (2016) Yue 01 Min Zhong No. 7734, dismissing Guangzhou Linhai's claims.

In May 2019, Guangzhou Linhai filed a private lending dispute litigation with Hainan Lanhui and subsidiary A as Defendant to the People's Court of Nansha District, Guangzhou City. Case numbers are (2019) Yue 0115 Min Chu No. 3946, (2019) Yue 0115 Min Chu No.3947 respectively.

The detail of the above case refer the notice on June 24, 2021.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

d. Litigation involving the amount of RMB8,364 thousand *(Continued)*

- The main content of the court decision
1. Case (2019) Yue 0115 Min Chu No. 3946
In July 2020, the People's Court of Nansha District, Guangzhou City issued a judgment (2019) Yue 0115 Min Chu No. 3946: (1) Hainan Lanhui shall return the principal of the loan amounted to RMB4,031,250 to Guangzhou Linhai within ten days from the effective date of this judgment; (2) Hainan Lanhui shall compensate plaintiff for interest losses within ten days from the effective date of this judgment; (3) Plaintiff's other claims were dismissed.
In April 2021, the Guangzhou Intermediate People's Court issued judgment (2020) Yue 01 Min Zhong No. 25121: (1) To Uphold the first and second item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (2) To revoke the third item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (3) For the debt confirmed in this court decision, Subsidiary A shall be jointly and severally liable for the liquidation to Guangzhou Linhai; (4) Guangzhou Linhai's other claims were dismissed.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

① Litigation of the Group's Subsidiary A *(Continued)*

d. Litigation involving the amount of RMB8,364 thousand *(Continued)*

2. Case (2019) Yue 0115 Min Chu No. 3947

The People's Court of Nansha District, Guangzhou City issued a judgment (2019) Yue 0115 Min Chu No. 3947 in July 2020: (1) Hainan Lanhui shall return the principal of the loan amounted to RMB4,031,250 to Guangzhou Linhai within ten days from the effective date of this judgment; (2) Hainan Lanhui shall compensate plaintiff for interest losses within ten days from the effective date of this judgment; (3) Plaintiff's other claims were dismissed.

Guangzhou Intermediate People's Court issued a judgment (2019) Yue 01 Min Zhong No.25122 in April, 2021: (1) To Uphold the first and second item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3947 issued by the People's Court of Nansha District, Guangzhou City; (2) To revoke the third item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (3) For the debt confirmed in this court decision, Subsidiary A shall be jointly and severally liable for the liquidation to Guangzhou Linhai; (4) Guangzhou Linhai's other claims were dismissed.

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① Litigation of the Group's Subsidiary A (Continued)

d. Litigation involving the amount of RMB8,364 thousand (Continued)

The legal responsibilities for the Company or its subsidiaries	According to the above court decisions, Subsidiary A shall be jointly and severally liable to Guangzhou Linhai for the repayment of RMB8,062,500 of the principal of the loan from Hainan Lanhui to Guangzhou Linhai.
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The impact on the Company's operation and finance	According to the first-instance judgment of the above-mentioned court, Subsidiary A deducted RMB7,203,235.04 of revenue and RMB7,149,485.04 of cost recognized in 2014 in 2017 respectively. According to the above-mentioned judgment of the second instance of the court, Subsidiary A accrued provisions of RMB8,062,500.00 in the current period.
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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(2) Matters sued of the other subsidiaries of the Group

① Matters sued of Subsidiary I of the Group

Litigant	Plaintiff: Guangsheng Energy Defendant: Subsidiary I
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Case facts	<p>In January 2018, Guangsheng Energy requested Subsidiary I of the Group to pay RMB81,408,500.00 for the goods on the grounds that the purchase and sale contract did not receive the payment.</p> <p>The plaintiff in this case has sued on March 11, 2015 on the same grounds, and was rejected by the Tianhe District Court on the grounds of criminal proceedings on August 17, 2016. This time, Guangsheng Energy renewed the prosecution on the grounds that "there is no evidence that the dispute in this case is suspected of being an economic crime". At present, the first instance has rejected the prosecution and Guangsheng Energy has filed an appeal; the second instance has been sent back to the first instance court for retrial. Plaintiff has applied for four of the five retrial cases, and the court has ruled to withdraw the case, and the Tianhe District Court has already ruled Subsidiary I. The case was won and all of the plaintiff's claims were dismissed. The counterpart did not appeal, and the judgment has come into effect.</p>
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(2) Matters sued of the other subsidiaries of the Group (Continued)

① Matters sued of Subsidiary I of the Group (Continued)

However, on April 24, 2020, Guangsheng Energy listed the Subsidiary I as the 5th Defendant and filed a lawsuit with the Yuexiu District Court. The reason for the lawsuit was that Guangsheng Energy had already handed over the payment to other defendants and demanded them repay the loans of RMB52,745,500. It also claimed that Subsidiary I was directly liable for its losses and required Subsidiary I to assume supplementary liability for repayment.

