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廣州白雲山醫葯集團股份有限公司

**GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.**

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

(H Share Stock Code: 0874)

## **SUMMARY OF THE 2021 ANNUAL REPORT**

### **1. IMPORTANT NOTICE**

- 1.1** This summary is extracted from the full text of the 2021 annual report of the Company for the year ended 31 December 2021. Investors who wish to know more about the result of operations, financial conditions and plans of future development of the Company are advised to read in details of the full text of the 2021 annual report which will be published on the website of SSE (<http://www.sse.com.cn>), and on the website of HKEX (<http://www.hkex.com.hk>).
- 1.2** The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this summary and confirm that there are no false information, misleading statements or material omissions in this summary.
- 1.3** All the Directors were present at the 19th meeting of the eighth session of the Board. Mr. Wong Hin Wing (independent non-executive Director) attended the meeting by telephone.
- 1.4** 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, which are audited by BDO CHINA SHU LUN PAN Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.

**1.5 Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board**

As audited and confirmed by BDO CHINA SHU LUN PAN Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB3,719,877,680.46 in 2021. Based on the net profit of the Company of RMB1,884,109,811.35 in 2021, a 10% statutory surplus reserve in the amount of RMB188,410,981.14 is provided, with the addition of the undistributed profit carried over from 2020 in the amount of RMB6,778,560,101.62, and after deducting the cash dividends of 2020 in the amount of RMB874,675,530.56, the actual distributable profits at the end of 2021 amounted to RMB7,599,583,401.27.

Based on the actual circumstances of the Company, it is proposed that based on the share capital of 1,625,790,949 shares as at the end of 2021, a cash dividend of RMB6.87 (inclusive of tax) for every 10 shares, amounting to an aggregate of RMB1,116,918,381.96, be distributed. Such amount of cash dividends represents 30.03% of the consolidated net profit attributable to shareholders of the Company and 33.78% of the net profit attributable to the shareholders of the Company after deducting non-recurring profit and loss items for the Year. The undistributed portion shall be carried over to the next distribution. There will not be any capitalization of capital reserve for 2021.

The profit distribution plan will be submitted to the 2021 annual general meeting of shareholders for approval.

**1.6 This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.**

**1.7 All the information required to be contained in this summary pursuant to paragraph 45 of Appendix 16 to the Listing Rules of HKEX will be published on the website of HKEX in due course.**

**2. DEFINITIONS**

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

Company/The Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
PRC or China	the People's Republic of China
Reporting Period/Year/the current year	From 1 January 2021 to 31 December 2021
Group	the Company and its subsidiaries

Board	the board of Directors of the Company
Director	The director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	The supervisor of the Company
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)

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)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (formerly known as Guangzhou Pharmaceutical Corporation) (廣州醫藥股份有限公司，原廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
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)
WLJ Ya'an Company	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)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)
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學制藥(珠海)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)
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)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company(廣州白雲山醫療器械投資有限公司)
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)
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
DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly
National Essential Drug List	The National Essential Drug List(國家基本藥物目錄)(the 2018 version), which is the basis for medical institutions to prepare and use drugs. The drugs in the National Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public

National Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (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 payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC
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))

### 3. COMPANY PROFILE

#### 3.1 Company profile

Stock abbreviation:	BAIYUNSHAN
Stock abbreviation before the change:	GPC
Stock code:	600332 (A Share)
Stock exchange:	SSE
Stock abbreviation:	BAIYUNSHAN PH
Stock code:	0874 (H Share)
Stock exchange:	HKEX

<b>Contact persons and contact details</b>	<b>Secretary to the Board</b>	<b>Representative of securities affairs</b>
Name	Huang Xuezen	Huang Ruimei
Address	45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC	
Telephone	(8620) 6628 1218	(8620) 6628 1216
Fax	(8620) 6628 1229	
E-mail	huangxz@gybys.com.cn	huangrm@gybys.com.cn

#### 3.2 Introduction of the Company's main business during the Reporting Period

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

### *3.2.1 Great Southern TCM (Pharmaceutical manufacturing business)*

There are 27 pharmaceutical manufacturing companies and institutions under the Company (including 3 branches, 21 subsidiaries and 3 joint ventures). The above enterprises or institutions engage in the R&D, manufacturing and sales of Chinese patent medicine and Western medicine, chemical raw materials, intermediates chemical raw materials, biological medicine and natural medicine, etc..

- 1) The Group is an epitome of the southern TCM. The Company has 12 time-honored brand enterprises in China such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc., among which, 10 of them are century-old time-honored enterprises. The Group and its joint ventures in aggregate have 323 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine mainly include Xiao Ke Pill, Zi Shen Yu Tai Pill, Ban Lan Gen Granule series, Xiao Chai Hu Granule, Nao Xin Qing Tablet series, Compound Danshan Tablet series, Bao Ji series, Hua Tuo Zai Zao Pill, Xia Sang Ju Granule, Zhuang Yao Jian Shen Pill, Xiao Er Qi Xing Cha Granule, An Gong Niu Huang Pill, Shu Jin Jian Yao Pill, Qing Kai Ling series, Mi Lian Chuan Bei Pi Pa Gao, etc. The Group boasts clear brand and variety of advantages of Chinese patent medicine in southern China and throughout the country.
- 2) The Group has a complete antibiotic production chain ranging from the production of raw material medicine to that of preparations, with products covering commonly used anti-bacterial and anti-inflammatory varieties and drugs for men. The Group integrated the antibiotic brands with the famous trademark "Kang Zhi Ba (抗之霸)", striving to create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in China. The Group's chemical medicine products include Cefixime series, Sildenafil Citrate Tablets (Trade name "Jin Ge"), Amoxicillin, Cefathiamidine, Cefuroxime Sodium, Aspirin Powder series, Cefpiramide and Cefprozil series etc..

### *3.2.2 Great Health Industry*

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



### *3.2.3 Great Commerce (Pharmaceutical distribution business)*

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

### *3.2.4 Great Medical Care*

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

Currently, we have invested/held equity interest in a number of projects including Guangzhou Baiyunshan Hospital, Runkang Confinement Company, 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 etc.. Runkang Confinement Company was officially opened in the second half of 2021. Baiyunshan Yihu Company and Baiyunshan Jianhu Company primarily engage in the production of protective products such as masks and protective gowns.

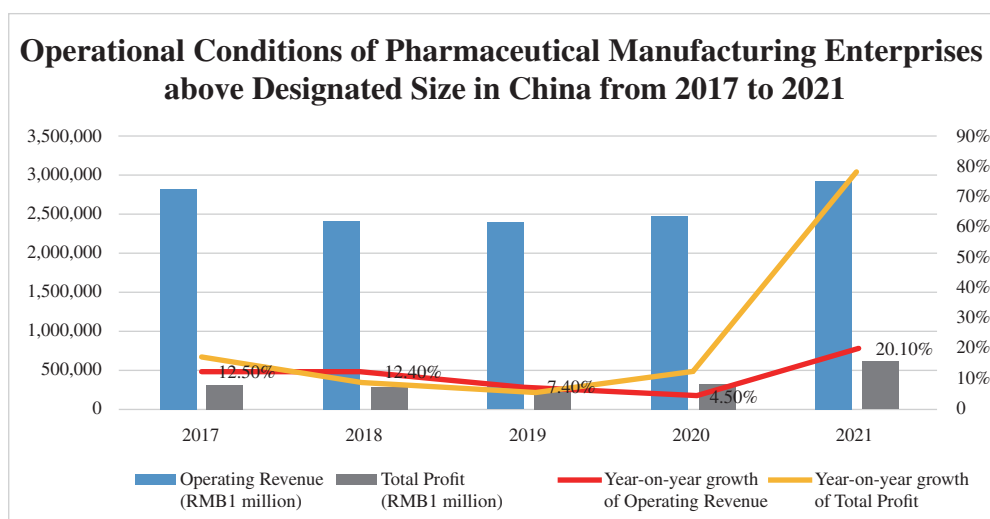
## **3.3 Current circumstances of the development of the industry**

The pharmaceutical industry constitutes an important part of the national economy of China. Following the improvement of people's living standards and the accelerated aging of the population, the demand for healthcare is constantly growing, and the pharmaceutical industry is receiving increasing attention and occupies an important position in the national economy.

The general trend for the future development of the pharmaceutical industry is clear. The aging of the population, urbanization, increasing health awareness and the growing prevalence of chronic diseases have contributed to the continued growth in the demand for pharmaceuticals, increasing the proportion of healthcare expenditure and leading to a continuous expansion of the pharmaceutical and health industry. Benefiting from the successive implementation of the policies relating to the pharmaceutical industry, the superposition effect of such policies, and the emergence of the pharmaceutical industry has rebounded, demonstrating an obvious momentum of high-quality development and positive prospects.

In 2021, with the implementation of centralized volume-based procurement, continuous expansion of the National Medical Insurance Catalogue, increasingly intense the competition, tightened compliance checks in the drug manufacturing and circulation processes, continuously rising prices of raw materials and energy sources, and the “dual control of energy consumption” measures introduced by some local governments, the pharmaceutical industry has expedited its transformation and upgrade in the ever-changing environment. Meanwhile, the economic development of various industries have shown a positive trend in recovery and growth in response to the growing effectiveness of the COVID-19 coronavirus epidemic (the “the COVID-19 epidemic”) prevention and control.

According to the statistical data on the website of the National Bureau of Statistics, from January to December 2021, the operating revenue of pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB2,928.85 billion, representing a year-on-year increase of 20.1%, and the total profit reached RMB627.14 billion, representing a year-on-year increase of 77.9%. The operating revenue of liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB1,603.4 billion, representing a year-on-year increase of 13.1%, and the total profit reached RMB264.37 billion, representing a year-on-year increase of 24.1%.



*Note:* Data from the website of the National Bureau of Statistics

## 4 PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP

### 4.1 Principal accounting data

Principal accounting data	2021	2020	Year on year	2019	2018	2017
			increase/ (decrease) (%)			
Income from operations <i>(RMB'000)</i>	<b>69,014,052</b>	61,673,702	11.90	64,951,778	42,233,838	20,954,225
Net profit attributable to the shareholders of the Company <i>(RMB'000)</i>	<b>3,719,878</b>	2,915,245	27.60	3,188,885	3,440,980	2,061,652
Net profit attributable to the shareholders of the Company after deducting non-recurring items <i>(RMB'000)</i>	<b>3,306,416</b>	2,627,691	25.83	2,746,248	2,131,485	1,935,560
Net cash flow from operating activities <i>(RMB'000)</i>	<b>5,673,497</b>	585,185	869.52	5,022,367	5,216,888	1,833,691
Total profit <i>(RMB'000)</i>	<b>4,723,071</b>	3,739,082	26.32	4,128,533	4,018,730	2,492,976

Principal accounting data	As at 31	As at 31	Year on year	As at 31	As at 31	As at 31
	December	December	increase/ (decrease) (%)	December	December	December
	2021	2020		2019	2018	2017
Net assets attributable to the shareholders of the Company <i>(RMB'000)</i>	<b>29,062,184</b>	26,144,843	11.16	24,184,797	21,684,909	18,871,521
Total assets <i>(RMB'000)</i>	<b>66,117,790</b>	59,760,063	10.64	56,893,659	51,482,184	28,314,713
Total liabilities <i>(RMB'000)</i>	<b>34,791,121</b>	31,554,796	10.26	30,904,172	28,338,451	9,051,560
Equity attributable to the shareholders of the Company per share <i>(RMB)</i>	<b>17.88</b>	16.08	11.16	14.88	13.34	11.61
Total equity as at the end of the Reporting Period <i>(RMB'000)</i>	<b>1,625,791</b>	1,625,791	–	1,625,791	1,625,791	1,625,791

## 4.2 Principal financial indicators

Principal accounting data	2021	2020	Year on year	2019	2018	2017
			increase/ (decrease) (%)			
Basic earnings per share ( <i>RMB/share</i> )	<b>2.288</b>	1.793	27.60	1.961	2.116	1.268
Diluted earnings per share ( <i>RMB/share</i> )	<b>2.288</b>	1.793	27.60	1.961	2.116	1.268
Basic earnings per share after deducting non-recurring items ( <i>RMB/share</i> )	<b>2.034</b>	1.616	25.83	1.689	1.311	1.191
Weighted average return on net assets ratio (%)	<b>13.46</b>	11.55	An increase of 1.91 percentage points	13.87	16.93	11.34
Ratio of weighted average return on net assets after deducting non-recurring items (%)	<b>11.96</b>	10.41	An increase of 1.55 percentage points	11.94	10.48	10.64
Ratio of return on total equity attributable to shareholders of the Company (%)	<b>12.80</b>	11.15	An increase of 1.65 percentage points	13.19	15.87	10.92
Ratio to total equity attributable to shareholders of the Company to total assets (%)	<b>43.96</b>	43.75	An increase of 0.21 percentage point	42.51	42.12	66.65
Gearing ratio (%)	<b>52.62</b>	52.80	A decrease of 0.18 percentage point	54.32	55.05	31.97

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

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 to February of 2021 respectively while the receipt of payments for the sale of goods during the 2020 Spring Festival mainly took place in the end of 2019; 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 gradual easing of the COVID-19 epidemic in China during the Reporting Period.

