



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(Stock code: 0874)



ANNUAL REPORT 2021

IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report and confirm that there are no false information, misleading statements or material omissions in this annual report.
- II. 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.
- III. The financial reports of the Group and the Company for the year ended 31 December 2021 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.
- IV. Mr. Li Chuyuan (chairperson of the Board), Ms. Liu Fei (deputy financial officer) and Ms. Wu Chuling (deputy director of the Financial Department) declared that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this annual report.
- V. 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. 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 for approval.

- VI. Forward-looking statements such as plans for the future and development strategy contained in this annual report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- VII. There was no non-operational appropriation of the funds of the Company by its controlling shareholders and connected parties.
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company.
- IX. The Company does not have more than half of the Directors who cannot guarantee the authenticity, accuracy and completeness of this annual report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there are no significant risks that have substantive and significant effect on the production and operation of the Group. Various risks and corresponding measures that the Group might face in the production and operation have been detailed in this annual report. Please refer to "(3) Potential challenges and risks" under "6. Discussion and Analysis of Future Development" set out in the section headed "III Management Discussion and Analysis" in this annual report.

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

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DOCUMENTS AVAILABLE FOR INSPECTION

1. The financial statements signed and stamped by the legal representative of the Company, the responsible persons of the accounting work of the Company and the responsible person of the accounting firm;
2. The auditor's reports signed by BDO CHINA SHU LUN PAN Certified Public Accountants LLP together with the financial statements prepared in accordance with PRC Accounting Standards
3. The original corporate documents disclosed and announcements published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報) and Securities Daily (證券日報) of the PRC during the Reporting Period;
4. The documents listed above are kept at the Secretariat to the Board.

In this annual report, unless the context otherwise requires, the following terms have the meanings 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
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Guangzhou SASAC	The State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government
Company law	Company law of the People's Republic of China
Securities law	Securities law of the People's Republic of China
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on HKEX
Listing Rules of SSE	the Listing Rules of the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of HKEX

Definitions

GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
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)
Guangxi Ying Kang	Guangxi Baiyunshan Yingkang Pharmaceutical Company Limited (廣西白雲山盈康藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
WLJ Catering Company	Guangzhou WLJ Catering Management Development Co., Ltd. (廣州王老吉餐飲管理發展有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司) (formerly known as Guangzhou Pharmaceutical Corporation (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)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)

Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Hua Cheng	Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (廣州白雲山花城藥業有限公司)
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)
Nuo Cheng	Guangzhou Nuo Cheng Biological Products Co., Ltd. (廣州諾誠生物製品股份有限公司)
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)
Weiling	Baiyuanshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Xing Zhu	Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (廣州白雲山星珠藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣州白雲山化學藥科技有限公司)
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司)
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司)

Definitions

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)
Yi Gan	Guangzhou Guangyao Yigan Biological Products Co., Ltd. (廣州廣藥益甘生物製品股份有限公司)
Haima Company	Guangzhou Pharmaceutical Haima Brand Integration and Marketing Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司)
Zhuhai Hengqin Pharmaceutical Industry Park Company	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司)
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)
Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)
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)
C.Q. Pharmaceutical Holding	Chongqing Pharmaceutical Holding Company Limited (重慶控股股份有限公司)
GMP	the English abbreviation of Good Manufacturing Practice and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system formulated with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade

DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly
DIP payment	the English abbreviation of Big Data Diagnosis-Intervention Packet, and it means payment for diseases based on big data
CDE	the English abbreviation of Centre for Drug Evaluation, and it means the Centre for Drug Evaluation of the National Medical Products Administration
GLP	the English abbreviation of Good Laboratory Practice, and it means specification for quality management of drug non-clinical research
DRGs Payment	payment according to the disease diagnosis related groups
OEM	Original Equipment Manufacturer
O2O	Online to Offline, which means the combination of the business opportunities for offline and internet.
OTC	Over the counter.
Drug Registration	the drug supervision and administration department conducts the systematic evaluation of the safety, effectiveness and quality controllability of the drugs proposed for sale in accordance with legal procedures, and approves drug clinical studies, production of drugs or imports of drugs, which include the approval of the content in the evidence documents of applications for changes of drug approval and the appendix
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 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 2021 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
GZ SOA Development	Guangzhou State-owned Asset Development Holdings Limited (廣州國資發展控股有限公司)

Definitions

GZ Chengfa

Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))

The Material Assets
Reorganization in 2013

the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPHL that was completed in 2013

Company Profile and Financial Highlights

1. COMPANY PROFILE

- (1) Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
English Name Abbreviation: GYBYS
Legal Representative: Li Chuyuan
- (2) Secretary to the Board: Huang Xuezheng
Securities representative: Huang Ruimei
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Telephone: (8620) 6628 1218/6628 1216
Fax: (8620) 6628 1229
E-mail: huangxz@gybys.com.cn/huangrm@gybys.com.cn
- (3) Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Registered address and office before the change: No
Postal code: 510130
Website: <http://www.gybys.com.cn>
E-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two, Lippo Center, 89 Queensway, Hong Kong
- (4) Designated newspapers for information disclosure: China: Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報)
<http://www.sse.com.cn>
Website designated by the CSRC for publishing the annual report: <http://www.hkex.com.hk>
Website of the HKEX for publishing the annual report: <http://www.hkex.com.hk>
Place for inspection of the annual report: The Secretariat of the Company
- (5) Stock exchanges, names and codes of the Company's shares: A Shares: SSE
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN
H Shares: HKEX
Stock Code: 0874 Stock Abbreviation: BAIYUNSHAN PH
- (6) Other information: First registration date: 1 September 1997
First place of registration: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Date of registration of change: 31 July 2017
Place of registration of change: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Unified social credit code: 914401063320680X7
Auditors and its address: BDO CHINA SHU LUN PAN Certified Public Accountants LLP
4 floor, 61 Nanjing East, Shanghai City, the PRC
Names of the accountants of the auditors firm whose signatures are given: Zhang Ning, Zhang Xi

Company Profile and Financial Highlights

2. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD

(1) Principal financial data

Principal financial data	2021	2020	Year on year increase/ (decrease) (%)	2019	2018	2017
Income from operations (RMB'000)	69,014,052	61,673,702	11.90	64,951,778	42,233,838	20,954,225
Net profit attributable to the shareholders of the Company (RMB'000)	3,719,878	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 (RMB'000)	3,306,416	2,627,691	25.83	2,746,248	2,131,485	1,935,560
Net cash flow from operating activities (RMB'000)	5,673,497	585,185	869.52	5,022,367	5,216,888	1,833,691
Total profit (RMB'000)	4,723,071	3,739,082	26.32	4,128,533	4,018,730	2,492,976
Principal financial data	As at 31 December 2021	As at 31 December 2020	Year on year increase/ (decrease) (%)	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Net assets attributable to the shareholders of the Company (RMB'000)	29,062,184	26,144,843	11.16	24,184,797	21,684,909	18,871,521
Total assets (RMB'000)	66,117,790	59,760,063	10.64	56,893,659	51,482,184	28,314,713
Total liabilities (RMB'000)	34,791,121	31,554,796	10.26	30,904,172	28,338,451	9,051,560
Equity attributable to the shareholders of the Company per share (RMB)	17.88	16.08	11.16	14.88	13.34	11.61
Total equity (RMB'000)	1,625,791	1,625,791	–	1,625,791	1,625,791	1,625,791

Company Profile and Financial Highlights

2. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD *(Continued)*

(2) Principal financial indicators

Principal financial indicators	2021	2020	Year on year increase/ (decrease) (%)	2019	2018	2017
Basic earnings per share (RMB/Share)	2.288	1.793	27.60	1.961	2.116	1.268
Diluted earnings per share (RMB/Share)	2.288	1.793	27.60	1.961	2.116	1.268
Basic earnings per share after deducting non-recurring items (RMB/Share)	2.034	1.616	25.83	1.689	1.311	1.191
Weighted average return on net assets ratio (%)	13.46	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-operating items (%)	11.96	10.41	An increase of 1.55 percentage points	11.94	10.48	10.64
Ratio on total equity attributable to shareholders of the Company (%)	12.80	11.15	An increase of 1.65 percentage points	13.19	15.87	10.92
Ratio on total equity attributable to shareholders of the Company to total assets (%)	43.96	43.75	An increase of 0.21 percentage point	42.51	42.12	66.65
Gearing ratio (%)	52.62	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.

Explanation of accounting data and financial index

Applicable Not Applicable

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 coronavirus epidemic (“the COVID-19 epidemic”) in China during the Reporting Period.

Company Profile and Financial Highlights

3. DIFFERENCES OF ACCOUNTING DATA BETWEEN DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Applicable Not applicable

4. PRINCIPAL FINANCIAL DATA OF 2021 ON QUARTERLY BASIS

	The first quarter (January – March) (RMB'000)	The second quarter (April – June) (RMB'000)	The third quarter (July – September) (RMB'000)	The fourth quarter (October – December) (RMB'000)
Income from operations	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

Company Profile and Financial Highlights

5. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount in 2021 (RMB'000)	Notes (if applicable)	Amount in 2020 (RMB'000)	Amount in 2019 (RMB'000)
Gain/(Loss) on disposal of non-current assets	43,112		(1,451)	1,274
Government grants included in the profit or loss for the current year except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	331,878	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income and other income in the Reporting Period.	460,063	479,355
Gain/(Loss) on changes in fair value arising from trading financial assets, derivatives financial assets, trading financial liabilities and derivatives financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company) as well as the investment gains received from disposal of trading financial assets, derivatives financial assets, trading financial liabilities, derivatives financial liabilities and debt investment	201,297		(8,469)	38,910
Write-off of provision for impairment of accounts receivable and contract assets under individual impairment test	1,653		2,603	9,113
Other non-operating income and expenses excluding the above items	(85,289)		(47,388)	21,312
Other profit and loss items that meet the definition of non-recurring	49,601		(50,216)	(13,473)
Less : Income tax effect	(106,518)		(65,580)	(86,416)
Effect on minority interest	(22,272)		(2,008)	(7,438)
Total	<u>413,462</u>		<u>287,554</u>	<u>442,637</u>

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

Applicable Not applicable

Company Profile and Financial Highlights

6. CHANGES IN SHAREHOLDERS' EQUITY IN 2021 (CONSOLIDATED)

Items	Share capital (RMB'000)	Capital reserve (RMB'000)	Other comprehensive income (RMB'000)	Surplus reserve (RMB'000)	Undistributed profits (RMB'000)	Total shareholders' equity attributable to the parent company (RMB'000)
Opening balance	1,625,791	9,885,011	(17,673)	1,720,303	12,931,411	26,144,843
Additions	–	71,942	197	188,411	3,719,878	3,980,428
Deductions	–	–	–	–	1,063,087	1,063,087
Closing balance	1,625,791	9,956,953	(17,476)	1,908,714	15,588,202	29,062,184

7. ITEMS RELATED TO FAIR VALUE MEASUREMENT

Items	Balance at the beginning of the Reporting Period (RMB'000)	Balance at the end of the Reporting Period (RMB'000)	Changes during the Reporting Period (RMB'000)	Impact on the profit for the Reporting Period (RMB'000)
Financial assets held for trading	4,000	–	(4,000)	–
Other equity instrument investments	116,367	123,422	7,055	1,945
Other non-current financial assets	263,528	574,278	310,750	180,928
Total	383,895	697,700	313,805	182,873

8. OTHERS

Applicable Not applicable

1. DESCRIPTION AND ANALYSIS OF OPERATION

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 operation 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 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 followings:

(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 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.

Management Discussion and Analysis

1. DESCRIPTION AND ANALYSIS OF OPERATION *(Continued)*

(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" (中藥製藥過程技術與新藥創製國家工程研究中心). 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 main structure of the sales headquarters of the Company's biological medicine and health R&D and the construction of the first phase of Wang Lao Ji's production base in Nansha 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.

Management Discussion and Analysis

1. DESCRIPTION AND ANALYSIS OF OPERATION *(Continued)*

(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 business 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, had 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 the risks, and strengthening the internal supervision and comprehensive management to further improve the comprehensive capacity of the Group of risk warning, monitoring and prevention and control.

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

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 epidemic prevention and control.

Management Discussion and Analysis

2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

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

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(1) Main business and Products

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 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 care and elderly care, etc..

(i) 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 research and development, manufacturing and sales of Chinese patent medicine and Western medicine, chemical raw materials, intermediates chemical raw materials, biological medicine and and natural medicine, etc..

- 1) The Group is an epitome of the southern TCM. The Company has 12 time-honored brand enterprises in China such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc., among which, 10 of them are century-old time-honored enterprises. The Group and its joint ventures in aggregate have 323 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao 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 in propriety Chinese 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 (金戈)"), Amoxicillin, Cefathiamidine, Cefuroxime Sodium, Aspirin Powder series, Cefpiramide and Cefprozil series etc..

Management Discussion and Analysis

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(Continued)

(1) Main business and Products *(Continued)*

(ii) 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., including the subsidiaries, WLJ Great Health and Wang Lao Ji, and the main products include Wang Lao Ji Herbal Tea, Ci Ning Ji (刺檸吉) series, 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.

(iii) Great Commerce (Pharmaceutical distribution business)

The Great Commerce segment of the Group mainly engaged in the business of wholesale, retail, and import and export of pharmaceutical products, medical equipment and healthcare products, etc.. Its main enterprises include the subsidiaries of the Company namely GP Corp. and Cai Zhi Lin, etc.. As a leading pharmaceutical logistics Company in southern China and a core enterprise of the Great Commerce segment, GP Corp. mainly engages in the wholesale and retail business. 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.

(iv) Great Medical Care

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

Currently, we have invested/held equity interest in a number of projects including 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.

Management Discussion and Analysis

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(Continued)

(2) Operating model

(i) Great Southern TCM

1) Procurement Model

After completion of the Material Assets Reorganization in 2013, the Group integrated the procurement system of its subsidiaries, and established a number of centralized procurement platforms. The intensively centralized procurement of raw materials and auxiliary materials, Chinese herbal medicine, packaging materials, machinery equipment materials and such other materials, improved the ability of negotiation on prices and risk resistance and effectively reduced the procurement cost. Details of the centralized procurement platform and purchased materials of the Group are set out below:

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

Management Discussion and Analysis

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(Continued)

(2) Operating model *(Continued)*

(i) Great Southern TCM *(Continued)*

2) Production Model

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

3) Sales Model

① Self-operation and agency mode

The Group mainly leverages on sales channels of distributors and agents at all levels to cover the majority of hospitals, community medical services and retail terminals in China. For products in hospitals' tenders, the Group carries out tendering process throughout the country according to the relevant national policies. After winning the bid, it carries out distribution and dispatching process for relevant pharmaceutical products. For products not tendered by hospitals, the Group conducts promotion mainly by agent sales and by way of distribution.

② Sales platform

In recent years, the Group has integrated its internal marketing resources to establish a pharmaceutical industry marketing platform with Baiyunshan Pharmaceutical Marketing as the core, which has integrated the marketing business and marketing staff of four enterprises, namely Baiyunshan General Factory, Guang Hua, Jing Xiu Tang and Ming Xing.

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

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD (Continued)

(2) Operating model (Continued)

(ii) Great Health Industry

1) Procurement Model

The centralized procurement is carried out mainly through the centralized procurement platform established by the Group.

2) Production Model

Strictly in accordance with the relevant national laws and regulations, the subsidiaries of the Company, through (among other means) production facilities established by the Group and OEM, ensured the safety and quality in the entire process from plantation, harvesting, manufacturing to use by consumers, and in the entire process of the bases of the raw materials, auxiliary materials, packing materials, personnel and equipment, final products and consumer safety.

3) Sales Model

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

Management Discussion and Analysis

3. DESCRIPTION OF THE GROUP'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

(Continued)

(2) Operating model *(Continued)*

(iii) Great Commerce

The Group's pharmaceutical circulation businesses include two modes, being pharmaceutical distribution and retail, whose profits came from price difference of purchasing price of and marketing price of medicines and medical equipment and/or dispatching expense.

GP Corp., the core enterprise of the Great Commerce segment, is responsible for the pharmaceutical distribution business of the Group, including the wholesale and retail business. Its retail business are developed through "Jian Min" pharmaceutical retail chains, GPC Prescription Pharmacy retail chain, Guangyao Chenfei Pharmacy and "Cai Zhi Lin" pharmaceutical retail chains. Cai Zhi Lin leverages its advantages in the field of TCM to develop the businesses of production and sale of Chinese herbal medicines and TCM decoction-piece products.

As at 31 December 2021, the Group had 154 retail chain pharmacy outlets, including 22 "Cai Zhi Lin" pharmacy outlets which specialized in traditional Chinese medicines, 36 "Jian Min" pharmacy outlets which specialized in Western medicine, medical apparatus and medical equipment and 51 "GPC Prescription Pharmacy" which specialized in the retail of prescription drugs, 23 chain stores of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd and 22 retail stores of branch/subsidiary of GP Corp..

(3) Periodic characteristics

Among the businesses of the Group, the Great Commerce business segment has no obvious seasonality. Seasonal diseases such as flu have a higher incidence of morbidity in a specific period of time, and are rapidly prevalent after the outbreak and therefore there is a seasonal surge in demand for drugs that prevent and treat such diseases. As a result, the sale of some drugs in the Great Southern TCM segment shows certain seasonality. The demand for the current main product of the Great Health segment, namely Wang Lao Ji herbal tea, relates to seasons to a certain extent. The sales will significantly increase when the weather is hot. In addition, as the Group rigorously explored the sales channels of the gift market for major festivals, the sale of the Wang Lao Ji herbal tea has increased during major festivals.

(4) The main driving factor of performance

During the Reporting Period, the Group's revenue amounted to RMB69,014,052,000, representing a year-on-year increase of 11.90 %. For the fluctuation factors, please refer to the "1. Description and Analysis of Operation" in this section for details.

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

(i) The Group possesses rich product and brand resources:

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

(ii) The Group possesses long history in Chinese traditional medicine and cultural soft power. The Group has 12 time-honored brand enterprises in Chinese pharmaceutical industry, among which Chen Li Ji, Zhong Yi, Pan Gao Shou, Jing Xiu Tang, Cai Zhi Lin, Wang Lao Ji, Xing Qun, Qi Xing, Ming Xing and Guang Hua have been established for over a hundred years. Also, the Group has 6 products admitted as the nation's Intangible Cultural Heritage, namely "Xia Sang Ju" (夏桑菊) of Xing Qun, "Da Shen Kou Yan Qing (大神口焮清)" of BYS, Wang Lao Ji herbal tea, the traditional Chinese medicine culture of each of Chen Li Ji and Pan Gao Shou as well as the "Production Technology of Bao Zi Tang Bao Ying Dan (保滋堂保嬰丹製作技藝)" of Zhong Yi. The Group had established the Chen Li Ji Museum (陳李濟博物館), "Chen Li Ji Health Preservation Research Institute (陳李濟健康養生研究院)", "Lingnan Experience Centre of Chinese Medicine Culture (嶺南中醫藥文化體驗館)", Shen Nong Cottage (神農草堂), Cai Zhi Lin Chinese Medicine Culture Museum (采芝林中藥文化博物館) and Wang Lao Ji Herbal Tea Museum (「王老吉」涼茶博物館). The Group had also established a number of platforms for the promotion and demonstration of the long history and splendid culture of Chinese medicine and rebuilding the famous brands of Chinese medicine.

(iii) The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of the Group has formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs and the selection of planting bases of medicinal herbs nationwide with adaptations to varying local conditions, the Group and its joint ventures have more than 60 GAP herbs bases nationwide and established a centralized procurement platform for raw and auxiliary materials, which effectively ensure the quality and supply of Chinese herbs and control the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has built an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs noble prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.

Management Discussion and Analysis

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD *(Continued)*

- (iv) The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, cities and autonomous regions across the country, including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.
- (v) The Group has an ever-improving technological innovation system. The Group has continuously strengthening the construction of platforms for many years, improving the scientific research innovation system. As at the date of this report, the Group and its joint ventures have 5 state level research and development institutions, 1 national level corporate technical center, 2 postdoctoral workstations, 16 provincial level corporate technical centers, 18 provincial level engineering technical centers, 5 provincial level key laboratories, 1 provincial level engineering laboratory, 14 municipal level corporate technical centers, 15 municipal level engineering technical research and development centers, and 6 municipal level key laboratories. The Group has research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO₂ extraction, reversal extraction, separation by macroporous adsorption resin, quality control of Chinese medicine by chromatographic fingerprinting, synthesis and technology of cephalosporins antibiotic APIs and core technology in national leading position such as sterile powder production technology and preparation medicine technology.

During the Reporting Period, the Group added 1 provincial level key laboratory, namely Guangdong TCM Immune Preparation Enterprise Key Laboratory (廣東省中藥免疫製劑企業重點實驗室), and 1 municipal level engineering technology research center, namely Nanning Modern TCM Preparation Engineering Technology Research Center (南寧市現代化中藥製劑工程技術研究中心).

- (vi) The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has insisted on attracting talents with competitive work environment and remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions. Currently, the Group has a strong high-level talent team with 3 Nobel Laureates, one innovation team from Guangdong province, 24 domestic double invite academicians and Chinese medicine master people, 7 foreign consultants, 4 State Council Special Allowance experts in-service, and nearly a hundred of doctors and postdoctorales.

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

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD

(1) Analysis of principal operations

(i) 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

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(i) Analysis of change in certain items in income statement and cash flow statement *(Continued)*

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 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: 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 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: ① The increase in the fair value of financial assets held by the Company at the end of the Reporting Period; ② gains 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.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(i) Analysis of change in certain items in income statement and cash flow statement (Continued)

Explanations for changes in business type, profit structure or profit source of the Company during the Reporting Period.

Applicable Not applicable

(ii) Analysis of revenue and cost

1) Industry, product, regional and sales model analysis of the operation results

Operations	Results of principal operations by industry					
	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)
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 products					
	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)
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

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

1) Industry, product, regional and sales model analysis of the operation results *(Continued)*

Regions	Results of principal operations by region					
	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	A 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	A increase of 4.20 percentage points
North-Eastern China	614,695	15.05	461,322	8.04	24.95	A increase of 4.87 percentage points
South-Western China	4,220,391	7.18	2,883,155	(1.33)	31.69	A increase of 5.90 percentage points
North-Western China	1,978,397	2.66	1,562,225	(2.07)	21.04	A increase of 3.82 percentage points
Exports	42,824	7.00	36,775	(1.16)	14.12	A increase of 7.09 percentage points

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

1) Industry, product, regional and sales model analysis of the operation results (Continued)

Sales model	Results of principal operations by sales model					
	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 models	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 x 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: (a) the year-on-year increase in the sales volume of Guangzhou Baiyunshan Hospital resulting from the expansion of its operation during the Reporting Period; (b) 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.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

2) 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)

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

2) *Analysis of production, sales and inventory (Continued)*

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

- 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 epidemic 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.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

2) Analysis of production, sales and inventory *(Continued)*

- 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.

3) Performance of major procurement contracts and sales contracts

Applicable Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

4) Analysis of cost

Industrial	Components	Results by industry		Amount (RMB'000)	% of the proportion of operation cost (%)	Amount (RMB'000)	% of the proportion of operation cost (%)	Increase/ (decrease) over the same period of 2020 (%)	Explanation
		2021	2020						
Manufacturing business	Raw materials	9,033,663	76.83	8,326,095	78.39	8.50			
	Fuel	139,968	1.19	116,484	1.10	20.16			
	Labor costs	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.		

5) Changes in consolidation scope caused by changes in major subsidiaries' equity during the Reporting Period

Applicable Not applicable

6) Major changes or adjustments to the group's businesses, products or service during the Reporting Period

Applicable Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(ii) Analysis of revenue and cost *(Continued)*

7) Major suppliers and sale

① Major sale

During the Year, sales by the Group to the top five 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. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

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

Applicable Not applicable

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

No.	Name of customer	The amount of the sales (RMB'000)	Proportion of the total sales of the Group for the Year (%)
1	Customer 1	739,624	1.08

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

7) Major suppliers and sale (Continued)

② Major suppliers

During the Year, purchases by the Group from the top five 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 supplier 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. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

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

Applicable Not applicable

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

No.	Name of supplier	The amount of the purchases (RMB'000)	Proportion of the total purchases of the Group for the Year (%)
1	Supplier 1	1,078,086	1.79

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(1) Analysis of principal operations (Continued)

(ii) Analysis of revenue and cost (Continued)

7) Major suppliers and sale (Continued)

② Major suppliers (Continued)

To the knowledge of the Directors, 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 top five customers and suppliers as were mentioned above.

(iii) 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 epidemic 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 epidemic 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.

(iv) 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
Ratio of research and development expenses to capitalization	1.19

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

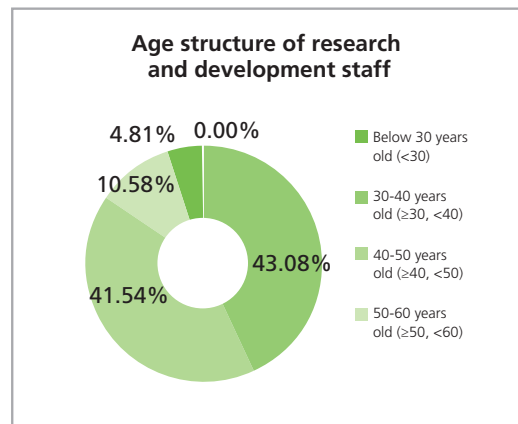
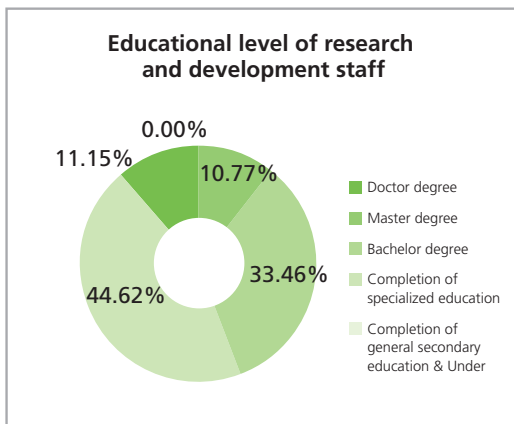
(1) Analysis of principal operations (Continued)

(iv) Research and development expenses (Continued)

2) Research and development staff

Applicable Not Applicable

The amount 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	
Categories of educational level	Total amount
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	
Categories of age	Total amount
Below 30 years old (<30)	224
30-40 years old (≥30, <40)	216
40-50 years old (≥40, <50)	55
50-60 years old (≥50, <60)	25
60 years old and above 60	0



3) Detailed description

Applicable Not Applicable

4) Reasons and impacts of significant changes in research and development staff

Applicable Not Applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

(v) Cash flow

Applicable Not Applicable

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.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

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

Applicable Not Applicable

(3) Analysis of financial conditions

(i) 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.

(ii) 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).

(iii) 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.

(iv) Capital expenditure

The Group expects the capital expenditure for 2022 to be approximately RMB2.218billion (2021: RMB1.494 billion), which would be mainly applied in the construction of research and 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..

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(3) Analysis of financial conditions *(Continued)*

(v) 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.
Accounts receivable financing	3,171,866	4.80	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	1,178,714	1.78	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	574,278	0.87	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 (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
Development expenditure	10,567	0.02	6,736	0.01	56.89	The increase in expenditures incurred by the Company at the development stage of intangible assets.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(3) Analysis of financial conditions (Continued)

(v) Assets and liabilities (Continued)

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 ceased to be consolidated as part of the Company at the end of the Reporting Period, resulting in a decrease in this item.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(3) Analysis of financial conditions *(Continued)*

(vi) 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.

(vii) 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.

(viii) Contingent liabilities

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

(ix) 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 USD697,000 in value had also been obtained.

(x) 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.

(xi) Gearing ratio

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

(xii) 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 this 2021 annual report, the Group did not have any other material additional investment.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(3) Analysis of financial conditions *(Continued)*

(xiii) Overseas assets

Applicable Not Applicable

1) *Asset size*

Among which, overseas assets account for RMB230,372,000, representing 0.35% of total assets.

2) *Description of overseas assets accounting for a high proportion*

Applicable Not Applicable

(xiv) Major assets subject to restrictions at the end of the Reporting Period

Applicable Not Applicable

(xv) Others

Applicable Not Applicable

(4) Analysis of industry operation information

Applicable Not Applicable

According to the guidelines on industry classification of listed companies issued by the CSRC, the industry of the Company is pharmaceutical manufacturing.