The main content of the court decision On April 24, 2020, the sued case of Subsidiary I was opened on August 31, 2020, and no judgment has been made.

The legal responsibilities for the Company or its subsidiaries The case is currently under trial, and the legal liabilities that the Subsidiary I should bear are yet to be determined by the court.

The impact on the Company's operation and finance Plaintiff claims that Subsidiary I shall bear the general guarantee responsibility, and Subsidiary I does not have any guarantee relationship with the plaintiff and other borrowers.
The management of the Subsidiary I combined the opinions of external lawyers to assess the case, and the risk of loss is expected to be low.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(2) Matters sued of the other subsidiaries of the Group (Continued)

② Matters sued of a subsidiary of the Group

Litigant	Plaintiff: Guangsheng Energy Defendant: a subsidiary of the Group
Case facts	<p>On April 24, 2014 and May 26, 2014, Guangsheng Energy and a subsidiary of the Group respectively signed the "Oil Products Purchase and Sales Contract". Guangsheng Energy has sued the subsidiary to the People's Court of Tianhe District on the grounds of sales contract dispute since 2014.</p> <p>In June 2018, the Provincial Higher People's Court finally rejected the application of re-examination from Guangsheng Energy.</p> <p>On April 24, 2020, Guangsheng Energy filed a lawsuit on the grounds of "claiming rights through legal channels based on the true rights and obligations formed in the transactions involved".</p>

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(2) Matters sued of the other subsidiaries of the Group *(Continued)*

② Matters sued of a subsidiary of the Group *(Continued)*

The main content of the court decision

Not yet judged

The legal responsibilities for the Company or its subsidiaries

The case is currently under trial, and the legal liability that the subsidiary should bear has yet to be determined by the court.

The impact on the Company's operation and finance

The management of the subsidiary evaluated the situation of the case in combination with the opinions of external lawyers. If there is no special accident, it is expected that the possibility of losses caused by this lawsuit is relatively small.

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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(2) *Matters sued of the other subsidiaries of the Group (Continued)*

③ Matters sued of Subsidiary F of the Group

Litigant	Plaintiff: Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. Defendant: Subsidiary F
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Case facts	On June 1, 2015, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued Subsidiary F of the Group for a legal service contract dispute and required Subsidiary F to pay RMB22,421,800.00 for legal service fees and overdue interest.
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(2) Matters sued of the other subsidiaries of the Group (Continued)

③ Matters sued of Subsidiary F of the Group (Continued)

The latest situation of the case is that on March 16, 2020, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued the Group's Subsidiary F. The cause of the case was a complaint in a legal service contract dispute. The amount involved was RMB18,069,450.00. Subsequently, the Group's Subsidiary F filed an objection to jurisdiction. On April 15, 2020, the court ruled to reject the application of Subsidiary F; on April 22, Subsidiary F filed an appeal petition against jurisdiction.

On July 17, 2020, Subsidiary F received the Jurisdiction Objection Ruling, and the Guangzhou Intermediate People's Court ruled that the case was transferred to the Nansha District Court for trial. An exchange of evidence took place on November 24, 2020.

The main content of the court decision Not yet judged

The legal responsibilities for the Company or its subsidiaries The case is currently under trial, and the legal liabilities that Subsidiary F should bear are yet to be determined by the court.

The impact on the Company's operation and finance The above cases are all litigations filed by Guangzhou Ruihu Enterprise Management Information Consulting Co., Ltd. for the same incident with different reasons. The management of Subsidiary F has assessed the situation of the case and believes that it is unlikely to cause direct economic losses, therefore no provisions have been accrued.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries

① Matters sued of the Group

Litigant	Plaintiff: the Group Defendant: Beijing Kangyeyuan Investment Consulting Co., Ltd.
Case facts	On October 14, 2019, the Group filed a lawsuit against Beijing Kangyeyuan Investment Consulting Co., Ltd. for Internet infringement of reputation rights to the Guangzhou Internet Court, involving an amount of RMB10,135,700.00.
The main content of the court decision	In August 2020, the Guangzhou Internet Court conducted a public judgment in the first instance in accordance with the law. Both the Group and Beijing Kangyeyuan Investment Consulting Co., Ltd. lodged an appeal. For details of the relevant content, please refer to the announcement numbered 2020-073 disclosed by the Company on the official website of the Shanghai Stock Exchange in August 2020. In April 2021, the Intermediate People's Court of Guangzhou City issued a second-instance judgment, dismissing the appeal and upholding the original judgment.
The legal responsibilities for the Company or its subsidiaries	The Group, as Plaintiff, actively asserted its rights through legal litigation and required defendant to make payments, which did not involve the legal liability of the Company or its subsidiaries.
The impact on the Company's operation and finance	In the first instance of this case, defendant compensated plaintiff for economic losses of RMB150,000, and the Company received the money on July 27, 2021.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