### 4.3 Principal accounting data of 2021 on quarterly basis

	The first quarter (January – March) <i>(RMB'000)</i>	The second quarter (April – June) <i>(RMB'000)</i>	The third quarter (July – September) <i>(RMB'000)</i>	The fourth quarter (October – December) <i>(RMB'000)</i>
Income from operations	20,045,949	16,082,629	17,410,965	15,474,509
Net profit attributable to the shareholders of the Company	1,627,420	874,960	809,362	408,136
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,591,729	903,916	792,205	18,566
Net cash flow from operating activities	1,681,290	503,119	3,601,074	(111,986)

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

Applicable     Not Applicable

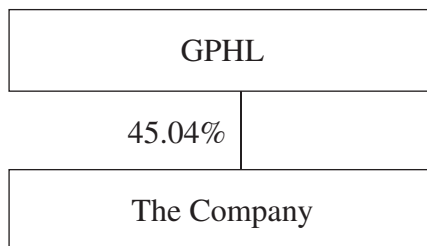
## 5. SHAREHOLDERS

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

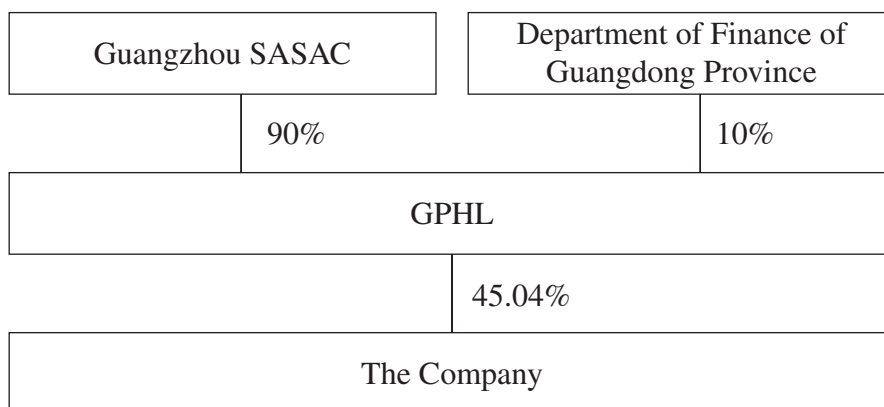
<b>Total number of ordinary shareholders as at the end of the Reporting Period</b>	92,543
<b>Total number of ordinary shareholders as at the end of last month before the discourse date of the annual report</b>	96,411
<b>Total number of preferred shareholders whose voting rights were restored as at the end of the Reporting Period</b>	0
<b>Total number of preferred shareholders whose voting rights were restored as at the end of last month before the discourse date of the annual report</b>	0

The top ten shareholders of the Company								
Shareholders	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions held <i>(share)</i>	Pledge, mark or lock-up of shares			Nature of Shareholders
	Status	Number of shares						
GPHL	0	732,305,103	45.04	0	–	0	State-owned legal person	
HKSCC Nominees Limited	(58,089)	219,701,290	13.51	0	–	0	Others	
GZ Chengfa	0	73,313,783	4.51	0	–	0	Others	
GZ SOA Development	(6,016,500)	55,548,800	3.42	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	17,692,735	35,182,521	2.16	0	–	0	Others	
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	–	0	Others	
Zhongou AMC – Agricultural Bank – Zhongou China Securities 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	
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	0	8,657,836	0.53	0	–	0	Others	
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”.						
Explanation on Preferred shareholders with their voting rights restored and the number of shares they hold	No							

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



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



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

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

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

Applicable  Not Applicable

**5.7 Conditions of the Company's bonds.**

Applicable  Not Applicable

**5.8 Public float**

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

## 5.9 Pre-emptive rights

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

## 6. MAJOR EVENTS

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

Applicable     Not Applicable

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

Applicable     Not Applicable

## 7. DISCUSSION AND ANALYSIS OF THE OPERATING ENVIRONMENT

### 7.1 Management discussion and analysis

During the Reporting Period, the Group always adhered to the general principle of “seeking progress while maintaining stability”, adopted active and effective measures, strengthened efforts in marketing innovation and promotion, boosted product sales volume, and strictly controlled risks and improved quality and efficiency in response to the impact of the COVID-19 epidemic and other external factors, with a view to achieving sustainable growth in the operating performance.

In 2021, the Group recorded an income from operations of RMB69,014,052,000, representing an increase of 11.90% year on year; total profit of RMB4,723,071,000, representing an increase of 26.32% year on year; and net profit attributable to shareholders of the Company of approximately RMB3,719,878,000, representing an increase of 27.60% year on year. Compared with 2020, the major reasons for year-on-year growth in operating performance of the Group were that with the gradual mitigation of COVID-19 epidemic in China, market demand has increased and the Group has boosted great efforts in marketing, which led to year-on-year growth in both sales and profit of the main businesses during the Reporting Period.



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

- (1) Further cultivating the business and promoting solid and all-round development of the Great Southern TCM

Firstly, the sales volume of key products was boosted by concentrating resources to create core brands, strengthening channel development and maintenance, enhancing terminal promotion and marketing and tapping into the potential of the second-tier products. Secondly, the Group continued to advance the revitalization of its time-honored brands, launched special projects such as “Breathing New Life into Time-honored Brands” to intensify 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 Cefixime series, Sildenafil Citrate Tablet (“Jin Ge”), Zi Shen Yu Tai Pill, Xiao Chai Hu Granule, Amoxicillin series, Cefuroxime sodium for injection, Hua Tuo Zai Zao Pill and Bao Ji series, etc. achieved a relatively rapid year-on-year increase.

- (2) Adhering to “one core with multi-elements” and strengthening and optimizing the businesses under the Great Health

Firstly, the Group strengthened the “one core” by further developing the businesses of Wang Lao Ji in the herbal tea market, focusing on the core channels, and continuing to increase the market share in the catering and ready-to-drink markets; launching family name cans, mystery cans, good luck cans and other innovative and customized products to attract young consumers, so as to continue rejuvenating our brands and promote sales growth of Wang Lao Ji Herbal Tea. Secondly, we expanded the “multi-elements” by boosting efforts in the market cultivation of the “Ci Ning Ji” series and other potential products, pooling resources together towards building a model market, accelerating the upgrade of black herbal tea, sugar-free herbal tea, sugar-free bubble herbal tea, jasmine herbal tea and other products to build our brand and increase sales. During the Reporting Period, the “Leilong” energy flavor beverage of WLJ Great Health was officially launched; Guangzhou Wanglaoji Lychee Industry Development Company Limited (廣州王老吉荔枝產業發展有限公司) was established to strongly develop the “Li Xiao Ji” series of beverages and foods. Thirdly, we innovated and upgraded the “Ji Culture” of our brands including exploring series of consumption landscape featuring the luck element and extending the core connotation of the brand to strengthen its influence.

- (3) Maintaining transformation and deepening and enlivening the businesses under the Great Commerce

Firstly, the Group actively responded to the adverse impacts of the COVID-19 epidemic and industrial policies by promoting the linkage and development between wholesale and retail, and strengthening the cooperation with medical institutions to actively develop the O2O business. Secondly, we continued to promote the development of retail pharmacy chains and accelerated the expansion of retail stores. Thirdly, we actively built an urban smart pharmacy + big pharmacy cloud store, and actively promoted new business models such as e-commerce sales and live-streaming sales. Fourthly, we accelerated the construction of the logistics center to improve operational efficiency. Baiyun Logistics Park project (phase I) of GP Corp. officially commenced operation in August 2021, becoming one of the most advanced pharmaceutical logistics centers in southern China.

- (4) Maintaining the expansion, innovation and development of the businesses under the Great Medical Care in terms of both size and professionalism

During the Reporting Period, Guangzhou Baiyunshan Hospital successfully engaged expert teams on gynaecology and obstetrics, general surgery, internal medicine and rehabilitation gynaecology, and established the Xuan Guowei National Medical Master Specialist Clinic to enhance its overall strength; the Group's first confinement service center, Baiyunshan Runkang Confinement Service Center, was officially opened; Baiyunshan Traditional Chinese Medicine Hospital (白雲山中醫院) completed its business registration; Baiyunshan Yihu Company and Baiyunshan Jianhu Company further enriched the category of epidemic prevention materials.

- (5) Continuously increasing the investment in scientific research, and focusing on building high-level scientific research platforms and laying out high-quality innovation projects

The Group firstly continued to increase the investment in scientific research to promote synergistic development and innovation improvement. In 2021, R&D expenses of the Group totaled RMB875 million, representing a year-on-year increase of 42.94%. Secondly, we accelerated the construction of research platforms, strengthened the assessment of innovative drug research and development conducted by our subsidiaries, and promoted the innovation of research and development layout. During the Reporting Period, Guangzhou Hanfang National Engineering Research Center (廣州漢方國家工程研究中心) was optimized and integrated by the National Development and Reform Commission, and renamed as "National Engineering Research Center for Traditional Chinese Medicine Pharmaceutical Process Technology and New Drug Creation". Guangyao General Institute was awarded GLP full qualification certification, and its drug non-clinical safety evaluation research has been at the forefront in China. In 2021, the Group set up 1 provincial-level key laboratory and 1 municipal-level engineering technology center.

- (6) Accelerating the construction of industrial bases and integration of production resources to enhance production efficiency and effectiveness

During the Reporting Period, the construction of the first phase of Wang Lao Ji's production base in Nansha, which was the main structure of the sales headquarters of the Company's biological medicine and health R&D, was successfully completed; Cai Zhi Lin Meizhou TCM Industrialized production and service base was granted a drug production license and officially commenced production, and Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Industrial Park of Cai Zhi Lin had its preparatory works completed and was officially launched in full in 2021.

- (7) Accelerating the layout of industrial investment, promoting the establishment of industrial equity investment funds and enhancing capital operation capability

The Group continued to promote the industrial investment layout of the principal businesses through equity investment, fund investment and venture capital. During the Reporting Period, the Company participated in the investment and establishment of 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)), Guangzhou State-owned Assets Mixed Ownership Reform Phase II Equity Investment Fund Partnership (Limited Partnership) (廣州國資混改二期股權投資基金合夥企業(有限合夥)) and Guangzhou Time Honored Revitalization Fund Partnership (Limited Partnership)(廣州老字號振興基金合夥企業(有限合夥)). 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 the Company participated in the establishment at the early stage, completed the fund raising and filing procedures in March 2021.