Analysis of the operational information in the pharmaceutical manufacturing industry

(i) Basic information of the industry and main medicine (products)

1) *Basic information of the industry*

Applicable Not Applicable

The Group's pharmaceutical manufacturing products mainly covers the Chinese patent medicine and chemical medicine and other subdivided industries. General information of subdivided industries is as follows:

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

Analysis of the operational information in the pharmaceutical manufacturing industry *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

1) Basic information of the industry *(Continued)*

① Chinese patent medicine

In recent years, China has attached great importance to the development of the traditional Chinese medicine industry. A series of strategies and policies have intensified the policy support and investment for TCM, pointed out development direction for TCM and laid a good foundation for the sustainable development of the pharmaceutical industry, including the Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030) (《中醫藥發展戰略規劃綱要(2016-2030年)》), the 13th Five-year Plan for the Development of Traditional Chinese Medicine (《中醫藥發展「十三五」規劃》), the Healthy China Outline Plan (2016-2030) (《健康中國規劃綱要(2016-2030年)》), the Traditional Chinese Medicine Law of the People's Republic of China (《中華人民共和國中醫藥法》), the Opinions on Promoting the Inheritance and Innovative Development of Traditional Chinese Medicine (《關於促進中醫藥傳承創新發展的意見》), the Several Policy Measures on Accelerating the Development of Chinese Medicine (《關於加快中醫藥特色發展的若干政策措施》) and the Guidance on Medical Insurance Support for the Development of Chinese Medicine Heritage and Innovation (《關於醫保支持中醫藥傳承創新發展的指導意見》). In the prevention and control of the COVID-19 epidemic, Chinese medicine played a great role and attached much attention and received recognition. There will be high-quality development in TCM industry with background that the country strongly support creative development of TCM.

The Group is the epitome of the southern TCM with obvious advantages in resources, including advantages in the brands and varieties of Chinese patent medicine in southern China and throughout the country. Meanwhile, in the context of the current strong development of the TCM industry in the Guangdong-Hong Kong-Macao Greater Bay Area and Guangdong Province, the Group will maintain unique geographical and policy advantages.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

1) Basic information of the industry *(Continued)*

② Chemical medicine

In recent years, encouraged by various medical policies, including the consistency evaluation for generic drugs, the adjustment to the National Medical Insurance Catalogue (《國家醫保目錄》), and the shortened review and approval process for innovative drug, the innovation-driven transformation of chemical medicines has been accelerated. In terms of raw material medicine, the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展的實施方案》) clearly proposed to promote the innovation and upgrading of production technology, the green and low-carbon transformation of the industry as well as the optimization and adjustment of the industrial structure, and is significant to the transformation, upgrading and sustainable development of the raw material medicine industry. In terms of generic drugs, the consistency evaluation was advanced steadily. With the normalization of China's national centralized volume-based procurement of medical products, the National Healthcare Security Administration carried out the fourth, fifth and sixth rounds of national centralized procurement. It is expected that the profitability of generic drugs will further decrease in China. In terms of innovative drugs, the Implementation Measures for Early Resolution Mechanism in Drug Patent Disputes (for Trial Implementation) (《藥品專利糾紛早期解決機制實施辦法(試行)》) and the Guiding Principles for Clinical Research and Development of Oncology Drugs Oriented by Clinical Value (《以臨床價值為導向的抗腫瘤藥物臨床研發指導原則》) were issued to encourage new drug research, promote the development of high-level generic drugs, establish an early resolution mechanism in drug patent disputes, propose that the efficacy of new drugs must exceed that of the already marketed drugs before they are marketed, and focus on innovation with the real clinical value and breakthrough. The above-mentioned policies and regulations will affect the revenues and profits of the chemical drug enterprises, and lots of production enterprises with extreme homogeneity will face the industry's major reshuffle, while innovative drugs and generic drugs which have passed consistency evaluation will embrace new development opportunities.

The Group has a complete antibiotic production chain from raw material medicine to preparation, with products covering common antibiotic varieties. The Group strives to integrate and create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in the country with the famous brand "Kang Zhi Ba" (抗之霸). In addition, the Group constantly attaches great importance to R&D and innovation, enhances the construction of R&D team, improve strength of independent R&D, and has built up technology and innovation system in a number of platforms covering chemical medicine and raw material medicine. The Group steadily promotes consistency evaluation in generic drugs, ensures the safety and effectiveness of medicine and strengthens its competitiveness in the pharmaceutical market.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry

A) Changes in medical policies and regulations, the impact and our counter-measures

① Issue of the Implementation Opinions on Comprehensively Strengthening the Construction of Medical Products Administration

On 10 May 2021, the General Office of the State Council issued the Implementation Opinions on Comprehensively Strengthening the Construction of Medical Products Administration (《關於全面加強藥品監管能力建設的實施意見》), which clarified a total of 18 key tasks, including improvement of the construction of regulations and standard systems, enhancement of the technology review capacity and optimization of the review mechanism, improvement of the inspection and law enforcement system and reinforcement of the coordination among departments, as well as improvement of the information trace system and the application service level of “Internet+ Medical Products Administration”.

Counter-measures: The Group will continue to play the role as an innovator by strengthening the research and development of new products and enhancing innovation capability, and strictly following the whole-process supervision requirements in terms of production and sales to ensure the quality and safety of the products.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

A) Changes in medical policies and regulations, the impact and our counter-measures *(Continued)*

② Issue of Provisions for Post-Marketing Changes of Medical Products (for Trial Implementation) (《藥品上市後變更管理辦法(試行)》)

On 13 January 2021, the National Medical Products Administration announced the Provisions for Post-Marketing Changes of Medical Products (for Trial Implementation) (《藥品上市後變更管理辦法(試行)》) to regulate the post-marketing changes of medical products of market authorization holder; the Guidelines for the Acceptance and Review of Changes in Chemical Medicine (for Trial Implementation) (《化學藥品變更受理審查指南(試行)》), the Guidelines for the Acceptance and Review of Changes in Chinese Medicine (for Trial Implementation) (《中藥變更受理審查指南(試行)》) and the Guidelines for the Acceptance and Review of Changes in Biological Products (for Trial Implementation) (《生物製品變更受理審查指南(試行)》) were announced subsequently to standardize the requirements for acceptance and review of medical products changes; on 20 December 2021, it announced the Verification Procedures for Medical Products Registration (for Trial Implementation) (《藥品註冊核查工作程序(試行)》), which specified the requirements for medical products registration review and application for marketing. With the launch of the medical products registration verification and inspection, the domestic new drug registration and approval will be more standardized.

Counter-measures: The Group will continue to standardize medical products registration, application for marketing and post-marketing changes in accordance with the requirements of related policies for medical products registration.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

2) Policies related to the industry (Continued)

A) Changes in medical policies and regulations, the impact and our counter-measures (Continued)

③ Issue of the Notice on the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展實施方案的通知》)

On 9 November 2021, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the Notice on the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展實施方案的通知》), which demonstrates the relevant authorities in China attach great importance to the development of the raw material medicine industry, and the basic principles and main tasks proposed in the plan are significant to the transformation, upgrading and sustainable development of the raw material medicine industry.

Counter-measures: The Group will proactively carry out relevant works to accelerate technological innovation and upgrade in accordance with the requirements of promoting the high-quality development of the raw material medicine industry.

④ The protection of drug patent rights and interests brings new opportunities for the development of the industry

On 4 July 2021, the National Medical Products Administration and China National Intellectual Property Administration issued the Implementation Measures for Early Resolution Mechanism in Drug Patent Disputes (for Trial Implementation) (《藥品專利糾紛早期解決機制實施辦法(試行)》) as China's first patent linkage system to protect the legal rights and interests of drug patentees, encourage new drug research and promote the high-level development of generic drugs, and establish early settlement mechanism for drug patent disputes. On 5 July 2021, the Supreme People's Court of the PRC issued the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Civil Cases involving Patent Disputes Related to Drugs of Which Applications for Registration are Failed (《關於審理申請註冊的藥品相關的專利權糾紛民事案件適用法律若干問題的規定》) to provide complementary judicial measures for the Implementation Measures for Early Resolution Mechanism in Drug Patent Disputes (for Trial Implementation) (《藥品專利糾紛早期解決機制實施辦法(試行)》).

Counter-measures: The Group will make plans on research and development of related products in advance so as to receive the benefits of policy.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

B) Changes in medical insurance policies and regulations, the impact and our counter measures

① Further accelerate the expansion of volume-based procurement

Since the implementation of volume-based procurement in 2018, it has been carried out six times of such procurements. In terms of the number of product types, it has increased the number of products types and substantially accelerated the progress of centralized procurement. In terms of type of products, it has expanded its coverage from oral generic drugs to advanced injection and biological agents, taken an effective exploration in centralized procurement of biological medicine and Chinese patent medicine, expanded its coverage and fully normalized volume-based procurement. In terms of the procurement rules, the price reduction in centralized procurement has become rationalized, and the actual production capacity of enterprises has been taken into full consideration, to ensure the stability of drug use and guide the upgrade of clinical products and development, innovation and upgrade of industry.

On 4 November 2021, the National Healthcare Security Administration issued the Notice on the Continuation of the Agreement on Centralized Procurement of Pharmaceuticals by State Organizations after the Expiration of the Agreement (《關於做好國家組織藥品集中帶量採購協議期滿後後續工作的通知》) to ensure the smooth continuation of the procurement agreement after its expiration.

Counter-measures: In respect of pharmaceutical manufacturing, the Group will actively carry out the quality consistency evaluation of generic drugs, further improve the production and management efficiency of generic drugs, with a view to effectively reducing production costs and enhancing product competitiveness; and will actively participate in the bidding of bulk procurement of drugs organized by the State, and constantly improve the market share of related products. In addition, the Group will fully leverage on its advantages on pharmaceutical distribution, and will actively participate in the provision of distribution services for the centralized bulk procurement of drugs organized by the State.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

B) Changes in medical insurance policies and regulations, the impact and our counter measures *(Continued)*

② DRG/DIP full roll-out node has arrived, deepening medical insurance reform in terms of healthcare cost control

On 19 November 2021, the National Health Security Administration issued the Three-Year Action Plan for DRG/DIP Payment Reform(《DRG/DIP支付方式改革三年行動計劃》), which provided that the reform of the DRG/DIP payment method will move from the partial to the comprehensive and from the part to the whole. By the end of 2024, all the coordinated regions nationwide will carry out the reform on the payment method of DRG/DIP. The DRG/DIP reform has moved from a pilot to a full implementation.

Counter-measures: The Group will closely follow the progress of the full roll-out of the DRG/DIP payment reform and adjust the product marketing strategies properly.

③ Normalized adjustment to the National Medical Insurance Catalogue (《國家醫保目錄》)

On 3 December 2021, the National Healthcare Security Administration and Ministry of Human Resources and Social Security published the Notice on Issuing the 2021 Catalogue of Drugs Covered by Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2021年)》)的通知), which came into force from 1 January 2022. There were 74 new drugs included into and 11 drugs removed from the new edition of the National Medical Insurance Catalogue, and the total number of drugs is 2860 kinds. This adjustment of the catalogue has main features as follows: adhering to the basic principle of “maintaining basic coverage of medical insurance and healthcare services”, supporting the prevention and control of the COVID-19 epidemic, assisting in “upgrading” drugs, cancelling the defined scope of payment for some drugs, and benefiting a wide range of treatment areas.

Counter-measures: The Group will continue its efforts in research and development and production management, increase investment in research and development, constantly promote the implementation of new drug projects, further reduce production costs and increase production efficiency, and effectively improve the competitiveness of products. In addition, the Group will continue to fully leverage on the advantages of the Chinese patent medicine brands and other resources to strive to achieve coordinated development of chemical medicine, Chinese patent medicine and Chinese medicine decoction.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

B) Changes in medical insurance policies and regulations, the impact and our counter measures *(Continued)*

④ The implementation for the “dual channel” of the National Reimbursement Drug List

In order to solve the problem of “difficulty in entering into the hospital” for part of negotiated drugs, increase drug supply channels and patients’ medication options, improve the availability to negotiated drugs, and promote the accelerated implementation of negotiated drugs, the National Healthcare Security Administration and National Health Commission of the People’s Republic of China have jointly issued the Guiding Opinion on Improving the Dual-channel Management Mechanism of Drugs in the National Medical Insurance Negotiations (《關於建立完善國家醫保談判藥品「雙通道」管理機制的指導意見》) in May 2021. The designated retail drugstores are included in the medical insurance pharmaceutical supply guarantee scope, and are subjected to the same payment policies with the medical institutions to form a “dual channel” of reimbursement drug negotiations. This will give full play to the features and advantages of the designated retail drugstores with flexible services and wide distribution as well as the “supply” effect, helping to eliminate the “last-mile” obstacle to the delivery of negotiated drugs.

Counter-measures: The Group will speed up the upgrade of the retail drugstores under the Group, actively enhance the ability to undertake the “dual-channel” policy; strengthen personnel training and build a professional pharmacy management system; actively communicate and cooperate with hospitals to explore win-win development; strengthen the marketing promotion and channel layout planning of the Group’s products.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

C) Changes in healthcare policies, the impact and our counter-measures

① Issue of the Pilot Plan for Deepening the Reform of Medical Service Prices

On 31 August 2021, the eight departments including the National Healthcare Security Administration and National Health Commission of the People's Republic of China have jointly issued the Pilot Plan for Deepening the Reform of Medical Service Prices (《深化醫療服務交個改革試點方案》), which aims to establish and improve a medical service price formation mechanism that can adapt to economic and social development, better play the governmental role with full participation of medical institutions and reflect the value of technical labour services by adhering to the people's health as the core, taking the clinical values as the guide and following the development direction of the medical services.

Counter-measures: The Group will continue to focus on the R&D and production, improve product quality, reduce costs and prices, and actively respond to the price reform of medical services.

② Issue of long-term prescription management specifications to meet the long-term medication needs of patients with chronic diseases

With the accelerated aging of the population and changes in the disease spectrum, the demand for long-term medication for patients with chronic diseases is increasing. The documents such as the Guidance on Promoting the Construction of Graded Diagnosis and Treatment System (《關於推進分級診療制度建設的指導意見》) issued by the General Office of the State Council and the Guidance on Standardizing the Management of Contracted Services Provided by Family Doctor (《關於規範家庭醫生簽約服務管理的指導意見關於規範家庭醫生簽約》) and the Opinions on Accelerating the High-Quality Development of Pharmacy Services (《關於加快藥學服務高質量發展的意見》) jointly issued by the National Health Commission and the National Administration of Traditional Chinese Medicine all require active exploration of management of long-term prescription for chronic diseases. On 21 August 2021, the National Health Commission and the National Healthcare Security Administration issued the Long-term Prescription Management Specification (for Trial Implementation) (《長期處方管理規範(試行)》) to standardize long-term prescription management, promote graded diagnosis and treatment to meet the long-term medication needs of patients with chronic diseases.

Counter-measures: The Group will seize the opportunities for the policies of outflow of prescription and management of chronic diseases, and take current advantages of the Group to develop service with special features.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

2) Policies related to the industry *(Continued)*

C) Changes in healthcare policies, the impact and our counter-measures *(Continued)*

- ③ The construction of graded diagnosis and treatment system was further improved

On 22 November 2021, the National Health Commission issued the Notice on Promoting Sanming Municipal's Experience in Graded Diagnosis and Treatment and Medical Alliances Construction (《關於推廣三明市分級診療和醫療聯合體建設經驗的通知》), which put forward the key tasks to promote the graded diagnosis and treatment and medical alliances construction, playing an important guiding role in promoting the construction of the graded diagnosis and treatment pattern and accelerating the improvement of the graded diagnosis and treatment system.

Counter-measures: The Group will pay close attention to the implementation of graded diagnosis and treatment, and properly adjust the marketing strategies. In view of the improvement of service level and service capability of primary hospitals, the Group will actively develop channels and enhance the market penetration rate of products.

D) Changes in environmental policies, their impact and our counter-measures

On 2 November 2021, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Further Winning the Battle of Pollution Prevention and Control (《關於深入打好污染防治攻堅戰的意見》), which makes the arrangements for promoting green and low-carbon development and further winning the defense battle of blue sky, clean water and clean earth, which means that the problems of pollution prevention and control are become deeper and more extensive.

Counter-measures: The Group will fulfill its environmental responsibility and strengthen the management of environmental assessment on construction projects in strict compliance with relevant laws and regulations.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

3) Basic information of principal medicine (products)

✓Applicable Not Applicable

Basic information of principle medicine (products) by subdivided industry and by therapeutic area

✓Applicable Not Applicable

Product Name	Therapeutic area	Indications/ Functions	Term of invention patent	Classification of drug registration	Whether it is protected traditional medicine	Whether it is prescription drugs	Whether product during Reporting Period	Whether it is new in the essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Sildenafil Citrate Tablet	Drugs for men	The product is indicated for treatment of erectile dysfunction (ED).	From 29 April 2002 to 28 April 2022	Chemical medicine	No	Yes	No	No	No	No
Cefixime series	Antimicrobial drugs	The product is indicated for bacterial infectious diseases caused by streptococcus (except enterococcus) sensitive to cefixime.	From 16 July 2009 to 15 July 2029	Chemical medicine	No	Yes	No	No	Yes	No
Xiao Ke Pill	Drugs used in internal	Diabetes caused by deficiency of both qi and yin; type-II diabetes	From 31 March 2006 to 31 March 2026	Traditional Chinese medicine	No	Yes	No	Yes	Yes	No

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

3) Basic information of principal medicine (products) (Continued)

Product Name	Therapeutic area	Indications/ Functions	Term of invention patent	Classification of drug registration	Whether it is protected traditional medicine	Whether it is prescription drugs	Whether product during the Reporting Period	Whether it is new in the national essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Zi Shen Yu Tai Pill	Drugs used in internal	Kidney-nourishing, spleen-invigorating, primordial Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage)	From 27 August 2004 to 27 August 2024 (quality testing method)	Traditional Chinese medicine	No	Yes	No	Yes	Yes	No
Xiao Chai Hu Granule	Drugs used in internal	Relieving exterior syndrome, dispelling heat and soothing the liver and regulating stomach	From 18 October 2011 to 17 October 2031	Traditional Chinese medicine	No	No	No	No	Yes	No
Amoxicillia series	Antimicrobial drugs	The product is indicated for infection caused by sensitive bacteria Non-β-lactamase-producing strains.	No	Chemical medicine	No	Yes	No	Yes	Yes	No

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

3) Basic information of principal medicine (products) *(Continued)*

Product Name	Therapeutic area	Indications/ Functions	Term of invention patent	Classification of drug registration	Whether it is protected it is traditional medicine	Whether prescription drugs	Whether product during the Reporting Period	Whether it is new in the essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Bao Jil series	Drugs used in internal	Dispelling heat, dispelling dampness, and used for abdominal pain and diarrhea, choking, sick, digestive upsets, dyspepsia, motion sickness, cold, fever and headache	No	Traditional Chinese medicine	No	No	No	Yes	Yes	No
Cefuroxime Sodium for injection	Antimicrobial drugs	Suitable for the treatment and prevention of infection caused by specific microbial strains in the following diseases: respiratory tract infection, ear, nose and throat infection, urinary tract infection, skin and soft tissue infection, septicemia, meningitis, gonorrhea, bone and joint infection, puerperium and gynecological infection.	From 20 January 2009 to 19 January 2029	Chemical medicine	No	Yes	No	Yes	Yes	No

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

3) Basic information of principal medicine (products) *(Continued)*

Product Name	Therapeutic area	Indications/ Functions	Term of invention patent	Classification of drug registration	Whether it is protected traditional medicine	Whether it is prescription drugs	Whether product during the Reporting Period	Whether to be included in the national essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Hua tuo zai zao pill	Drugs used in internal	The product is indicated for blood-activating and stasis-eliminating, eliminating phlegm and freeing channels and promoting qi circulation and relieving pain.	No	Traditional Chinese medicine	No	Yes	No	Yes	Yes	No
Cephathiamidine for Injection	Antimicrobial drugs	The product is indicated for infections of respiratory system, hepatobiliary system, the five sense organs and urinary tract, endocarditis and septicemia caused by sensitive bacteria.	From 19 May 2003 to 18 May 2023	Chemical medicine	No	Yes	No	No	Yes	No

Note: The above table sets out the top 10 products by revenue during the Reporting Period.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

4) Admission, new entrance and expulsion of the main medicine (products) in relation to the National Essential Drug List and the Medical Insurance Catalogue during the Reporting Period

Applicable Not applicable

As at the end of the Reporting Period, a total of 323 varieties of the Group and joint ventures were included in the National Medical Insurance Catalogue (《國家醫保目錄》). Among these, there were 2 varieties of products removed from the National Medical Insurance Catalogue (《國家醫保目錄》) and 1 product that the classification in the national medical insurance or indication limits was adjusted.

As at the end of the Reporting Period, 331 varieties were included in the Provincial Medical Insurance Catalogue, which has no change from the previous year.

Pursuant to the National Basic Medicine Catalogue (《國家基藥目錄》) implemented on 1 November 2018, as at the end of the Reporting Period, a total of 143 varieties of the Group and joint ventures were included in the National Basic Medicine Catalogue (《國家基藥目錄》), which has no change from the previous year.

During the Reporting Period, the products of the Group and joint ventures which were excluded or adjusted in the National Medical Insurance Catalogue (《國家醫保目錄》) are as follow:

Number	Product name	Type of product	Indications/Functions	New entrance/Exclusion
1	Dehydrocholic Acid Tablets	Western medicine	Applicable to adjuvant treatment of chronic cholecystitis.	Exclusion
2	Clenbuterol suppository	Western medicine	Used to treat the following infections: prevent and cure bronchial asthma and bronchospasm caused by respiratory diseases such as asthmatic chronic bronchitis and emphysema	Exclusion
3	Jian Wei Xiao Shi Pill	Chinese medicine	It aids in digestion and is used to treat dyspepsia caused by weakness of spleen and stomach, with indications like poor appetite, heartburn, unpleasant-smelling burps and bad breath, flatulence, abdominal distension, and indigestion with the aforesaid syndrome.	Adjustment of limits of adaptation disease: only for children

5) Situation of the centralized purchase of drugs through bidding

Applicable Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

6) Important medicinal materials involved in major TCM products

Major TCM products of the Group include Xiao Ke Pill, Zi Shen Yu Tai Pill, Xiao Chai Hu Granule, Bao Ji Series, Hua Tuo Zai Zao Pill, Xia Sang Ju Granule, Zhuang Yao Jian Shen Pill, Xiao Er Qi Xing Cha Granule, Shu Jin Jian Yao Pill and Qing Kai Ling Series etc.. The important medicinal materials involved and supply are as follows:

Major TCM products	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Ke Pill	Trichosanthin, corn, schisandra chinensis, rehmannia glutinosa, radix puerariae, etc.	Purchasing by Invitation to Bid	Procurement costs such as trichosanthus, Rehmannia glutinosa and Radix Puerariae increased, while the cost of corn and Schisandra chinensis decreased, and the overall cost increases slightly.
Zi Shen Yu Tai Pill	Cuscuta, chao ren, rehmannia, codonopsis pilosula, cola corii asini, etc.	Purchasing by Invitation to Bid	The purchasing cost of the main varieties such as Cuscuta, chao ren, dangshen, cola corii asini increased, rehmannia decreased, and the overall cost increased.
Xiao Chai Hu Granule	Chinese thorowax root, scutellaria baicalensis, codonopsis pilosula, ginger pinellia etc.	Purchasing by Invitation to Bid	The volume of main materials was purchased by invitation to bid in advance. The increasing market price had little impact on the cost.
Bao Ji series	Rehmannia, magnolia officinalis, costutoot, trichosanthin patchouli, radix pueriae, mint, poria cocos, etc.	Purchasing by Invitation to Bid	The price of rehmannia, poria, costutoot and trichosanthin increased, while the others' price maintained stable. The overall cost increased slightly.
Hua Tuo Zai Zao Pill	Ligusticum chuanxiong, evodiae, angelicae, paeoniae, radix ophiopogonis, angelica sinensis, etc.	Purchasing by Invitation to Bid	The price of angelicae and paeoniae increased, while the price of ligusticum chuanxiong, radix ophiopogonis and angelica sinensis decreased, and the overall costs decreased.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

6) Important medicinal materials involved in major TCM products *(Continued)*

Major TCM products	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xia Sang Ju Granule	Prunella vulgaris, wild chrysanthemum flower, folium mor, etc.	Purchasing by Invitation to Bid	Supply and demand basically in balance, the market price of prunella vulgaris is stable and the price of wild chrysanthemum flower is growing slightly, resulting in little impact of the cost.
Zhuang Yao Jian Shen Pill	Cibotii rhizoma, kadsura coccinea, Philippine flemingia root, etc.	Purchasing by Invitation to Bid	The marker price for cibotii rhizoma increased sharply, leading to the rise in cost.
Xiao Er Qi Xing Cha Granule	Coix seed, ricegrain sprout, unaqria, cicada slough, licorice, lophatherum gracile, hawthorn, etc.	Purchasing by Invitation to Bid	Price of ricegrain sprout, unaqria, licorice, lophatherum gracile and hawthorn stayed stable while price of coix seed and cicada slough increased.
Shu Jin Jian Yao Pill	Cibotii rhizoma, Kadsura coccinea, Philippine flemingia root, etc.	Purchasing by Invitation to Bid	The marker price for rhizoma cibotii increased sharply, leading to the rise in cost.
Qing Kai Ling series	Honeysuckle, Radix isatidis, gardenia, etc.	The procurement is mainly from planting bases, complemented by bidding-based procurement	The price of Honeysuckle, Radix isatidis was stable while the price of gardenia increased, so the cost increases slightly.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(i) Basic information of the industry and main medicine (products) (Continued)

6) Important medicinal materials involved in major TCM products (Continued)

Major medicinal species involved in the above main TCM products are commonly used bulk medicinal materials. The Group purchased medicinal materials intensively from the qualified suppliers through Chinese medicinal materials centralized purchasing platform of its own based on production needs, by means of bidding or directional procurement, to improve the bargaining capability, and reduce the purchasing cost. In addition, the Group constructed multiple planting bases of medicinal materials to ensure the quality and quantity and control costs.

7) Operation data of the main business of the Company by the therapeutic areas or medicine (products)

✓Applicable □Not applicable

Main therapeutic areas	Product name	Operating income (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Changes of operating income compared with last year (%)	Changes of operating costs compared with last year (%)	Changes of gross profit margin compared with last year (%)
Drugs used in internal medicine department	Xiao Ke Pill	446,514.82	176,098.40	60.56	(1.87)	(1.64)	(0.09)
	Zi Shen Yu Tai Pill	419,754.13	59,309.60	85.87	22.86	17.33	0.67
	Xiao Chai Hu Granule	371,779.43	193,752.76	47.89	25.55	6.35	9.40
	Bao Ji series	244,874.55	125,134.58	48.90	20.07	20.16	(0.04)
	Hua Tuo Zai Zao Pill	225,705.65	94,459.49	58.15	22.26	(16.71)	19.58
Antimicrobial drugs	Cefixime series	915,016.92	728,949.54	20.33	(1.07)	29.93	(19.01)
	Amoxicillin series	286,026.58	219,799.25	23.15	40.04	28.92	6.63
	Cefuroxime sodium for injection	230,183.20	207,797.65	9.73	93.80	36.13	38.24
	Cefathiamidine for Injection	213,610.55	223,116.39	(4.45)	(44.21)	(40.12)	(7.13)
	Amoxicillin clavulanate potassium series	142,755.33	69,091.83	51.60	44.56	32.08	4.57
Andrology medication	Sildenafil Citrate Tablet	988,481.20	112,718.20	88.60	18.73	(3.75)	2.66
Drugs for easing pain, clearing heat, and resisting inflammation, wind-damp and gout suppressants	Paracetamol Caffeine Aspirin Powder series	193,527.54	93,326.60	51.78	(5.78)	(2.40)	(1.66)

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(i) Basic information of the industry and main medicine (products) *(Continued)*

7) Operation data of the main business of the Company by the therapeutic areas or medicine (products) *(Continued)*

Explanation:

Applicable Not applicable

During the Reporting Period, the gross profit margin of the principal operation of the Company was 18.96%, among which, the gross profit margin of the Great Southern TCM segment was 44.07%. The relatively significant difference in gross profit margin between the Great Southern TCM segment of the Company and the companies in the same industry mentioned below was mainly due to the difference in the products structure and the significant difference in the gross profit margins of principal products.