② Matters sued of Subsidiary A of the Group

Litigant	Plaintiff: Subsidiary A Defendant: Fujian Bestway Medical Polymer Corporation
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Case facts	On March 26, 2019, Subsidiary A sued Fujian Bestway Medical Polymer Corporation with the People's Court of Guangzhou Liwan District for a dispute over the sale and purchase contract, requesting an order for defendant to pay RMB7.31 million for the repurchase of the remaining material inventory. The returned product payment was RMB4.55 million and overdue liquidated damages were about RMB1.657 million, totaling about RMB13,512 thousand.
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The main content of the court decision	After Subsidiary A filed an appeal and applied for a retrial, the Guangdong Higher People's Court issued a "Civil Ruling" on December 28, 2020, ruling to revoke the first-instance ruling made by the Liwan District Court and the second-instance ruling made by the Guangzhou Intermediate People's Court, and instructed the Liwan District Court to accept the case.
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On January 11, 2021, Subsidiary A filed a lawsuit with the Liwan District Court. At present, the Liwan District Court has accepted this case, and the case number is (2021) Yue 0103 Min Chu No. 1184.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(3) *Matters sued of the Group and its subsidiaries (Continued)*

② *Matters sued of Subsidiary A of the Group (Continued)*

On March 4, 2021, Subsidiary A received the “Civil Ruling” and “Property Preservation Notice” from the Liwan District Court on property preservation, which ruled to seal, freeze, and detain the respondent, Bestway, with a value of RMB15 million of the property. In fact, only 100% of the equity of Fuzhou Kanglite Medical Equipment Co., Ltd. held by Bestway was frozen, and the freezing of two bank accounts failed due to errors.

The case was heard in the 6th Court of the Liwan District People’s Court on July 26, 2021. The Liwan District People’s Court issued a judgment (2021) Yue 0103 Min Chu No.1184 in August 2021: (1) Bestway shall repurchase the remaining goods purchased by Subsidiary A from Bestway within 10 days from the legal effect of this judgment and pay the repurchase amount of RMB6,668,496.00; (2) Bestway shall pay to Subsidiary A RMB4,549,031.50 of the returned goods within 9 days from the legal effect of this judgment; (3) Bestway shall pay to Subsidiary A liquidated damages within 10 days from the legal effect of this judgment; (4) Bestway shall pay to Subsidiary A custody charges for the remaining goods within 10 days from the legal effect of this judgment; (5) Other claims of Subsidiary A were dismissed.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(3) Matters sued of the Group and its subsidiaries *(Continued)*

② Matters sued of Subsidiary A of the Group *(Continued)*

The legal responsibilities for the Company or its subsidiaries

Subsidiary A, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.

The impact on the Company's operation and finance

Based on the professional opinions of external lawyers, the management of Subsidiary A assessed the case. Out of the principle of prudence, Subsidiary A made a provision for inventory depreciation of RMB5.68 million for Bestway's inventory.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group

(a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. (“Hubei Hongqiao”)

Litigant	Plaintiff:	Subsidiary G
	Defendant:	Hubei Hongqiao
	Note:	In this case, Company L and M, the sub-subsidiaries of Subsidiary G, are suppliers of Hubei Hongqiao

Case facts	In July 2015, Subsidiary G used Hubei Hongqiao as the defendant to file a contract dispute litigation with the Wuhan Intermediate People’s Court. The case number is: (2015) Yue Wuhan Zhong Min Shang Chu Zi No. 08822. The detail of the above case refer the notice on June 24, 2021.
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NOTES TO THE FINANCIAL STATEMENT

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(3) Matters sued of the Group and its subsidiaries *(Continued)*

③ Matters sued of Subsidiary G of the Group *(Continued)*

- (a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. (“Hubei Hongqiao”) *(Continued)*

The main content of the court decision

The Wuhan Intermediate People’s Court issued a judgment (2015) E Wuhan Zhong Min Shang Chu Zi No. 00822 in January 2017: (1) Hubei Hongqiao shall pay the arrears of RMB27,725,115.9 to the Subsidiary G within ten days from the effective date of this judgment; and shall pay to Subsidiary G since January 1, 2015, based on the arrears of RMB23,401,515.9 as the basis of two-thousandths of the daily liquidated damages until the day when the payment is settled; As of May 1, 2015, the loss of interest payable on the arrears on the basis of RMB4,323,600 of the People’s Bank of China for the same period until the date of settlement; (2) Other claims from Subsidiary G were dismissed.