- (8) Deepening corporate reform, further promoting the reform of professional managers and the reform of tenure and contract systems, strictly controlling risks, and strengthening internal supervision and comprehensive management to further improve the comprehensive capacity of the Group in risk warning, monitoring, prevention and control.

## 7.2 Analysis of principal operations during the Reporting Period

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

Items	The Reporting Period (RMB'000)	The corresponding period of 2020 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2020 (%)
Revenue	69,014,052	61,673,702	11.90
Include: income from principal operations	68,757,954	61,450,355	11.89
Cost of sales	55,780,767	51,233,326	8.88
Include: cost from principal operations	55,721,967	51,176,776	8.88
Selling and distribution expenses	5,954,789	4,575,996	30.13
General and administrative expenses	2,032,281	1,844,424	10.19
Research and development expenses	874,720	611,935	42.94
Financial expenses	(133,010)	5,152	(2,681.75)
Profit before tax	4,723,071	3,739,082	26.32
Net profit attributable to shareholders of the Company	3,719,878	2,915,245	27.60
Net cash flow from operating activities	5,673,497	585,185	869.52
Net cash flow from investing activities	(931,569)	(1,088,056)	14.38
Net cash flow from financing activities	(1,493,979)	1,439,376	(203.79)
Investment income	193,588	344,171	(43.75)
Gains from changes in fair value	196,881	(8,469)	2,424.66
Impairment losses in respect of assets	(11,860)	(23,950)	50.48
Gains on disposal of assets	695	2,954	(76.49)
Non-operating income	45,307	157,616	(71.25)
Minority interest	249,108	176,383	41.23

*Notes:*

- (1) The year-on-year increase in selling and distribution expenses was attributable to: a year-on-year decrease in expenditure on product promotion in the market and advertising expenses, along with a reduction in the sales of the subsidiaries of the Company decreased affected by the COVID-19 epidemic in the corresponding period of last year. During the Reporting Period, the impact of the epidemic in China gradually eased and market demand rebounded, as the sales increased, the Company's subsidiaries increased their expenditure on product promotion in the market and advertising expenses.
- (2) The year-on-year increase in research and development expenses was attributable to: a year-on-year increase in investment in special research and development expenses and materials used in R&D by the subsidiaries of the Company.
- (3) 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.
- (4) The year-on-year increase in net cash flow from operating activities was attributable to:①a 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 to February of 2021 respectively while the receipt of payments for the sale of goods during the 2020 Spring Festival mainly took place in the end of 2019; 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 gradual easing of the COVID-19 epidemic in China during the Reporting Period.
- (5) The year-on-year decrease in net cash flow from financing activities was attributable to: ① the year-on-year decrease in net bank loans borrowed by the subsidiaries of the Company;② the year-on-year decrease in investment amount received from shareholders by the subsidiaries of the Company.
- (6) The year-on-year decrease in investment income was attributable to: a year-on-year decrease in investment income from long-term equity investments of the Company and its subsidiaries under the equity method of RMB231 million.
- (7) The year-on-year increase in gains from changes in fair value was attributable to: ①The increase in the fair value of financial assets held by the Company at the end of the Reporting Period; ②gains resulting from the contingent consideration relating to performance commitments recognized as financial assets at fair value through profit or loss between GP Corp., a subsidiary of the Company, and its non-controlling shareholders.
- (8) The year-on-year increase in impairment losses in respect of assets was attributable to a year-on-year decrease in the provision for the price decline of inventory made by subsidiaries of the Company.
- (9) The year-on-year decrease in gains from disposal of assets was attributable to a year-on-year decrease in gains recognized due to disposal of assets of the subsidiaries of the Company.
- (10) The year-on-year decrease in non-operating income was attributable to a year-on-year decrease in income from government compensations for land requisition and resettlement recognized by the subsidiaries of the Company.
- (11) The year-on-year increase in minority interest was attributable to a corresponding increase in equity of minority shareholders as a result of the increase in profit of the subsidiaries of the Company.

## 7.2.1 Analysis of revenue and cost

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

Industries	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Increase/ (Decrease)		Increase/ (Decrease)		Profit margin of principal operations	Increase/ (Decrease) over the same period of 2020
	Income from principal operations	over the same period of 2020	Cost of principal operations	over the same period of 2020		
(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage point)	
Great Southern TCM	10,789,225	5.78	6,034,753	(7.30)	44.07	An increase of 7.90 percentage points
Great Health	10,851,095	38.07	5,713,867	39.48	47.34	A decrease of 0.53 percentage point
Great Commerce	46,778,524	8.34	43,672,667	8.08	6.64	An increase of 0.23 percentage point
Other	339,110	58.00	300,680	85.22	11.33	A decrease of 13.03 percentage points
Total	68,757,954	11.89	55,721,967	8.88	18.96	An increase of 2.24 percentage points

Types of products	Results of principal operations by product					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Increase/ (Decrease)		Increase/ (Decrease)		Profit margin of principal operations	Increase/ (Decrease) over the same period of 2020
	Income from principal operations	over the same period of 2020	Cost of principal operations	over the same period of 2020		
(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage point)	
Chinese patent medicine	5,269,552	19.98	3,024,850	14.16	42.60	An increase of 2.93 percentage points
Chemical medicine	5,519,673	(4.96)	3,009,903	(22.04)	45.47	An increase of 11.95 percentage points
Total of Great Southern TCM	10,789,225	5.78	6,034,753	(7.30)	44.07	An increase of 7.90 percentage points

Results of principal operations by region						
Regions	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)	Profit margin of principal operations (%)	Increase/ (Decrease) over the same period of 2020 (percentage point)
Southern China	53,046,259	10.83	44,874,168	8.27	15.41	An increase of 2.00 percentage points
Eastern China	5,832,682	22.47	3,981,044	27.11	31.75	A decrease of 2.49 percentage points
Northern China	3,022,706	26.73	1,923,278	18.88	36.37	An increase of 4.20 percentage points
North-Eastern China	614,695	15.05	461,322	8.04	24.95	An increase of 4.87 percentage points
South-Western China	4,220,391	7.18	2,883,155	(1.33)	31.69	An increase of 5.90 percentage points
North-Western China	1,978,397	2.66	1,562,225	(2.07)	21.04	An increase of 3.82 percentage points
Exports	42,824	7.00	36,755	(1.16)	14.12	An increase of 7.09 percentage points

Results of principal operations by sales model						
Sales models	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2020 (%)	Profit margin of principal operations (%)	Increase/ (Decrease) over the same period of 2020 (percentage point)
Industrial model	21,640,320	19.83	11,748,620	10.76	45.71	An increase of 4.45 percentage points
Commercial model	46,778,524	8.34	43,672,667	8.08	6.64	An increase of 0.23 percentage point
Other model	339,110	58.00	300,680	85.22	11.33	A decrease of 13.03 percentage points

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

Notes:

- ① The significant year-on-year increase in the income from and the cost of the principal operations of the Great Health segment was mainly attributable to: the market of WLJ Great Health during the 2020 Spring Festival holiday was seriously affected by the COVID-19 epidemic. With the gradual easing of the COVID-19 epidemic and the increasing market demand market 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 sales volume of Guangzhou Baiyunshan Hospital resulting from the expansion of its operation during the Reporting Period; (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), the wholly-owned subsidiary of the Company, during the Reporting Period.

b) Analysis of production, sales and inventory

Main products	Production	Sales	Inventory	Production increase/ (decrease) over the same period of 2020 (%)	Sales increase/ (decrease) over the same period of 2020 (%)	Inventory increase/ (decrease) over the same period of 2020 (%)
Sildenafil Citrate Tablet (thousand tablets)	116,596.13	98,498.20	29,864.62	43.72	25.72	148.72
Cefixime series (thousand tablets/thousand packs/ thousand grains)	328,432.22	342,660.56	17,634.66	21.16	22.21	(38.27)
Xiao Ke Pill (thousand bottles)	44,180.16	39,218.81	7,529.37	3.30	(7.52)	117.22
Zi Shen Yu Tai Pill (thousand boxes/ thousand bottles)	7,070.74	6,919.25	956.63	20.26	22.02	4.22
Xiao Chai Hu Granule (thousand packs)	38,862.90	36,830.84	7,325.63	12.74	7.74	37.82
Amoxicillin series (thousand packs/ thousand grains)	1,451,132.98	1,355,132.68	108,122.51	73.62	36.68	489.80
Bao Ji series (thousand boxes/thousand ampoules)	200,548.84	184,119.80	44,785.16	79.94	28.74	55.40
Cefuroxime Sodium for Injection (thousand bottles)	52,117.00	50,963.35	752.37	71.87	39.91	28.39
Hua Tuo Zai Zao Pill (thousand boxes)	5,894.62	5,539.21	1,046.53	(38.29)	(10.20)	(41.48)
Cephathiamidine for Injection (thousand ampoules)	10,633.85	11,711.21	580.79	(4.78)	(23.06)	(61.58)



Explanation on the significant year-on-year changes in production, sales and inventory:

- ① The production volume and inventory of sildenafil citrate tablet increased significantly year on year, mainly due to the facts that the Company's subsidiaries vigorously explored the terminal market, adopted effective marketing strategies, and increased production volume to fulfil market demand, which led to the corresponding growth in inventory at the end of Reporting Period.
- ② The inventory of cefixime series declined significantly year on year, mainly due to the facts that: there has been a balance in the year-on-year increase in the production and sales volumes of this product in 2021. However, according to the generic drug consistency evaluation, part of this product is designed to reduce the volumes of packaging per batch, the supervision of the production process became stricter, and the supply of raw materials in market was in short, resulting in the decrease of storage quantity towards the end of the Reporting Period.
- ③ The inventory of xiao ke pill increased significantly year on year, mainly due to the facts that the channel inventory of this product was gradually adjusted and its production volume had steadily increased to fulfil market demand, therefore the inventory at the end of the Reporting Period increased year on year.
- ④ The inventory of xiao chai hu granule increased significantly year on year, mainly due to the facts that the manufacturing subsidiary of the Company expected an increase in the sales demand for the product and accordingly prepared the inventory in advance, resulting in the increase in the inventory.
- ⑤ The production volume, sales and inventory of amoxicillin series increased significantly year on year, mainly due to the facts that with the gradual mitigation of the impact of COVID-19 in China in 2021, the manufacturing subsidiary of the Company made greater efforts in marketing and actively promoted the sales of terminal market, resulting in gradual sales revenue recovery; meanwhile, the production volume and inventory increased year on year to meet market demand.
- ⑥ The production volume and inventory of bao ji series increased significantly year on year, mainly due to the fact that this product is a "Diva product" of the Group, the manufacturing subsidiary will boost efforts in market development and increase production to meet market demand, resulting in the corresponding growth in inventory.
- ⑦ The production volume and sales volume of cefuroxime sodium for injection increased significantly year on year, mainly due to the fact that the product won the bid in the fifth round of national centralized procurement. Since the implementation of centralized procurement in October 2021, there has been year-on-year growth in the sales volume and the production volume to meet market demand.