The gross profit margin of the companies in the same industry:

Stock code	Abbreviation	Operation revenue (RMB'000)	Overall gross profit margin (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	10,788,456.55	21.76
600511	China National Medicines Co., Ltd.	40,378,608.11	7.78
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	191,909,156.16	14.30
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	30,306,981.26	55.68
600085	Tongrentang Chinese Medicine	12,825,879.05	47.04

Notes:

- A. The above data of relevant companies in the same industry is obtained from their annual reports in 2020.
- B. Gross profit margin = (operating income – operating costs)/operating income * 100%.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products)

1) *The overall situation of research and development*

✓Applicable Not applicable

For a long time, the Group has been paying attention to the research and development of science and technology, vigorously promoting scientific and research innovation of products, focusing on quality consistency evaluation of new chemical drugs, biological drugs and generic drugs, secondary development of products and development of food and healthcare food, etc., and carried out the scientific research through combining imported projects and independent research and achieved certain results. During the Reporting Period, the Group vigorously promoted scientific research and innovation, enhanced efforts in its intellectual property right related work and made remarkable achievements, mainly including:

① Products in research

As at the end of the Reporting Period, the Group had 119 products in research. The main areas included new drug development, generic drug quality consistency evaluation, secondary product development and food and health food development, etc..

② Approved products

During the Reporting Period, the Group and its jointly controlled entities had 18 products approved for manufacturing and 16 products passing the quality consistency evaluation.

③ Science and Technology Awards

During the Reporting Period, the Group received a total of 3 provincial-level science awards and honors, details of which are set out below:

Classification Level	Name of Winner	Winning Project	Award
Provincial level and ministerial level	Zhon Yi	Creation and application of Roche Gynecological method of tonifying kidney and calming fetusy	First Prize of Guangdong Provincial Science and Technology Progress Award
	Chemical Pharmaceutical Factory	Epigenetic regulation and disease prevention of cardiopulmonary microenvironment	First Prize of Guangdong Provincial Science and Technology Progress Award
	Zhon Yi and Xing Qun	Research and application of key technology for discovery and quality control system of active ingredients of Chinese herbal medicine in Lingnan	First Prize of Guangdong Provincial Science and Technology Progress Award

④ Patents and intellectual property rights

During the Reporting Period, the Group and its jointly controlled entities had applied for a total of 144 patents, and obtained 94 granted patents which included 72 invention patents and 22 utility model patents.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

2) Basic information of the main research and development projects

Applicable Not applicable

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Consistency evaluation and research of Cefixime series preparations	Cefixime granules (50mg)	Supplementary application for quality consistency evaluation of generic drugs	The product is indicated for bacterial infectious diseases caused by streptococcus (except enterococcus) such as Pneumococcus, Neisseria gonorrhoeae, Catta Brannhan, Escherichia coli, Klebsiella, Serratia, Proteus and Influenzae, etc	Yes	-	Obtained the approval of consistency evaluation ① Obtained the approval of consistency evaluation for 100mg; ② Completed pilot- scale experiment and validate the methodology for 50mg ③ Completed the process validation and carried out stability research for 100mg; ④ Completed pilot-scale experiment and carried out the process validation for 50mg ⑤ Completed pilot-scale experiment for 100mg; ⑥ Completed pilot-scale experiment and 1 batch of pre-validation, and validate the methodology for 200mg.
	Cefixime capsules (100mg, 50mg)					
	Cefixime tablets (100mg, 50mg)					
	Cefixime dispersible tablets (0.2g, 0.1g)					
Consistency evaluation and research of Cefprozil series preparations	Cefprozil dispersible tablets (0.25g)	Supplementary application for quality consistency evaluation of generic drugs	Used to treat the following mild and moderate infections caused by sensitive bacteria: 1. upper respiratory tract infection; 2. suppurative streptococcal pharyngitis; 3. amygdalitis	Yes	-	Obtained the approval of consistency evaluation ① 0.25g: obtained the approval of consistency evaluation; ② 0.125g: received the notice of supplemental materials by CDE Completed pilot-scale experiment and scale-up research of prescription adjustment, and carried out process validation
	Cefprozil granules (0.25g, 0.125g)					
	Cefprozil dry suspension (125mg)					

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

2) Basic information of the main research and development projects (Continued)

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Re-evaluation of post-marketing Chinese patent medicine	Zi Shen Yu Tai Pill	Chinese medicine	Kidney-nourishing, spleen-invigorating, primordial Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage) treating chronic hepatitis.	Yes	No	Project approval completed
Preclinical study for drug development in children of xiao chai hu granule	Xiao chai hu granule	Chinese medicines	Inducing sweat to dispel heat, and soothing liver and harmonizing stomach	No	No	All the efficacy tests were completed. In term of toxicological studies, the development of preparation analysis methods and the establishment of biological sample analysis methods were completed, as well as the single dose toxicity test and 14-day DRF test. Repeated tests within commenced 9 weeks of Toxicity and pilot studies are being conducted. Pilot-scale experiment was in progress.
Preclinical study for the treatment of IgA with kun xian capsule	Kun xian capsule	Chinese medicine	invigorating the kidney, Yes activating collaterals, dispelling wind to eliminate dampness and treating rheumatoid arthritis belonging to rheumatism obstruction and kidney deficiency syndrome	Yes	No	Project data, such as clinical study plan, clinical trial observation table were written and confirmed, and apply to the ethics committee for passing the project.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

3) *Situation of the medicine (products) which had been submitted to supervision department for approval, completed registration or obtained production approval during the Reporting Period*

Applicable Not applicable

During the Reporting Period, the Group obtained clinical approval for 2 products and production approval for 16 drug products, which will further enrich the Company's product varieties, and increase the Company's products reserves.

product name	Registry classification	Indication/Major functions
BYS10 tablet (25mg) BYS10 tablet (100mg)	Category 1 Chemical medicine	Used for advanced solid tumors such as non-small-cell lung carcinoma and medullary thyroid carcinoma.
Cefoxitin sodium for injection (0.5g) Cefoxitin sodium for injection (1.0g)	Category 6 Chemical medicine	It is mainly used for respiratory tract infection, urinary tract infection, peritonitis, pelvic cavity infection, septicemia (including typhoid fever), gynecological infection, osteoarticular soft tissue infection, endocarditis, etc. caused by sensitive bacteria.
Cefoxime Capsule (0.1g)	Quality and efficacy consistency evaluation of generic drug	The product is indicated for bacterial infectious diseases caused by streptococcus (except enterococcus) such as Pneumococcus, Neisseria gonorrhoeae, Catta Brannhan, Escherichia coli, Klebsiella, Serratia, Proteus and Influenzae, etc., following as: 1. bronchitis, bronchiectasis (when infected), secondary infection of chronic respiratory infections, pneumonia; 2. Pyelonephritis, cystitis, gonorrhea urethritis; 3. Cholecystitis, cholangitis; 4. Scarlet fever; 5. Otitis media and paranasal sinusitis.
Amlodipine beaylate tablets (5mg)	Quality and efficacy consistency evaluation of generic drug	Used to treat primary hypertension, chronic stable angina, and variant angina.
Amoxicillin Capsule (0.5g) Amoxicillin Capsule (0.25g)	Quality and efficacy consistency evaluation of generic drug	Used for infections caused by sensitive bacteria (β -lactamase strain): otitis media, sinusitis, pharyngitis, tonsillitis and other upper respiratory tract infections caused by streptococcus hemolyticus, streptococcus pneumoniae, staphylococcus or haemophilus influenzae; urogenital tract infection caused by escherichia coli, proteus mirabilis or enterococcus faecalis; skin and soft tissue infection caused by streptococcus haemolyticus, staphylococcus or escherichia coli; acute bronchitis, pneumonia and other lower respiratory tract infections caused by streptococcus hemolyticus, streptococcus pneumoniae, staphylococcus or haemophilus influenzae; acute simple gonorrhoea.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

3) *Situation of the medicine (products) which had been submitted to supervision department for approval, completed registration or obtained production approval during the Reporting Period (Continued)*

product name	Registry classification	Indication/Major functions
Norfloxacin Tablets (0.1g) Norfloxacin Capsules (0.1g)	Quality and efficacy consistency evaluation of generic drug	Used for urinary tract infections, gonorrhea, prostatitis, intestinal infections and typhoid and Salmonella infections among other infections caused by sensitive bacteria.
Cefprozil granules (0.25g) Cefprozil dispersible tablets (0.25g)	Quality and efficacy consistency evaluation of generic drug	It is used to treat mild and moderate infections such as respiratory tract, skin, and soft tissues caused by sensitive bacteria.
Cefuroxime sodium for injection (0.25g) Cefuroxime sodium for injection (0.75g) Cefuroxime sodium for injection (1.5g)	Quality and efficacy consistency evaluation of generic drug	Suitable for the treatment of infections and prevention caused by specific microbial sensitive strains in the following diseases: respiratory infections, ear, nose and throat infections, urinary tract infections, skin and soft tissue infections, septicemia, meningitis, gonorrhea, bone and joint infections, and puerperium and gynecological infections.
Ethambutol hydrochloride tablets (0.25g)	Quality and efficacy consistency evaluation of generic drug	It is suitable for the treatment of tuberculosis, and can also be used for the treatment of tuberculosis meningitis and atypical mycobacterial infection.
Pyrazinamide Tablets (0.5g) Pyrazinamide Tablets (0.25g)	Quality and efficacy consistency evaluation of generic drug	Suitable for anti-TB drugs, and the treatment of TB in combination with other anti-tuberculosis drugs (such as streptomycin, isoniazid, rifampicin and ethambutanol).

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

4) *Situation of the cancellation of the important research and development projects and the products which were not approved during the Reporting Period*

Applicable Not applicable

In February 2016, Baiyunshan General Factory of the Company's branch received the Notice of Approval Opinions of gefitinib API and the Drug Clinical Trial Approval of gefitinib tablets approved by CFDA, which agreed the preparation of the product to conduct the human bio-equivalence test.

As the applicants of Gefitinib API ("applicant"), the controlled subsidiary of the Company, namely Guangzhou Han Fang, and branch of the Company, namely Baiyunshan General Factory have submitted the application to CFDA for the withdrawal of the registration number due to the imperfect research data of Gefitinib API on impurity control of the starting materials, related substances and etc.. On June 10 2021, according to the query results of the CDE website, CFDA agreed to withdraw the registration number of the API gefitinib.

There is no significant impact caused by the withdrawal of the registration number of gefitinib API, and the applicant will submit another registration application after improving the technical materials.

5) *Accounting policies for research and development:*

The Company's internal research and development project expenditure is divided into research phase expenditure and development phase expenditure.

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

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

Expenditure on the research phase is recognized in the profit or loss in the period in which it is incurred.

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(ii) Research and development situation of the Company's medicine (products) *(Continued)*

5) *Accounting policies for research and development: (Continued)*

Development phase expenditures are capitalized if the following conditions are met, otherwise it will be recognised in the profits and losses in the current period in which it is incurred:

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

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

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

6) The investment situation of research and development

Comparison within the same industry

Applicable Not applicable

Stock code	Abbreviation of companies	Amount of the research and in the same industry (RMB'000)	Research and development investment accounted for the proportion of revenue (%)	Research and development investment accounted for the proportion of net assets (%)	Research and development investment accounted for the proportion of capitalization (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	123,792.35	1.15	3.56	25.26
600511	China National Medicines Co., Ltd.	71,211.99	0.18	0.62	40.75
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	1,971,939.40	8.31	4.35	15.99
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	4,003,000.00	13.21	10.82	30.18
600085	Tongrentang Chinese Medicine	258,011.58	2.01	2.62	0
Average amount of the research and development investment of the same industry during the Reporting Period (RMB'000)					1,285,591.06
Amount of the research and development investment of the Group during the Reporting Period (RMB'000)					879,109.98
Research and development investment accounted for the proportion of revenue of the Group during the Reporting Period (%)					1.27
Research and development investment accounted for the proportion of net assets of the Group during the Reporting Period (%)					2.81
Research and development investment accounted for the proportion of capitalization of the Group during the Reporting Period (%)					1.19

Notes:

- The above data of relevant companies in the same industry is obtained from their annual reports in 2020;
- The average R&D investment amount in the industry is the arithmetic average of the five companies in the same industry.

Description on the significant changes in the research and development investment and the reasonability of the proportion of capitalization the research and development investment

Applicable Not applicable

The reason of the year-on-year growth of 42.05% in R&D expenses is mainly due to the increase in the investment in special R&D expenses and marteries of R&D.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(4) Analysis of industry operation information (Continued)

(ii) Research and development situation of the Company's medicine (products) (Continued)

7) The investment situation of research and development project

Applicable Not applicable

R&D project	R&D investment amount (RMB'000)	Expense amount of R&D investment (RMB'000)	Capitalized amount of R&D investment (RMB'000)	Ratio of R&D investment to revenue (%)	Change in ratio of amount in the Reporting Period compared with the same period of last year (%)	Presentation of condition
Clinical research on the application of Zi Shen Yu Tai Pill in vitro fertilization and embryo transfer	28,172	28,172	0	2.40	128.74	Efficacy and clinic research for newly added indications under this project was initiated this year and thus the cost rose much.
Research of refined olive oil, raw material of refined fish oil for injection, and structural triglyceride for injection	11,268	11,268	0	2.98	22.00	-
Study on the quality consistency evaluation of Cefprozil series preparations	10,716	10,716	0	0.32	18.86	-
Study on pharmacoeconomics of Hua Tuo Zai Zao Pill	10,024	10,024	0	3.02	52.11	The bidding of R&D outsourcing company was completed, study on pharmacoeconomics was started this year and thus the cost rose year on year.
Safety evaluation research on Cephthiamidine for Injection after marketing	8,046	8,046	0	0.24	167.94	The post-market safety evaluation research, drug sensitivity monitoring and tipping point research was started this year, resulting in a large year-on-year increase in sample preparation, inspection costs and outsourcing research costs.

Note: The proportion of R&D investment in operating revenue is the proportion of R&D investment in the operating revenue of the enterprise producing the product.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(iii) Situation of the sales of the Company's medicine (products)

1) Analysis of the main sales model of the Company

Applicable Not applicable

For the details of the main sales model of each segment of the Group, please refer to “(2) Operating Model”, under “3. Description of the Group's principal business during the Reporting Period” in the third section headed “Management Discussion and Analysis” in this annual report.

2) Analysis of sales expenses

Breakdown of sales expenses

Applicable Not applicable

Items	Amount incurred for the Reporting Period (RMB'000)	Percentage of amount incurred for the Reporting Period in the total sales cost (%)
Employee remuneration	2,868,022	48.16
Sales service fee	955,235	16.04
Transportation expenses	133,275	2.24
Office expenses	40,242	0.68
Freight and miscellaneous charges	290,258	4.87
Rental expenses	37,701	0.63
Conference expenses	82,206	1.38
Advertising and promotion fees	1,053,646	17.69
Depreciation charges	234,313	3.93
Others	259,891	4.36
Total	5,954,789	100.00

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(iii) Situation of the sales of the Company's medicine (products) *(Continued)*

2) Analysis of sales expenses *(Continued)*

Comparison within the same industry

Applicable Not applicable

Stock Code	Stock Abbreviation	Selling and distribution expenses (RMB'000)	Selling and distribution expenses accounted for the proportion of revenue (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	1,075,161.71	9.97
600511	China National Medicines Co., Ltd.	1,034,953.01	2.56
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	12,864,843.85	6.70
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	8,463,943.18	27.93
600085	Tongrentang Chinese Medicine	2,473,223.34	19.28
The average amount of the sales expenses of the same industry (RMB'000)			5,182,425.02
Total amount of the sales expenses of the Group during the Reporting Period (RMB'000)			5,954,789.16
Sales expenses accounted for the proportion of revenues of the Group during the Reporting Period (%)			8.63

Notes:

- The above data of relevant companies in the same industry is obtained from their annual reports in 2020;
- The average amount of the sales expenses is the arithmetic average of the five companies in the same industry.

Description on the significant changes in sales expenses and the reasonability of the proportion of the sales expenses

Applicable Not applicable

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 COVID-19 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.

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(4) Analysis of industry operation information *(Continued)*

(iv) Others

Applicable Not applicable

(5) Investment situation

(i) Overall analysis of external equity investment

Applicable Not applicable

As at the end of the Reporting Period, the external equity investment of the Company amounted to RMB1,562,879,000, with a decrease of RMB302,987,000 as compared with last year, mainly due to: the Group confirmed the cash equity issued by joint venture and disposed part of the long-term equity, resulting in the decline in the investment of long-term equity

1) Significant equity investment

Applicable Not applicable

2) Significant non-equity investment

Applicable Not applicable

3) Financial assets evaluated at fair value

Applicable Not applicable

① Financial assets held for trading

Item	Closing balance (RMB'000)	Opening balance (RMB'000)
Classification of financial assets which are measured at fair value and whose changes are included in the current profit and loss	–	4,000
Including: Debt instrument investment	–	–
Equity instrument investment	–	–
Others	–	4,000
Total	–	4,000

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD (Continued)

(5) Investment situation (Continued)

(i) Overall analysis of external equity investment (Continued)

3) Financial assets evaluated at fair value (Continued)

② Other Equity Instruments investments

Item	Closing balance (RMB'000)	Opening balance (RMB'000)
Sino-Israel Bio-industry Investment Fund	105,295	98,246
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,000	10,000
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,678	7,678
Yilin Bio-industry Co., Ltd	449	443
Total	123,422	116,367

③ Investments in stock

Number	Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB'000)	Number of shares held at the end of the Reporting Period (share)	Book value as at the end of the Reporting Period (RMB'000)	% of stock investment as at the end of the Reporting Period (%)	Gain/(Loss) during the Reporting Period (RMB'000)
1	A Share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	0	0	0	(2,423)
2	A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	376,103	1,335	1.00	135
3	A Share of Shenzhen Stock Exchange	000950	C.Q. Pharmaceutical Holding	150,145	25,992,330	132,561	99.00	(1,559)
4	A Share of SSE	601328	Bank of Communications	511	0	0	0	124
5	A Share of SSE	601818	Everbright Bank	10,725	0	0	0	(331)
Other stock investments held as at the end of the Reporting Period								
Gain/(Loss) of stock investments sold during the Reporting Period								
Total				166,892	26,368,433	133,896	100.00	(3,392)

4) Specific progress of material assets reorganization and integration during the Reporting Period.

Applicable Not applicable

Management Discussion and Analysis

5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD *(Continued)*

(6) Significant asset and equity sales

Applicable Not applicable

(7) Details of the main subsidiaries and joint ventures of the Company

Applicable Not applicable

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Equity directly held by the Company (%)	Income from principal operations (RMB'000)	Profit from principal operations (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sale of pre-packaging food, dairy products, etc.	900,000.00	100.00	9,728,571	4,608,373	11,185,719	6,858,123	1,288,497
GP Corp.	Pharmaceutical business	Retail of medical treatment apparatus	2,449,305.50	72.74	46,871,458	2,812,864	27,692,377	5,807,536	521,149

The cause of the year-on-year increase in the income from the principal operations of WLJ Great Health was due to the impact of COVID-19 epidemic, the Spring Festival market was affected seriously in 2020, and with the rise in market demand, the sales revenue increased year on year during the Reporting Period.

Except for WLJ Great Health and GP Corp. as mentioned in the above table, the Company did not derive any net profit from any single subsidiary or any investment income from any single investee company amounting to 10% or more of the net profit of the Group during the Reporting Period.

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

(8) A structured entity controlled by the Company

Applicable Not applicable

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

(1) Landscape and trend of the industry

Applicable Not applicable

- (i) The Policy supports for the development of the biological medicine and health industry. The biological medicine and health industry as one of the strategic emerging industries in China has got strong policy support from the government in recent years. Industry regulators tend to systematize the guiding and normative policies; local governments introduce differentiated industrial development plans and industrial cluster plans based on industrial foundation, location characteristics and resources to provide support in terms of land, capital, platform and etc. for the development of the biological medicine and health industry.
- (ii) 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 cost and 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, etc. are also expected to gain accelerated development. 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 characterized by strategic resources complementary industrial integration, unification and strong alliance will gradually become the mainstream.

Management Discussion and Analysis

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT *(Continued)*

(2) Development strategy and annual work plan for year 2022

Applicable Not applicable

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.

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT *(Continued)*

(2) Development strategy and annual work plan for year 2022 *(Continued)*

(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.

Management Discussion and Analysis

6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT *(Continued)*

(3) Potential challenges and risks

Applicable Not applicable

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 industry operation information” under “5. Circumstances of the Operation during the Reporting Period” in the section headed “III Management Discussion and Analysis” in this annual report.

With the impact of the global COVID-19 epidemic, the external environment has become complex and uncertain. Uncertainties remain over the course of the global COVID-19 epidemic. As the global COVID-19 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 COVID-19 epidemic continuously, evaluate and actively respond to its influence on the financial conditions and operation results of the Group.

(4) Others

Applicable Not applicable

7. OTHER MATTERS

(1) Accounts

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement.

The financial condition of the Group as at 31 December 2021 is set out in the consolidated balance sheet.

The cash flows of the Group for the year ended 31 December 2021 are set out in the consolidated cash flow statement.

The cash flows of the Company for the year ended 31 December 2021 are set out in the cash flow statement.

(2) Financial summary

A summary of the results and of the assets and liabilities of the Group are set out in the section headed “III Management Discussion and Analysis” in this annual report.

7. OTHER MATTERS (Continued)

(3) Reserves

Details of the movements and amount of the reserves of the Group during the Year are set out in the section headed “X Financial Reports” in this annual report.

(4) Distributable reserves

The distributable reserves of the Group as at 31 December 2021 calculated in accordance with the China Accounting Standards for Business Enterprises was RMB7,599,583,000.

(5) Fixed assets

Details of the movements of fixed assets of the Group for the year ended 31 December 2021 are set out in the section headed “X Financial Reports” in this annual report.

(6) Ordinary connected transactions

Details of connected transactions of the Group were set out in the section headed “VI Major Events” in this annual report.

(7) Management contracts

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

(8) Corporate governance

The Company complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules of HKEX (up to 31 December 2021) (“Corporate Governance Code”) during the Reporting Period except for code provision A.6.7 as disclosed in the section headed “IV Corporate Governance” in this annual report below.

(9) Tax exemption

The Company shall withhold and pay the individual income tax and enterprise income tax at a rate of 10% or other applicable tax rate for H shareholders pursuant to the requirements of the Notice of State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) and “Notification of Issues in relation to the Withholding and Payment of Enterprise Income Tax for Payment of Dividend to H Shareholders who are Overseas Non-resident Enterprises by Chinese Resident Enterprises” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)).

Management Discussion and Analysis

7. OTHER MATTERS *(Continued)*

(10) Retirement scheme

The Company hereby provides further information in relation to the basic pension insurance (the “Basic Pension Insurance Plan”) paid by the domestic enterprises of the Company according to the relevant regulations of the local government, the mandatory provident fund contribution (the “Mandatory Provident Fund Contribution Plan”) provided by the Company’s wholly-owned subsidiary, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong, and the enterprise annuity plans (the “Enterprise Annuity Plan”) established by part of the domestic enterprises of the Company based on the relevant policies of the national enterprise annuity system as stated in the Annual Report pursuant to paragraph 26(2) of Appendix 16 to the Listing Rules.

There were no relevant forfeited contributions in the Group under the Basic Pension Insurance Plan and the Mandatory Provident Fund Contribution Plan. Under the Enterprise Annuity Plan, based on the relevant policies of the national enterprise annuity policy and the enterprise annuity system established by the Group, the company and part of affiliated companies that established the Enterprise Annuity Plan retain the forfeited contributions in the enterprise annuity public account for the benefit of employees who are still in the Enterprise Annuity Plan. The forfeited contributions will not be used to offset future contributions and will not reduce the current and future levels of contributions.

(11) There had been no changes in the newspapers designated by the Company for information disclosure.

(12) Environmental policy

The environmental policy and its performance of the Group were set out in the Social Responsibility Report in 2021 of the Company (full text of the report has been uploaded to the websites of SSE and HKEX).

8. EXPLANATION ON THE FAILURE TO DISCLOSE AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS SUCH AS STATE SECRETS AND BUSINESS SECRETS AND THE REASONS THEREFOR

Applicable Not applicable

1. DESCRIPTION OF CORPORATE GOVERNANCE

Applicable Not applicable

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

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

During the Reporting Period, the Company complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of HKEX, except that Ms. Liu Juyan, an executive Director of the Company, was unable to attend the annual general meeting for year 2020 due to business reasons, which constituted deviation from code provision A.6.7 of the CG Code.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance with the provisions in the Corporate Governance Code.

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

The review of the business and financial position of the Company for 2021 is set out in the section headed "III. Management Discussion and Analysis" in this annual report.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(1) *(Continued)*

The Board confirmed that it was responsible for risk management and internal control and was responsible for continuously reviewing the effectiveness of the risk management and internal control and overseeing management in the design, implementation and monitoring of the risk management and internal control system. The Audit Committee under the Board monitors the Company's risk management and internal control system to ensure that management has fulfilled its responsibilities to establish an effective system. The Audit Committee convened the 1st Audit Committee meeting of the Company in 2022 on 18 March 2022 to review and approve the Company's 2021 internal control evaluation report. The Audit Committee (and the Board) are of the view that the internal control and risk management system of the Company is adequate and effective and the Company has complied with the provisions of the CG Code regarding internal control and risk management system, including:

(i) Procedures for identification, assessment and management of material risks

Based on comprehensive risk management, the Company, by collecting and managing the relevant information on major risks, identifies those posing a significant risk to corporate business and operations. Furthermore, in line with the assessment standards for risk potentiality and impact, the Company conducts the assessment of risk events, designates a risk rating and develops the strategies for risk management and procedures for internal monitoring to prevent and reduce risks. The Company monitors the related risks continuously and regularly and makes sure that appropriate procedures for internal monitoring are available. In case of material changes, the Company is responsible for modifying the policies on risk management and regularly reporting on the result of risk monitoring to the management and the Board.

(ii) Main features of risk management and internal monitoring system

The comprehensive risk management system of the Company covers risk events, risk management strategies and solutions, risk mapping and risk management information system, and the Company has established a risk management oriented internal control system.

(iii) The Board confirmed that it is responsible for the risk management and internal control systems and reviewing their effectiveness continuously. Such systems are designed to manage rather than eliminate the risk of failure of achieving business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

(iv) Self-assessment and risk management review of internal control are conducted semi-annually and annually by the Company. The Company identify key risks based on risk assessment and take measures for the management of key risks; base on the risks, review critical internal control activities of key business procedures for high-risk or important business and give the above a high-priority rating regarding effectiveness assessment and find out the defects; take measures for implementation of defeat rectification measure, sort out and perfect the internal monitoring system towards the essential goal of risk control. The internal control system and the risk management information system are updated at least once a year.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(1) *(Continued)*

(v) Internal audit function

The Company has established the Audit Department. Under the leadership of the Board of Directors and the supervision of the Audit Committee, the Audit Department are responsible for supervising and evaluating the truth, validity and effectiveness of financial revenues and expenditures, financial budgets, financial final accounts, asset quality, business performance and other related economic activities of the Company and its subsidiaries; examining the effectiveness of internal control; effectively implementing the relevant regulations and decisions of the Company; promoting the level of operation and management of the Company's subsidiaries and realizing the preservation and increase of shareholders' assets value. The Supervisory Committee is responsible for supervising the Board on its establishment and implementation of the internal control system. The management is responsible for the effective operation of the risk management mental internal risk control.

(2) Work related to corporate governance of the Company during the Reporting Period are as follows:

- (i) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2020 pursuant to the requirements of the "Notice on preparation of the 2020 Annual Report in an order by manner by Listed Companies" issued by the SSE, and the "Self-assessment Report on Internal Control for 2020" and the "Report on Performance of Social Responsibilities for 2020" were prepared accordingly, which were disclosed after being duly considered and approved at the Board meeting of the Company held on 18 March 2021.
- (ii) In order to further improve the corporate governance, according to the Company Law, the Code of Corporate Governance of Listed Companies, the Articles of Association and relevant regulations, the Company has revised the relevant provisions of the code of practice of the Strategic Development and Investment Committee of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd., which has been approved by the 10th meeting of the eight session of the Board on 18 March 2021.
- (iii) According to the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies, Management System for the Information Disclosure of Listed Companies and relevant regulations, and coupled with the Articles of Association and practice of operating, the Company has revised its Management System for the Information Disclosure, Insiders Registration System and relevant clauses. The above revisions had been approved by the 12th meeting of the eight session of the Board on 27 April 2021.
- (iv) According to the Company Law, the Securities Law, the Articles of Association, Insiders Registration System and relevant regulations, the Company has revised its Management System Regarding the External Users of Information and relevant clauses. The above revisions had been approved by the 13th meeting of the eight session of the Board on 31 May 2021.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(2) Work related to corporate governance of the Company during the Reporting Period are as follows: *(Continued)*

- (v) In order to further improving the capability of risk prevention and declining the risk of operating management, the Company proactively adopted the annual work plan of “Audit and Risk Control 133” and focused on the following tasks:
- 1) Conducting tour inspections and audits on 8 subsidiaries with the focus on financing trade, decision-making on “three significant and one serious” events, compliance of significant capitals use, the implementation of the negative list of investment projects as well as the operation management of non-principal and non-advantageous businesses.
 - 2) Arranging over 20 subsidiaries to carry out special risk inspections and promote the awareness of risk prevention, covering self-inspections on operational risks of trade businesses strictly prohibited, special inspections on the trust risk and special inspections on the procurement business.
 - 3) Establishing a multi-department collaborative supervision mechanism to promote enterprises to standardize operation and prevent risks.
 - 4) Upgrading the current audit system and establishing five “standardization”, including audit system standardization, audit process standardization, quality control standardization, audit effectiveness standardization and achievement utilization standardization.
 - 5) Continuously facilitating overall risk management on key enterprises, significant contracts and account receivables, regularly tracking the operation of key enterprises and follow-up analysis on trade receivables with risks and highlighting collection responsibilities, arranging relevant departments to review significant economic contracts and organizing annual risk appraisal.
 - 6) Strengthening the rectification of problems found in auditing and ensuring the rectification.