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as a plaintiff, actively claims its rights through legal litigation, and requires defendant to pay arrears and liquidated damages, which does not involve the legal liability of the Company or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(3) *Matters sued of the Group and its subsidiaries (Continued)*

③ Matters sued of Subsidiary G of the Group *(Continued)*

(a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. (“Hubei Hongqiao”) *(Continued)*

The impact on the Company’s operation and finance

After execution by the court, plaintiff has received a compensation of RMB11,342,114.98, and the RMB18,611,963.06 arrears and liquidated damages have not been realized. In accordance with the (2017) E 01 Zhi No. 316-7 Min Sheng ruling made by the Wuhan Intermediate People’s Court, the execution procedures of the (2015) E Wuhan Zhong Min Shang Chu Zi No. 00822 Judgment have been terminated. If it is found that the person subject to execution is available for execution, the execution can be applied again when the property is existed. The management of Subsidiary G evaluated the situation of the case and combined with the professional opinions of external lawyers. After deducting the litigation-related costs, the relevant accounts receivable and the provision for bad debts were written off for the above-mentioned recovery of the enforcement payment; for the remaining uncollected payment, the management has made full provision for bad debts.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group (Continued)

(b) Litigation involving Guangzhou Laitai Pharmaceutical Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G) Defendant: Guangzhou Laitai Pharmaceutical Co., Ltd.
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Case facts	On May 31, 2019, Sub-subsidiary K (its parent company is Subsidiary G) sued Guangzhou Laitai Pharmaceutical Co., Ltd. over a dispute over the sales and purchase contract, demanding the refund of the undelivered part of the goods and processing of the inventory, involving an amount of RMB4,250 thousand.
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The main content of the court decision	On December 27, 2019, the court decided to support all the claims of Sub-subsidiary K and freeze the land under the name of Guangzhou Laitai. Guangzhou Laitai did not appeal, and the judgment in this case has come into effect. On May 26, 2020, the court notified Sub-subsidiary K that 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 current execution procedures. On June 29, 2020, the court requested a final transcript, and Sub-subsidiary K did not agree to the transcript. In January 2021, Sub-subsidiary K applied to the court to resume execution.
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The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group (Continued)

(b) Litigation involving Guangzhou Laitai Pharmaceutical Co., Ltd. (Continued)

The impact on the Company's operation and finance	The management of Sub-subsidiary K evaluated the situation of the case and combined with the opinions of external lawyers. It is believed that defendant has entered the bankruptcy review stage, and there is greater uncertainty in the recovery of the payment. The relevant inventory was returned, and the provision for depreciation of inventory has been written off, and the other receivables of RMB3.9 million was fully subject to provision for bad debts.
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(c) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G) Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd.
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Case facts	On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,202,456.00.
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The main content of the court decision	The court opened a hearing on August 12, 2020. As of June 30, 2021, Sub-subsidiary K had lost the first-instance judgment. Sub-subsidiary K has appealed to the Intermediate Court and is now waiting for the court to issue a summons to determine the opening time.
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group (Continued)

(c) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. (Continued)

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance As of the reporting date, the case has not yet been judged. The management of Sub-subsidiary K evaluated the situation of the case and combined with the opinions of external lawyers. It is expected that the accounts receivable will be difficult to recover. Based on the principle of prudence, the management of Sub-subsidiary K accrued the entire amount of the accounts receivable individually as provision for bad debts.

(d) Litigation involving Guangxi New Era

Litigant Plaintiff: Subsidiary G
Defendant: Guangxi Guangyao New Era Pharmaceutical Co., Ltd. ("Guangxi New Era")

Case facts In July 2020, Subsidiary G filed a complaint with the People's Court of Liwan District, Guangzhou City, and filed a lawsuit against Guangxi New Era. At the same time, it submitted an application for property preservation and applied for the sealing up the 30% of equity and bank accounts of Guangxi New Era.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(1) Litigation of the Group *(Continued)*