- ⑧ The production volume and inventory of hua tuo zai zao pill decreased significantly year on year, mainly due to a change in the exclusive sales size of the product for pharmaceutical institutions, leading to the decline in sales; and the manufacturing subsidiary controlled the production, which resulted in year-on-year decrease both in production volume and inventory.
- ⑨ The inventory of cephaliamidine for injection declined significantly year on year, mainly due to the facts that the product continued to be affected by the national limit resistance policy and the National Essential Drug List imposed stricter, additional conditions for use if any reimbursement was to be made. At the same time, inter-provincial alliance procurement and price linkage of bids caused prices to decline, which resulted in the control of production by our subsidiaries and thus the decrease in inventory year on year.

c) Analysis of cost

Industrial	Components	Results by industry					Explanation
		2021		2020		Increase/	
		Amount	% of the proportion of operation	Amount	% of the proportion of operation	(decrease) over the same period	
		(RMB'000)	(%)	(RMB'000)	(%)	(%)	
Manufacturing business	Raw material	9,033,663	76.83	8,326,095	78.39	8.50	-
	Fuel	139,968	1.19	116,484	1.10	20.16	-
	Labor cost	386,341	3.29	320,179	3.01	20.66	-
	Others	2,196,901	18.69	1,859,243	17.50	18.16	-
Pharmaceutical distribution business	Cost of purchase	43,672,667	100.00	40,407,599	100.00	8.08	-
Others	Other cost	292,427	100.00	147,176	100.00	98.69	(1) the year-on-year increase in the sales volume of outpatient visits of Guangzhou Baiyunshan Hospital resulting from the expansion of its operation during the Reporting Period; (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), the wholly-owned subsidiary of the Company, during the reporting period.

d) Major suppliers and customers

During the Year, sales by the Group to the five largest customers amounted to RMB4,810,902,000 (2020: RMB4,829,147,000), representing approximately 7.00% of the total sales (2020: 7.86%) of the Group. The sales to the largest customer amounted to RMB1,474,432,000 (2020: RMB1,460,316,000), representing 2.14% (2020: 2.38%) of the total sales of the Group. Sales to related parties amounted to RMB0 among the sales to the five largest customers, representing 0% of the total sales of the Group for the Year.

During the Reporting Period, there was a new customer among the five largest customers:

<b>Number</b>	<b>Customers</b>	<b>Sales</b> <i>(RMB'000)</i>	<b>% of the propotion of total sales for the year</b> <i>(%)</i>
1	Customer 1	739,624	1.08

During the Year, purchases by the Group from the five largest suppliers amounted to RMB7,769,776,000 (2020: RMB4,509,662,000), representing approximately 12.87% of the total purchases (2020: 8.79%) of the Group for the Year. The purchases from the largest suppliers amounted to RMB3,050,896,000 (2020: RMB1,109,956,000), representing 5.05% (2020: 2.16%) of the total purchases of the Group for the Year. Purchases from related parties amounted to RMB0 among the purchases from the five largest suppliers, representing 0% of the total purchases of the Group for the Year.

During the Reporting Period, there was a new supplier among the five largest suppliers:

<b>Number</b>	<b>Suppliers</b>	<b>Purchases</b> <i>(RMB'000)</i>	<b>% of the propotion of total purchases for the year</b> <i>(%)</i>
1	Supplier 1	1,078,086	1.79

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

## 7.2.2 Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB5,954,789,000 (2020: RMB4,575,996,000), representing a year-on-year increase of approximately 30.13%, which was mainly due to the fact that: under the influence of COVID-19 in 2020, the sales of the subsidiaries of the Company in the same period in 2020 decreased while the product promotion and marketing expenses declined year on year; with the gradual mitigation of impact of COVID-19 in China and increase of market demand, the sales of the subsidiaries increased while they boosted efforts in product promotion and marketing during the Reporting Period.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,032,281,000 (2020: RMB1,844,424,000), representing an increase of approximately 10.19% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB874,720,000 (2020: RMB611,935,000), representing an increase of approximately 42.94% as compared with last year, which was mainly due to the growth in special R&D expenses and R&D materials expenses of the Company's subsidiaries.

During the Reporting Period, the Group's financial expenses were approximately RMB-133,010,000 (2020: RMB5,152,000), representing a decrease of approximately 2,681.75% as compared with last year, which was mainly due to the year-on-year increase in income of deposit interest of the Company and its subsidiaries.

During the Reporting Period, the Group's income tax expenses were approximately RMB754,085,000 (2020: RMB647,454,000), representing an increase of approximately 16.47% as compared with last year.

## 7.2.3 Research and development expenses

### 1) Research and development expenses

Applicable    Not Applicable

Cost of research and development expenses in the current year (RMB'000)	868,682
Capitalization of research and development expenses in the current year (RMB'000)	10,427
Total research and development expenses (RMB'000)	879,109
Ratio of research and development expenses to income from operations (%)	1.27
Ratio of research and development expenses to income from principal operations of the Great Southern TCM (%)	8.15
Ratio of total research and development expenses to net assets (%)	2.81
Percentage of the capitalization of research and development expenses (%)	1.19

2) Research and development staff

Applicable    Not Applicable

The numbers of research and development staff of the Company	520
Proportion of research and development staff of the Company	2.04

**Educational level of research and development staff**

<b>Categories of educational level</b>	<b>Total amount</b>
Doctor degree	56
Master degree	174
Bachelor degree	232
Completion of specialized education	58
Completion of General secondary education & Under	0

**Age structure of research and development staff**

<b>Categories of age</b>	<b>Total amount</b>
Below 30 years old (<30)	224
30-40 years old ( $\geq 30$ , <40)	216
40-50 years old ( $\geq 40$ , <50)	55
50-60 years old ( $\geq 50$ , <60)	25
60 years old and above 60	0

3) Explanation of the situation

Applicable    Not Applicable

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

Applicable    Not Applicable

## 7.2.4 Cash flow

Items	The Reporting Period (RMB'000)	The corresponding period of 2020 (RMB'000)	Increase/ (Decrease) as compared with the same period of 2020 (%)	Reasons
Net cash flow from operating activities	5,673,497	585,185	869.52	(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 to February of 2021 while the receipt of payments for the sale of goods during the 2020 Spring Festival mainly took place in the end of 2019; (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 gradual easing of the COVID-19 epidemic in China during the Reporting Period.
Net cash flow from investing activities	(931,569)	(1,088,056)	14.38	/
Net cash flow from financing activities	(1,493,979)	1,439,376	(203.79)	(1) a year-on-year decrease in net bank borrowings loans of the subsidiaries of the Company; (2) a year-on-year decrease in investment amounts received by the subsidiaries of the Company from the shareholders.

## 7.3 Analysis of financial conditions

### 7.3.1 Liquidity

As at 31 December 2021, the current ratio of the Group was 1.64 (31 December 2020: 1.62), and its quick ratio was 1.31 (31 December 2020: 1.29). Accounts receivable turnover rate was 5.93 times (31 December 2020: 5.57 times), representing an increase of 6.56% as compared with the corresponding period of 2020. Inventory turnover rate was 5.48 times (31 December 2020: 5.28 times), representing an increase of 3.85% as compared with the corresponding period of 2020.

### 7.3.2 Financial resources

As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB21,013,364,000 (31 December 2020: RMB17,765,133,000), of which approximately 99.37% and 0.63% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2021, the Group had bank borrowings of RMB9,210,851,000 (31 December 2020: RMB8,763,280,000), including short-term borrowings of RMB8,428,008,000 (31 December 2020: RMB8,265,730,000), current portion of non-current liabilities of RMB30,031,000 (31 December 2020: RMB0) and long-term borrowings of RMB752,812,000 (31 December 2020: RMB497,550,000).

### 7.3.3 Capital structure

As at 31 December 2021, the Group's current liabilities amounted to RMB32,253,851,000 (31 December 2020: RMB29,243,232,000), representing an increase of 10.30% as compared with the corresponding period of 2020, and its long-term liabilities was RMB2,537,270,000 (31 December 2020: RMB2,311,564,000), with an increase of 9.76% as compared with the corresponding period of 2020. The shareholders' equity attributable to the shareholders of the Company amounted to RMB29,062,184,000 (31 December 2020: RMB26,144,843,000), with an increase of 11.16% as compared with the corresponding period of 2020.

### 7.3.4 Capital expenditure

The Group expects the capital expenditure for 2022 to be approximately RMB2.218 billion (2021: RMB1.494 billion), which would be mainly applied in the construction of development bases, the construction of production bases and upgrade of equipment, etc. The Group will raise funds to meet the capital requirements of capital expenditure plan by resorting to its internal funds, bank loans, etc.

### 7.3.5 Assets and liabilities

Items	As at 31 December 2021 (RMB'000)	% of the total assets (%)	As at 31 December 2020 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2020 (%)	Reasons for changes
Financial assets held for trading	-	-	4,000	0.01	(100.00)	The ABS on trade receivables issued by GP Corp., a holding subsidiary of the Company in 2019 expired, resulting in a decrease in this item.

Items	As at 31	% of	As at	% of	Increase/ (decrease) over the	Reasons for changes
	December 2021 (RMB'000)	the total assets (%)	31 December 2020 (RMB'000)	the total assets (%)	corresponding period of 2020 (%)	
Accounts receivable financing	<b>3,171,866</b>	<b>4.80</b>	2,164,979	3.62	46.51	(1) The reclassification of accounts receivable of ABS of RMB573 million to this item arising from the change in management intention for certain accounts receivable due to the issuance of ABS by GP Corp., a holding subsidiary of the Company; (2) the increase in the balance of notes receivable of the subsidiaries of the Company.
Other receivables	<b>1,178,714</b>	<b>1.78</b>	765,711	1.28	53.94	(1) Increase in dividends receivable from joint ventures of the Company; (2) the year-on-year increase in the amount of business transactions of the subsidiaries of the Company.
Other non-current financial asset	<b>574,278</b>	<b>0.87</b>	263,528	0.44	117.92	(1) The additional external investments by the Company; and the increment of the financial assets held by the Company are measured at fair value and (2) recognition of contingent consideration in relation to performance commitment as financial assets at fair value through profit or loss for the current period between GP Corp., a holding subsidiary of the Company and its non-controlling shareholders Company.
Development expenditure	<b>10,567</b>	<b>0.02</b>	6,736	0.01	56.89	The increase in expenditures incurred by the Company at the development stage of intangible assets.



Items	As at 31 December 2021 (RMB'000)	% of the total assets (%)	As at 31 December 2020 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2020	Reasons for changes
					(%)	
Contract liabilities	2,740,338	4.14	1,249,256	2.09	119.36	(1) a year-on-year increase in balances of advance payments on sales during the Reporting Period since the peak sales period of WLJ Great Health, a wholly-owned subsidiary of the Company, falls on the Spring Festival holiday, and the receipt of certain payments for the sale of goods during the 2022 Spring Festival took place in December 2021 while the receipt of payments for the sale of goods during the 2021 Spring Festival mainly took place in January 2021 given the earlier 2022 Spring Festival as compared with the 2021 Spring Festival; (2) the increase in advance payments on sales of other subsidiaries of the Company.
Other current liabilities	346,060	0.52	155,980	0.26	121.86	The increase in the taxes to be written off in the advance payments to be received from customers within one year of the subsidiaries of the Company.
Long-term borrowings	752,812	1.14	497,550	0.83	51.30	The increase in bank loans of the subsidiaries of the Company.
Provisions	53,975	0.08	104,528	0.17	(48.36)	Pharmaceutical Import & Export (醫藥進出口公司) ceased to be consolidated as part of the Company at the end of the Reporting Period, resulting in a decrease in this item.

### *7.3.6 Exposure to fluctuations in exchange rates*

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

### *7.3.7 Main cash resources and applications*

As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB21,013,364,000 with an increase of RMB3,248,231,000 as compared with the beginning of 2021. Net cash flow from operating activities amounted to RMB5,673,497,000 with a year-on-year increase of RMB5,088,312,000.

### *7.3.8 Contingent liabilities*

As at 31 December 2021, the Group had no material contingent liabilities.

### *7.3.9 Charge on the Group's assets*

As at 31 December 2021, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, as secured by buildings of fixed assets with the original value amounting to HKD8,893,000 and net value of HKD6,044,000, and by investment properties with the original value amounting to HKD6,843,000 and net value of HKD4,623,000, had obtained the overdraft amounting to HKD300,000, and letter of credit and 90-day credit in the total amount of HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd.. Unexpired letter of credit of HKD13,000 and USD 697,000 in value had also been obtained.