(3) Establishment and implementation of insider information management

The Company had formulated the “Insiders Registration System” in 2010 and has revised its Insiders Registration System and relevant clauses by the Board meeting on 27 April 2021.

The Company has established satisfactory procedures to deal with insider information and satisfactory measures in relation to internal control. The Company has designated relevant departments to be in charge of the monitoring, management, registration, disclosure and record-keeping of insider information on day-to-day basis. The Supervisory Committee of the Company is responsible for monitoring the implementation of the system regarding the registration and management of the persons in possession of insider information, ensuring that the persons in possession of insider information are aware of their rights, obligations and legal liabilities, urging the relevant persons to strictly comply with the duty of confidentiality. The Supervisory Committee of the Company is determined to eradicate insider dealings. As at the end of the Reporting Period, there was no violation of the Insiders Registration System under the self-check of the Company.

1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(4) Establishment and enhancement of the management system regarding the external users of information of the Company

The Company had formulated the Management System Regarding the Users of Information in 2010 and has revised its Management System Regarding the External Users of Information and relevant clauses by the Board meeting on 31 May 2021, which strictly regulates the external disclosure of information by the Company and the use of the information of the Company, prevents information leakage and ensures the fair disclosure of information.

During the Reporting Period, the Company did not violate any requirement of the system.

Description of significant differences between the Company's corporate governance and the Laws, the Administrative Laws and Regulations and the Code of Corporate Governance of Listed Companies formulated by CSRC.

Applicable Not applicable

2. SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO ENSURE THE INDEPENDENCE OF ASSETS, HUMAN RESOURCES, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, AS WELL AS SOLUTIONS, SCHEDULES AND WORK PLANS ADOPTED BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO AFFECT THE INDEPENDENCE OF THE COMPANY

Applicable Not applicable

GPHL, as the controlling shareholder of the Company, exercises its power and accepts its obligations in accordance with the laws, and has not surpassed the shareholders' meetings to interfere directly or indirectly in the Company's operations. The Company and GPHL have been working separately in areas relating to assets, business, organization, finance and human resources and are independent of each other. The Board, the Supervisory Committee and the internal departments of the Company are able to operate independently.

- (1) Separation of business: the Company operates with its own autonomy and integrated business structure and is independent from its controlling shareholder.
- (2) Human resources: the Company maintains independence in the areas of staffing, personnel and payroll management.
- (3) Assets: the Group has an independent production system, a supplementary production system and related facilities. It also has its own independent purchases and sales systems.
- (4) Independence of organization: there was no integration of operation return of the Company and its controller shareholder. The Company has its own independent and comprehensive organizational structure. The Board, the Supervisory Committee and other departments operate independently. Further, the Company has independent decision-making mechanisms and complete production units. No supervisory or reporting relationships existed between the functional departments of the Company and the controlling shareholder of the Company.
- (5) Finance: the Company has established an independent finance department, an independent accounting system and an independent financial management policy. The Company has maintained separate bank accounts and paid tax independently.

2. SPECIFIC MEASURES TAKEN BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO ENSURE THE INDEPENDENCE OF ASSETS, HUMAN RESOURCES, FINANCE, ORGANIZATION AND BUSINESS OF THE COMPANY, AS WELL AS SOLUTIONS, SCHEDULES AND WORK PLANS ADOPTED BY CONTROLLING SHAREHOLDERS AND ULTIMATE CONTROLLERS TO AFFECT THE INDEPENDENCE OF THE COMPANY *(Continued)*

Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts, measures, the progress of solutions and plans of material changes in business and operations which substantially compete with the Company.

Applicable Not applicable

Peer Competition between Hua Cheng and the Company

Hua Cheng, a wholly-owned subsidiary of GPLH, is principally engaged in the production, manufacture and sale of medicine, and its predecessor is Guangzhou Hua Cheng Pharmaceutical Factory (“Hua Cheng Pharmaceutical Factory”). In September 2012, GPLH took over Hua Cheng Pharmaceutical Factory in full in order to solve its operating difficulties. In January 2016, 100% equity interest of Hua Cheng Pharmaceutical Factory was transferred to GPLH, thus it has become a wholly-owned subsidiary of GPLH, forming a situation of peer competition in the same industry between its business and that of the Company.

The ten-year (2007-2016) sales cooperation agreement signed between Hua Cheng Pharmaceutical Factory and Guangdong Yili Pharmaceutical Co., Ltd. expired at the end of 2016, and Hua Cheng Pharmaceutical Factory took back the operation rights of 49 drugs, adjusted its business model and arranged operating work.

In order to resolve the issue of peer competition, GPLH initiated the restructuring work of the enterprise and the work of transferring of 100% equity interest in Hua Cheng to the Company and completed the preliminary work including auditing and asset evaluation required by the corporate restructuring and equity transfer of Hua Cheng Pharmaceutical Factory in 2018.

As Hua Cheng is a wholly state-owned enterprise and its equity transfer includes land assets, it is necessary to submit the approval according to the relevant provisions on the disposal of land assets of state-owned enterprises. However, the equity transfer have not completed yet in that land appraisal price has not yet been properly resolved and Hua Cheng is facing relocation which was led by the receiving of the letter from relevant government departments on land purchase and storage.

Follow-up rectification plan: Hua Cheng is negotiating with related parties on land purchase and storage and relocation. At the same time, it is actively looking for relocation plot in order to confirm the relocation address of the factory as soon as possible. The complaint will pay attention to its progress closely and urge GPLH and Hua Cheng to set up relevant work of equity transfer after the relocation.

3. SHAREHOLDERS AND GENERAL MEETINGS OF SHAREHOLDERS

The Company treats all shareholders equally, ensures that they can fully exercise their rights and protects their legal interests; and the shareholders can request and convene general meeting in strict compliance with the relevant laws and regulations. The Company's corporate governance structure is to ensure that all shareholders, especially the minority shareholders, can enjoy equal benefits and undertake corresponding responsibilities.

Shareholders of the Company shall enjoy the following rights according to the Articles of Association and the Rules and Procedures for Shareholders' General Meetings of the Company:

- (i) shareholders can request, convene hold, participate in or appoint proxy to attend the general meetings of shareholders on its own initiative, and exercise the noting rights;
- (ii) the right to receive dividends and other distributions proportional to the number of shares held;
- (iii) the right to supervise, advise on or inquire about the operating activities of the Company;
- (iv) the right to transfer, donate or pledge the shares held according to laws and regulations and these Articles of Association;
- (v) shareholders to enjoy the rights of access to information, participation and decision on material matters as stipulated by law, administrative regulation and the Articles of Association;
- (vi) the right to be provided with relevant information in accordance with the provisions of these Articles of Association; and
- (vii) other right related to shareholders according to the Articles of Association.

In accordance with the Shareholders Communication Policy of the Company, the shareholders of the Company have the following rights:

- (i) If shareholders have any question regarding their shareholding, they should direct their questions to the Company's share registrar (H shares) or the designated securities branch (A shares);
- (ii) Shareholders and investors may at any time make a request for the Company's information to the extent that such information is publicly available; and
- (iii) The Company shall provide to the shareholders and investors with the designated contact person, e-mail address and enquiry channels of the Company, so as to facilitate them to make reasonable enquires on the Company.

Contact Ms. Huang Xuezhen, Ms. Huang Ruimei
E-mail: sec@gybys.com.cn/huangxz@gybys.com.cn/huangrm@gybys.com.cn
Company website: <http://www.gybys.com.cn>

3. SHAREHOLDERS AND GENERAL MEETINGS OF SHAREHOLDERS *(Continued)*

The general meetings of shareholders are convened and held in strict compliance with the Rules for Shareholders' General Meetings of Listed Companies issued by the CSRC and Rules and Procedures for Shareholders' General Meetings of the Company. The Company strictly complies with the relevant requirements in respect of voting matters and voting procedures, to protect the legal interests of the Company and its shareholders. Accountant and the lawyer will be present at the meeting as witnesses. The Company encourages all shareholders to attend the general meetings and welcome shareholders to speak at the general meetings.

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
The Annual General Meeting in 2020	3 June 2021	Annual Report and its summary for year 2020, Report of the Board for year 2020, Report of the supervisory committee of the Company for year 2020, Financial report of the Company for year 2020; Auditors' report of the Company for year 2020; Proposal on profit distribution and dividend payment of the Company for year 2020; Resolutions on financial and operational targets and annual budget of the Company for year 2021; Resolutions on appointment of BDO CHINA Shu Lun Pan Certified Public Accountants LLP as auditors of the Company; Resolutions on appointment of BDO CHINA Shu Lun Pan Certified Public Accountants LLP as auditors for internal control of the Company for year 2021; Resolutions on the emoluments to be paid to the directors of the Board of the Company for year 2021; Resolutions on the emoluments to be paid to the supervisors of the the supervisory committee of the Company for year 2021; Resolution on the application by the Company for general banking facilities not exceeding RMB4 billion; Resolution on the application for the amounts of bank borrowing by Guangzhou Pharmaceutical Corporation, a subsidiary of the Company, and the amounts of guarantees to be provided by it to secure the bank loans for some of its subsidiaries; Resolution on the proposed cash management of part of the temporary internal idle funds of the Company and its subsidiaries; Resolution on Three-year plan of shareholders' returns of the Company between 2021 and 2023; Resolution on the election of Jian Huidong as the 8th session of the Supervisory Committee of the Company and the emoluments to be paid for year 2021.	Passed	Shanghai Securities News (上海證券報), Securities Times (證券時報), (HKEX) China Securities Journal (中國證券報), Securities Daily (證券日報)	4 June 2021 (SSE) 3 June 2021 (HKEX)

3. SHAREHOLDERS AND GENERAL MEETINGS OF SHAREHOLDERS (Continued)

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
The first extraordinary general meeting in 2021	30 September 2021	Resolution on the extension of the option equity interest exercise period and connected transaction; Resolution on changes in use of proceeds from the fund raising of the Company; Resolution on postponement in fulfilling performance guarantee by the controlling shareholder and signing of supplemental agreement.	Passed	Shanghai Securities News (上海證券報), Securities Times (證券時報), 2021 (HKEX) China Securities Journal (中國證券報), Securities Daily (證券日報)	1 October 2021 30 September

Extraordinary general meetings requested by preferred shareholders who were reinstated

Applicable Not applicable

Description of general meetings

Applicable Not applicable

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(1) Existing Directors, Supervisors and senior management

(i) Profile of executive Directors

Mr. Li Chuyuan, aged 56, holds an EMBA degree and is a senior economist, a senior engineer of professor grade as well as a member of the 12th CPC Guangzhou Municipal Committee. Mr. Li is entitled to the special allowances granted by the State Council. He received the "National Model Workers Award", was selected for the "List of Chinese Good Fellows (中國好人榜)", and was awarded the "Top Ten Economic Figures of China", the person of "China Double Embrace", "Guangdong Top 10 Innovative Persons", "Guangdong Top 10 Most Influential Persons in Economy" and "Guangzhou Top 10 Outstanding Youth". He is the representative of Guangzhou Communist Party, Guangzhou Outstanding Management Expert, the deputy officer of the Science and Education, Sanitation and Sport Committee of Guangdong Political Consultative Conference and a member of the Guangdong Provincial People's Congress. Since Mr. Li began his career in July 1988, Mr. Li had successively served as the Deputy Director of operation department of Baiyunshan General Factory, Deputy General Manager, Deputy Secretary of the Communist Party and Chairperson of Baiyunshan, director and Secretary of the Communist Party of Guangzhou Baiyunshan Chinese Medicine Factory, the General Manager, Vice Chairperson and Secretary of the Communist Party of HWBYS, General Manager, Vice Chairperson, Deputy Secretary of the Communist Party of GPHL, the Vice Chairperson of the Company and the Vice Chairperson of the GP Corp. Mr. Li has served as the Vice Chairperson of the Company since 28 June 2010 and the Chairperson of the Company since 8 August 2013, and now is the Secretary of the Communist Party and Chairperson of GPHL, Secretary of the Communist Party and Chairperson of the Company, Vice Chairperson of HWBYS and Director of GP Corp. Mr. Li has extensive experience in the fields of corporate management and marketing.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(i) Profile of executive Directors *(Continued)*

Mr. Yang Jun, aged 53, holds a master degree in business administration and an economist title. Mr. Yang began his career in July 1992 and served successively as secretary of the board of directors, director, deputy secretary of the party committee, secretary of the discipline inspection commission and convenor of the board of supervisors of Baiyunshan; secretary of the party committee and director of Jing Xiu Tang; deputy secretary of the party committee and standing deputy general manager of Guangzhou International Group Co., Ltd; chairperson of Guangzhou Rubber Enterprises Group Co., Ltd; deputy secretary of the party committee, standing deputy general manager, trade union chairperson, and staff director of Vanlead Group Co., Ltd; deputy secretary of the party committee and director of Guangzhou Public Transport Group Co., Ltd; secretary of the party committee of Guangzhou First Bus Co., Ltd. Mr. Yang has been a director of the Company since January 2020 and has been the vice chairperson since June 2020. Mr. Yang is currently the deputy secretary of the party committee, vice chairperson, general manager of GPLH, and the chairperson of Guangyao Group (Macau) International Development Industry Co., Ltd and the chairperson of Tian Xin. Mr. Yang has rich experience in party construction and innovation and enterprise management.

Ms. Cheng Ning, aged 56, completed tertiary education and is an accountant. Ms. Chen possesses several professional qualifications, including PRC certified public accountant and PRC certified tax consultant. Ms. Cheng began her career in August 1986 and had been an officer of the finance department of Baiyunshan General Factory, the deputy head of the finance department of Guangzhou Baiyunshan Bao De Pharmaceutical Factory (廣州白雲山寶得藥廠), the head of the finance department of Guangzhou Baiyunshan Veterinary Medicine Factory (廣州白雲山獸藥廠), the head of the settlements division of the operations department, head of the accounts and payments division of the settlements centre, deputy head of the finance department and a member and secretary of the supervisory committee of Baiyunshan, the acting manager and manager of the financial resources department and the head of the finance department of Guangzhou Baiyunshan Enterprise Group Co., Ltd. (廣州白雲山企業集團有限公司), the deputy head and the head of the finance department of GPLH, a director of each of Zhong Yi, Cai Zhi Lin, Qi Xing, Guangxi Yingkang, WLJ Investment, Wang Lao Ji Catering and GP Corp. and the chairperson of the supervisory committee of WLJ Great Health. Ms. Cheng has been a Director since 19 September 2012, the vice chairperson of the Company since 3 June 2019, and is also currently the standing deputy general manager and a member of the party committee of GPLH, the convenor of the board of directors of Guangyao Baiyunshan Hong Kong Company and a director of Guangyao Group (Macau) International Development Industry Co., Ltd (廣藥集團(澳門)國際發展產業有限公司), the chairperson of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司) and Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司). Ms. Cheng has extensive experience in finance management and internal control management.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(i) Profile of executive Directors *(Continued)*

Ms. Liu Juyan, aged 57 completed postgraduate education and holds a doctorate degree in medicine and is a senior engineer of professor grade. She is also an expert who enjoys special allowances from the State Council. Ms. Liu was awarded the “March 8th Flag Bearer” of China. She was an “Outstanding City Management Expert” of Guangzhou and also was a Guangzhou “121” reserved talent. Ms. Liu began her career in July 1990 and had been the chairperson and general manager of Guangzhou Han Fang, the head of the technology and quality department of GPLL, the chairperson of Yi Gan, the chairperson of the Guangyao General Institute and the chairperson of Nuo Cheng. Ms. Liu has been a Director of the Company since January 2014. Ms. Liu is currently the deputy general manager and the chief engineer of GPLL. She also serves as the chief technical officer of the Company, the vice chairperson of Nuo Cheng, a director of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司), director of Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司) and director of Guangyao General Institute. Ms. Liu has extensive experience in scientific research and development, technological research and quality management.

Mr. Zhang Chunbo, aged 45, holds a master degree of EMBA, is a Senior Economist (Technology Entrepreneur) and a druggist and received the award of “National Model Workers”. Mr. Zhang graduated from the China Pharmaceutical University in July 2000 and began his career in the same year. In December 2010, he obtained a master degree of EMBA from the Lingnan (University) College of the Sun Yat-Sen University. He had served as the vice manager of the second zone, the assistant to the manager of sales department, the deputy general manager of sales department, the manager of sales department, the vice director of marketing department of HWBYS, the deputy general manager, standing deputy general manager, general manager and chairperson of Zhong Yi, and general manager and Chairperson of Qi Xing. Mr. Zhang has been as the deputy general manager of the Company between January 2015 and August 2021, and a Director of the Company since 28 June 2019, and is currently a member of the party committee and the deputy general manager of GPLL, a member of the party committee of the Company, the chairperson and the secretary of the party committee of each of Zhong Yi and Qi Xing, the Director of each of Tian Xin, Baiyunshan Pharmaceutical Marketing and Haima Company, and a member of Management Committee of Baiyunshan General Factory. Mr. Zhang has extensive experiences in corporate management and marketing.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(i) Profile of executive Directors *(Continued)*

Mr. Wu Changhai, aged 56, holds an EMBA degree, is a Senior Economist (Technology Entrepreneur). Mr. Wu began his career in August 1989 and had been the Deputy General Manager of Guangxi Ying Kang, the Deputy General Manager, General Manager, director, Chairperson and Secretary of the Communist Party of Zhong Yi, the Chairperson of Qi Xing, the chairperson of Xing Qun, chairperson, a member of the party committee and a director of WLJ Great Health, chairperson of WLJ Ya'an, chairperson of Wang Lao Ji Great Health Industry (Mei Zhou) Co., Ltd., and director and general manager of GPC. Mr. Wu has served as a director of the Company since 28 June 2010, and is currently a member of the party committee and the deputy general manager of GPHL, a member of the party committee and a Director of the Company, the chairperson and general manager of Guangzhou Baiyunshan Medical Instrument Investment Company, a director of Baiyunshan Medical and Healthcare Industry Company and a director of Baiyunshan Tibetan-style Health Preservation Castle in Nyingchi of Tibet Management Co., Ltd. (西藏林芝白雲山藏式養生古堡管理有限公司). Mr. Wu has extensive experience in the operation and management, marketing and scientific research, development of listed companies and pharmaceuticals, food and beverage, healthcare, and medical devices businesses.

Mr. Li Hong, aged 55, holds an EMBA degree. Mr. Li is a senior economist (science and technological entrepreneur) and holds the titles of engineer and senior political work engineer. Mr. Li is a specially appointed committee member of the 11th Chinese People's Political Consultative Conference of Guangdong Province. Mr. Li started his career in July 1990. He had served as a director and the chairperson of the board of Guangzhou Baiyunshan Qiao Guang Pharmaceutical Co., Ltd.; a director and the general manager of Tian Xin; a general manager, chairperson and secretary of the party committee of Ming Xing; a director of Baiyunshan and an assistant to the general manager of GPHL. Mr. Li has been a member of the party committee, a director and general manager of the Company since 22 June 2018 and is currently a member of the party committee of GPHL, a director of Haima Company, the chairperson of Baxter Qiao Guang, the vice chairperson of Guangyao Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司), the director and general manager of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司) and Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司). Mr. Li has rich experience in business administration and marketing.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(ii) Independent non-executive Directors

Mr. WONG Hin Wing, aged 59, holds a Master's degree in Executive Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. He obtained the medal of honor by the government of Hongkong in 2021. He is an Independent non-executive director of CRCC High-Tech Equipment Corporation Limited (a public company with H shares listed on the HKEX), Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the SSE and H shares listed on the HKEX), the Company, Wine's Link International Holdings Limited (a public company listed on the HKEX), Jiangxi Bank Co., Ltd. (a public company with H shares listed on the HKEX) and Zhaoke Ophthalmology Co., Ltd. (a public company with H shares listed on the HKEX). He was an Independent non-executive Director of Dongjiang Environment Protection Co., Ltd. (a public company with B shares listed on the SSE and H shares listed on the HKEX) and AEON Credit and Finance (Asia) Co., Ltd. (a public company with H shares listed on the HKEX) in the past 3 years. He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of the Securities and Futures Appeals Tribunal and the Public Interest Entities Auditors Review Tribunal, a member of the Construction Industry Council as well as the Betting and Lotteries Commission. Prior to this, he had worked with an international audit firm for four years and then a listed company as Chief Financial Officer for seven years. He then founded and has been the Managing Director and a licensed responsible officer of Silk Road International Capital Limited (formerly known as Legend Capital Partners, Inc.), a licensed corporation under the SFO, since 1997. He has been an independent non-executive director of the Company since 23 June 2017 and has 38 years of experience in corporate management, investment management and advisory accounting and finance.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(ii) Independent non-executive Directors *(Continued)*

Ms. Wang Weihong, aged 59, completed postgraduate education and holds a master degree in management. Ms. Wang is a professor in management, a Counsellor of the Counsellors' office of the People's Government of Guangdong Province, a member of each of the ninth, tenth and eleventh session of the Chinese People's Political Consultative Conference of Guangdong Province and a member of the twelfth session of the Counsellor Consultative Committee of the Chinese People's Political Consultative Conference. Ms. Wang graduated from the Hunan Institute of Economics and Finance (currently known as the Hunan University). She began her career in July 1986 and had successively been lecturer of the Department of Trade and Economics and the director of the Teaching and Research Office of the Hunan Institute of Finance and Economics, and an associate professor of the Department of Marketing and Sale of the Business Faculty of the Hunan University. Since 1999, Ms. Wang has been the head of the Market and Enterprises Research Center of the Business College and a professor of the Guangdong University of Foreign Studies. In recent years, Ms. Wang has become a committee member of the Guangdong Provincial Business Administration Teaching and Guidance Committee, an evaluation expert of the Association of the Social and Scientific Sectors of Guangdong (廣東省社會科學界聯合會) and an evaluation expert of the Guangdong Association of Science and Technology's Science and Technology Progress Award. Ms. Wang is also a standing director of the China Marketing Association, the deputy secretary general of China Business Administration Association of University (中國高校商務管理研究會), and a standing director of China Marketing Association of University (中國高校市場學研究會). Ms. Wang has been an independent non-executive director of the Company since 23 June 2017 and has extensive experience in strategy management, science and technology innovation management, marketing management and brand planning and operation.

Mr. Chen Yajin, aged 59, holds a doctorate degree, and is a professor and chief physician. Mr. Chen is the vice-officer of the Biliary Surgery Expert Committee of the Capacity Building and Continuing Education Committee of the National Health Commission of the PRC, officer of the Hepatobiliary and Pancreatic ERAS Expert Committee of the Chinese Branch of the International Hepato-Pancreato-Biliary Association, officer of the Hepatobiliary Surgery Branch of Guangdong Medical Doctor Association, a standing committee member of the Bile Duct Expert Committee of the Surgery Branch of Chinese Medical Doctor Association, the vice-officer of the Digestive Oncology Branch of Chinese Research Hospital Association, a member of the Biliary Surgery Group of the Surgery Branch of Chinese Medical Association, a member and the vice-officer of the China Branch of Asian-Pacific Laparoscopic Hepatectomy Promotion Committee, and a standing committee member of the International Laparoscopic Liver Society (ILLS). Mr. Chen began his career in July 1986, and successively held various positions such as the director of hepatobiliary surgery department and deputy officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University and has been an independent non-executive director of the Company since 29 June 2020. Mr. Chen is currently the director of hepatobiliary surgery department and officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University. Mr. Chen has extensive experience in scientific research and development and technical research.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(ii) Independent non-executive Directors *(Continued)*

Mr. Huang Min, aged 58, holds a postgraduate degree and a doctorate degree in pharmacology, and is a professor (Grade II). Mr. Huang is a member of the Pharmacopoeia Commission of the PRC, the honored officer of the Clinical Pharmacology Expert Committee of Chinese Pharmacological Society, the vice-officer of the Drug Metabolism Expert Committee, a standing committee member of Guangdong Provincial Association for Science and Technology and the president of Guangdong Provincial Assessment & Accreditation Federation of Technology. Mr. Huang began his career in June 1983, and successively held various positions such as a lecturer and an associate professor of the Department of Clinical Pharmacology of Zhongshan Medical University, and executive vice-dean and dean of School of Pharmaceutical Sciences of Sun Yat-Sen University. Mr. Huang has been an independent non-executive director of the Company since 29 June 2020 and is currently a professor and the director of the Institute of Clinical Pharmacology of Sun Yat-sen University. Mr. Huang has extensive experience in the teaching, scientific research and scientific and technological development in the field of pharmacy.

For details of the membership information of the Board committees on which the independent non-executive directors serve, please refer to “15. Committees of the Board” in this section. For details of the terms of the independent non-executive directors of the Company, please refer to “5. Changes in Interests and Emoluments” in this section.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(iii) Supervisors

Mr. Cai Ruiyu, 54 years old, holds an EMBA degree, accountant and the financial economist title. Mr. Cai began to work in July 1988, and successively served as the financial supervisor of Guangzhou Baiyunshan Traditional Chinese Medicine Factory; the chief financial officer, the manager of the production dispatching office, and the deputy manager of the production technology department of Bozhou branch factory; assistant to the general manager, party committee member and deputy general manager of HWBYS; vice director of the organization department, HR department and unified front work department of the Company. Mr. Cai served as a Supervisor of the Company since September 2019 and chairperson of the Board of Supervisors of the Company since January 2020. Mr. Cai currently serves as the director of the organization department, HR department and unified front work department. Mr. Cai has been engaged in the management of finance, production and operation, administration and personnel, party affairs and administration for more than 30 years, boasting rich experience in party construction innovation, administrative management, operation management and management of cadres and talents.

Mr. Cheng Jinyuan, aged 49, has a master degree of EMBA. Mr. Cheng started his career in December 1991. He served successively as a cashier of the retired cadre office of the National Defense University; accountant of the Administration of the General Office of the Central Military Commissions, provincial manager of HWBYS; deputy director of sales department of Guang Hua, director of discipline inspection office of GPLH, and director of discipline inspection office of the Company. Mr. Cheng has been a Supervisor of the Company since January 2020. Mr. Cheng currently serves as the head of the audit department, director of the risk control office, director of the inspection office of the party committee and employee supervisor of GPLH, the head of the audit department and director of the risk control office of the Company. Mr. Cheng has rich experience in discipline inspection, financial management and marketing.

Mr. Jian Huidong, aged 49, holds a bachelor degree and senior corporate cultural division title. Mr. Jian began to work in July 1994, is the supervisor of the Company since 3 June 2021, and currently serves as vice chairperson of trade union of GPLH, the Company and headquarter of GPLH respectively. Mr. Jian has been engaged in the work of trade union for many years and has rich experience in employee services, protection of employee rights and interests, and targeted poverty alleviation.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(1) Existing Directors, Supervisors and senior management *(Continued)*

(iv) Senior management

Mr. Huang Haiwen, aged 41, graduated from the finance profession Peking University with a bachelor degree. Mr. Huang Haiwen started his career in July 2004. He served successively as Shanxi OTC manager of Guangzhou Baiyunshan Traditional Chinese Medicine Factory, manager of Shandong marketing center for Eastern China, deputy director of marketing and general manager of sales department for Jilu Region, and general manager of Shandong marketing center of HWBYS; head and deputy general manager of operating division of Guangxi Ying King; head and vice manager of operating division of Baiyunshan General Factory and deputy general manager of Baiyunshan Pharmaceutical Marketing. Mr. Huang has been a deputy general manager of the Company since July 2019 and currently serves as the chairperson of Baiyunshan Pharmaceutical Marketing, manager and a member of management committee of Baiyunshan General Factory and a director of Jing Xiu Tang. Mr. Huang has rich experience in marketing management and market operation.