(3) *Matters sued of the Group and its subsidiaries (Continued)*

③ Matters sued of Subsidiary G of the Group *(Continued)*

(d) Litigation involving Guangxi New Era *(Continued)*

The main content of the court decision

On July 28, 2020, Subsidiary G received a civil ruling and a notice of property preservation issued by the People's Court of Liwan District, Guangzhou City, and successfully seized the equity and bank accounts held by Guangxi New Era. The first-instance with case number (2020) Yue 0103 Min Chu No. 6790, requiring Guangxi New Era Pharmaceutical Co., Ltd. to pay RMB18,049,400.00 for the goods and RMB22,908,592.20 for the default penalty for late payment (the principle is RMB18,049,400.00, which is based on five out of ten thousand per day. The payment was made in installments from July 3, 2013, temporarily counted until June 30, 2020, and requested until the date of defendant's actual payment), RMB300,000.00 for attorney fees and other related expenses, the first hearing was held on September 30, 2020, and the second hearing was held on December 15, 2020. The court issued a civil judgment on December 22, 2020, supporting the principal of RMB18,049,400.00, and part of liquidated damages and attorney fees of RMB150,000.00. The other claims were dismissed. Guangxi New Era Pharmaceutical Co., Ltd. refused to obey the court decision of the first instance and filed an appeal.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group (Continued)

(d) Litigation involving Guangxi New Era (Continued)

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.
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The impact on the Company's operation and finance	As of the reporting date, the case has not yet been judged. Subsidiary G has applied to the court for freezing the corresponding equity and bank accounts. The management of Subsidiary G has assessed the situation of the case and made a 100% provision for bad debts of accounts receivable based on the opinions of external lawyers.
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(e) Litigation involving Guilin Pharmaceutical Group Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Guilin Pharmaceutical Group Co., Ltd. ("Guilin Pharmaceutical")
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Case facts	In August 2016, Subsidiary G filed a case to the People's Court in Liwan District, Guangzhou against Guilin Pharmaceutical for arrears of RMB4,130,812.22.
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NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

(3) Matters sued of the Group and its subsidiaries (Continued)

③ Matters sued of Subsidiary G of the Group (Continued)

(e) Litigation involving Guilin Pharmaceutical Group Co., Ltd. (Continued)

The main content of the court decision In February 2017, Subsidiary G won the case, Guilin Pharmaceutical shall pay off Subsidiary G for RMB4,130,812.22 within 10 days from the legal effect of the judgment and the liquidated damages (and shall pay to Subsidiary G since August 22, 2014, based on the arrears of RMB4,130,812.22 as the basis of five out of ten thousand of the daily liquidated damages until the day when the payment is settled) and RMB10 thousand for attorney fees. In March 2017, Guilin Pharmaceutical lodged an appeal. In August 2017, the Intermediate People's Court of Guangzhou City issued a second-instance judgment, upholding the original judgment.

The legal responsibilities for the Company or its subsidiaries Subsidiary G, as plaintiff, actively asserted its rights through legal litigation, and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance As of the reporting date, the court has sealed up all properties of Guilin Pharmaceutical, but the seized real estate should not be dealt with temporarily. The court has issued a consumption restriction order on the person subject to enforcement. The management of Subsidiary G evaluated the situation of the case and combined with the professional opinions of external lawyers. The accounts receivable was recorded as provision for bad debts with a ratio of 100%.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

① The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	128,473,225.38	203,276,046.23
1 to 2 years	463,112.00	98,000.00
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	—	—
Over 5 years	4,292,743.52	4,352,743.52
Total book balance of accounts receivable	133,229,080.90	207,726,789.75
Less: Provision for bad debts	6,169,031.75	6,395,303.98
Total book value of accounts receivable	127,060,049.15	201,331,485.77

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

② Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	3,867,738.24	2.90	2,959,871.04	76.53	907,867.20
Accounts receivable subject to provision by portfolio	129,361,342.66	97.10	3,209,160.71	2.48	126,152,181.95
Including: portfolio 1	129,361,342.66	97.10	3,209,160.71	2.48	126,152,181.95
Total	133,229,080.90	100.00	6,169,031.75		127,060,049.15

Category	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,354,626.24	1.13	2,354,626.24	100.00	-
Accounts receivable subject to provision by portfolio	205,372,163.51	98.87	4,040,677.74	1.97	201,331,485.77
Including: portfolio 1	205,372,163.51	98.87	4,040,677.74	1.97	201,331,485.77
Total	207,726,789.75	100.00	6,395,303.98		201,331,485.77

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

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)

A. Accounts receivable subject to separate provision in the period

Accounts receivable (by company)	Accounts receivable	Closing balance		Expected credit loss ratio (%)	Reason
		Provision for bad debts			
Customer 1	1,513,112.00	605,244.80		40.00	Part of the amount is expected to be unrecoverable.
Customer 2	1,500,000.00	1,500,000.00		100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 3	470,000.00	470,000.00		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	<u>3,867,738.24</u>	<u>2,959,871.04</u>			

B. Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Book balance	Closing balance		Expected credit loss ratio (%)
		Provision for bad debts		
Within 1 year	127,423,225.38	1,271,043.43		1.00
1 to 2 years	-	-		
2 to 3 years	-	-		
3 to 4 years	-	-		
4 to 5 years	-	-		
Over 5 years	1,938,117.28	1,938,117.28		100.00
Total	<u>129,361,342.66</u>	<u>3,209,160.71</u>		

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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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)

B. Accounts receivable subject to provision by portfolio (Continued)

Aging	Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	203,276,046.23	2,032,760.46	1.00
1 to 2 years	98,000.00	9,800.00	10.00
2 to 3 years	-	-	
3 to 4 years	-	-	
4 to 5 years	-	-	
Over 5 years	1,998,117.28	1,998,117.28	100.00
Total	<u>205,372,163.51</u>	<u>4,040,677.74</u>	

③ Provision for bad debts accrued, recovered or reversed in the period.

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Amount recovered or reversed	Amount resold or written-off	
Provision for bad debts of accounts receivable	6,395,303.98	(226,272.23)	-	-	<u>6,169,031.75</u>
Total	<u>6,395,303.98</u>	<u>(226,272.23)</u>	<u>-</u>	<u>-</u>	<u>6,169,031.75</u>

④ There is no accounts receivables written off in the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

- ⑤ The top five customers by closing balance of accounts receivable:

Company	Accounts receivable	Closing balance	provision for bad debts
		Proportion of accounts receivable (%)	
Customer 1	90,671,708.43	68.06	906,717.08
Customer 2	12,751,541.00	9.57	127,515.41
Customer 3	4,529,028.28	3.40	45,290.28
Customer 4	2,498,690.00	1.88	24,986.90
Customer 5	2,100,000.00	1.58	21,000.00
Total	<u>112,550,967.71</u>	<u>84.49</u>	<u>1,125,509.67</u>

- ⑥ The Group had no accounts receivable derecognized due to transfer of financial assets for the period.
- ⑦ The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable for the period.

2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	313,054,898.43	165,044,898.43
Other receivables	354,017,173.43	538,201,447.42
Total	<u>667,072,071.86</u>	<u>703,246,345.85</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(1) Dividends receivable

① Dividends receivable are as follows:

Item (or investee)	Closing balance	Closing balance of last year
Tian Xin	83,097,803.75	83,097,803.75
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
Pharmaceutical Technological	–	1,990,000.00
HWBYS	150,000,000.00	–
Subtotal	313,054,898.43	165,044,898.43
Less: provision for bad debts	–	–
Total	313,054,898.43	165,044,898.43

② The Group had no significant dividends receivable with aging over one year for the period.

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	224,146,014.66	399,069,033.94
1 to 2 years	26,885,189.04	36,955,780.43
2 to 3 years	817,187.23	101,759,517.86
3 to 4 years	101,797,482.53	219,754.52
4 to 5 years	307,587.91	2,452,911.07
Over 5 years	10,284,983.54	7,929,042.43
Subtotal	364,238,444.91	548,386,040.25
Less: provision for bad debts	10,221,271.48	10,184,592.83
Total	354,017,173.43	538,201,447.42

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

② 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)	
Closing balance of last year	1,147,740.21	–	9,036,852.62	10,184,592.83
Closing balance of last year in current period	–	–	–	–
– transfer into 2nd stage	–	–	–	–
– transfer into 3rd stage	–	–	–	–
– back to 2nd stage	–	–	–	–
– back to 1st stage	–	–	–	–
Current accrual	36,678.65	–	–	36,678.65
Current return	–	–	–	–
Current pay-off	–	–	–	–
Current write-off	–	–	–	–
Other movements	–	–	–	–
Closing balance	1,184,418.86	–	9,036,852.62	10,221,271.48

③ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current movement			Closing balance
		Amount	Return or recovery	Pay-off or write-off	
Provision for bad debts of other receivables	10,184,592.83	36,678.65	–	–	10,221,271.48
Total	10,184,592.83	36,678.65	–	–	10,221,271.48

④ There is no other receivables written off for the period.