### *7.3.10 Bank loans, overdraft and other borrowings*

As at 31 December 2021, the bank loans of the Group amounted to RMB9,210,851,000 (31 December 2020: RMB8,763,280,000), with an increase of RMB447,572,000 as compared with the beginning of 2021. The above bank loans included short-term borrowings of RMB8,428,008,000, long-term borrowings of RMB752,812,000 and current portion of non-current liabilities of RMB30,031,000.

### *7.3.11 Gearing ratio*

As at 31 December 2021, the Group's gearing ratio (total liabilities/total assets  $\times$  100%) was 52.62% (31 December 2020: 52.80%).

### *7.3.12 Material investment*

As at 31 December 2021, except for those disclosed in "(v) Assets and liabilities" of "(3) Analysis of financial conditions" of "5. Circumstances of the operation during the Reporting Period" in the section headed "III Management Discussion and Analysis" in the 2021 annual report, the Group did not have any other material additional investment.

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

Applicable     Not applicable

## 7.4 Discussion and analysis on future development

### 7.4.1 Competition within and the development trend of the industry

- (i) The Policy supports for the development of the biological medicine and health industry. The biological medicine and health industry as one of the strategic emerging industries in China has got strong policy support from the government in recent years. Industry regulators tend to systematize the guiding and normative policies; local governments introduce differentiated industrial development plans and industrial cluster plans based on industrial foundation, location characteristics and resources to provide support in terms of land, capital, platform and etc. for the development of the biological medicine and health industry.
- (ii) Pharmaceutical policies are frequently launched to facilitate the improvement of quality and reduction of costs of pharmaceutical enterprises. As China's medical reform has entered the "deep-water area" stage, a series of pharmaceutical policies have been introduced intensively to accelerate the adjustment of the pharmaceutical industry, clearly limit and supervise the use of complementary medicines, centralized volume-based procurement of drugs, exploration of disease-diagnosis-related groups (DRGs) payment reform and other policies, which have imposed new requirements for the quality of products of pharmaceutical enterprises.
- (iii) China has attached great importance to the development of traditional Chinese medicine, which has ushered in a turnaround. On one hand, the state has issued a series of policies at all level, actively supporting and promoting TCM heritage innovation and quality improvement. There is a positive development foundation of TCM in China since the development of TCM has been incorporated into the national strategy and the industry has been developing rapidly. The construction of a modernized scientific research system of TCM, the review and approval and registration mechanism of TCM are being gradually improved, while the construction of TCM characteristic talent teams and the brand building of TCM are also expected to gain accelerated development in all aspects. However, it is likely that Chinese patent medicines will be included in the scope of national centralized volume-based procurement. The pressure of cost control will force TCM enterprises to transform and upgrade. At the same time, the further standardization of the use of Chinese patent medicine in the future and the establishment of a mechanism monitoring key drugs will bring about considerable challenges to TCM manufacturing enterprises.
- (iv) As the capital market environment has gradually improved, the restructuring and integration of the pharmaceutical industry have accelerated. The merger and acquisition and reorganization which characterized by strategic resources complementary industrial integration, unification and strong alliance will gradually become the mainstream.

#### 7.4.2 Development strategy and annual work plan for year 2022

In 2022, the Group will firmly carry out the following work by closely focusing on the annual development theme, continuing to grasp the general principle of pursuing progress while ensuring stability, adhering to the promotion of high-quality development:

- (i) Continue to focus on the “Diva brands” to consolidate the foundation for the development of the Great Southern TCM.

(1) Further develop the terminal markets, strengthen the research and judgment of the market and the integrated management of internal resources, actively promote the innovation of marketing efforts, and create more “Diva brands” in different areas by classifications and strategies; (2) strengthen the support and cultivation of big product categories, promote the stimulation of the sleep category and accelerate the cultivation of a number of potential categories; (3) continue to accelerate the revitalization project of the Group’s time-honored brands to breathe new life into time-honored brands; (4) accelerate the construction of a new base for the advanced production of decoction-piece products, expand the production capacity of the base for TCM decoction-piece products and improve the production level of TCM decoction-piece products.

- (ii) Strengthen and optimize the businesses under the Great Health to promote the innovative development of the Great Health.

(1) Continue to tap into the potential of gift market, catering market and ready-to-drink market of Wang Lao Ji Herbal Tea in red cans and red bottles, and the family consumption market and travel and gathering consumption market of Wang Lao Ji Herbal Tea in green boxes, strengthen the cultivation of potential markets and further consolidate our leading position in the herbal tea market industry; (2) promote the market construction, channel construction and brand construction of the Ci Ning Ji(刺檸吉) series of products by focusing on the creation of model markets, strengthen the market expansion of potential products such as lozenges, tortoise herb jelly, coconut juice and Leilong, and accelerate the launch of new Lychee products to create new growth points; (3) make further efforts in the marketing of our brand and products, enhance the core value of the brand, innovate and upgrade the “Ji Culture”, and promote development with brand rejuvenation; (4) promote the coordinated development between online and offline businesses and boost online sales in response to the trend of online consumption through community e-commerce platforms.

(iii) Deepen and enliven the Great Commerce and accelerate service transformation.

(1) Continue to promote the spin-off listing of GP Corp. to enhance the Group's financing capability and optimize its capital structure; (2) seize the development opportunities of the Greater Bay Area and take advantages of geography to build a pharmaceutical import and export platform of the Guangdong-Hong Kong-Macao Greater Bay Area; (3) strengthen the business capacity of commercial distribution, further develop business in Guangdong, Hainan and other areas with advantageous networks, expand the market coverage of wholesale business, enhance the degree of intensification, continuously innovate the service model and improve the capacity of distribution service; (4) strengthen the distribution of retail flagship pharmacies in core urban business districts, and actively expand pharmacies in the proximities of hospitals and DTP pharmacies; (5) accelerate the transformation and upgrading of Cai Zhi Lin "TCM Medical Center" and enhance its market competitiveness.

(iv) Develop the businesses under the Great Medical Care in both size and professionalism to create its development advantage.

(1) Strengthen disciplinary construction in Guangzhou Baiyunshan Hospital, actively focus on advantageous disciplines and introduce discipline leaders, further improve the medical standard and enhance the soft power of the hospital; (2) continue to promote the steady operation of the single store of postnatal care centre and create the confinement club brand of "Baiyunshan Runkang"; (3) continue to expand the product lines in the field of medical equipment, focus on the distribution of characteristic products, and create a brand enterprise of health products.

(v) Continue to increase the investment in R&D, focus on innovation, and promote the further improvement of scientific research, technology and quality

(1) Formulate a high-quality R&D system planning, continue to increase the investment in R&D, and promote the construction of the different R&D platforms to build a high-level scientific research platform system; (2) improve the management system of scientific research projects, and entrust the subsidiaries with more autonomy in scientific research activities to motivate and promote the subsidiaries to increase investment in the R&D; (3) strengthen the cooperation with enterprises, universities and laboratories both domestic and abroad, select projects which have promising prospects and are urgently needed for clinical treatment and in line with our development direction, and explore various cooperation modes; (4) solidly promote the construction of production bases and strengthen project investment, safety, quality and progress management.

- (vi) Expand the reform pilots of professional manager in subsidiaries, accelerate the construction of talent echelon, and strengthen talent management.
- (vii) Actively promote the external investment and merger and acquisition for each business segment, improve capital operation capability and facilitate external development of the Group.
- (viii) Continue to strengthen basic management and risk control, build a highly efficient risk management system, and reinforce the Group's comprehensive capacities of risk warning, monitoring and prevention and control.

#### *7.4.3 Potential challenges and risks*

In 2022, high-quality development will still be the main theme of the industrial development. The introduction of the basic medicine system and list in 2022 will further promote the structural adjustment of use of clinical drugs, continue to normalize volume-based procurement, enhance innovation and environmental protection in industrial development, and accelerate the elimination of backward production capacity and technology to force enterprises to accelerate the pace of transformation. This will bring about challenges to the development of the traditional businesses of the Group.

The Group will pay close attention to the implementation and promotion of new policies and make strategic deployments in advance. For the corresponding measures, please refer to the information regarding the changes in industry policies and the corresponding impacts in “(4) Analysis of the pharmaceutical manufacturing industry operation information” under “5. Circumstances of the Operation during the Reporting Period” in the section headed “III Management Discussion and Analysis” in the 2021 annual report.

With the impact of the global pandemic, the external environment has become complex and uncertain. Uncertainties remain over the course of the global epidemic. As the global epidemic continues, it may still seriously challenge the social and economic recovery of the world and bring uncertainties to the production and operation of the Group. The Group will pay attention to the development of the epidemic continuously, evaluate and actively respond to its influence on the financial conditions and operation results of the Group.

## 8. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE 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 HKD177.5 million or the equivalent amount of RMB was 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 wholly-owned subsidiary, namely 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 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 capital of RMB100 million was injected to Chemical & Pharmaceutical Technology Company to establish Chemical & Pharmaceutical Zhuhai Company.	
	11th meeting of the seventh session of the Board	The total amount of the investment to the Zhuhai Project is RMB731, 879,100.	
	5th meeting of the Strategic Development and Investment Committee in 2019	The capital of RMB100 million was injected to Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company.	
	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 million from the Company for the use of the construction of the Zhuhai Project.	The capital increase of RMB100 million has been completed.

No.	Approval body	Subject matter	Status
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.(廣州奧諾達醫療器械技術股份有限公司) to build an operating platform for the medical equipment innovation incubator park, and Medical Instrument Investment Company intends to contribute capital in cash of RMB17 million, accounting for 34% of the equity interest.	Initial capital contribution has been completed.
4	18th meeting of the seventh session of the Board	The Company's subsidiary WLJ Great Health invested and commenced the construction of Nansha Base (Phase I) project with a total investment of RMB750 million.	Under construction.
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 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.
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 million.	The capital contribution has been completed.
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 total capital contribution has been completed.



No.	Approval body	Subject matter	Status
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.	Under construction
	6th meeting of the Strategic Development and Investment Committee in 2019	The capital of RMB40.41 million was injected to GYBYS Biological Medicine and Health R&D Sales Headquarters project.	
10	6th meeting of the Strategic Development and Investment Committee in 2019	The Company's wholly-owned subsidiary, namely Zhong Yi, carried out the 3rd GMP construction improvement project of modernization of TCM production.	The construction has officially started and is in progress
		The first phase of the project of Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Industrial Park was carried out by Cai Zhi Lin, a wholly-owned subsidiary of the Company.	The pre-construction preparatory work is in progress.
11	4th meeting of the Strategic Development and Investment Committee in 2020	The Company made a capital increase of RMB10 million to Chemical & Pharmaceutical Technology Company.	In progress
		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)	
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

No.	Approval body	Subject matter	Status
13	1th meeting of the Strategic Development and Investment Committee in 2021	<p>The estimate budget for the Phase-II project of WLJ Ya'an was adjusted to RMB67 million.</p> <p>The Company, Cai Zhi Lin, Zhong Yi and Guangzhou Hanfang proposed to establish a joint venture named Guangdong Hanchao TCM Technology Co., Ltd. (廣東漢朝中藥科技有限公司) 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 contributed RMB6 million, accounting for 20% of the equity interest. The comprehensive shareholding proportion of the Group in the joint venture is 75%.</p>	<p>In progress</p> <p>In progress</p>
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 phase two of the logistics project of the Baiyun base in the Biological Medicine Town of GPLL.	In progress
15	3th meeting of the Strategic Development and Investment Committee in 2021	<p>The joint venture of the Company, named HWBYS, planned to invest in and construct a Chinese patent medicine intelligent manufacturing and warehouse logistics platform with self-owned funds, of an estimate of RMB223.51million.</p> <p>Guangzhou City Land Development Center planned to purchase and store partial construction land of Chemical Pharmaceutical Factory, a subsidiary of the Company, to build Lingnan TCM Museum, of which the compensation would base on the valuation of asset evaluation.</p>	<p>In progress</p> <p>In progress</p>