Ms. Zheng Haoshan, aged 46, holds a master degree in management and is a senior economist. She was awarded the “March 8th Flag Bearer” of Guangzhou. Ms. Zheng Haoshan graduated from South China University of Technology in July 1998 and started her career in the same year. She served successively as the deputy director of the business administration department, the deputy director of the marketing department, the deputy director and director of the business administration, technology and quality department of Baiyunshan, and the deputy director of the business administration department of GPL. Ms. Zheng has been a deputy general manager of the Company since July 2019 and currently serves as the head of business administration department of the Company; director of GP Corp.; director of Pharmaceutical Import & Export; director of Ming Xing, director of Zhong Yi and director of Baiyunshan Pharmaceutical Marketing. Ms. Zheng has rich experience in enterprise management, resource integration and operation analysis.

Mr. Zheng Jianxiong, aged 52, is the holder of a master’s degree in business administration and economist title. Mr. Zheng commenced working in July 1993 and served successively as the director of the Shanghai office, and deputy director of sales department of Guangzhou Pharmaceutical Company; the director of overseas sales department, director of purchasing department, director of purchasing center, deputy director of marketing department and deputy general manager of GP Corp; the deputy general manager of Cai Zhi Lin and the chairperson of Guangzhou Cai Zhi Lin Pharmacy. Mr. Zheng has been a deputy general manager of the Company since August 2020 and is the secretary of the party committee and chairperson of our GP Corp, a director of Cai Zhi Lin, a director of Pharmaceutical Import & Export, a director of Baiyunshan Medical Equipment Investment, and a director of Guangzhou Zhongcheng Medical Equipment Industry Development Co., Ltd.. Mr. Zheng has extensive experience in business management and marketing.

Ms. Huang Xuezen, aged 48, holds a master degree of arts. She is an economist and a member of the 15th session of the People’s Congress of Liwan District, Guangzhou City. Ms. Huang started her career in July 1999 and joined the Company in September 2003. She had served as the deputy officer of the Secretariat to the Board of the Company, the head of the secretariat and representative of securities affairs. She has served as the secretary to the Board of the Company since 26 April 2017 and is currently the Company secretary of the Company, the head of the Secretariat to the Board and a director of Golden Eagle Fund.

4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF *(Continued)*

(2) Information on the changes in Directors, Supervisors and senior management of the Company during the Reporting Period

(i) Due to job transfer, Mr. Wu Changhai and Mr. Zhang Chunbo applied for resignation from the positions of standing deputy general manager and deputy general manager of the Company respectively on 16 August 2021. According to the Company Law, Articles of Association and other laws and regulations, the resignation report of Mr. Wu Changhai and Mr. Zhang Chunbo should become effective as of the date it is delivered to the board of directors. They continue to service as executive directors of the Company after their resignation. Resumes of Mr. Wu Changhai and Mr. Zhang Chunbo were presented as above.

(ii) Biographies of outgoing supervisor

Ms. Gao Yanzhu, aged 56, holds a degree in management. She is a senior economist, auditor and an engineer and a member of the 16th session of Guangzhou City Liwan District People's Congress. Ms. Gao started her career in July 1988 and had been the deputy director of the office of the operation and management of the enterprise management department of Guangzhou Baiyunshan Enterprise Group Co., Ltd., representative of securities affairs and company's legal adviser of Baiyunshan, deputy department head of the audit department and the deputy director of the risk control office of GPLH and the deputy department head of the audit department and the deputy director of the risk control office, head of the audit department and director of the risk control office of the Company, and director of Cai Zhi Lin. Ms. Gao served as a Supervisor of the Company since June 2017. Ms. Gao has extensive experience in audit, risk control and securities affairs. Ms. Gao resigned from her position as a supervisor representing shareholders of the Company on 23 November 2020 since she has reached the legal age for retirement. Ms. Gao resigned as supervisor of the Company on 3 June 2021.

The above outgoing Directors, Supervisors or senior management confirm that there is no disagreement between them and the Board and/or the Supervisory Committee of the Company; nor are there any other matters concerning their resignation that need to be brought to the attention of the shareholders of the Company or HKEX.

5. CHANGES IN INTERESTS AND EMOLUMENTS

(1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2021)

During the Year, the total amounts of remuneration received by the Directors, Supervisors and the senior management from the Group, the shareholder(s) of the Company and other connected entities were RMB20,749,490.

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period Note ③ (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period Note ② (RMB'000)
1. Interest (A shares) and emoluments of the current Directors, Supervisors and senior management of the Company											
Li Chuyuan	Chairperson	Male	56	2010-06-28	Note ①	0	0	0	N/A	/	2,092.17
Yang Jun	Vice chairperson	Male	53	2020-01-13	Note ①	0	0	0	N/A	/	1,552.35
Cheng Ning	Vice chairperson	Female	56	2012-09-19	Note ①	0	0	0	N/A	/	1,879.41
Liu Juyan	Executive Director	Female	57	2014-01-28	Note ①	0	0	0	N/A	/	1,883.38
Zhang Chunbo	Executive Director	Male	45	2015-01-12	Note ①	0	0	0	N/A	1,057.80	353.18
Wu Changhai	Executive Director	Male	56	2010-06-28	Note ①	0	0	0	N/A	1,289.14	367.92
Li Hong	Executive Director	Male	55	2018-06-22	Note ①	0	0	0	N/A	1,719.02	/
Wong Hin Wing	General manager Independent non-executive Director	Male	59	2017-06-23	Note ①	0	0	0	N/A	100.00	/
Wang Weihong	Independent non-executive Director	Female	59	2017-06-23	Note ①	0	0	0	N/A	100.00	/
Chen Yajin	Independent non-executive Director	Male	59	2020-06-29	Note ①	0	0	0	N/A	100.00	/
Huang Min	Independent non-executive Director	Male	58	2020-06-29	Note ①	0	0	0	N/A	100.00	/
Cai Ruiyu	Chairperson of the board of Supervisors	Male	54	2019-09-24	Note ①	0	0	0	N/A	1,351.28	/
Cheng Jinyuan	Supervisor	Male	49	2020-01-13	Note ①	0	0	0	N/A	793.75	/
Jian Huidong	Supervisor	Male	49	2021-06-03	Note ①	0	0	0	N/A	/	597.25
Huang Haiwen	Deputy general manager	Male	41	2019-07-12	Note ①	0	0	0	N/A	1,247.08	/
Zheng Haoshan	Deputy general manager	Female	46	2019-07-12	Note ①	0	0	0	N/A	1,348.82	/
Zheng Jianxiang	Deputy general manager	Male	52	2020-08-28	Note ①	2,300	2,300	0	Note ④	1,283.05	/
Huang Xuezhen	Secretary to the Board	Female	48	2017-04-26	Note ①	0	0	0	N/A	1,227.59	/

2. Interest (A-shares) emoluments of outgoing Directors, Supervisors, and senior management during the Reporting Period

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period (RMB'000)
Wu Changhai	Standing deputy general manager	Male	56	2017-06-23	2021-08-16	0	0	0	N/A	1,289.14	367.92
Zhang Chunbo	Deputy general manager	Male	45	2017-06-23	2021-08-16	0	0	0	N/A	1,057.80	353.18
Gao Yanzhu	Supervisor	Female	56	2017-06-23	2021-06-03	0	0	0	N/A	306.32	/

5. CHANGES IN INTERESTS AND EMOLUMENTS *(Continued)*

(1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2021) *(Continued)*

Notes:

- ① The term of office of members of the 8th session of the Board Committee commenced from 29 June 2020 up to the date on which the members of the new session of the Board Committee are elected. Among members of the 8th session of the Supervisory Committee, the term of office of Mr. Cai Ruiyu and Mr. Cheng Jinyuan commenced from 29 June 2020 up to the date on which the members of the new session of the Supervisory Committee are elected, and the term of office of Mr. Jian Huidong commenced from 3 June 2021 up to the date on which the members of the new session of the Supervisory Committee are elected. Except for Mr. Zheng Jianxiong whose term of office commenced from 28 August 2020 until members of the new session of the Board of Directors are elected, the term of office of the members of senior management commenced from 29 June 2020 up to the date on which the members of the new session of the Board are elected.
- ② The emoluments of Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan and Mr. Jian Huidong for the Year were received from the Company's shareholder, and the emoluments of Mr. Zhang Chunbo and Mr. Wu Changhai for the Year were received from the Company's shareholder from 1 August 2021, which included the basic salary, bonus, allowance, subsidy, staff welfare benefits, insurance premiums, statutory surplus reserve, and annuity for 2021, settlement of annual salary for the previous year as well as incentive income for the term of office from 2018 to 2021, etc..
- ③ The emoluments of Mr. Li Hong, Mr. Cai Ruiyu, Mr. Cheng Jinyuan, Ms. Gao Yanzhu, Mr. Huang Haiwen, Ms. Zheng Haoshan, Mr. Zheng Jianxiong and Ms. Huang Xuezheng for the Year were received from the Company, and the emoluments of Mr. Zhang Chunbo and Mr. Wu Changhai for the Year were received from the Company from 1 January 2021 to 31 July 2021, which included without limitation the basic salary, staff welfare benefits, insurance premiums, statutory surplus reserve, annuity for 2021, settlement of annual salary for the previous year as well as incentive income for the term of office from 2018 to 2021, etc..

The emoluments of Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin, Mr. Huang Min were received from the Company.
- ④ Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

5. CHANGES IN INTERESTS AND EMOLUMENTS (Continued)

(2) Interests of Directors, Supervisors and chief executives and short positions in shares, underlying shares and debentures of the Company

- (i) As at 31 December 2021, the Directors, Supervisors, and chief executives of the Company who had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX were as follows:

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

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

- (ii) Saved as disclosed above, as at 31 December 2021, none of the Directors, Supervisors and chief executives of the Company had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX.

6. POSITIONS HELD BY THE CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE WHO DEPARTED DURING THE REPORTING PERIOD

Position in shareholder's company:

Applicable Not applicable

Name	Company	Position(s) held in the shareholder's company	Commencement date of term of office	Ending date of term of office
Li Chuyuan	GPHL	Chairperson	June 2013	/
		Secretary of the party committee	July 2013	/
Yang Jun	GPHL	Vice chairperson	October 2019	/
		Deputy secretary of the party committee	October 2019	/
Cheng Ning	GPHL	General manager	October 2019	/
		Standing deputy general manager	March 2019	/
Liu Juyan	GPHL	Deputy general manager	January 2011	/
		Chief engineer	August 2005	/
Zhang Chunbo	GPHL	Deputy general manager	August 2021	/
Wu Changhai	GPHL	Deputy general manager	August 2021	/

7. INFORMATION ON THE EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

The annual emoluments for Directors and Supervisors were proposed by the Board and the Supervisory Committee, respectively, and were approved at the General Meeting of the Company. In accordance with the rules of Procedure of the Board of Directors of the Company, the board of Directors or its Nomination and Remuneration Committee shall be responsible for the formulation of standards for the evaluation of directors and carrying out the evaluation of directors. When evaluating or discussing the remuneration of individual directors, the Board of Directors or the Nomination and Remuneration Committee will consider the remuneration paid by similar companies, the hours and responsibilities required and the conditions of employment of other positions within the Group and provide advises to the remuneration of directors (including individual executive directors and non-executive directors), including non-pecuniary benefits, pension rights and amounts of compensation (including compensation for loss or termination of office or appointment). The Director shall excuse himself from the board of directors or the nominating and compensation committee during any evaluation or discussion of his remuneration. According to the Implementing Rules for the Board Nomination and Remuneration Committee, the Company's nomination and remuneration committee should provide advises to the board on emoluments' policy and structure of directors and senior management, transparent procedures of emoluments policy, and offer suggestions to emoluments in response to the adjustment of the company's policy and objectives, and review and approve management. As the supervisor of the Company concurrently services other positions, when the Board of Supervisors proposes the remuneration of the supervisor, not only the remuneration of the supervisor but also the remuneration of the corresponding management position shall be considered. The annual emoluments of the senior management include but not limited to salary, welfare benefits and settlement of annual salary for the previous year, etc. The actual amounts of the emoluments of the senior management were subject to the appraisal and adjustment in accordance with the Compensation and Performance Appraisal Measures for Senior Management of GYBYS.

8. THE APPOINTMENTS OR DEPARTURES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

- (i) At the annual general meeting in 2021 held on 3 June 2021, Mr. Jian Huidong was elected as the Supervisor of the eighth session of the Supervisory Committee of the Company and his term of office commenced from the date on which he was elected up to the date on which the members of the new session of the Supervisory Committee of the Company are elected. At the same day, Ms. Gao Yanzhu left office of the Supervisory Committee of the Company.
- (ii) On 16 August 2021, Mr. Wu Changhai and Mr. Zhang Chunbo resigned the position of the standing deputy general manager and deputy general manager of the Company, respectively, due to work accommodation. After resignation, Mr. Wu Changhai and Mr. Zhang Chunbo will continue to service as the Director of the Company.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of change in information of Directors after the publication of the interim report of the Company for the six months ended 30 June 2021 are as follows:

Name of director Detail of change

Liu Juyan	Appointed as the director of Guangyao Institution in December 2021.
Zhang Chunbo	Not appointed as deputy general manager of the Company in August 2021; appointed as the member of the party committee and deputy general manager of GPLH in August 2021; appointed as the member of management committee of Baiyunshan Pharmaceutical Factory in November 2021; appointed as the director of Tian Xin, Baiyunshan Marketing Company and Hai Ma Company.
Wu Changhai	Not appointed as standing deputy general manager of the Company in August 2021; appointed as deputy general manager of GPLH in August 2021; not appointed as a director of WLJ Great Health and a director of Xing Qun in December 2021.
Huang Min	Not appointed as member of the seventh Pharmacy Discipline Evaluation Group of academic Degrees Committee of The State Council in May 2021; appointed as honored officer of Clinical Pharmacology Committee, Chinese Pharmacological Society in November 2021.

9. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors of the 8th session of the Board and 8th session of the Supervisory Committee has signed a written service contract with the Company. The contract terms of Mr. Jian Huidong are effective from 3 June 2021 up to the date on which the members of the new session of the Board or the Supervisory Committee are elected. The contract terms of other members are effective from 29 June 2020 up to the date on which the members of the new session of the Board or the Supervisory Committee are elected.

The term of each Board of Directors or Board of Supervisors is about three years. Each director or supervisor can be re-elected upon expiration of their term of office. None of the Director has any unexpired service contracts with the Company auditor its subsidiaries which is not determinable by the employ or within one year without payment of compensation (other than statutory compensation).

10. PERMITTED INDEMNITY

At no time during the Year and up to the date of this report, there was or is, permitted indemnity provision being in force for the benefit of any of the Directors and the Supervisors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage during the Year for the Directors, Supervisors and senior management, to provide them with sufficient protection in case of any legal proceedings.

11. INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year or at the end of the Year, the Company, each affiliated company, affiliated companies or holding companies in the group entered into no significant transaction, arrangement or contract in which any business of the Group is involved or any Director or Supervisor of the Company or any entity related to such Director or Supervisor directly or indirectly has any material right and interest.

12. PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE PAST THREE YEARS

Applicable Not applicable

13. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted the Model Code in Appendix 10 to the Listing Rules of HKEX and “Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management” as stipulated by the Company as the code and criteria for securities transactions by Directors and Supervisors of the Company. After making specific inquiry on all the Directors and Supervisors, the Company confirmed that its Directors and Supervisors had fully complied with the standards relating to directors’ and supervisors’ dealing in securities as set out in the above code and criteria during the Reporting Period.

14. BOARD OF DIRECTORS

(1) Composition

The Board is the core decision-making body entrusted by general meeting of the shareholders to be in charge of the operation and management of the Company’s assets. The Board is accountable to the shareholders. The management is responsible for the Company’s daily operations and daily administration management works. There are no financial, business, family or other material relationships among members of the Board.

The current Board is the 8th session of the Board of the Company since its establishment, consisting of 11 directors, including Mr. Li Chuyuan (chairperson), Mr. Yang Jun (vice chairperson), Ms. Cheng Ning (vice chairperson), 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 Yanjin and Mr. Huang Min as independent non-executive directors. Their term of office is from 29 June 2020 until members of new session of the Board are elected.

The Board shall exercise the following powers:

- (A) convention of general meetings of shareholders, and report to the general meetings;
- (B) implementation of the resolutions of the general meeting;
- (C) formulation of the business plan and investment scheme of the Company;
- (D) making decision on material acquisitions, disposal and guarantee matters;
- (E) making decisions on the disposal of assets of the Company and the acquisition of fixed assets with a transaction value between RMB10 million and RMB50 million;
- (F) formulation of the annual financial budget and financial accounting policy of the Company;
- (G) formulation of the profit distribution policy and loss recovery policy of the Company;
- (H) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company;
- (I) drafting of the policies of material corporate acquisition, repurchase of the shares of the Company, or the proposals on merger, separation or dissolution of the Company; and
- (J) making decision on the establishment of internal management system in the Company.

14. BOARD OF DIRECTORS *(Continued)*

(1) Composition *(Continued)*

- (K) employment or dismissal of the general manager of the Company; based on the nominations given by the general manager, employ or dismiss the deputy general managers, financial controller, other senior management personnel and secretary to the Board of the Company, and decide on their remuneration;
- (L) formulation of the basic management system of the Company;
- (M) formulation of the proposal on amendments to the Articles of Association;
- (N) management of disclosure of information of the Company;
- (O) proposing to the general meeting of shareholders on appointment or replacement of accounting firm responsible for the audit of the Company;
- (P) review the work reports of the general manager and inspect on the work of the general manager (if the general manager serves as a Director of the Company, he or she should abstain from exercising his or her rights as a director when the Board is conducting inspection on the work of the general manager);
- (Q) determining the emolument and subsidy standards for the Directors of the Company;
- (R) determining the subsidy standards for the independent non-executive Directors; and
- (S) other powers granted by the Articles of Association, laws and regulations and the general meetings of shareholders.

The Board shall exercise the above powers by holding meetings of the Board to consider the relevant matters and can implement only after the passing of the Board resolutions.

Directors shall be elected or replaced by general meeting of shareholders, at which a cumulative voting system is adopted for the election of directors. Directors are eligible for re-election upon expiration of their terms of office. All independent non-executive Directors are independent persons, and are not connected with the Company and its substantial shareholders. Their terms of office shall not exceed six years.

The roles of chairperson and general manager of the Company are performed by separate persons with clear division of responsibilities. The Board is presided over by the chairperson, who is in charge of the daily business of the Board and the examination of the implementation of the resolutions passed at Board meetings. The general manager works under the leadership of the Board. The principal responsibilities of the general manager include management of the Company's daily operations and implementation of the resolutions passed at the Board. The chairperson of the Board is Mr. Li Chuyuan and the general manager is Mr. Li Hong during the Reporting Period.

Members of the Board have different industry backgrounds, having expertise and extensive experience in areas such as business management, accounting, finance, pharmaceuticals, law and investment planning.

14. BOARD OF DIRECTORS *(Continued)*

(1) Composition *(Continued)*

During the Reporting Period, the Directors of the Company participated in the sustainable professional development in order to update their relevant knowledge and skills and ensure they are able to make informed contributions to the Board of the Company. The Company regularly arranges every Director to participate in the professional trainings organized by the CSRC and the stock exchanges on which the Company is listed, and certificates of qualification for training or certificate recognized by the relevant authorities were obtained. The secretary of the Board also participates in the relevant professional trainings of not less than 15 hours each year. All Directors had provided the secretary of the Board with records on their trainings during the Reporting Period. The Company encourages all Directors to attend the relevant training courses and bears the relevant expenses. Details of training on directors and secretary of the Company in 2021 are as follows:

Name	Participating in the professional training of the organization	Reading the materials related to the themes
Li Chuyuan	✓	✓
Yang Jun	✓	✓
Cheng Ning	✓	✓
Liu Juyan	✓	✓
Zhang Chunbo	✓	✓
Wu Changhai	✓	✓
Li Hong	✓	✓
Wong Hin Wing	✓	✓
Wang Weihong	✓	✓
Chen Yajin	✓	✓
Huang Min	✓	✓
Huang Xuezhen	✓	✓

All the Directors can obtain from the secretary of the Board and the secretariat to the Board timely relevant information and updates of the statutory and regulatory obligations that Directors of listed companies must comply with and that are related to their continuing obligations in order to ensure that the Directors understand their duties and that the procedures of the Board are implemented and complied with appropriately.

The Directors and the special committees of the Board are both entitled, within the scope of their powers, duties and business needs, to engage the services of independent professional institutions for performing their duties or for the business operation when needed. The Company shall bear the reasonable costs incurred therefrom.

The Board shall perform the following functions of corporate governance responsibilities:

- (A) formulate and review the Company's corporate governance policies and procedures;
- (B) review and monitor the personnel training and continuing professional development of the Directors and senior management;
- (C) review and monitor the Company's compliance with the policies and procedures prescribed by laws and regulations;
- (D) formulate, review and monitor the ethics code of conduct and compliance manual applicable to employees and Directors (if any); and
- (E) review the Company's compliance with the corporate governance rules and the disclosure in the corporate governance report.

14. BOARD OF DIRECTORS *(Continued)*

(2) Board Meetings

In 2021, there were 9 Board meetings held to discuss the resolution on changes in use of proceeds from the fund raising of the Company, the resolution on connected transactions, the resolution on postponement in fulfilling performance guarantee by the controlling shareholder and signing of supplemental agreement and the resolution on amendment of part of internal management systems as well as other issues. The Board meetings had effective discussion and can make decisions which are serious and cautions.

The attendance of the Directors at Board meetings and general meetings during the Reporting Period is set out below:

Directors	Whether an independent director	Number of meetings that should have attended	Participation of Directors at Board meetings				Attendance of Directors at general meetings		
			Number of meetings participated in person	Number of meetings participated by way of communication (Notes)	Number of meetings participated by appointing a representative	Number of absence	Failure to participate in two meetings in person consecutively	Number of general meetings that should have attended	Number of general meetings attended
Li Chuyuan	No	9	9	7	0	0	No	2	2
Yang Jun	No	9	9	6	0	0	No	2	2
Cheng Ning	No	9	9	6	0	0	No	2	2
Liu Juyan	No	9	9	7	0	0	No	2	1
Zhang Chunbo	No	9	9	6	0	0	No	2	2
Wu Changhai	No	9	9	6	0	0	No	2	2
Li Hong	No	9	9	8	0	0	No	2	2
Wong Hin Wing	Yes	9	9	9	0	0	No	2	2
Wang Weihong	Yes	9	9	7	0	0	No	2	2
Chen Yajin	Yes	9	9	6	0	0	No	2	2
Huang Min	Yes	9	9	6	0	0	No	2	2

Notes: Participation by way of communication is deemed participation in person.

14. BOARD OF DIRECTORS *(Continued)*

(2) Board Meetings *(Continued)*

Explanation for two successive instances of absence from Board meeting in person

Applicable Not applicable

Number of Board meetings held during the year	9
Including: Number of on-site meeting	0
Number of meetings by way of communication	6
Number of on-site meetings of combined with participation by communication	3

Explanation for the directors raise objections to matters relating to the Company

Applicable Not applicable

(3) Independent non-executive Directors

Currently, the Company has 4 independent non-executive Directors, representing more than 1/3 of the total members of the Board. All the independent non-executive Directors of the Company are familiar with the rights and obligations of the directors and independent non-executive Directors of listed companies. During the Reporting Period, the independent non-executive Directors strictly complied with the provisions in the Articles of Association, "Rules of Procedures of the Board", "Independent Directors System" and "The Annual Reporting System of Independent Directors", faithfully and diligently discharged the duties as independent non-executive Directors, carefully, seriously and appropriately exercised the rights of independent non-executive Directors, proactively and seriously attended Board meetings and general meetings of shareholders and offered their experience and strengths to the full extent. They had done a lot of work on improving the Company's corporate governance and material decision-making, and had expressed impartial and objective opinions on relevant matters, thus effectively safeguarding the interests of the shareholders as a whole. All of the 4 independent non-executive Directors of the Company were members of the special committees formed under the Board.

During the Reporting Period, the independent non-executive Directors of the Company expressed their independent views on the relevant transactions made during the Reporting Period and discharged their duties as independent non-executive Directors seriously.

During the Reporting Period, the independent non-executive Directors of the Company expressed no dissenting views on the Board resolutions or other matters not subject to the consideration of the Board.

The Board confirmed the receipt from each of the independent non-executive Directors a confirmation letter in regards to his or her independence pursuant to Rule 3.13 of the Listing Rules of HKEX. The Board considered that the existing independent non-executive Directors complied with the relevant guidance set out in Rule 3.13 of the Listing Rules of HKEX and still considered the existing independent non-executive Directors to be independent.

Pursuant to the "Notice on preparation of the 2021 Annual Report in an ordering manner by Listed Companies" issued by SSE on 18 January 2022, the independent non-executive Directors studied the relevant requirements set out in the Notice seriously. The Company reported to the independent non-executive Directors on production and operation issues and the progress of major events, and submitted an action plan in relation to the preparation of the 2021 annual report and auditing work and relevant information. After completion of the preliminary auditing work by the Company's accountants, the independent non-executive Directors communicated with the auditors on issues related to the auditing process.

14. BOARD OF DIRECTORS *(Continued)*

(4) Loan or guarantee granted to Directors

During the Reporting Period, the Group had not provided any loan or any guarantee for any loan, directly or indirectly, to the directors, supervisors and senior management of the Company, the Company's controlling shareholder or their respective connected persons.

(5) DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows position of the Group for the Year and which are in compliance with statutory requirements and other regulatory requirements. As at 31 December 2021, the Board was not aware of any material misstatement or uncertainties that might cast doubt on the Group's financial position or ability to continue as a going concern. The Board endeavors to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. The statement of the auditors regarding their reporting responsibility for the financial statements is set out in the Financial Reports on pages 184 to 408 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

15. COMMITTEES OF THE BOARD

(1) Audit Committee

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

The Audit Committee of the 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.

15. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

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 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 Board 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.

15. COMMITTEES OF THE BOARD *(Continued)*

(1) Audit Committee *(Continued)*

- 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.

(2) Strategic Development and Investment Committee

In February 2001, the Company established the investment management committee, which was renamed as strategic development and investment committee as approved at the fourth Board meeting of the fourth session of the Board. Its principal responsibilities are to conduct research and issue recommendations on the long-term strategic development strategies and significant investment decisions of the Company and, with authorization from the Board, to examine and approve investment projects intended to be implemented by the Company.

The strategic development and investment Committee of the 8th session of the Board was established on 29 June 2020 and comprises Mr. Li Chuyuan (chairperson of the Committee), Ms. Liu Juyan, Mr. Li Hong, Ms. Wang Weihong and Mr. Chen Yajing. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 up to the date on which members of the new session of the Board are elected.

During the Reporting Period, the strategic development and investment committee had held 8 meetings and all the members attended each meeting.

15. COMMITTEES OF THE BOARD *(Continued)*

(3) Nomination and Remuneration Committee

In February 2002, the Company established the Remuneration Committee, which was renamed as Nomination and Remuneration Committee as approved at the fourth Board meeting of the fourth session of the Board. Its principal responsibilities are to study and examine the remuneration policies and proposals of Directors and senior management, to research on the selection standards and procedures of Directors, general managers and other senior management and to provide recommendations, and to extensively look for qualified persons to act as Directors and senior management, to conduct examination on them and to provide recommendations, to review the remuneration of Directors and senior management and make recommendations to the Board.

The Nomination and Remuneration Committee of the eighth session of the Board was established on 29 June 2020 and comprises Mr. Huang Min (chairperson of the committee), Mr. Yang Jun, Mr. Wu Changhai, Mr. Wong Hin Wing and Mr. Chen Yajin. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 up to the date on which members of the new session of the Board are elected.

During the Reporting Period, the Nomination and Remuneration Committee held two meetings to review the proposals on the emoluments of Directors, Supervisors and senior management of the Company for year 2020, the proposals for the emoluments of the Directors of the Company for year 2021. All of the committee members had attended the meetings.

The Board has adopted a director nomination policy to set out the criteria and procedures for the nomination and appointment of directors and appointed Nomination and Remuneration Committee to propose the remuneration for executive directors and senior officers to the Board. The Company has formulated the Diversification Policy for the Board Members ("Policy"), which was approved at the Board meeting held on 26 September 2013 and has been implemented. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. To ensure the effective implementation of the Policy, the Nomination and Remuneration Committee will monitor and review the Policy on a continuing basis. In addition, in accordance with the Rules for the Implementation of the Nomination and Compensation Committee of the Board of Directors of the Company, nomination and remuneration committee of the Company discusses the selection standard, procedures and methods of general manager and other senior management, and provides advises to the Board, with the consideration about the experience, knowledge, independence, gender diversity or other contribution of candidates that could perform the duties with enough time (especially director and general manager). The Company is of the view that the current composition of the Board is diversified and suitable for the business development of the Company.

The Nomination and Remuneration Committee has adopted a nomination procedure for the selection of candidates of directors, which will refer to Policy of the Company and consider candidates' skills, experience, professional knowledge, personal integrity and the Company's needs and other relevant statutory requirements. As at the end of the Reporting Period, the members of Nomination and Remuneration Committee have not found any violation of the Insiders Registration System.