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FOR THE SIX MONTHS ENDED 30 JUNE 2021
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XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

⑤ Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	302,615,256.62	482,699,744.07
Rental, margins, deposit, advances to employees	3,215,003.74	3,226,209.06
Others	58,408,184.55	62,460,087.12
Total	364,238,444.91	548,386,040.25

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	126,454,121.66	Within 1 year, 1 to 2 years, 3 to 4 years	34.72	-
Other receivables 2	Receivables due from related parties	81,622,973.66	Within 1 year	22.41	-
Other receivables 3	Receivables due from related parties	49,018,356.69	Within 1 year	13.46	-
Other receivables 4	Receivables due from related parties	12,670,020.57	Within 1 year	3.48	-
Other receivables 5	Receivables due from related parties	11,475,802.84	Within 1 year	3.15	-
Total		281,241,275.42		77.22	-

⑦ There is no receivables related to government grants for the period.

⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the period.

⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the period.

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	9,516,716,281.83	171,500,000.00	9,345,216,281.83	9,275,716,281.83	171,500,000.00	9,104,216,281.83
Investment in joint ventures and associates	1,481,938,524.77	-	1,481,938,524.77	1,515,569,954.61	-	1,515,569,954.61
Total	10,998,654,806.60	171,500,000.00	10,827,154,806.60	10,791,286,236.44	171,500,000.00	10,619,786,236.44

(1) Investment in subsidiaries

Investee	Closing balance of last year	Increase for the period	Decrease for the period	Closing balance	Provision for impairment provided in the 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	-	-
Wang Lao Ji	854,431,508.17	-	-	854,431,508.17	-	-
GP Corp.	3,313,425,159.88	-	-	3,313,425,159.88	-	-
Cai Zhi Lin	175,685,900.00	-	-	175,685,900.00	-	69,000,000.00
Pharmaceutical Import & Export	18,557,303.24	-	-	18,557,303.24	-	-
Guangzhou Bai Di	197,795,812.38	-	-	197,795,812.38	-	47,000,000.00
WLJ Great Health	2,100,000,000.00	-	-	2,100,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
Yi Gan	33,000,000.00	1,500,000.00	-	34,500,000.00	-	-
Baiyunshan Medical and Healthcare Industry Company	111,600,000.00	-	-	111,600,000.00	-	-
Xing Zhu	126,480,000.00	-	-	126,480,000.00	-	-
Wang Lao Ji Investment	28,000,000.00	-	-	28,000,000.00	-	-
Tian Xin	96,192,658.47	-	-	96,192,658.47	-	-
Guang Hua	53,659,963.75	-	-	53,659,963.75	-	-
Ming Xing	218,381,794.18	-	-	218,381,794.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-
Pharmaceutical Technological	1,020,000.00	-	-	1,020,000.00	-	-

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

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	Closing balance of last year	Increase for the period	Decrease for the period	Closing balance	Provision for impairment provided in the period	Closing balance of provision for impairment
Baiyunshan Great Health Hotel	500,000.00	-	-	500,000.00	-	500,000.00
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	363,470,000.00	230,000,000.00	-	593,470,000.00	-	-
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	-	-
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	2,500,000.00	-	9,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	-	1,000,000.00	-	1,000,000.00	-	-
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	-	6,000,000.00	-	6,000,000.00	-	-
Total	9,275,716,281.83	241,000,000.00	-	9,516,716,281.83	-	171,500,000.00

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Closing balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	The period		Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Changes in other equity					
I. Joint ventures											
HWBYS	363,293,161.96	-	-	82,528,262.94	-	-	(150,000,000.00)	-	-	295,821,424.90	-
Baxter Qiao Guang	50,533,409.83	-	-	7,056,874.36	-	-	-	-	-	57,590,284.19	-
Subtotal	413,826,571.79	-	-	89,585,137.30	-	-	(150,000,000.00)	-	-	353,411,709.09	-
II. Associates											
Golden Eagle Fund Management Co., Ltd.	68,827,384.77	-	-	3,956,236.34	-	-	-	-	-	72,783,621.11	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,051,803.36	-	-	(862.62)	-	-	-	-	-	2,050,940.74	-
Yi Xin Tang	951,554,608.49	-	-	36,828,017.72	-	-	(12,578,616.30)	-	-	975,804,009.91	-
Baiyunshan Yi Xin Tang	71,639,042.67	-	-	(850,107.89)	-	-	-	-	-	70,788,934.78	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	7,670,543.53	-	-	(571,234.39)	-	-	-	-	-	7,099,309.14	-
Subtotal	1,101,743,382.82	-	-	39,362,049.16	-	-	(12,578,616.30)	-	-	1,128,526,815.68	-
Total	1,515,569,954.61	-	-	128,947,186.46	-	-	(162,578,616.30)	-	-	1,481,938,524.77	-

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating Revenue and Cost of sales