No.	Approval body	Subject matter	Status
16	4th meeting of the Strategic Development and Investment Committee in 2021	WLJ Great Health, the wholly-owned subsidiary of the Company, established a new subsidiary in Conghua district of Guangzhou.	Registration completed
		WLJ Great Health, the wholly-owned subsidiary of the Company, established a new subsidiary in Maoming.	Registration completed
17	5th meeting of the Strategic Development and Investment Committee in 2021	WLJ Great Health, the wholly-owned subsidiary of the Company, established a new subsidiary in Hengqin district of Zhuhai.	Registration completed
18	6th meeting of the Strategic Development and Investment Committee in 2021	The registered capital of RMB15 million was injected to Medical Instrument Investment Company, the Company's wholly-owned subsidiary. The registered capital of RMB15 million was injected to a subsidiary of the Company, namely Baiyunshan Yihu Company. The registered capital of RMB18 million was injected to Baiyunshan Jianhu Company which is a subsidiary of the Company.	The capital increase has been completed
19	7th meeting of the Strategic Development and Investment Committee in 2021	The Company's controlled subsidiary, namely Wang Lao Ji purchased 100% equity of Guangdong Dahua Pharmaceutical Company Limited with RMB13.9 million.	The change of industrial and commercial registration has been completed
		The Company made a capital increase of RMB10 million to Zhuhai Hengqin Pharmaceutical Industrial Park Company.	The capital increase has been completed

Except for those disclosed in “(v) Assets and liabilities” of “(3) Analysis of financial conditions” of “5. Circumstances of the Operation during the Reporting Period” in the section headed “III Management Discussion and Analysis” in the 2021 annual report, the Group did not engage in any material acquisitions or disposal of assets and equity interests.

The above transactions do not constitute transactions of the Company that require the publication of an announcement and/or approval of the shareholders under Chapter 14 or Chapter 14A of the Listing Rules of the HKSE.

## 9 EMPLOYEES OF THE GROUP

### 9.1 Situation of the employees

Numbers of the employees of the parent Company	2,110
Numbers of the employees of the major subsidiaries	23,327
Total number of employees	25,437
Retired employees of the Company and major subsidiaries whose expenses were assumed by the Company and major subsidiaries	10,522
Gross payroll of the Group	RMB3.714billion

#### Composition

Category constitution	a number of constitute staff
Production staff	4,602
Sales personnel	12,444
Technical staff	3,170
Finance staff	669
Administrative staff	4,552
Total	25,437

#### Educational Level

	Number
Postgraduate	622
Undergraduate	8,105
University college	7,542
Secondary and below	9,168
Total	25,437

### 9.2 Remuneration policy

The remuneration of the employees of the Group includes salaries, subsidies, bonuses, enterprise annuities and other fringe benefits such as five social insurances and one housing fund, and supplementary medical insurance. The Group, in accordance with the relevant laws and regulations, paid different rates of remuneration to different employees, depending on their performance, qualification, position and other factors. Meanwhile, the Group provides professional and management channels for the career development of employees, as a breakthrough to the predicament in talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employees with care such as staff shuttles, apartments for talents, and various interest groups.

### **9.3 Training plan**

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

## **10 OTHER MATTERS**

### **10.1 Corporate governance**

During the Reporting Period, the Company complied with the code provisions under the Corporate Governance Code and Corporate Governance Report (effective to 31 December 2021) ("CG Code") as set out in Appendix 14 to the Listing Rules of HKEX, except the section headed "IV Corporate Governance" in the 2021 annual report, which constituted deviation from code provision A.6.7 of the CG Code.

### **10.2 The Audit Committee**

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

The Audit Committee of the eighth session of the Board was established on 29 June 2020 and comprises Mr. Wong Hin Wing (chairperson of the Audit Committee), Ms. Wang Weihong, Mr. Chen Yajin and Mr. Huang Min. All four of them are independent non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 29 June 2020 up to the date on which members of the new session of the Board were elected.

During the Reporting Period, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, code of practice of the Audit Committee of the Board, the Corporate Governance Code and other relevant regulations. In 2021, the Audit Committee held 7 meetings and each of the members of the committee attended all the meetings, in which the members reviewed the 2020 Annual Report, 2021 Interim Report and financial reports of the Group as well as the recommendations on management issued by auditors and the respective response by the Company's management; reviewed the accounting policies adopted by the Group and the relevant issues regarding accounting practice and connected transactions; reviewed the Company's internal audit risk control report for 2020 and audit

risk control work plan for 2021; advised the Company on major events of the Company or reminded the management of relevant risks and reviewed the effectiveness of internal audit risk management and internal review function; advised the Board regarding the change of auditing firm.

Major tasks accomplished by the Audit Committee in 2021 included:

1) Work regarding the change of accounting firm

During the Reporting Period, the Company engaged BDO China SHU LUN PAN Certified Public Accountants LLP as the auditor for annual financial report and internal control of the Company for the year 2021. After reviewing, the Audit Committee considered that BDO China SHU LUN PAN Certified Public Accountants LLP is qualified in securities and futures-related business, has the capability to satisfy the demand for the Company's annual financial report audit in 2021 and internal control audit in 2021 and has the professional qualifications and competence to provide audit services for listed companies.

2) Supervision and evaluation of the work of external auditors

The members of the Audit Committee communicated with the Company's auditor for the 2020 annual financial statements, WUYIGE Certified Public Accountants LLP, regarding among other matters, the scope and plan of the audit and seriously urged the auditor to conduct the audit with due diligence. The Audit Committee believes that the auditor has carried out the audit work for the Company in the year of 2020 with cautious, independent and objective standards, and managed to abide to their professional ethics, followed the auditing regulations closely, fulfilled their auditing responsibilities and submitted the auditors' report in time.

3) Supervision and evaluation of the internal audit work

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

4) Supervision and evaluation of the effectiveness of internal control

Pursuant to the Company Law and Internal Control Handbook as well as relevant supporting guidelines and requirements as stipulated by the CSRC and the SSE, the Company formulated the better corporate governance structures and governance systems. The Audit Committee earnestly reviewed the Company's Internal Control Evaluation Report and the Internal Control Audit Report issued by WUYIGE Certified Public Accountants LLP, reviewed and verified the Company's financial monitor, internal monitor, internal audit and risk management systems and implementation and effectiveness.

5) The audit on the related party/connected transactions

During the Reporting Period, the Audit Committee will conduct audit on the related party/connected transactions, and did not discover any related party transaction which were detrimental to the interest of the Company and its shareholders.

Work relating to on the annual audit for 2021 and the preparation of the annual report is as follows:

In accordance with “the Notice on preparation of the 2021 Annual Report in an orderly manner by Listed Companies” issued by the SSE on 18 January 2022, all members of the Audit Committee studied the relevant requirements as set out in the Notice seriously. The Audit Committee actively coordinated with the Company in respect of the audit for 2021 and the preparation of the annual report for 2021 in accordance with code of practice of the Audit Committee of the Borad and the Rules on the Annual Report of the Audit Committee, including:

- 1) The Committee negotiated with the auditors of the Company and the Company’s Finance Department regarding the time line for audit and the relevant arrangements and set out the “Action plan for the Preparation of 2021 Annual Report” and reviewed the audit plan submitted by the auditors.
- 2) On 9 March 2022, the Audit Committee reviewed the draft of the financial reports prepared by the Company and issued written recommendations thereon.
- 3) After the auditors’ completion of the preliminary auditing work, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed that the 2021 financial reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.
- 4) On 18 March 2022, the Audit Committee convened the first meeting in 2022 and considered and passed the 2021 Annual Report and its summary and the Company’s 2021 Financial Report. At the same time, the Audit Committee finalized its evaluation of the audit work of the auditors and believed that the auditors had carried out the audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, adhering to the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors’ report on time, as well as issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

## 11. FINANCIAL REPORTS

### 11.1 Financial statements prepared in accordance with the China Accounting Standards for Business Enterprises

(All amounts in Renminbi yuan unless otherwise stated)

#### Consolidated Balance Sheet

Item	Note	31 December 2021 (Audited)	31 December 2020 (Audited)
<b>Current assets:</b>			
Cash at bank and on hand		22,376,927,861.43	19,470,276,224.53
Financial assets held for trading		–	4,000,000.00
Derivative financial assets		–	–
Notes receivable		1,222,097,099.65	1,134,815,993.39
Accounts receivable	11.1.3	12,816,537,107.40	12,389,655,576.61
Accounts receivable financing		3,171,865,961.20	2,164,978,925.29
Advances to suppliers		779,239,826.44	1,032,533,165.54
Other receivables		1,178,714,393.77	765,711,481.37
Including: Interest receivable		–	4,477,916.67
Dividends receivable		343,766,959.00	37,938,523.45
Inventories		10,437,733,799.99	9,764,531,363.80
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets		827,458,411.57	670,115,291.06
<b>Total current assets</b>		<b>52,810,574,461.45</b>	<b>47,396,618,021.59</b>



<b>Item</b>	<i>Note</i>	<b>31 December 2021</b> <i>(Audited)</i>	31 December 2020 <i>(Audited)</i>
<b>Non-current assets:</b>			
Debt investment		<b>630,712,084.75</b>	505,069,444.73
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment		<b>1,562,878,567.36</b>	1,865,866,171.60
Other equity instrument investment		<b>123,422,079.79</b>	116,367,414.84
Other non-current financial assets		<b>574,277,570.93</b>	263,528,067.86
Investment properties		<b>213,975,748.27</b>	213,001,989.80
Fixed assets		<b>3,347,591,974.10</b>	2,912,513,169.84
Construction in progress		<b>1,564,091,121.32</b>	1,276,251,488.95
Bearer biological assets		<b>2,804,475.00</b>	3,153,885.00
Oil and gas assets		–	–
Right-of-use assets		<b>769,839,539.91</b>	909,338,251.24
Intangible assets		<b>2,582,390,492.30</b>	2,443,588,248.17
Development expenditure		<b>10,567,467.71</b>	6,735,587.41
Goodwill		<b>829,473,066.90</b>	825,573,066.90
Long-term prepaid expenses		<b>132,477,737.46</b>	111,306,370.33
Deferred tax assets		<b>794,232,420.03</b>	751,722,372.84
Other non-current assets		<b>168,480,956.67</b>	159,429,328.02
<b>Total non-current assets</b>		<b>13,307,215,302.50</b>	12,363,444,857.53
<b>TOTAL ASSETS</b>		<b>66,117,789,763.95</b>	59,760,062,879.12

<b>Item</b>	<i>Note</i>	<b>31 December 2021</b> <i>(Audited)</i>	31 December 2020 <i>(Audited)</i>
<b>Current liabilities:</b>			
Short-term borrowings		<b>8,428,008,311.52</b>	8,265,729,653.03
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		<b>3,445,815,661.30</b>	3,284,549,237.79
Accounts payable	<i>11.1.4</i>	<b>11,287,152,869.54</b>	10,874,808,379.60
Advances from customers		–	–
Contract liabilities		<b>2,740,338,069.29</b>	1,249,255,585.45
Employee benefits payable		<b>949,975,749.08</b>	846,778,208.52
Taxes payable		<b>233,496,725.47</b>	316,109,068.00
Other payables		<b>4,577,200,581.59</b>	4,013,915,065.13
Including: Interest payable		<b>460,278.35</b>	17,844,845.53
Dividends payable		<b>55,789,451.94</b>	57,512,041.85
Liabilities held for sales		–	–
Current portion of non-current liabilities		<b>245,802,906.86</b>	236,106,690.45
Other current liabilities		<b>346,060,329.07</b>	155,979,889.85
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>32,253,851,203.72</b>	29,243,231,777.82