15. COMMITTEES OF THE BOARD *(Continued)*

(4) Budget Committee

In October 2007, the Company established the Budget Committee as approved at the fourth meeting of the fourth session of the Board. Its principal responsibilities are to provide guidance on the formulation of the budgeting plans and business objectives of the Company for the year and to supervise and inspect on their implementations.

The Budget Committee of the eighth session of the Board was established on 29 June 2020 and comprises Ms. Wang Weihong (chairperson of the Committee), Ms. Cheng Ning, Mr. Zhang Chunbo, Mr. Wong Hin Wing and Mr. Huang Min. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 up to the date on which members of the new session of the Board are elected.

During the Reporting Period, the Budget Committee held one meeting to review the proposals on business objectives and annual budget plan for the year 2021 and the proposals for the budget plan for the year 2021. All of the committee members had attended the meetings.

- (5) The special committees of the Board did not give any important opinions or suggestions during the Reporting Period when discharging their duties.

16. SUPERVISORY COMMITTEE

- (1) During the Reporting Period, the Supervisory Committee monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions proposed to be considered thereat, as well as the implementation by the Board of the resolutions passed at the shareholders' general meetings, and has no dissenting view on any reports and proposals submitted by the Board at shareholders' general meetings. The Supervisory Committee considered that during the Reporting Period the operations conducted by the Company were in compliance with the Companies Law, the Securities Law, the respective listing rules governing the securities exchanges in the PRC and in Hong Kong, the Articles of Association and other relevant laws and regulations, and the Company has implemented the resolutions of the shareholders' general meetings of the Company diligently, continued to enhance the internal management and internal control systems of the Company, and has established a good internal management system. The Company's Directors and senior management have properly discharged their duties and have not committed any acts in breach of the laws and regulations, the Articles of Association, nor have they engaged in any acts jeopardising the Company's interest or shareholder's interests.
- (2) During the Reporting Period, the Supervisory Committee held 9 meetings, all Supervisors had attended the meetings.
- (3) The Supervisory Committee has carefully reviewed the financial statements and other financial information of the Company during the Reporting Period, and considered that the Company's financial statements were fairly presented, the auditing and financial management were in line with the relevant regulations, and had not discovered any issues. The auditors issued their standard and unqualified auditor's reports after auditing the accounts of the Group and the Company for year 2020, which reflected an objective, true and fair view of the financial status and the operations results of the Company.

16. SUPERVISORY COMMITTEE *(Continued)*

(4) The Supervisory Committee monitored and inspected the connected transactions of the Company, and was of the opinion that: the connected transactions of the Company satisfied the development strategy and actual needs of the Company; the connected transactions were reasonable and necessary; the decision-making procedures in respect of connected transactions complied with the relevant laws and regulations and the provisions of the Articles of Association; and the interests of the Company and its minority shareholders were not prejudiced.

(5) Explanation of any risks in the Company discovered by the Board of Supervisors of the Company.

Applicable Not applicable

17. EMPLOYEES OF THE COMPANY AND THE MAJOR SUBSIDIARIES

(1) Situation of the employees

Numbers of the employees of the Company	2,110
Numbers of the employees of the major subsidiaries	23,327
Total	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	RMB3.714 billion

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

17. EMPLOYEES OF THE COMPANY AND THE MAJOR SUBSIDIARIES *(Continued)*

(2) Remuneration policy

Applicable Not applicable

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.

(3) Training plan

Applicable Not applicable

The Group attaches great importance to employees' career development needs. The Group established corporate university and enterprise Communist Party school, developed a sound training management system, 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.

(4) Labour Outsourcing

Applicable Not applicable

18. PROPOSED SCHEME OF PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE

(1) Formulation of cash distribution policy and its implementation

Applicable Not applicable

The Company attaches great importance to the reasonable investment returns for investors, explicitly stipulated the distribution policy in the relevant provisions of Article 219 of the Articles of Association, including the principle of distribution, method of distribution, conditions of distribution and the lowest proportion of distribution, decision-making process of distribution and the conditions and process of the adjustment of distribution.

During the Reporting Period, having considered factors such as profit, cash flow, investment, funding needs and shareholders' returns planning, etc., in conjunction with the relevant provisions of the Articles of Association relating to profit distribution, the management of the Company submitted the proposal in relation to the profit distribution and dividend payment for 2020 to the Board. After the proposal on profit distribution and dividend payment for 2020 was approved by the Board and the Supervisory Committee unanimously, and after the independent non-executive Directors expressed their opinions, it was submitted to the annual general meeting of shareholders of the Company of 2020 for consideration and was approved. The dividends had been distributed by the end of August 2021.

(2) Proposal on profit distribution and dividend payment for 2021

In accordance with the relevant provisions of the Companies Laws and the Articles of Association, and in conjunction with the consideration of shareholders' returns and the capital requirements of the Company's business development, as approved at the 19th meeting of the eighth session of the Board of the Company, the Board of the Company proposed the following profit distribution plan for 2021:

According to the audited financial report of the Company in 2021, the consolidated net profit of the Company 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 independent non-executive Directors of the Company have expressed their opinion on the profit distribution plan, and the above plan is still subject to the approval of the 2021 annual general meeting of shareholders of the Company. Minority shareholders will be offered sufficient opportunities to express their views and requests at the 2021 annual general meeting of shareholders of the Company through the combination of on-site open voting and online voting to ensure that their legal rights are fully safeguarded.

18. PROPOSED SCHEME OF PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL BY TRANSFER FROM CAPITAL RESERVE (Continued)

(3) Explanation of cash distribution policy

Applicable Not applicable

Whether it conforms to the provisions of the Articles of Association or the requirements of the resolution of the general meeting of shareholders	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the standard and proportion of dividends is clear or not	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the relevant decision-making procedures and mechanisms are completed or not	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether independent directors perform with diligence or not, and contribute or not	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether there are opportunities for minority shareholders to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

(4) Profit distribution scheme or plan, reserved funds to equity shares scheme or plan of the Company for the last three years (including the Reporting Period)

Distribution year	Distribution for every 10 shares (inclusive of tax) (RMB)	Amount of profit distribution in cash (inclusive of tax) (RMB)	Net profit attributable to the shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	Proportion of payout distribution in the net profit attributable to the shareholders of the Company as showed in the consolidated financial statements (%)
2021	6.87	1,116,918,381.96	3,719,877,680.46	30.03
2020	5.38	874,675,530.56	2,915,244,576.05	30.00
2019	5.89	957,590,868.96	3,188,884,638.91	30.03

Notes: There was no reserved funds to equity shares scheme of the Company for the last three years.

(5) Cash offer to repurchase shares into cash dividends

Applicable Not applicable

(6) The parent company made profit and the undistributed profit is positive but the Company did not propose a scheme of profit distribution during the Reporting Period, the Company should disclose the reason and the plan on the application of the undistributed profit

Applicable Not applicable

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

(1) Incentives disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

(2) Incentives undisclosed in temporary announcement or with progress in subsequent implementation

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentives

Applicable Not applicable

(3) Equity incentives given to the Directors, Supervisors and senior management during the Reporting Period

Applicable Not applicable

(4) The establishment and implementation of assessment mechanism and incentive mechanism for the senior management officers during the Reporting Period.

The Company has established the performance assessment mechanism in respect of the senior management officers and thus can assess the performance of the senior management officers according to the formulated assessment scheme on an annual basis. At present, the Company is actively exploring relevant proposals regarding the incentive mechanisms, and will promote share incentive plans at the appropriate time so as to improve and complete the mechanism and to mobilize the enthusiasm and initiatives of the management officers at the medium and senior levels and business backbones to the greatest extent, and to arouse their creativity for purposes of generating greater return to the Company and its shareholders.

20. ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL DURING THE REPORTING PERIOD

Applicable Not applicable

The Company has always attached importance to the construction of internal control system, and constantly improve the internal control system. During the Reporting Period, the Company added and revised more than 60 systems, including audit, discipline inspection commission, party construction, personnel, informatization, procurement, finance and etc., and the subordinate enterprises added more than 300 systems, which further improved the process of internal control system, strengthened internal supervision and risk control. The Company organizes its subsidiaries to carry out self-evaluation of internal control to evaluate the design and implementation of the internal control system, which ensures the effective operation of the internal control system.

Explanation of significant imperfections in internal control during the Reporting Period

Applicable Not applicable

21. MANAGEMENT AND CONTROL ON SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

According to the rules of the system of internal control, the Company guides its subsidiaries to establish and improve the effective implementation of internal management control system, mainly including the financial report management system, budget management system, asset management system, guarantee management system, the debt financing management system, foreign investment management system, and information system management system, etc., covering financing activity, asset management, procurement, sales, production management, research and development, information systems management, contract management, and other high-risk areas, to evaluate the effectiveness, ensure the completeness of asset security, financial report and related information of subsidiaries, improve the efficiency and effectiveness of management, and promote the implementation of the Company's development strategy and plan. Major decisions of each subsidiary conform to the rules of the Company. Each subsidiary should report the implementation of major issues to the responsible manager of the Company in time. The Company will send personnel to part of subsidiaries, who can perform their duties normally. The Company is able to effectively control and access the accounting information of the subsidiaries that were acquired by material asset reorganization.

During the Reporting Period, Wang Lao Ji, a subsidiary of the Company, purchased 100% equity of Guangdong Dahua Co, Ltd. with total amount of RMB13.9 million, to expand the production line and accelerate the marketing and sales of children's medicine with the brand named "San Gong Zai" by brand empowerment and self-promotion marketing. During the Reporting Period, Guangdong Dahua Co, Ltd. has completed the changes in shareholders' ownership and renamed as Guangzhou San Gong Zai Pharmaceutical Co, Ltd.. There are no obstacles to the arrangement of assets, personnel, organizational structure, financial and business.

22. AUDIT REPORT ON THE INTERNAL CONTROL

- (1) The assessment opinion of the audit firm: BDO China Shu Lun Pan CPAs LLP considered that as at 31 December 2021, the Group has maintained effective internal control in its financial reporting in all material aspects pursuant to the “Guidelines for Internal Control Standards” and relevant regulations.
- (2) BDO China Shu Lun Pan CPAs LLP has verified and evaluated the Group’s internal control for the Year (full version is available on the website of the SSE).

Whether to disclose the audit report on internal control: Yes

Form of audit report on the internal control: Unqualified opinion

23. RECTIFICATION ON THE SPECIFIC PROJECT OF SELF-CHECK OF CORPORATE GOVERNANCE

(1) Information of senior management of the Company holding part-time positions in the enterprises of the controlling shareholder

Mr. Li Hong, the general manager of the Company, is also the general manager of Guangyao Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司), a subsidiary of GPLH; Ms. Zheng Haoshan, the deputy general manager of the Company, is also the director of the corporate management department of GPLH (a non-executive officer); Mr. Zheng Jianxiong, the deputy general manager of the Company, is also the deputy director of the great commerce segment of GPLH (a non-executive officer).

Rectification measures: Since 8 April 2021, Mr. Li Hong will no longer be the general manager of Guangyao Group (Macau) International Development Industry Co., Ltd., Ms. Zheng Haoshan will no longer be the director of the corporate management department of GPLH and Mr. Zheng Jianxiong will no longer be the deputy director of the Great Commerce segment of GPLH.

The issue has been rectified.

(2) Information of non-operating capital transactions with the controlling shareholders and its subsidiaries

- (i) The Company paid Mr. Li Hong, an executive Director and general manager of the Company, RMB81,200 on behalf of GPLH for the settlement of his annual salary in previous years, which was the annual salary settlement for his service in GPLH from 2015 to 2017. Mr. Li Hong has worked for the Company since 23 June 2017, and in consideration of personal income tax declaration and tax deduction, GPLH entrusted the Company to pay and withhold personal income tax in accordance with the relevant regulations. This amount was paid in December 2020, during which this non-operating capital transaction was formed due to the difference in the time of issuance and payment by GPLH.

Status of rectification: on 26 March 2021, the Company had received an advance payment of RMB 81,200 from GPLH. The issue has been rectified.

23. RECTIFICATION ON THE SPECIFIC PROJECT OF SELF-CHECK OF CORPORATE GOVERNANCE

(Continued)

(2) Information of non-operating capital transactions with the controlling shareholders and its subsidiaries *(Continued)*

- (ii) On 26 February 1997, Xing Qun, a subsidiary of the Company, entered into a borrowing agreement with Guangzhou South China Medical Instruments Co., Ltd. (“South China Medical Instruments”), a subsidiary of GPLH, pursuant to which, Xing Qun lent RMB100,000 to South China Medical Instruments as the relief funds, thus forming a non-operating capital transaction.

Status of rectification: on 29 March 2021, Xing Qun received the repayment of RMB100,000 from South China Medical Instruments. This issue has been rectified.

(3) Peer Competition between the Company and Hua Cheng, a subsidiary of GPLH

For details, please refer to “Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts, measures, the progress of solutions and plans of material changes in business and operations which substantially compete with the Company.” in this section.

24. OTHERS

(1) Other stakeholders

The Company respected and safeguarded the interests of the stakeholders and realized the balance of interests among the shareholders, employees and the society. At the same time, the Company also pays attention to, among other things environmental protection and public welfare and to mutually promote the sustainable and sound development of the Company in economic activities.

(2) Information disclosure and management of relationship with investors

The Company designated the secretary to the Board to be responsible for handling the Company's information disclosure, receiving shareholders and investors and answering enquiries from shareholders and investors designated and responding to correspondences from shareholders in a timely manner. The Company has designated Shanghai Securities News, Securities Times, China Securities Journal and Securities Daily in the PRC as newspapers for publishing the Company's information and disclose, such at the websites designated by the SSE and the HKEX and the Company's website. The Company continues to disclose information in a truthful, accurate, comprehensive and timely manner in strict compliance with the relevant rules and regulations and the Code of Information Disclosure of the Company, and preserve confidentiality before disclosure. The Company also ensures that all shareholders have fair and equitable access to information relating to the Company.

Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION STATUS

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

Applicable Not applicable

(i) Drainage information

Applicable Not applicable

Chemical Pharmaceutical Factory, a branch of the Company, and WLJ Ya'an Company and Weiling, both being the subsidiaries of the Company, were among the key pollutants discharging units. The key items of waste emissions being monitored are waste gas and wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m ³)	Implementation of pollutant emission standards (mg/m ³)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Interval	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	16	"Integrated Emission Standard for Air Pollutants", ≤50	0.598	-	None
	Nitrogen oxides	Interval	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	107	"Integrated Emission Standard for Air Pollutants", ≤200	3.575	-	None
	Particulate matter (smoke dust)	Interval	5	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	1.56	"Integrated Emission Standard for Air Pollutants", ≤30	0.206	-	None
	Total VOCs	Interval	6	No. 78 Tongbao Road, Tonghe Street, Guag Province, the PRC	5.724	"Integrated Emission Standard of Air Pollutants", ≤120	0.2828	-	None
WLJ Ya'an Company	COD	Discharge after treatment	1	No.1 Deguang Road, Ya'an Economic Development Zone, Sichuan Province, the PRC	13.45	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.60	5.52	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province, the PRC	65.80	"Integrated Wastewater Discharge Standard (III-class criteria)"	1.10	4.60	None

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

Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

(ii) Construction and operation of pollution prevention and control facilities

✓Applicable □Not applicable

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m ³ /h)
Chemical Pharmaceutical Factory	Sewage treatment facility tail gas treatment system DA008(6#)	2018.02.01	Odor, VOCs	Washing + biofilter	3,895
	202 production waste gas treatment facility DA010 (7#)	2007.10.01	Particulate matter, VOCs	Bag-type dust collecting + lye spray+ activated carbon adsorption	3,672
	205 cephalosporin sterile APIs production waste gas treatment facility DA004(5#)	2009.06.01	VOCs	Condensation + absorber recovery	360
	203 oral APIs production waste gas treatment facility DA003(9#)	2014.10.01	VOCs, sulfuric acid mist	Condensation + lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01.20	VOCs, Hydrochloride	Lye spray + photo catalytic oxidation	2,579
	205 oral cephalosporin APIs production dust and waste gas treatment facility DA002 (10#)	2016.01.20	Particulate matter	Cellulose filter cylinder filtration	5,350
	203 oral raw medicine production dust and waste gas treatment facility DA009 (8#)	2014.10.01	Particulate matter	Cellulose filter cylinder filtration	4,870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007(2#)	2009.06.01	Particulate matter	Cellulose filter cylinder filtration	7,205
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11.22	VOCs	Dichloromethane: water spray + L2 T-HPs resin adsorption method Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	3,000; 2,200
	WLJ Ya'an Company	Sewage Treatment Station	2015.09.01	COD, ammonia nitrogen	AO Process
Weiling	Sewage Treatment Station	2016.06.07	COD, ammonia nitrogen	AO Process	40

Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

(iii) Environmental impact assessment of construction projects and other administrative licenses for environmental protection

Applicable Not applicable

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

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

(iv) Environmental emergency response plan

Applicable Not applicable

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

(v) Environmental self-monitoring program

Applicable Not applicable

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

(vi) Receiving administrative penalties due to environmental problems during this Reporting Period

Applicable Not applicable

(vii) Other environmental information that should be disclosed to the public

Applicable Not applicable

Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

Applicable Not applicable

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

(i) Receiving administrative penalties due to environmental problems

Applicable Not applicable

In November 2021, the Company's subsidiary namely Ming Xing had the problem of leakage ascribed to bilge well and sewer line. As a result, the bright blue colorant used in the process of injection leakage inspection process was drained outside via rainwater pipeline. The mode of pollutant emission does not conform to the provisions of sewage discharge license. Therefore, Guangzhou Municipal Bureau of Ecology and Environment issued an Administrative Penalty Decision on 24 January 2022, requiring Ming Xing to correct immediately and imposing a fine of RMB125,000.

Upon the occurrence of the event above, Ming Xing launched its emergency plan immediately and took all emergency measures to reduce the adverse influence of blue liquid on the municipal rainwater pipeline network. It also intensified management of its internal pipeline network system and sewage facilities as well as patrol inspection and personnel training, and entrusted a third party with the corresponding qualification to survey and rectify the rainwater and sewage pipeline network system so as to avoid the reoccurrence of such accident.

(ii) Other environmental information disclosure with reference to the key pollutant-discharging units

Applicable Not applicable

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

(iii) Reasons for environmental information which were undisclosed

Applicable Not applicable

Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

Applicable Not applicable

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

(4) Measures taken to reduce carbon emissions and their effects during the reporting period

Applicable Not applicable

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

2. WORK ON SOCIAL RESPONSIBILITIES

Applicable Not applicable

The Company prepared the Social Responsibilities Report of 2021 (full version is available on the website of the SSE and the HKEX) in accordance with the requirements of the "Notice on preparation of the 2021 Annual Report in an orderly manner by Listed Companies《關於做好主板上市公司2021年年度報告披露工作的通知》" issued by the SSE.

The Company has complied with the rules of Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Appendix 27 of the Listing Rules of the HKEX, and prepared the 2021 Social Responsibilities Report (environmental quality, professional health and safety, environmental protection and social participation, which was published on the websites of the SSE and the HKEX on the same day on which this annual report was published.

3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION

Applicable Not applicable

Since 2016, the Company has been helping Jingskou, Wanxi and Yuanling, three impoverished villages in Song Yuan Town, Meizhou, providing the fund and materials amounting to a total of over RMB10 million, and all the impoverished population in the three villages supported by the Company has been lifted out of poverty and the task of poverty-alleviation has been fully completed. During the Reporting Period, the Company took multiple initiatives to solidly promote the work related to rural revitalization.

- (1) Promoting the work of rural revitalization in Nanxing Town, Zhanjiang City. The Company widely carried out the research on rice cultivation in the main grain-producing area, food production and processing by specialty cooperative of peasants, the construction of Party building service platform for the public, and the infrastructure construction of beautiful villages; the Company analyzed the light, soil, topography and hydrological and geological conditions of Nanxing Town, explored local resources and explored the construction of the planting base of Chinese herbal medicines, and turned it into a village with “one village, one product” characteristic; the Company provided assistance of RMB500,000 to promote the toilet revolution to improve health and ecological conditions.
- (2) Actively undertaking the task of developing the lychee industry in Guangdong, and developing the lychee food “Li Xiao Ji” by using lychee, one of the specialties of Lingnan area, with a plan to copy the model of “Ci Ning Ji” to revitalize the lychee industry in Guangdong.
- (3) Combined with the work of rural revitalization, the Company carried out 313 public welfare activities for recycling expired drugs in families, further promote the scope of recycling to remote villages, devote ourselves to benefiting more people in remote areas, and popularize the knowledge of recycling expired drugs.

Major Events

1. PERFORMANCE OF UNDERTAKINGS

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period

Applicable Not applicable

(i) Independence of listed company

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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(ii) Avoiding competition

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

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(iii) Regulating connected transactions

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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(iv) Undertakings related to properties with legal defects

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

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks

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

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks *(Continued)*

Item	Content
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Valid period for performance	N/A
Whether timely and strictly performed	In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to "two years since the effective date of the judgment on the law case of red can decoration", due to the disputes of red can decoration. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of Wang Lao Ji trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Compliance or not	Yes

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks *(Continued)*

Item	Content
Remarks	<p>On 16 August 2017, the Supreme People's Court of the PRC announced the judgment on the case of "disputes over red can decoration", and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company's wholly-owned subsidiary, received the relevant civil judgment of the Supreme People's Court of the PRC on the case of "dispute over red can decoration" (For details, please refer to the Announcement of the Final Judgement on the case of "dispute over WangLaoJi Red Can Decoration" of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH's undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer "Wang Lao Ji" series trademarks to the Company had been satisfied.</p> <p>On 27 December 2018, the resolution regarding the proposal on purchasing trademarks in cash and the relevant agreements and connected transactions was considered and approved at the 18th meeting of the seventh session of the Board of the Company, by using the appraised value as the pricing basis, which was determined in the Assets Evaluation Report on Proposed Transfer of Trademarks by Guangzhou Pharmaceutical Holdings Limited Involving the 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by GPLH, the controlling shareholder (including trademarks already registered in the PRC and other countries or regions and trademarks under application and pending for approval) in cash, and signed the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited and the Profit Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited. The acquisition was considered and passed at the first extraordinary general meeting in 2019 held on 28 March 2019. On 30 April 2019, the Company has entered into the Confirmation of the Delivery of Assets for the Transfer of Wang Lao Ji Series Trademarks with GPLH, in accordance with which the involving assets of the "Wang Lao Ji" series trademarks had been delivered.</p>

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(1) The commitments of the Company's actual controllers, shareholders, affiliates, acquirers, the Company and other promising parties during or continuing to the Reporting Period *(Continued)*

(v) Undertakings related to trademarks *(Continued)*

Item	Content
	<p>On 18 August 2021, the resolution on postponement in fulfilling performance guarantee by the controlling shareholder and signing of supplemental agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPL. As affected by COVID-19, GPL negotiated with the Company to adjust the terms of commitments from the year 2019, 2020 and 2021 to the year 2019, 2021 and 2022. As a result, the value realized during the commitment period should be deferred accordingly, representing the commitment value in net income of trademark assets of RMB152.87 million, RMB162.65 million and RMB171.45 million in the year of 2019, 2021 and 2022, respectively.</p>
	<p>The Company had submitted the application documents for changing the trademarks of "Wang Lao Ji" series to both domestic and foreign intellectual property departments. 14 domestic basic trademarks and 339 domestic defensive trademarks have been changed and 2 defensive trademarks registered in Madrid, 29 defensive trademarks registered in one single foreign country have been changed. There are still 34 defensive trademarks registered in one single foreign country pending approval.</p>

Save for the above, there is no outstanding undertaking that requires specific disclosure.

(2) The Company's assets or projects involve profit forecast and were still in the profit forecast period during the Reporting Period, Company's explanation on whether the assets or projects have met the original profit forecast and the reasons therefor

Reached Not reached Not applicable

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(3) Completion process of performance commitment and its effect on goodwill impairment test

Applicable Not applicable

(i) Basic information

On 27 December 2018, with the approval of the 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the Supervisory Committee, the Company proposed to purchase the “Wang Lao Ji” series trademarks (“target trademarks”) held by the controlling shareholder, namely GPLH in cash, taking the value determined in the Evaluation Report on the Assets of the 420 Trademark Rights Owned by GPLH Involved in the Proposed Transfer of Trademarks by GPLH dated 30 June 2018 (Allied Appraisal Ping Zi [2018] No. WIGPZ0701) as the pricing basis, including all rights in respect of the registered trademarks and the trademarks pending but not yet approved in China and in other countries or regions. The Company signed the Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and GPLH on the Purchase of Trademarks in Cash (the “Target Trademarks Purchase Agreement”) and the Performance Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and GPLH (the “Performance Compensation Agreement”). In accordance with the terms and conditions of the Target Trademarks Purchase Agreement, the Company took the appraisal value of the underlying asset assessed on 30 June 2018 as the consideration, and the transaction price was RMB1,389.122631 million (excluding VAT) for the target trademarks and all rights and interests attached thereto.

On 28 March 2019, the Company’s first extraordinary general meeting of shareholders in 2019 deliberated and approved the transaction. On 30 April 2019, the Company and GPLH signed the Confirmation on Asset Delivery in view of the fact that all conditions precedent for the acquisition of the relevant items set forth in the Target Trademarks Purchase Agreement had been reached. As at the date of issuance of the aforementioned confirmation, two applications for the registration of defensive trademarks were rejected. Therefore, the transaction price set out in the Target Trademarks Purchase Agreement was deducted by the appraisal value corresponding to the relevant trademarks. The transaction price was reduced to RMB1,389.119631 million (excluding VAT), and the asset delivery of the “Wang Lao Ji” series trademarks from GPLH to the Company was completed.

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(3) Completion process of performance commitment and its effect on goodwill impairment test *(Continued)*

(ii) Performance commitment

According to the Implementation Guidelines on Related Transactions of Listed Companies on the Shanghai Stock Exchange, “if the listed company evaluates the assets to be purchased using the valuation methods such as cash flow discount method, hypothesis development method and other valuation methods based on the expectation of future earnings and takes them as the pricing basis, it shall disclose the difference between the actual profit of the relevant assets and the profit forecast in the annual report for three consecutive years after the completion of the related transaction, together with the special audit opinion issued by the accounting firm. The Company shall enter into a clear and feasible compensation agreement with its associates for the fact that the actual earnings of the relevant assets fall short of the profit forecast.” According to the Performance Compensation Agreement signed by the Company and GPLH on 27 December 2018, after the completion of this transaction, the Company shall, upon the expiration of each fiscal year of the performance commitment period, engage an accounting firm with securities and futures qualification and recognized by all parties to issue a special audit report on the realization of the promised net profit of trademark licensing of the trademark related products assessed with income method, audit and recognize the licensing annual net income of trademark licensing during the period of performance commitment of the trademark related products assessed with income method. According to the Performance Compensation Agreement, after the issuance of the special audit report in last year of the performance commitment period (i.e., 2021), GPLH is not required to compensate the Company if the total amount of the cumulative actual net income from the relevant trademark licensing as at the end of the performance commitment period is not less than the promised cumulative net income from the trademark licensing for the three years. At the end of the performance commitment period, if the cumulative actual net income from trademark licensing fails to reach the promised cumulative net income from the trademark licensing for the three years, GPLH shall make cash compensation to the Company. In the evaluation report issued by Allied Appraisal Consultancy Company Limited on 27 December 2018, the audited estimated net income of the trademark licensing in 2019, 2020 and 2021, evaluated with the income method, is not less than RMB 152.87 million, RMB 162.65 million and RMB171.45 million, respectively.

On 18 August 2021, the resolution on postponement in fulfilling performance guarantee by the controlling shareholder and signing of supplemental agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPLH. As affected by COVID-19 epidemic, GPLH negotiated with the Company to adjust the terms of commitments from the year 2019, 2020 and 2021 to the year 2019, 2021 and 2022. As a result, the value realized during the commitment period should be deferred accordingly, representing the commitment value in net income of trademark assets of RMB152.87 million, RMB162.65 million and RMB171.45 million in the year of 2019, 2021 and 2022, respectively. This issue was reviewed and approved by the first general Meeting of Shareholders of 2021 of the Company held on 30 September 2021. Please refer to the announcement of the Company issued on 18 August 2021, the circular of the Company issued on 31 August 2021, and the announcement of the Company issued on 30 September 2021.