(1) Operating Revenue and Cost of sales

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	2,326,047,916.56	1,141,505,198.50	2,122,350,001.90	1,299,546,276.70
Other businesses	214,785,586.02	14,841,412.94	183,889,700.74	12,743,783.93
Total	<u>2,540,833,502.58</u>	<u>1,156,346,611.44</u>	<u>2,306,239,702.64</u>	<u>1,312,290,060.63</u>

(2) Category by business

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Great Southern TCM	2,326,047,916.56	1,141,505,198.50	2,122,350,001.90	1,299,546,276.70
Total	<u>2,326,047,916.56</u>	<u>1,141,505,198.50</u>	<u>2,122,350,001.90</u>	<u>1,299,546,276.70</u>

(3) Category by major operating region

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Southern China Area	1,488,688,726.55	516,252,571.41	1,354,814,873.69	805,618,296.60
Eastern China Area	405,292,719.42	319,987,962.79	412,664,472.15	270,755,998.73
Northern China Area	218,401,596.82	157,460,426.69	123,538,320.44	77,791,342.04
Northeast Area	20,122,991.70	16,025,238.76	20,929,872.17	13,529,690.56
Southwest Area	157,477,769.18	100,934,251.37	155,323,796.00	96,791,777.76
Northwest Area	36,064,112.89	30,844,747.48	55,078,667.45	35,059,171.01
Total	<u>2,326,047,916.56</u>	<u>1,141,505,198.50</u>	<u>2,122,350,001.90</u>	<u>1,299,546,276.70</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating Revenue and Cost of sales (Continued)

(4) Information of the top five customers as per sales:

Customer	Revenue	Proportion of total revenue (%)
Customer 1	1,142,431,146.26	49.11
Customer 2	43,167,079.67	1.86
Customer 3	42,415,798.59	1.82
Customer 4	38,427,418.92	1.65
Customer 5	34,113,982.22	1.47
Total	<u>1,300,555,425.66</u>	<u>55.91</u>

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under equity method	128,947,186.46	67,383,196.54
Investment income from the holding year of other non-current financial assets	22,430.28	–
Interest income from financial products and structured deposits	12,382,894.99	–
Total	<u>141,352,511.73</u>	<u>67,383,196.54</u>

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021
(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit and Loss for the period

Item	Amount	Note
Gain and loss on disposal of non-current assets	50,643.56	
Tax return or exemption without proper authorization	–	
Government grants recognized in profit or loss (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	82,541,772.05	
Interests received from entities other than financial institutions recognized in profits or losses	–	
Gains arising from the difference between Investment cost on subsidiaries, associates and joint ventures and the fair value of the net assets attributable to the Group	–	
Gains or losses arising from non-monetary assets exchange	–	
Gains or losses arising from entrusted investments or entrusted asset management	–	
Asset impairment provided due to force majeure (e.g. natural disasters)	–	
Gains or losses arising from debt restructuring	–	
Corporate restructuring costs (e.g. staff replacement costs and costs during the course of integration)	–	
Gains or losses arising from the difference between the fair value and transaction price in obviously unfair transactions	–	
Net profit of subsidiaries acquired under common control from beginning of year to the merger date	–	
Gains or losses arising from contingencies irrelevant to the Group's normal business	–	
Except for the effective hedging business related to the normal operation of the Company, gain or loss from changes in fair value arising from holding assets and liabilities held for trading and derivative financial assets and liabilities; investment income from disposal of assets and liabilities held for trading and derivative financial assets and liabilities, other investment on creditor's right	3,660,089.42	
Reversal of provision for bad debts of accounts receivable subject to separate provision	1,382,734.50	
Gain or loss arising from entrusted loan granted to other entities	–	
Gain or loss arising from changes in fair value of investment properties under fair value model	–	
One-off adjustments to profit or loss as required by taxation and accounting laws and regulations	–	
Trustee fees income arising from entrusted operations	–	
Other non-operating revenue and cost other than the above-mentioned items	(57,718,080.36)	

NOTES TO THE FINANCIAL STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION *(Continued)*

1. Breakdown of Non-Recurring Profit and Loss for the period *(Continued)*

Item	Amount	Note
Other profit or loss items meeting the definition of non-recurring profit or loss	(1,056,731.60)	
Subtotal	28,860,427.57	
Impact on income tax	(15,760,250.31)	
Impact on minority interests (after tax)	(6,364,063.43)	
Total	6,736,113.83	

2. Return on Equity and Earnings Per Share

Profits for the 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	9.13	7.04	1.539	1.085	1.539	1.085
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	9.11	6.49	1.535	1.001	1.535	1.001

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd
18.August.2021