Item	Note	31 December 2021 (Audited)	31 December 2020 (Audited)
<b>Non-current liabilities :</b>			
Long-term borrowings		752,812,083.34	497,550,000.00
Bonds payable		–	–
Lease liabilities		497,697,835.96	561,824,454.28
Long-term payables		20,464,502.00	22,846,772.00
Long-term employee benefits payable		304,247.44	302,723.26
Provisions		53,974,538.25	104,528,196.76
Deferred income		826,859,462.22	784,074,821.24
Deferred tax liabilities		331,727,982.44	286,359,056.86
Other non-current liabilities		53,429,349.59	54,078,462.71
<b>Total non-current liabilities</b>		<b>2,537,270,001.24</b>	<b>2,311,564,487.11</b>
<b>Total liabilities</b>		<b>34,791,121,204.96</b>	<b>31,554,796,264.93</b>
<b>Shareholders' equity:</b>			
Share capital		1,625,790,949.00	1,625,790,949.00
Capital surplus		9,956,953,383.38	9,885,011,185.13
Less: Treasury shares		–	–
Other comprehensive income		(17,476,356.88)	(17,673,498.70)
Surplus reserve		1,908,713,749.53	1,720,302,768.39
Undistributed profits		15,588,202,733.48	12,931,411,564.72
Total equity attributable to shareholders of the parent company		<b>29,062,184,458.51</b>	<b>26,144,842,968.54</b>
Minority interest		<b>2,264,484,100.48</b>	<b>2,060,423,645.65</b>
<b>Total shareholders' equity</b>		<b>31,326,668,558.99</b>	<b>28,205,266,614.19</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>66,117,789,763.95</b>	<b>59,760,062,879.12</b>

## Consolidated Income Statement

Item	Notes	For the twelve months ended 31 December 2021 (Audited)	For the twelve months ended 31 December 2020 (Audited)
<b>1. Operating income</b>	11.1.5	<b>69,014,052,347.03</b>	61,673,702,450.01
Less: Operating costs	11.1.5	<b>55,780,767,281.43</b>	51,233,326,115.24
Taxes and surcharges		<b>297,832,860.98</b>	257,593,330.50
Selling and distribution expenses		<b>5,954,789,157.10</b>	4,575,995,568.24
General and administrative expenses		<b>2,032,281,499.65</b>	1,844,423,667.84
R&D expenses		<b>874,719,981.67</b>	611,934,929.42
Financial expenses		<b>(133,010,089.99)</b>	5,151,929.67
Including: Interest expenses		<b>417,830,623.16</b>	363,343,678.98
Interest income		<b>563,866,705.19</b>	373,868,381.65
Add: Other income		<b>309,880,132.62</b>	327,985,438.11
Investment income		<b>193,587,591.55</b>	344,170,979.46
Including: Income from investments in associates and joint ventures		<b>122,949,900.42</b>	355,657,716.27
Gains from changes in fair value		<b>196,881,039.74</b>	(8,469,244.97)
Impairment losses in respect of credit		<b>(109,813,405.46)</b>	(115,551,971.54)
Impairment losses in respect of assets		<b>(11,859,521.84)</b>	(23,949,972.06)
Gains on disposal of assets		<b>694,506.95</b>	2,954,109.08
<b>2. Operating profit</b>		<b>4,786,041,999.75</b>	3,672,416,247.18
Add: Non-operating income		<b>45,307,440.45</b>	157,615,896.44
Less: Non-operating expenses		<b>108,278,496.71</b>	90,950,431.33
<b>3. Total profit</b>		<b>4,723,070,943.49</b>	3,739,081,712.29
Less: Income tax expenses	11.1.6	<b>754,085,224.52</b>	647,453,872.83
<b>4. Net profit</b>		<b>3,968,985,718.97</b>	3,091,627,839.46
(1) Classified by the continuity of operations			
A. Net profit from continuing operations		<b>3,968,985,718.97</b>	3,091,627,839.46
B. Net profit from discontinued operations		—	—
(2) Classified by ownership of the equity			
A. Net profit attributable to the parent company's shareholders		<b>3,719,877,680.46</b>	2,915,244,576.05
B. Minority interest		<b>249,108,038.51</b>	176,383,263.41

Item	<i>Notes</i>	For the twelve months ended 31 December 2021 <i>(Audited)</i>	For the twelve months ended 31 December 2020 <i>(Audited)</i>
<b>5. Other comprehensive income, net of tax</b>		<b>127,599.28</b>	<b>(18,800,542.58)</b>
Other comprehensive income, net of tax attributable to the parent company's shareholders		<b>197,141.82</b>	<b>(17,534,538.14)</b>
(1) Other comprehensive income that will not be reclassified to profit or loss		<b>5,997,492.35</b>	<b>(2,453,740.55)</b>
A. Changes arising from the remeasurement of defined benefit obligation		–	–
B. Other comprehensive income that will not be reclassified to profit or loss under equity method		–	–
C. Change in fair value of other equity instrument investment		<b>5,997,492.35</b>	<b>(2,453,740.55)</b>
D. Change in fair value of the company's own credit risk		–	–
E. Others		–	–
(2) Other comprehensive income that may be reclassified into profit or loss		<b>(5,800,350.53)</b>	<b>(15,080,797.59)</b>
A. Other comprehensive income that may be reclassified to profit or loss under equity method		–	–
B. Change in fair value of other debt investment		<b>(3,320,886.12)</b>	<b>(5,064,017.77)</b>
C. The amount of financial assets reclassified into other comprehensive income		–	–
D. Provision for credit loss of other debt investment		<b>3,135,329.66</b>	–
E. Cash flow hedge reserve		–	–
F. Difference arising from the translation of foreign currency financial statements		<b>(5,614,794.07)</b>	<b>(10,016,779.82)</b>
G. Others		–	–
Other comprehensive income, net of tax attributable to minority shareholders		<b>(69,542.54)</b>	<b>(1,266,004.44)</b>

<b>Item</b>	<i>Notes</i>	<b>For the twelve months ended 31 December 2021 (Audited)</b>	For the twelve months ended 31 December 2020 (Audited)
<b>6. Total comprehensive income</b>		<b><u>3,969,113,318.25</u></b>	<u>3,072,827,296.88</u>
(1) Total comprehensive income attributable to shareholders of the parent company		<b>3,720,074,822.28</b>	2,897,710,037.91
(2) Total comprehensive income attributable to minority shareholders		<b>249,038,495.97</b>	175,117,258.97
<b>7. Earnings per share (EPS) :</b>			
(1) Basic earnings per share	<i>10.1.7</i>	<b>2.288</b>	1.793
(2) Diluted earnings per share	<i>10.1.7</i>	<b>2.288</b>	1.793

### *11.1.1 Basis of preparation of financial statements*

#### (1) Basis of preparation

The financial statements are prepared, on a going concern basis, to recognize and measure the transactions and events, which have occurred, in accordance with the Accounting Standards for Business Enterprises–Basic Standard (Release of No.33 Order of the Ministry of Finance and Amendment to No.76 Order of the Ministry of Finance), 42 specific accounting standards, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance on and subsequent to 15 February 2006 (hereinafter collectively referred to as “ASBE”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15–General provisions on Financial Reporting (Revised in 2014) issued by the China Securities Regulatory Commission.

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

#### (2) Going concern

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

### *11.1.2 Information of Segments*

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”. According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of “Great Medical Care” is lower than 10%, this segment is temporarily listed in “Others” column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

Assets and liabilities are allocated based on the segment operations expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.



(1) The segment information for the 12 months ended 31 December 2021 and as of 31 December 2021 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	10,901,857,681.06	10,872,240,147.41	46,894,716,372.23	345,238,146.33	-	69,014,052,347.03
Inter-segment revenue	239,227,654.56	42,084,160.15	5,719,299,398.22	320,014,949.58	(6,320,626,162.51)	-
Interest income	(168,425,940.39)	(200,391,713.87)	(40,807,491.92)	(154,241,559.01)	-	(563,866,705.19)
Interest expenses	20,597,295.32	2,436,411.36	389,496,044.20	17,228,814.30	(11,927,942.02)	417,830,623.16
Income from investments in associates and joint ventures	(71,640,416.22)	-	1,158,094.66	193,537,750.33	(105,528.35)	122,949,900.43
Impairment losses in respect of credit	1,746,551.65	1,587.11	(111,912,146.86)	2,526,908.82	(2,176,306.18)	(109,813,405.46)
Impairment losses in respect of assets	(923,450.54)	-	(5,747,316.41)	(2,401,993.98)	(2,786,760.91)	(11,859,521.84)
Depreciation and amortization expenses	269,907,481.69	53,301,997.42	373,750,038.37	39,878,197.55	(16,680,414.31)	720,157,300.72
Total profit	1,878,439,092.87	1,596,043,179.71	712,955,946.83	1,129,436,654.04	(593,803,929.96)	4,723,070,943.49
Total assets	15,723,325,882.46	12,209,356,586.16	31,563,923,715.09	24,083,433,399.71	(17,462,249,819.47)	66,117,789,763.95
Total liabilities	8,331,500,185.25	4,951,146,984.29	25,151,498,689.67	4,327,567,944.03	(7,970,592,598.28)	34,791,121,204.96
Long-term equity investment in associates and joint ventures	212,586,071.58	-	70,849,220.73	1,279,443,275.05	-	1,562,878,567.36
Increase in other non-current assets excluding long-term equity investment	677,986,857.66	158,645,854.55	665,961,953.37	152,988,207.85	-	1,655,582,873.43

(2) The segment information for the 12 months ended 31 December 2020 and as of 31 December 2020 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	10,289,678,725.73	7,894,336,646.72	43,274,548,762.80	215,138,314.76	-	61,673,702,450.01
Inter-segment revenue	3,232,719,472.39	65,829,757.65	6,268,150,964.62	283,356,864.04	(9,850,057,058.70)	-
Interest income	(119,249,231.36)	(151,376,786.92)	(36,260,204.25)	(66,993,094.22)	10,935.10	(373,868,381.65)
Interest expenses	24,557,968.01	2,590,903.79	379,405,018.99	16,732,070.65	(61,447,765.62)	361,838,195.82
Income from investments in associates and joint ventures	(17,509,181.09)	-	3,485,484.58	369,886,615.80	(205,203.02)	355,657,716.27
Impairment losses in respect of credit	(2,213,655.28)	(70,178.99)	(105,962,387.83)	(7,698,429.54)	392,680.10	(115,551,971.54)
Impairment losses in respect of assets	(4,514,878.50)	-	(14,912,936.17)	(112,748.24)	(4,409,409.15)	(23,949,972.06)
Depreciation and amortization expenses	270,361,913.46	46,226,299.62	349,192,966.05	35,846,672.97	(22,362,513.84)	679,265,338.26
Total profit	1,219,157,068.25	1,518,897,087.61	542,492,124.83	1,427,320,712.38	(968,785,280.78)	3,739,081,712.29
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

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:

	<b>January to December of 2021</b>	January to December of 2020
<b>External revenue</b>		
PRC	<b>68,971,228,046.73</b>	61,633,679,922.50
Other countries/regions	<b>42,824,300.30</b>	40,022,527.51
	<b><u>69,014,052,347.03</u></b>	<b><u>61,673,702,450.01</u></b>
 <b>Total non-current assets</b>	 <b>31 December 2021</b>	 31 December 2020
PRC	<b>11,171,339,196.89</b>	11,217,481,695.33
Other countries/regions	<b>13,231,950.11</b>	14,345,306.66
	<b><u>11,184,571,147.00</u></b>	<b><u>11,231,827,001.99</u></b>