Major Events

1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

(3) Completion process of performance commitment and its effect on goodwill impairment test *(Continued)*

(ii) Performance commitment *(Continued)*

According to the Special Audit Report on the Realization of Profit Forecast for Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. issued by BDO China Shu Lun Pan Certified Public Accountants LLP, the realization of the net income of “Wang Lao Ji” series trademark assets in 2021 is as follows:

Item	Actual amount (RMB'0000)	Estimated amount (RMB'0000)	Difference (RMB'0000)	Completion rate (%)
Net income of trademark assets	16,783	16,265	518	103.18

The net income of “Wang Lao Ji” series trademark assets recorded RMB167.83 million, representing the completion rate of 103.18%. The net income of “Wang Lao Ji” series trademark assets in 2021 has reached the expected value of profit in evaluation report.

2. NON-OPERATIONAL APPROPRIATION OF THE FUNDS OF THE COMPANY BY ITS CONNECTED PARTIES DURING THE REPORTING PERIOD

✓Applicable □Not applicable

(Unit: RMB'000)

Name of shareholders or related parties	Relationships	Occupation time	Reasons	Balance at the beginning of the period	New occupied amount during the Reporting Period	Total repaid amount during the Reporting Period	Balance at the end of the period	Balance as at the date of disclosure of annual report	Expected repayment method	Expected repayment amount	Expected repayment time
GPHL	Parent company	In one year	Advance remuneration	81	0	81	0	0	-	-	-
Huanan Pharmaceutical Instrument Company	Same parent company	In one year	Current capital loans and capital occupation expenses	100	0	100	0	0	-	-	-
HWBYS	Joint venture	In one year	Dividends	0	343,767	0	343,767	343,767	Cash	343,767	-
HWBYS	Joint venture	In one year	Borrowings and interests	92	827	919	0	0	-	-	-
Nuo Cheng	Joint venture	In one year	Dividends	37,939	0	37,939	0	0	-	-	-
Total	/	/	/	38,212	344,594	39,039	343,767	343,767	/	343,767	/
Proportion of total amount at the end of the Reporting Period to the latest audited net assets											1.10%
Decision-making process of controlling shareholders or other related parties for non-operational occupied funds											-
Reasons for the occupation of non-operational funds by new controlling shareholders and other related parties, the investigation of responsible persons and the explanation of the measures proposed and taken by the Board of Directors											-
Reasons, the investigation of responsible persons and explanation of the measures proposed and taken by the Board of Directors for failure to repay the occupied non-operational funds as planned											-
Audit opinions of certified public accountants on occupation of funds (if any)											-
Reasons for inconsistency between non-operational funds occupied by controlling shareholders and other related parties disclosed in the annual report and special audit opinions (if any)											-

Major Events

2. NON-OPERATIONAL APPROPRIATION OF THE FUNDS OF THE COMPANY BY ITS CONNECTED PARTIES DURING THE REPORTING PERIOD *(Continued)*

Note: The of Board of Directors of HWBYS held meetings in May 2021 and September 2021 respectively to make resolutions on the dividend distribution in 2020 and the distribution of the net profit generated from the rewards enjoyed by HWBYS as dividends (the actual amount shall be subject to the distributable profit in 2021). In accordance with the decision of Board, the Company should be entitled to total dividends of RMB343,766,959. Since HWBYS has been building Chinese patent medicine intelligent manufacturing and warehousing logistics platform project with its own funds and has a large investment fund, in order not to affect production and operation and project construction, HWBYS has not paid dividends to its shareholders as at the end of this report.

3. VIOLATION OF GUARANTEE

Applicable Not applicable

4. EXPLANATION GIVEN BY THE COMPANY ON THE “NON STANDARD AUDITOR’S REPORT” ISSUED BY THE AUDITORS

Applicable Not applicable

5. EXPLANATION AND ANALYSIS OF THE COMPANY ON THE REASONS FOR AND EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR THE CORRECTION OF MAJOR ACCOUNTING ERRORS

(1) Explanation and analysis of the Company on the reasons for and effects of the changes in accounting policies and accounting estimates

Applicable Not applicable

There was no significant impacts on shareholders' equity and net profit of this period and the previous period of the Company under the above accounting policies. For details, please refer to the “(i) Implementation of new and revised major accounting policies” of “3 (31) Changes in major accounting policies and estimation” in the financial report.

(2) Explanation and analysis of the Company on the reasons for and effects of the correction of major accounting errors

Applicable Not applicable

(3) Communication with former accounting firm

Applicable Not applicable

(4) Others

Applicable Not applicable

6. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS

	原聘任	現聘任
Name of the domestic Certified Public Accountants	WUYIGE Certified Public Accountant LLP	BDO China Shu Lun Pan Certified Public Accountants LLP
Total remuneration of the domestic Certified Public Accountants (RMB'000)	2,569	2,580
Term of office of the domestic Certified Public Accountants	2	1

	Name	Remuneration (RMB'000)
Internal control audit Certified Public Accountants	BDO China Shu Lun Pan Certified Public Accountants LLP	380

Explanatory notes on the appointment and dismissal of auditors

Applicable Not applicable

As considered and approved at the 2nd meeting of the Audit Committee in 2021, the 11th meeting of the eighth session of the Board and the 7th meeting of the eighth session of the Supervisory Committee, the Company approved the proposed renewal of appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for the year 2021. The said matter was approved at the annual general meeting of shareholders of the Company in 2020 convened on 3 June 2021. WUYIGE Certified Public Accountant LLP would not service as the financial auditors and the internal control auditors of the Company, which had become effective since the general meeting of shareholders in 2020 on 3 June 2021.

A statement on the change in the employment of an accounting firm during the audit period

Applicable Not applicable

7. RISK OF FACING SUSPENSION OF LISTING

(1) Reasons leading to the suspension of listing

Applicable Not applicable

(2) The response measures intended to be taken

Applicable Not applicable

(3) The situation and reasons for facing desisting

Applicable Not applicable

Major Events

8. MATTERS RELEVANT TO WINDING UP AND SCHEME OF ARRANGEMENT

Applicable Not applicable

9. MATERIAL LITIGATION AND ARBITRATION MATTERS

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

On 13 April 2021, the Company received the Written Civil Judgment captioned (2021) Yue 01 Min Zhong No. 3984 from the Intermediate People's Court of Guangzhou City, Guangdong Province in relation to the case of disputes over liabilities for cyber tort between the Company and Beijing Kangyeyuan Investment Consulting Co., Ltd. (北京康業元投資顧問有限公司) ("Beijing Kangyeyuan"). According to the written ruling, the judgment of the case was to dismiss the appeal and uphold the original judgment. For details, please refer to the announcement and the supplemental announcements dated 13 April 2021 disclosed in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and the announcement on the websites of the SSE and the HKEX.

Save as mentioned above, the Group had not been engaged in any significant litigation or arbitration during the Reporting Period.

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

Applicable Not applicable

(3) Other explanations

Applicable Not applicable

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

Applicable Not applicable

11. EXPLANATION ON THE HONESTY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

12. CONNECTED TRANSACTIONS

(1) Related party transactions in relation to the ordinary operations

- (i) Events disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

- (ii) Events disclosed in temporary announcements and with progress or change in subsequent implementation

Applicable Not applicable

During the Reporting Period, the ordinary connected transactions of the Company are as follows:

Related parties	Relationships	Type of related transactions	Transaction time	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB 000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Purchase commodity	2021	Medicinal materials or medicine	Market price	13,094	0.01	Cash
HWBYS	Joint Venture	Purchase commodity	2021	Medicinal materials or medicine	Market price	240,949	0.15	Cash
Subtotal						254,043		
HWBYS	Joint Venture	Receive service	2021	Exhibition services	Market price	13,894	1.32	Cash
Subtotal						13,894		
Hua Cheng	Controlled by same parent company	Sale commodity	2021	Medicinal materials or medicine	Market price	109,232	0.16	Cash
HWBYS	Joint Venture	Sale commodity	2021	Medicinal materials or medicine	Market price	168,104	0.24	Cash
Subtotal						277,336		

Major Events

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

(ii) Events disclosed in temporary announcements and with progress or change in subsequent implementation (Continued)

Related parties	Relationships	Type of related transactions	Transaction time	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB 000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Provide services	2021	Advertising Agency Service	Market price	11,924	19.76	Cash
HWBYS	Joint Venture	Provide services	2021	Advertising Agency Service	Market price	37,234	61.72	Cash
Hua Cheng	Controlled by same parent company	Provide services	2021	Manufacturing consignment	Market price	18,546	9.28	Cash
HWBYS	Joint Venture	Provide services	2021	Manufacturing consignment	Market price	7,703	3.85	Cash
HWBYS	Joint Venture	Provide services	2021	Research and development services	Market price	366	2.06	Cash
HWBYS	Joint Venture	Provide services	2021	Other services	Market price	1,027	-	Cash
Hua Cheng	Controlled by same parent company	Provide services	2021	Other services	Market price	453	-	Cash
Subtotal						77,253		
Hua Cheng	Controlled by same parent company	Provide patent, trademark and other right of use	2021	Right of trademark	Negotiated price	338	13.50	Cash
HWBYS	Joint Venture	Provide patent, trademark and other right of use	2021	Right of trademark	Negotiated price	1,094	43.64	Cash
HWBYS	Joint Venture	Other	2021	Assets of the rented	Negotiated price	4,643	1.44	Cash
Subtotal						6,075		
Total						628,601		

Note: The above connected transactions were conducted in the ordinary and usual course of business of the Group, the prices of which were determined with reference to market prices, and have no negative impact on the Group's abilities to sustain its operations.

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

(iii) Matters not disclosed in the temporary announcement

✓Applicable Not applicable

Related parties	Relationships	Type of related transactions	Transaction time	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB 000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baxter Qiao Guang	Joint Venture	Purchase commodity	2021	Medicinal materials or medicine	Market price	107,827	0.07	Cash
Subtotal						107,827		
GPHL	Parent company	Sale commodity	2021	Medicinal materials or medicine	Market price	16	-	Cash
Guangyao Group (Macao) International Development Industry Co., Ltd	Controlled by same parent company	Sale commodity	2021	Others	Market price	511	-	Cash
Nuo Cheng	Joint Venture	Sale commodity	2021	Medicinal materials or medicine	Market price	19	-	Cash
Baxter Qiao Guang	Joint Venture	Sale commodity	2021	Medicinal materials or medicine	Market price	1,001	-	Cash
Subtotal						1,547		
GPHL	Parent company	Provide services	2021	Advertising agency service	Market price	1,927	3.19	Cash
Baxter Qiao Guang	Joint Venture	Provide services	2021	Advertising agency service	Market price	50	0.08	Cash
Guangyao Group (Macao) International Development Industry Co., Ltd	Controlled by same parent company	Provide services	2021	Advertising agency service	Market price	1,235	2.05	Cash
Guangzhou Baiyunshan Culture Industry Company Limited	Controlled by same parent company	Provide services	2021	Advertising agency service	Market price	702	1.16	Cash
GPHL	Parent company	Provide services	2021	Other services	Market price	27	-	Cash
Nuo Cheng	Joint Venture	Provide services	2021	Other services	Market price	2,352	-	Cash
Baxter Qiao Guang	Joint Venture	Provide services	2021	Other services	Market price	4,723	0.01	Cash
Subtotal						11,016		

Major Events

12. CONNECTED TRANSACTIONS (Continued)

(1) Related party transactions in relation to the ordinary operations (Continued)

(iii) Matters not disclosed in the temporary announcement (Continued)

Related parties	Relationships	Type of related transactions	Transaction time	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB 000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
GPHL	Parent company	Other	2021	Assets of the rented	Negotiated price	12,483	3.88	Cash
Subtotal						12,483		
GPHL	Parent company	Other	2021	Assets of the rented	Negotiated price	523	0.87	Cash
Baxter Qiao Guang	Joint Venture	Other	2021	Assets of the rented	Negotiated price	3,343	5.57	Cash
Nuo Cheng	Joint Venture	Other	2021	Assets of the rented	Negotiated price	3,238	5.39	Cash
Subtotal						7,104		
Total						139,977		

Note: The above connected transactions were conducted in the ordinary and usual course of business of the Group, the prices of which were determined with reference to market prices, and have no negative impact on the Group's abilities to sustain its operations.

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) During the Reporting Period, as required by HKEX, details of the connected transactions are disclosed as follows:

	December 2021 (RMB'000)
Ultimate holding company	
Rental expenditure	12,483
Rental income	523
Labor services (advertising agency and other services)	1,954
Sale of finished goods and raw materials	16
Total	14,976
Ultimate holding company and its subsidiaries	
Rental expenditure	12,483
Rental income	523
Licensing fee for trademarks of "Baiyunshan"	338
Sale of finished goods and raw materials	109,759
Purchase of finished goods and raw materials	13,094
Labor services (advertising agency and other services)	16,267
Consigned processing service fee	18,546
Total	171,010

Meanwhile, other transactions with joint ventures, associates and related parties have been disclosed in the notes to the financial statements. However, such transactions did not constitute connected transactions under the Listing Rules of HKEX.

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) During the Reporting Period, as required by HKEX, details of the connected transactions are disclosed as follows: *(Continued)*

The Board believed that the continuing connected transactions have been conducted in accordance with the terms of relevant agreements or contracts governing the transactions. The Directors confirm that the cap for the rental expenditure, rental income, the licensing fee of trademarks of "Baiyunshan", sale of finished goods and raw materials, purchase of finished goods and raw materials, and advertising agency service fee and consigned processing service fee of the Company are as follows:

Items	Announcement/ approval date	Cap/Approved amount for the Year (RMB'000)
Ultimate holding company		
Rental expenditure	13 January 2020	18,000
Rental income	28 June 2019	460
Total		18,460
Ultimate holding company and its subsidiaries		
Rental expenditure	13 January 2020	18,000
Rental income	28 June 2019	460
Licensing fee for trademarks of "Baiyunshan"	10 May 2021	729
Sale of finished goods and raw materials	28 October 2019 and 30 September 2021	220,000
Purchase of finished goods and raw materials	28 October 2019 and 30 September 2021	23,000
Labor services (advertising agency, research and development and other services)	28 October 2019 and 30 September 2021	27,000
Consigned processing service fee	28 October 2019 and 30 September 2021	40,000
Total		329,189

Note: Ultimate holding company and its subsidiaries refer to GPLH, Hua Cheng and Guangyao Group (Macao) International Development Industry Co., Ltd.

12. CONNECTED TRANSACTIONS *(Continued)*

(1) Related party transactions in relation to the ordinary operations *(Continued)*

- (iv) During the Reporting Period, as required by HKEX, details of the connected transactions are disclosed as follows: *(Continued)*

According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period:

On 28 October 2019, the Company and Hua Cheng entered into an agreement in relation to the purchase of pharmaceutical products produced by Hua Cheng by the Group and the Group's sale of unpackaged pharmaceutical raw materials, medical apparatus, packaging materials and other materials, and provision of labour services (advertising agency and research and development services) and entrusted processing services to Hua Cheng (the "Hua Cheng Agreement") for a term of 2 years from 1 January 2020 to 31 December 2021. Hua Cheng is wholly-owned by GPLH, the controlling shareholder of the Company, therefore it is a connected person of the Company. Details of the Hua Cheng Agreement and the transactions contemplated thereunder have been disclosed in the announcement of the Company dated 28 October 2019.

Such continuing connected transactions aforementioned (including the Hua Cheng Agreement and its contemplated transactions) have been reviewed by the independent non-executive Directors of the Company and confirmed by each independent non-executive Director that they are conducted in the ordinary and usual course of business of the Company. The transactions are conducted under normal commercial terms or under terms to the Company no less favorable than (i) terms to independent third parties or (ii) terms given by independent third parties. Such transactions are incurred in accordance with the terms of the relevant agreements, which are fair and reasonable and in the interest of the shareholders as a whole. The aggregate amount of connected transactions between the Company and the ultimate holding company and the ultimate holding company and its subsidiaries did not exceed the cap for the continuing connected transactions.

The Company's auditors have been engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued a letter containing the work results under Rule 14A.56 of the the Listing Rules of HKEX.

12. CONNECTED TRANSACTIONS *(Continued)*

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

- (i) Events disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

- (ii) Events disclosed in temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

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

On 30 April 2019, the Company entered into the Confirmation of the Delivery of Assets with GPLH. Since there were two defensive trademarks the registration application of which were declined before the issue date of the above Confirmation, according to the Target Trademarks Purchase Agreement, the corresponding assessed value of the above 2 trademarks was deducted from the transaction price, which resulted in a transaction price of RMB1,389,119,631 (excluding the value-added tax). The involving assets in the referred transaction had been delivered in accordance with the Agreements, and the Company had paid the transaction price to GPLH with one single full payment, and had obtained the underlying assets in accordance with laws.

For details, please refer to the announcement on the Transfer of the “Wang Lao Ji” Series Trademarks by Guangzhou Pharmaceutical Holdings Limited to Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Connected Transaction dated 27 December 2018, the announcement on the Resolutions of the 2019 First Extraordinary General Meeting of shareholders of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited dated 28 March 2019, the announcement on the Completion of Transfer of the “Wang Lao Ji” Series Trademark Assets by Guangzhou Pharmaceutical Holdings Limited to Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited dated 30 April 2019, published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and the website of the SSE and the announcements dated 27 December 2018, 30 December 2018, 4 January 2019, 28 March 2019 and 30 April 2019 published on the website of the HKEX.

12. CONNECTED TRANSACTIONS *(Continued)*

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

(ii) Events disclosed in temporary announcements but with progress or change in subsequent implementation *(Continued)*

As at 31 December 2021, the Company had submitted the application documents for changing the trademarks of “Wang Lao Ji” series to both domestic and foreign intellectual property departments. 14 domestic basic trademarks and 339 domestic defensive trademarks have been changed, 29 defensive trademarks registered in one single foreign country and 2 defensive trademarks registered in Madrid have been changed. There are still 34 defensive trademarks registered in one single foreign country pending approval.

(iii) Events not disclosed in temporary announcements

Applicable Not applicable

In order to meet the requirements of spin-off and listing of GP Corp, the company's holding subsidiary, the Company has integrated the potential rival businesses existing in Pharmaceutical Import & Export, the wholly-owned subsidiaries and GP Corp.. To further promote resource integration, the Company intended to transfer 100% of the equity of the GP Corp. to GPLH. According to the assets appraisal result on the base date of 30 September 2021, the total equity value of shareholders of Pharmaceutical Import & Export is RMB0. Upon mutual agreement between the Company and GPLH, the Company transfers 100% equity of Pharmaceutical Import & Export to GPLH at the price of RMB1. The above equity transfer has completed the change of industrial and commercial registration on 23 December 2021.

(iv) Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed

Applicable applicable

For details, please refer to “(3) Completion process of performance commitment and its effect on goodwill impairment test” under “1. Performance of undertakings” in this section.

12. CONNECTED TRANSACTIONS (Continued)

(3) Material related party transactions on joint external investment

- (i) Events disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

Summary of events

Index for query

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

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

- (ii) Events disclosed in temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

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

- (iii) Events undisclosed in temporary announcements

Applicable Not applicable

12. CONNECTED TRANSACTIONS *(Continued)*

(4) Credit claims and liabilities between related parties

(i) Events disclosed in temporary announcements and with no progress or change in subsequent implementation

Applicable Not applicable

(ii) Events disclosed in temporary announcements but with progress or change in subsequent implementation

Applicable Not applicable

(iii) Events undisclosed in temporary announcements

Applicable Not applicable

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

Applicable Not applicable

(6) Others

Applicable Not applicable

On 31 May 2021, the Company, Alliance BMP Limited and GP Corp. entered into the Supplemental Contract to the Contract on the Transfer of the 30% Equity Interests in Guangzhou Pharmaceuticals Company Limited among Alliance BMP Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and Guangzhou Pharmaceuticals Co., Ltd. (the "Supplemental Contract"). According to the Supplemental Contract, the exercise period of the put options under the Contract on the Transfer of the 30% Equity Interests in Guangzhou Pharmaceuticals Co., Ltd. among Alliance BMP Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. and Guangzhou Pharmaceuticals Co., Ltd. shall be modified from the period starting from the day six (6) months subsequent to the settlement date to anytime within thirty-six (36) months subsequent to the settlement date to the period starting from the day six (6) months subsequent to the settlement date to anytime within forty-two (42) months subsequent to the settlement date and the first day on which the H shares of GP Corp. are listed and traded on the Main Board of HKEX, whichever is earlier. According to the Guidelines of the Shanghai Stock Exchange for the Implementation of Related Party Transactions and the Listing Rules of HKEX, Alliance BMP Limited, the counterparty, is recognized as a related party of the Company in that Alliance BMP Limited, the shareholder of the Company's major subsidiary, holds the 18.18% of registered capital of Guangzhou Pharmaceuticals Co., Ltd.. The extension of the exercise period of the put options is deemed as a related party transaction.

On 30 November 2021, the Company received the notice of Alliance BMP Limited, illustrating that Alliance BMP Limited decided to transfer the equity interest in accordance with the requirements of Contract on the Transfer and Supplement Contract. The Company will negotiate the transfer of the equity interests with Alliance BMP Limited and strictly conduct the relevant procedures in accordance with the requirements of laws and regulations and the provisions of Contract on the Transfer and Supplemental Contract.

For details please refer to the announcement dated 31 May 2021 and 30 November 2021, and the circular dated 17 August 2021 published on the websites of the SSE and HKEX.

Major Events

13. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER AND OTHER TRANSACTIONS

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.

13. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER AND OTHER TRANSACTIONS *(Continued)*

The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period *(Continued)*

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 RMB12million.	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

Major Events

13. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER AND OTHER TRANSACTIONS *(Continued)*

The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period *(Continued)*

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

13. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER AND OTHER TRANSACTIONS *(Continued)*

The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period *(Continued)*

No.	Approval body	Subject matter	Status
13	1st meeting of the Strategic Development and Investment Committee in 2021	The estimate budget for the Phase-II project of WLJ Ya'an was adjusted to RMB67 million.	In progress
		The Company, Cai Zhi Lin, Zhong Yi and Guangzhou Hanfang proposed to establish a joint venture named Guangdong Hanchao TCM Technology Co., Ltd. with Guangzhou Jinan University Asset Operation Co., Ltd. (廣州暨南大學資產經營有限公司), Gansu Pharmaceutical Industry Research Institute Co., Ltd. (甘肅藥物產業研究院有限公司) and Lanzhou Nuoran Intestinal Health Precision Nutrition Research Institute (蘭州諾然腸道健康精準營養研究所). The registered capital of the joint venture is RMB30 million, of which, the Company contributed RMB6 million, accounting for 20% of the equity interest. The comprehensive shareholding proportion of the Group in the joint venture is 75%.	In progress
14	2nd meeting of the Strategic Development and Investment Committee in 2021	GP Corp., a subsidiary of the Company, applied for RMB150 million of self-owned funds to purchase land for phase two of the logistics project of the Baiyun base in the Biological Medicine Town of GPHL.	In progress
15	3rd meeting of the Strategic Development and Investment Committee in 2021	The joint venture named HWBYS of the Company 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.	In progress
		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.	In progress

Major Events

13. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER AND OTHER TRANSACTIONS *(Continued)*

The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period *(Continued)*

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 this 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.

14. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

(2) Guarantees

✓Applicable □Not applicable

(Unit: RMB'000)

External guarantees of the Company (excluding guarantees to subsidiaries)													
Guarantor	The relationship between the guarantor and the listed company party	Secured party	Amount guaranteed	Date of guarantee (date of agreement)	Guarantee commencement date	Guarantee maturity date	Collateral type	Whether the guarantee has been performed and discharged	Whether the guarantee is overdue	Amount of guarantee overdue	Whether counter guarantee is provided	Whether guarantee is for the benefit of related parties	Connected relationship
Total amount of guarantee provided during the Reporting Period (excluding guarantee provided to its subsidiaries)													
													-
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantee provided to its subsidiaries)													
													-
Guarantee provided by the Group for the benefit of its subsidiaries													
Total amount of guarantee provided for the benefit of subsidiaries during the Reporting Period													102,700
Total balance of guarantee provided for the benefit of subsidiaries at the end of the Reporting Period (B)													102,700
Total amount of the external guarantees of the Company (including guarantees for subsidiaries)													
Total amount of guarantee (A+B)													102,700
The proportion of the total amount of guarantees to the Company's net assets (%)													0.33
Including:													
Amount of guarantee provided for the benefit of shareholders, actual controller and their related parties (C)													-
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio of over 70% (D)													102,700
Portion of the total amount of guarantee in excess of 50% of net assets (E)													-
Aggregated amount of the above three types of guarantee (C+D+E)													102,700
Description of the potential joint and several repayment liability for outstanding guarantee													-
Description of guarantee													-

Major Events

14. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

(3) Management of cash assets by entrusting third parties

(i) The Group's entrusted wealth management activities during the Reporting Period

1) Overview of the entrusted wealth management products

Applicable Not applicable

Category	Source of funds	Amount (RMB'000)	Amount not yet matured (RMB'000)	Amount not received after maturity (RMB'000)
Bank wealth management products	Fund of the Group	73,500	13,500	-
Bank wealth management products	Proceeds from fund raising	-	-	-

Others

Applicable Not applicable

2) Individual entrusted wealth management products

Applicable Not applicable

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management (RMB'000)	Commencement date of entrusted wealth management	Ending date of entrusted wealth management	Capital source	Usage of funds	Method for determination of returns	Annualized return rate (%)	Estimated returns (RMB'000) (if any)	Actual gains or losses (RMB'000)	Actual recovery	Legal procedures involved or not	Any entrusted wealth management plan in the future	Impairment provision (if any)
Guangzhou Branch, Everbright Bank	Sunshine Green Organization Camp	1,500	18 May 2020	-	Self-owned funds	First, bonds, deposits and other highly liquid assets, including but not limited to all kinds of bonds, deposits, money market funds and other money market trading tools; Second, creditor's rights assets, including but not limited to creditor's rights trust plans, direct investment in financial plans, etc. Third, other assets or asset portfolios, including but not limited to the specific client asset management plan of the fund management company. At the same time, due to the liquidity needs, the product can carry out financing business such as certificate of deposit pledge and bond repurchase.	Floating income	3.50	-	-	Not yet due	Yes	Yes	-

14. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

(3) Management of cash assets by entrusting third parties (Continued)

(i) The Group's entrusted wealth management activities during the Reporting Period (Continued)

2) Individual entrusted wealth management products (Continued)

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management (RMB'000)	Commencement		Capital source	Usage of funds	Method for determination of returns	Annualized return rate (%)	Estimated returns (RMB'000) (if any)		Actual recovery	Legal procedures involved or not	Any entrusted wealth management plan in the future	Impairment provision (if any)
			date of entrusted wealth management	Ending date of entrusted wealth management					Actual gains or losses (RMB'000)	Actual gains or losses (RMB'000)				
The first branch of ICBC	Legal person "Tim Li Bao" net value financial products	2,000	24 December 2020	-	Self-owned funds	Same as above	Floating income	3.50	-	-	Not yet due	Yes	Yes	-
The first branch of ICBC	Legal person "Tim Li Bao" net value financial products	10,000	31 July 2021	-	Self-owned funds	Same as above	Floating income	3.50	-	-	Not yet due	Yes	Yes	-

Others

Applicable Not applicable

3) Provision for impairment of entrusted wealth management

Applicable Not applicable

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

(3) Management of cash assets by entrusting third parties *(Continued)*

(ii) The Company's entrusted loans

1) Overview of the entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

2) One-off entrusted loans

Applicable Not applicable

Others applicable

Applicable Not applicable

3) Provision for impairment of entrusted loans

Applicable Not applicable

(iii) Others

Applicable Not applicable

(4) Others material contracts

Applicable Not applicable

15. AS AT THE END OF THE REPORTING PERIOD, THE EXPENSES ON CONSTRUCTION AND EQUIPMENT IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB3,904,837,000 AND THE RENTAL EXPENSES IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB710,218,000.
16. ACCORDING TO THE REQUIREMENTS OF RULE 23 OF APPENDIX 16 TO THE LISTING RULES OF HKEX, THE COMPANY DID NOT HAVE ANY PROPERTIES OF DEVELOPMENT AND/OR SALE, OR INVESTMENT, WHOSE ASSETS RATIO, CONSIDERATION RATIO, PROFITS RATIO AND REVENUE RATIO EXCEEDED 5% DURING THE REPORTING PERIOD.
17. ACCORDING TO THE REQUIREMENTS OF RULES 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THE REMAINING PROCEEDS FROM ANY ISSUE OF EQUITY SECURITIES MADE IN PREVIOUS FINANCIAL YEAR(S) WERE BROUGHT FORWARD TO THIS FINANCIAL YEAR, THE LISTED ISSUER SHALL DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND THE DETAILS OF THE USE OF PROCEEDS.