### 11.1.3 Accounts receivable

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

	<b>31 December 2021</b>	31 December 2020
Within 1 year	<b>12,495,057,859.86</b>	12,061,337,011.07
1 to 2 years	<b>506,794,473.92</b>	393,436,764.62
2 to 3 years	<b>79,224,897.37</b>	60,706,620.53
3 to 4 years	<b>40,944,191.41</b>	148,699,324.24
4 to 5 years	<b>144,582,632.69</b>	7,790,540.34
Over 5 years	<b>70,053,170.53</b>	184,115,980.53
	<hr/>	<hr/>
Less: Provision for bad debts	<b>520,120,118.38</b>	466,430,664.72
	<hr/>	<hr/>
	<b>12,816,537,107.40</b>	12,389,655,576.61
	<hr/> <hr/>	<hr/> <hr/>

### 11.1.4 Accounts payable

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

	<b>31 December 2021</b>	31 December 2020
Within 1 year	<b>11,003,981,552.80</b>	10,483,901,955.40
Over 1 year	<b>283,171,316.74</b>	390,906,424.20
	<hr/>	<hr/>
	<b>11,287,152,869.54</b>	10,874,808,379.60
	<hr/> <hr/>	<hr/> <hr/>

11.1.5 Operating income and Operating costs

	<b>For the twelve months ended 31 December 2021</b>		
	<b>Main businesses</b>	<b>Other businesses</b>	<b>Subtotal</b>
Operating income	<b>68,757,954,215.27</b>	<b>256,098,131.76</b>	<b>69,014,052,347.03</b>
Operating costs	<b>55,721,967,199.49</b>	<b>58,800,081.94</b>	<b>55,780,767,281.43</b>
Gross profit	<b>13,035,987,015.78</b>	<b>197,298,049.82</b>	<b>13,233,285,065.60</b>

	<b>For the twelve months ended 31 December 2020</b>		
	<b>Main businesses</b>	<b>Other businesses</b>	<b>Subtotal</b>
Operating income	61,450,355,469.37	223,346,980.64	61,673,702,450.01
Operating costs	51,176,775,675.08	56,550,440.16	51,233,326,115.24
Gross profit	10,273,579,794.29	166,796,540.48	10,440,376,334.77

11.1.6 Income tax expenses

	<b>For the twelve months ended 30 December 2021</b>	For the twelve months ended 30 December 2020
Current income tax expenses	<b>752,183,488.69</b>	784,384,090.73
Deferred income tax expenses	<b>1,901,735.83</b>	(136,930,217.90)
	<b>754,085,224.52</b>	647,453,872.83

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

	<b>For the twelve months ended 31 December 2021</b>
Total profit	<u><b>4,723,070,943.49</b></u>
Income tax expenses calculated at statutory applicable rates	<u><b>708,460,641.52</b></u>
Tax effect of different rates applicable to subsidiaries in the scope of consolidation	<b>63,658,329.34</b>
Effect of income tax adjustment for prior period	<b>23,229,120.88</b>
Non-taxable and tax relief income	<b>(17,898,915.72)</b>
Non-deductible costs, expenses and losses	<b>35,156,192.91</b>
Effect of using deductible losses of deferred tax assets unrecognized in prior period	<b>(3,256,115.19)</b>
Effect of deductible temporary differences and deductible losses which are not recognized in current period	<b>42,640,866.41</b>
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the period	<b>(20,639,937.94)</b>
Tax effect of R&D expenditure deduction	<b>(77,010,894.26)</b>
Changes in the opening balance of deferred tax assets/liabilities as a result of adjustment of tax rate	<u><b>(254,063.43)</b></u>
Income tax expenses	<u><u><b>754,085,224.52</b></u></u>

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New enterprises can enjoy preferential corporate income tax policies and pay corporate income tax at a reduced rate of 15%.

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. 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. GR202144001816), Ming Xing (No. GR202044000339), Guangxi Ying Kang (No. GR202145001254), WLJ Great Health (No. GR201944000953), Guangyao General Institute (No. GR202144002939).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd. and Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2021.

According to “Hong Kong Inland Revenue Ordinance”, Guangyao Baiyunshan (Hong Kong) Co., Ltd., a subsidiary of the Group registered in Hong Kong, is subject to corporate profits tax at a rate of 16.5%.

According to Macau Inland Revenue Ordinance, Guangzhou Baiyunshan Macau Co., Ltd, a subsidiary of the Group registered in Macau, is subject to corporate profits tax at a rate of 3%-12%

Guangzhou Pharmaceutical Information Technology Co., Ltd. as a qualified software enterprise, this company shall be exempted from enterprise income tax from the first year to the second year, from the third year to the fifth year, the company halves the enterprise income tax at the legal tax rate of 25%. This year is the fourth year, and the enterprise income tax is halved.

In accordance with “PRC Enterprise Income Tax Law” and “Implementation Rules of PRC Enterprise Income Tax Law”, domestic enterprises of the Group, except for the companies listed above, are subject to enterprise income tax at a rate of 25%.

#### 11.1.7 Earnings per share (EPS)

##### (a) Basic EPS

##### (i) Weighted average basic EPS

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

	<b>For the twelve months ended 31 December 2021</b>	For the twelve months ended 30 December 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>3,719,877,680.46</b>	2,915,244,576.05
The number of weighted average outstanding ordinary shares at the period end	<b>1,625,790,949</b>	1,625,790,949
Weighted average basic EPS	<b>2.288</b>	1.793

(ii) EPS based on the number of shares

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

	<b>For the twelve months ended 31 December 2021</b>	For the twelve months ended 31 December 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>3,719,877,680.46</b>	2,915,244,576.05
The number of outstanding ordinary shares as at the period end	<b>1,625,790,949</b>	1,625,790,949
EPS based on the number of shares as at the period end	<b><u>2.288</u></b>	<u>1.793</u>

(b) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the period from January to December of year 2021, the Company had no dilutive potential ordinary share (for January to December of year 2020: nil). The diluted EPS is equal to basic EPS.

*11.1.8 Dividends*

According to the resolution of the 2020 annual general meeting held on 3 June 2021, the Company shall pay cash dividends to all shareholders at RMB0.538 per share (tax included), which is RMB874,676 thousand in total, based on the 1,625,790,949 outstanding shares at the year end of 2020.



## 11.2 Implementation of the new revised significant accounting policies

### ***(1) Implementation of Accounting Standards for Business Enterprises No. 14***

The Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 14 Cai Kuai (2021) No.1 ((hereinafter referred to as the “Interpretation No.14”) on 2 February 2021, which was implemented since the issuance date. Operations from 1 January 2021 to the issuance date are adjusted by the Interpretation.

#### ① Contracts of PPP projects for cooperation between government and social capital

Interpretation No.14 applies to PPP project contracts with the “dual characteristics” and “dual control”. Relevant PPP project contracts implemented before 31 December 2020 and shall be retroactively adjusted. If the retroactive adjustment cannot be made, from the beginning of the earliest period of the adjustment, the cumulative impact adjusted retained earnings at the beginning of the year and other items of financial statements. The information in the comparable period was not adjusted.

There was no significant impact from this implementation.

### ***(2) Implementation of the Notice of Accounting for Covid-19-related Rent Concessions***

The Ministry of Finance issued the Notice of Accounting for Covid-19-related Rent Concessions Cai Kuai (2020) No.10 on 19 June 2020. Enterprises may use practical expedient for the accounting of covid-19-related rent concessions.

The Ministry of Finance issued the Notice of Accounting for Covid-19-related Rent Concessions Cai Kuai (2021) No.9 on 26 May 2021, which was implemented since the issuance date. The scope of application of the practical expedient is adjusted from “Concessions only for lease payments before 30 June 2021” to” Concessions only for lease payments before 30 June 2022”, and other applicable conditions remain unchanged.

There was no significant impact from this implementation.

### ***(3) Implementation of the statements of centralized management of funds in Interpretation of Accounting Standards for Business Enterprises No. 15***

The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 15 Cai Kuai (2021) No.35 on 30 December 2021 ((hereinafter referred to as the “Interpretation No.15”). The statements of centralized management of funds were implemented on the issuance date, and the financial statements in the comparable periods were adjusted accordingly.

Interpretation No.15 clearly stipulates how the balance should be reported and disclosed in the centralized management of funds to the parent company and member companies through internal settlement center and financial companies. The implementation has no significant impact on the Company's financial situation and operating results.

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

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

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

*11.5.1 Change in the Scope of Consolidation*

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

Acquiree	Time of acquiring equity	Cost of acquiring equity	Ratio of acquiring equity (%)	Mode of acquiring equity	Acquisition date	Determination basis of acquisition date	Income of acquiree from acquisition date to the end of period	Net profit of acquiree from acquisition date to the end of period
San Gong Zai Pharmaceutical	31 December 2021	13,900,000.00	100.00	Purchase	31 December 2021	Obtain the decision-making right of production and operation	-	-

2. Cost of consolidation and goodwill

	<b>San Gong Zai Pharmaceutical</b>
Cost of consolidation	
– Cash	<b>13,900,000.00</b>
Total cost of consolidation	<b>13,900,000.00</b>
Less: proportion of fair value of obtained identifiable net assets	<b>10,000,000.00</b>
Goodwill/	<b>3,900,000.00</b>

3. Identifiable assets and liabilities of acquiree on acquisition date

	<b>San Gong Zai Pharmaceutical</b>	
	<b>Fair value on acquisition date</b>	<b>Book value on acquisition date</b>
Assets:		
Cash at bank and on hand	<b>11,166,797.40</b>	11,166,797.40
Accounts receivable	<b>10,605,986.43</b>	10,605,986.43
Liabilities:	<b>560,810.97</b>	560,810.97
Accounts payable	<b>1,166,797.40</b>	1,166,797.40
Deferred tax liabilities	<b>1,166,498.11</b>	1,166,498.11
Net assets	<b>299.29</b>	299.29
Less: minority interests	-	-
Net assets obtained	<b><u>10,000,000.00</u></b>	<b><u>10,000,000.00</u></b>

*11.5.2 The reasons for the addition of 7 companies and the decrease of 1 company in scope of consolidation comparing to the prior year are as follows:*

- (1) Guangzhou Baiyunshan Hospital, an indirect holding 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 holding 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, the wholly-owned subsidiary of the Company and Guangzhou Han Fang, a holding subsidiary of the Company, 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.

- (4) Wang Lao Ji Great Health, a wholly-owned subsidiary of the Company, established Wang Lao Ji Great Health (Maoming) Lychee Industry Development Co., Ltd. in August 2021, capital contribution of Wang Lao Ji Great Health accounts for 100% of registered capital amounted to RMB50 million.
- (5) Wang Lao Ji Great Health, a wholly-owned subsidiary of the Company, established Guangzhou Wang Lao Ji Great Health Lychee Industry Development Co., Ltd. in August 2021, capital contribution of Wang Lao Ji Great Health accounts for 100% of registered capital amounted to RMB50 million.
- (6) Wang Lao Ji Great Health, a wholly-owned subsidiary of the Company, established Guangzhou Wang Lao Ji Great Health (Zhuhai Hengqin) Co., Ltd. in September 2021, capital contribution of Wang Lao Ji Great Health accounts for 100% of registered capital amounted to RMB10 million.
- (7) Zhong Yi, a wholly-owned subsidiary of the Company, established Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd. in October 2021, capital contribution of Zhong Yi accounts for 100% of registered capital amounted to RMB5 million.
- (8) Pharmaceutical Import & Export, a wholly-owned subsidiary of the Company, its 100% equity was transferred in 23 December 2021.

**11.6 There is no explanation from the Board or the Supervisory Committee on audit reports with modified opinion issued by the auditors for the current reporting period.**

**The Board of  
Guangzhou Baiyunshan Pharmaceutical Holding Company Limited**

Guangzhou, the PRC, 18 March 2022

*As at the date of this summary, the Board comprises Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai and Mr. Li Hong as executive Directors, and Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin and Mr. Huang Min as independent nonexecutive Directors.*