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

The Company used the proceeds of RMB1,020.12 million in 2021. As at 31 December 2021, the aggregate proceeds invested amounted to RMB6,221.46 million and the aggregate proceeds invested (after the deduction of bank charges and addition of accrued interest income) amounted to RMB2,179.91 million. The details are as follows:

Major Events

17. ACCORDING TO THE REQUIREMENTS OF RULES 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THE REMAINING PROCEEDS FROM ANY ISSUE OF EQUITY SECURITIES MADE IN PREVIOUS FINANCIAL YEAR(S) WERE BROUGHT FORWARD TO THIS FINANCIAL YEAR, THE LISTED ISSUER SHALL DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND THE DETAILS OF THE USE OF PROCEEDS. (Continued)

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 31 December 2021 (RMB'0000)	Difference between the accumulated amount invested and the total amount committed for investment as at the end of the Year (RMB'0000)	Date of the projects becoming ready for intended use
1	The construction project of the Great Southern TCM research and development platform	99,757.10	48,506.82	(51,250.28)	31 December 2022 <small>(note a e)</small>
2	The construction project of the Great Southern TCM production base (phase 1)	64,391.67	17,091.64	(47,300.03)	31 January 2021 ^(note b)
	Including				
	Ming Xing relocation improvement project	60,000.00	12,699.97	(47,300.03)	31 January 2024 ^(note d)
	He Ji Gong relocation improvement project	4,391.67	4,391.67	0	Change in the intended use ^(note d)
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPL (the controlling shareholder of the Company)	108,000.00	108,000.00	0	Change in the intended use ^(note c)
4	The project for establishment of channels and brands	200,000.00	203,395.67	3,395.67	N/A
5	The project for establishment of information platform	2,774.99	2,774.99	0	31 December 2020 ^(note b) , change in the intended use of the portion of the Company ^(note d) <small>(note d)</small>
6	The project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	48,901.37	18,223.07	(30,678.30)	
7	The project for Nansha base Phase I of WLJ Health	38,400.00	0	(38,400.00)	<small>(note e)</small>
8	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	11,842.90	1,048.96	(10,793.94)	<small>(note e)</small>
9	Replenishment of liquidity	222,049.70	223,105.20	1,055.50	N/A
	Total	796,117.73	622,146.36	(173,971.37)	-

17. ACCORDING TO THE REQUIREMENTS OF RULES 11A AND 11(8) OF APPENDIX 16 TO THE LISTING RULES OF HKEX, TO THE EXTENT THE REMAINING PROCEEDS FROM ANY ISSUE OF EQUITY SECURITIES MADE IN PREVIOUS FINANCIAL YEAR(S) WERE BROUGHT FORWARD TO THIS FINANCIAL YEAR, THE LISTED ISSUER SHALL DISCLOSE THE AMOUNT OF PROCEEDS BROUGHT FORWARD AND THE DETAILS OF THE USE OF PROCEEDS. (Continued)

Notes:

- a. The Company's the 29th meeting of the seventh session of the Board and the 20th meeting of the seventh session of the Supervisory Committee passed the resolution on postponing the implementation date of the construction project of the Great Southern TCM research and development base to 31 December 2022. For details, please refer to the announcement of the Company dated 11 December 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- b. The Company's the 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the Supervisory Committee passed the resolution on postponing the implementation dates of the construction project of the Great Southern TCM production base (phase 1) and the project for establishment of an information platform to 31 January 2021 and 31 December 2020, respectively. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and 4 January 2019 and the circular of the Company dated 31 January 2019 on the websites of the SSE and the HKEX.
- c. The Company's the 18th meeting of the seventh session of the Board, the 12th meeting of the seventh session of the Supervisory Committee and the first EGM in 2019 passed the resolution on changing the use of RMB1,000 million and RMB80 million out of the proceeds for the extension project of modern medical logistics services and for the project for the establishment of the information platform respectively to the acquisition of the "Wang Lao Ji" series trademarks held by GPHL, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018, 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- d. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of Ming Xin's relocation improvement project of the construction project of the Great Southern TCM production base (phase 1) to 31 January 2024, and changed the use of RMB104.725 million (the actual amount is based on the balance of designated are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the special account on the day when the proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmcentral (Zhuhai) Co., Ltd. For details, please refer to the announcement dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites SSE and HKEX for details.
- e. With the approval of the 14th meeting of the eighth session of the Board, the 10th meeting of the eighth session of the Supervisory Committee and the first extraordinary General Meeting of shareholders in 2021, the Company has changed the use of RMB118.429 million for the project for the construction project of the Great Southern TCM research and development platform to the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I, and changed the use of RMB384 million for the project for the construction project of the Great Southern TCM research and development platform to the project for Nansha base Phase I of WLJ Health. The rest of RMB318.8288 million would be used in the original project. For details, please refer to the announcement dated 2 August 2021, the circular dated 17 August 2021 and the announcement dated 30 September 2021 published by the Company on the websites SSE and HKEX.

Save for the above, as at 31 December 2021, the use of the proceeds through the non-public offering of A shares above was in line with the intended use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies (Announcement of CSRC [2022] No.15) issued by the CSRC and the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange (Shang Zheng Fa [2022] No. 2) and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds in 2021 (the full text of which had been uploaded to the website of the SSE).

Major Events

18. DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY SPECIAL TRANSACTION WITH ITS CONNECTED PARTIES INCLUDING DIRECT DONATIONS IN CASH OR ASSETS IN KIND, DIRECT EXEMPTION OR REPAYMENT FOR OTHERS.

19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS

Applicable Not applicable

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

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The resolution on the capital injection and enlargement of GP Corp. was considered and approved by the third meeting of the eighth session of the Board on 6 August 2020. The resolution on the initial public offering of foreign shares (H shares) by GP HK1_5039752_1 2 Code Riders Corp. by way of overseas listing and a series of resolutions related to the listing proposals were considered and approved by the sixth meeting of the eighth session of the Board on 30 September 2020. GP Corp. solicited qualified investors by way of a public tender process via the Guangzhou Enterprises Mergers and Acquisition Services from 12 October 2020 to 4 December 2020. According to the delisting, comprehensive agreement and competitive negotiation of the Public Tender via the Guangzhou Enterprises Mergers and Acquisition Services, the capital injection of GP Corp. eventually solicited one strategic investor and five ordinary investors which, thereby created 222,305,500 new shares by way of capital injection and enlargement. On 30 December 2020, GP Corp. completed the business registration for the changes related to the said capital injection and enlargement. On 9 March 2021, GP Corp. submitted the application materials for initial public offering of overseas listed foreign capital shares (H shares) and listing on the main board of HKEX to China Securities Regulatory Commission, and was accepted on March 17, 2021. On 31 March 2021, GP Corp. submitted a listing application (Form A1) to apply for listing and trading on the main board of HKEX. On 2 July 2021, GP Corp. received the reply on the Approval of Guangzhou Pharmaceutical Co., Ltd. to Issue Overseas Listed Foreign Capital Stocks issued by China Securities Regulatory Commission. For details, please refer to the announcements of the Company dated 29 April 2020, 6 August 2020, 30 September 2020, 31 December 2020, 18 March 2021, 31 March 2021 and 2 July 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

Currently, the preliminary preparation works for the spin-off and overseas listing of GP Corp. are advancing.

19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS (Continued)

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

On 26 November 2019, the Company received the Letter of No objection to the Listing Transfer of the Special Asset Support Plan with the support of Phase1-5 assets of Xingye Yuanrong-GP Corp. Receivables from Sinosecurities Asset Management, which issued by Shanghai Stock Exchange. On 11 December 2019, GP Corp. issued Xingye Yuanrong-GP Corp. phase 1 Special Asset Support Plan for Accounts receivable (" Phase 1 Special Plan "), with total issuance amount of RMB1 billion, of which the expiration date of phase 1 Special Plan is 30 June, 2021. By the expiration date, the accumulative total sales for asset scale of GP Corp.'s receivables asset with securitization is RMB4.798 billion. On 30 July 2021, Xingye Yuanrong-GP Corp. phase 1 Special Asset Support Plan for Accounts receivable has been settled. For details, please refer to the announcement of the Company dated 11 December 2019 and 13 August 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

On 10 September 2021, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase II Special Asset Support Plan for Accounts receivable (" Phase 2 Special Plan "), with effective amount of RMB1 billion during the fundraising period. Phase 2 special plan has reached the agreed fund scale of special plan and meets the establishment conditions. The total issuance amount of Phase 2 Special Plan is RMB1 billion. After its establishment, it will be filed in accordance with relevant regulations and requirements of relevant regulatory authorities. For details, please refer to the announcement of the Company dated 10 September 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

Changes in Share Capital and Shareholders

1. CHANGES IN SHARE CAPITAL

(1) Changes in share capital

(i) Changes in share capital

During the Reporting Period, the Company did not have any change in share capital.

(ii) Explanation of change in share capital

Applicable Not applicable

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

Applicable Not applicable

(iv) Other disclosures the Company deems necessary or required by securities regulators

Applicable Not applicable

(2) Changes in restricted shares

Applicable Not applicable

2. SECURITIES ISSUANCE AND LISTING

(1) Securities issuance during the Reporting Period

Applicable Not applicable

Notes on the securities issuance during the Reporting Period (for bonds with different interest rates within the duration, please specify respectively)

Applicable Not applicable

(2) Changes on the total number of ordinary shares and the structure of shareholders and the structure of assets and liabilities of the Company

Applicable Not applicable

(3) Existing employee stocks

Applicable Not applicable

Changes in Share Capital and Shareholders

3. INFORMATION ON SHAREHOLDERS

(1) Number of shareholders as at the end of the Reporting Period

As at 31 December 2021, there were 92,543 shareholders in total, of which 92,490 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 53 were holders of overseas listed shares (H shares).

As at 28 February 2022, there were 96,411 shareholders in total, of which 96,360 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

(2) As at 31 December 2021, the top ten shareholders of the Company are set out as follows

Shareholders	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital) (%)	Number of shares subject to selling restrictions (share)	Number of shares pledged Marked or locked (share)	Nature of Shareholders
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

Changes in Share Capital and Shareholders

3. INFORMATION ON SHAREHOLDERS (Continued)

(2) As at 31 December 2021, the top ten shareholders of the Company are set out as follows (Continued)

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

Shareholders	Number of shares without selling restrictions (share)	Class of shares	The number of shares (share)
GPHL	732,305,103	Domestic shares	732,305,103
HKSCC Nominees Limited	219,701,290	H shares	219,701,290
GZ Chengfa	73,313,783	Domestic shares	73,313,783
GZ SOA Development	55,548,800	Domestic shares	55,548,800
China Securities Finance Corporation Limited	47,277,962	Domestic shares	47,277,962
Hong Kong Securities Clearing Company Limited	35,182,521	Domestic shares	35,182,521
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Domestic shares	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	Domestic shares	8,680,636
Boshi AMC-Agricultural Bank-Boshi China Securities Financial Asset Management Plan	8,662,836	Domestic shares	8,662,836
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	8,657,836	Domestic shares	8,657,836

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

① According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.

② The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the “Rules Governing the Disclosure of Changes in Shareholders’ Shareholding in Listed Companies”.

Preferred shareholders with their voting rights restored and the number of shares they hold

No

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

Applicable Not applicable

(3) Strategic investors or general legal persons who become the top 10 shareholders due to the placement of new shares

Applicable Not applicable

Changes in Share Capital and Shareholders

3. INFORMATION ON SHAREHOLDERS (Continued)

(4) Shareholders' interests and short positions in the shares and underlying shares of the Company

As at 31 December 2021, the interests and short positions held by the persons (not being the Directors, Supervisors or senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
GPHL	Domestic shares	732,305,103 (long position)	Beneficial owner	52.09	–
GZ Chengfa	Domestic shares	73,313,783 (long position)	Beneficial owner	5.21	–
Norges Bank	Foreign shares	32,801,000 (long position)	Beneficial owner	–	14.92
Citigroup Inc. (note 1 and note 2)	Foreign shares	20,748,690 (long position)	Interests in controlled corporation	–	9.44
		185,960 (short position)	Interests in controlled corporation	–	0.08
		20,038,862 (lending pool)	Approved lending agent	–	9.11
LSV ASSET MANAGEMENT	Foreign shares	9,095,000 (long position)	Investment Manager	–	4.14
		4,157,000 (long position)	Others (note 3)	–	1.89

Notes: 1. According to the notice of corporate substantial shareholders filed by Citigroup Inc.:

- (1) Interests in 523,868 long position foreign shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 50.21% by Citigroup Global Markets (International) Finance GmbH ("Citigroup Markets (International)"). Citigroup Markets (International) was wholly-owned by Citigroup Global Markets Europe Finance Limited ("Citigroup Markets Europe"). Citigroup Markets Europe was wholly-owned by Citigroup Financial Products Inc. ("Citigroup Financial"), which was wholly-owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings"). Citigroup Holdings was wholly-owned by Citigroup Inc.. Therefore, Citigroup Bahamas, Citigroup Markets (International), Citigroup Financial, Citigroup Markets Europe, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup Markets under the SFO.
- (2) Interests in 960 long position foreign shares and in 960 short position foreign shares in the Company were held by Citigroup Global Markets Hong Kong Limited ("Citigroup HK"). Citigroup HK was owned as to 100% by Citigroup Financial. Therefore, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup HK under the SFO.
- (3) Interests in 20,223,862 long position foreign shares and in 185,000 short position foreign shares in the Company were held by Citibank, N.A., which was wholly-owned by Citicorp LLC. Citicorp LLC was wholly-owned by Citigroup Inc.. Therefore, Citicorp LLC and Citigroup Inc. were deemed to be interested in the shares held by Citibank, N.A. under the SFO.

Changes in Share Capital and Shareholders

3. INFORMATION ON SHAREHOLDERS *(Continued)*

(4) Shareholders' interests and short positions in the shares and underlying shares of the Company *(Continued)*

2. In which 4,000 long position foreign shares in the Company are unlisted derivatives to be settled in cash, whereas 185,000 long position foreign shares and 185,000 short position foreign shares in the Company are unlisted derivatives to be settled physically.
3. Interests in 2,912,000 long position foreign shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in 542,000 long position foreign shares in the Company were held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund"), and interests in 703,000 long position foreign shares in the Company were held by LSV International (AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT holds 100% of general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund respectively. Therefore, LSV ASSET MANAGEMENT was deemed to be interested in the shares held by LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2021, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

4. INFORMATION ON THE COMPANY'S CONTROLLING SHAREHOLDER AND ITS BENEFICIAL OWNER

(1) Controlling shareholder

(i) Legal person

Applicable Not applicable

Name of shareholder	Guangzhou Pharmaceutical Holdings Limited
Legal representative	Li Chuyuan
Date of establishment	7 August 1996
Business scope	To invest in and manage State-owned assets, to sell and manufacture pharmaceutical intermediates, Chinese and Western medicine, Chinese raw medicine, bio-tech products, medical apparatus, pharmaceutical equipment, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise; to undertake medicine related import and export affairs and to develop real estate.
Shareholding information of other domestic and overseas listed companies during the Reporting Period	N/A

Changes in Share Capital and Shareholders

4. INFORMATION ON THE COMPANY'S CONTROLLING SHAREHOLDER AND ITS BENEFICIAL OWNER *(Continued)*

(1) Controlling shareholder *(Continued)*

(ii) Natural person

Applicable Not applicable

(iii) Special note that there is no controlling shareholder in the Company

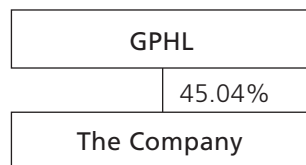
Applicable Not applicable

(iv) Index and date of change of controlling shareholder during the Reporting Period

Applicable Not applicable

(v) A block diagram of the beneficial interest and controlling relationship between the Company and the controlling shareholder

Applicable Not applicable



(2) Beneficial owner(s)

(i) Legal person

Applicable Not applicable

As at the end of the Reporting Period, the controlling shareholder of the Company was GPLH, and the actual controller was Guangzhou SASAC.

(ii) Natural person

Applicable Not applicable

(iii) Special note that there is no actual controller in the Company

Applicable Not applicable

Changes in Share Capital and Shareholders

4. INFORMATION ON THE COMPANY'S CONTROLLING SHAREHOLDER AND ITS BENEFICIAL OWNER (Continued)

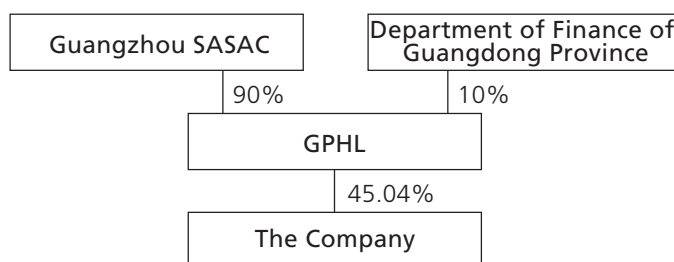
(2) Beneficial owner(s) (Continued)

(iv) Index and date of change of actual controller during the Reporting Period

Applicable Not applicable

(v) A block diagram of the beneficial interests and controlling relationship between the Company and the actual controller

Applicable Not applicable



(vi) The actual controller controls the Company through trust or other asset management methods

Applicable Not applicable

(3) Other information of the controlling shareholder and actual controller

Applicable Not applicable

5. CONTROLLING SHAREHOLDERS, OR THE LARGEST SHAREHOLDER AND ITS PERSON ACTING IN CONCERT PLEDGING 80% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

Applicable Not applicable

Changes in Share Capital and Shareholders

6. OTHER SHAREHOLDERS HOLDING 10% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

As at the end of the Reporting Period and saved as disclosed above, the Company had no other shareholders holding 10% or more of the Company's total issued shares.

7. NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES HAD REPURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD.

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

9. PUBLIC FLOAT

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

10. 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.

11. DESCRIPTION ON RESTRICTIONS ON SHARES

Applicable Not applicable

12. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

Relevant Information on Preferred Shares

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

Relevant Information of Company's Bonds

THE COMPANY DID NOT HAVE ANY BONDS DURING THE REPORTING PERIOD.

To the Shareholders of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.:

I. OPINION

We have audited the accompanying financial statements of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. ("Company"), which comprises the consolidated and company's balance sheets as at 31 December 2021, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2021 and the consolidated and company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

III. KEY AUDIT MATTERS (Continued)

We identified the following key audit matters in our audit:

1. Recognition of revenue from sales
2. Impairment test for goodwill

Key Audit Matters

How these matters were addressed in the audit

1. Recognition of revenue from sales

The business of the Company is divided into Great Southern TCM, Great Health, Great Commerce and others. For the amount of operating revenue in 2021, please refer to the Notes V. (49); For the accounting policies and accounting estimates related to the revenue, please refer to the Notes III (26), (32), 1.

As revenue is one of the key performance indicators of the Company, there is an inherent risk that the management will manipulate the recognition point in order to achieve specific goals or expectations; we have identified the revenue as a key audit matter.

Procedures we implement related to recognition include, but are not limited to:

1. To understand and evaluate the design and operational effectiveness of key internal controls related to revenue recognition by the Management of the Company;
2. For different sales models, select samples to check sales contracts, identify articles and conditions related to the transfer of risks and rewards in commodity ownership, and evaluate whether the time point of revenue recognition meets the requirements of Accounting Standards of Business Enterprises;
3. According to the product type, the revenue and gross profit are analyzed to determine whether there is any abnormal fluctuation to revenue in current period;
4. To select samples of revenue transactions recorded in this year, check invoices, sales contracts, warehouse receipts and receipts or acceptance orders, and evaluate whether the relevant revenue recognition conforms to the accounting policies of the company's revenue recognition;
5. To select samples of revenue transactions recorded before and after the balance sheet date, check out warehouse receipts and other supporting documents to evaluate whether revenue is recorded in the appropriate accounting period;
6. To select samples to implement the inquiry letter to confirm the current revenue and closing balance and other information;
7. To perform the substitution test of invoice inspection, sales contract, delivery slip, customer receipt, etc.

III. KEY AUDIT MATTERS (Continued)

Key Audit Matters

How these matters were addressed in the audit

2. Impairment test for goodwill

On 31 May 2018, the Company acquired 30% equity of GP Corp, forming a goodwill of RMB932 million. As at 31 December 2021, the impairment provision was RMB118 million. For important parameters in the test, such as growth rate of revenue, gross margin, discount rate, etc., we identify the impairment of goodwill as a key audit matter.

Procedures we implement include, but are not limited to:

1. To evaluate and test the effectiveness of the design and execution of key internal control related to goodwill;
2. To compare the actual results of the relevant asset group with the corresponding forecast data of the previous year to evaluate whether the management forecast of cash flow is reliable;
3. To evaluate the competence, professionalism and objectivity of the valuation experts hired by the management;
4. We independently employ external experts to determine the rationality of evaluation parameters such as value type, evaluation method and discount rate of asset evaluation reports issued by experts hired by management;
5. To test whether the calculation of the net present value of the future cash flow is accurate.

IV. OTHER INFORMATION

Management of the Company ("Management") is responsible for the other information. The other information comprises all of the information included in the 2021 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information; we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *(Continued)*

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Shanghai, China

Certified Public Accountant of China:
(Engagement Partner)
Zhang Ning

Certified Public Accountant of China:
Zhang Xi

18 March 2022

Consolidated Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Assets	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand	V(1)	22,376,927,861.43	19,470,276,224.53
Financial assets held for trading	V(2)	–	4,000,000.00
Derivative financial assets		–	–
Notes receivable	V(3)	1,222,097,099.65	1,134,815,993.39
Accounts receivable	V(4)	12,816,537,107.40	12,389,655,576.61
Financing receivables	V(5)	3,171,865,961.20	2,164,978,925.29
Advances to suppliers	V(6)	779,239,826.44	1,032,533,165.54
Other receivables	V(7)	1,178,714,393.77	765,711,481.37
Redemptory monetary capital for sale		–	–
Inventories	V(8)	10,437,733,799.99	9,764,531,363.80
Contractual assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets	V(9)	827,458,411.57	670,115,291.06
Total current assets		<u>52,810,574,461.45</u>	<u>47,396,618,021.59</u>
Non-current assets:			
Debt investment	V(10)	630,712,084.75	505,069,444.73
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment	V(11)	1,562,878,567.36	1,865,866,171.60
Other equity instrument investment	V(12)	123,422,079.79	116,367,414.84
Other non-current financial assets	V(13)	574,277,570.93	263,528,067.86
Investment properties	V(14)	213,975,748.27	213,001,989.80
Fixed assets	V(15)	3,347,591,974.10	2,912,513,169.84
Construction in progress	V(16)	1,564,091,121.32	1,276,251,488.95
Bearer biological assets	V(17)	2,804,475.00	3,153,885.00
Oil and gas assets		–	–
Right-of-use assets	V(18)	769,839,539.91	909,338,251.24
Intangible assets	V(19)	2,582,390,492.30	2,443,588,248.17
Development expenditure	V(20)	10,567,467.71	6,735,587.41
Goodwill	V(21)	829,473,066.90	825,573,066.90
Long-term prepaid expenses	V(22)	132,477,737.46	111,306,370.33
Deferred tax assets	V(23)	794,232,420.03	751,722,372.84
Other non-current assets	V(24)	168,480,956.67	159,429,328.02
Total non-current assets		<u>13,307,215,302.50</u>	<u>12,363,444,857.53</u>
TOTAL ASSETS		<u>66,117,789,763.95</u>	<u>59,760,062,879.12</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Liabilities & shareholders' equity	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings	V(25)	8,428,008,311.52	8,265,729,653.03
Financial liabilities held for trading	V(26)	–	–
Derivative financial liabilities		–	–
Notes payable	V(27)	3,445,815,661.30	3,284,549,237.79
Accounts payable	V(28)	11,287,152,869.54	10,874,808,379.60
Advances from customers		–	–
Contractual liabilities	V(29)	2,740,338,069.29	1,249,255,585.45
Employee benefits payable	V(30)	949,975,749.08	846,778,208.52
Taxes payable	V(31)	233,496,725.47	316,109,068.00
Other payables	V(32)	4,577,200,581.59	4,013,915,065.13
Liabilities classified as held for sale		–	–
Current portion of non-current liabilities	V(33)	245,802,906.86	236,106,690.45
Other current liabilities	V(34)	346,060,329.07	155,979,889.85
Total current liabilities		<u>32,253,851,203.72</u>	<u>29,243,231,777.82</u>
Non-current liabilities:			
Insurance contracts reserves		–	–
Long-term borrowings	V(35)	752,812,083.34	497,550,000.00
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V(36)	497,697,835.96	561,824,454.28
Long-term payables	V(37)	20,464,502.00	22,846,772.00
Long-term employee benefits payable	V(38)	304,247.44	302,723.26
Provisions	V(39)	53,974,538.25	104,528,196.76
Deferred income	V(40)	826,859,462.22	784,074,821.24
Deferred tax liabilities	V(23)	331,727,982.44	286,359,056.86
Other non-current liabilities	V(41)	53,429,349.59	54,078,462.71
Total non-current liabilities		<u>2,537,270,001.24</u>	<u>2,311,564,487.11</u>
Total Liabilities		<u>34,791,121,204.96</u>	<u>31,554,796,264.93</u>

Consolidated Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Liabilities & shareholders' equity	Notes	31 December 2021	31 December 2020
Shareholders' equity:			
Share capital	V(42)	1,625,790,949.00	1,625,790,949.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Capital reserve	V(43)	9,956,953,383.38	9,885,011,185.13
Less: Treasury shares		-	-
Other comprehensive income	V(44)	(17,476,356.88)	(17,673,498.70)
Special reserve		-	-
Surplus reserve	V(45)	1,908,713,749.53	1,720,302,768.39
Retained earnings	V(46)	15,588,202,733.48	12,931,411,564.72
Total equity attributable to shareholders of the parent company		29,062,184,458.51	26,144,842,968.54
Minority interest		2,264,484,100.48	2,060,423,645.65
Total Shareholders' Equity		31,326,668,558.99	28,205,266,614.19
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		66,117,789,763.95	59,760,062,879.12

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Assets	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at bank and on hand		8,991,577,533.57	7,521,190,578.73
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		603,537,592.78	532,824,889.92
Accounts receivable	XIV(1)	116,916,915.21	201,331,485.77
Financing receivables		484,779,528.24	274,695,510.29
Advances to suppliers		28,967,445.79	27,549,396.18
Other receivables	XIV(2)	761,938,917.95	703,246,345.85
Inventories		510,031,189.16	484,244,589.88
Contractual assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets		288,682,032.73	257,168,644.21
Total current assets		<u>11,786,431,155.43</u>	<u>10,002,251,440.83</u>
Non-current assets:			
Debt investments		630,712,084.75	505,069,444.73
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XIV(3)	10,692,296,313.26	10,619,786,236.44
Other equity instrument investments		123,422,079.79	116,367,414.84
Other non-current financial assets		505,481,080.39	246,975,526.67
Investment properties		188,683,134.87	197,265,068.14
Fixed assets		460,623,906.17	468,753,101.75
Construction in progress		307,099,279.34	239,669,203.07
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		9,625,266.13	16,033,325.27
Intangible assets		1,785,222,494.55	1,733,508,114.31
Development expenditure		5,039,438.12	–
Goodwill		–	–
Long-term prepaid expenses		6,652,382.79	3,994,695.36
Deferred tax assets		139,999,052.08	164,225,716.39
Other non-current assets		97,433,596.00	97,433,596.00
Total non-current assets		<u>14,952,290,108.24</u>	<u>14,409,081,442.97</u>
TOTAL ASSETS		<u>26,738,721,263.67</u>	<u>24,411,332,883.80</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Liabilities & shareholders' equity	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings		351,000,000.00	300,000,000.00
Financial liabilities held for trading		-	-
Derivative financial liabilities		-	-
Notes payable		-	513,766.96
Accounts payable		596,450,947.87	641,752,407.73
Advances from customers		-	-
Contractual liabilities		247,569,894.61	199,057,095.72
Employee benefits payable		85,854,490.97	71,717,415.33
Taxes payable		39,739,006.55	26,411,509.32
Other payables		3,762,368,113.81	2,719,555,447.38
Liabilities classified as held for sale		-	-
Current portion of non-current liabilities		7,351,754.77	6,108,194.90
Other current liabilities		34,323,017.43	27,180,326.31
Total current liabilities		5,124,657,226.01	3,992,296,163.65
Non-current liabilities:			
Long-term borrowings		297,550,000.00	297,550,000.00
Bonds payable		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Lease liabilities		3,996,738.36	10,646,083.96
Long-term payables		7,802,224.39	7,802,224.39
Long-term employee benefits payable		-	-
Provisions		620,150,567.19	473,152,845.19
Deferred income		69,064,504.53	51,990,599.86
Deferred tax liabilities		35,981,971.76	12,957,950.22
Other non-current liabilities		72,413.91	75,646.19
Total non-current liabilities		1,034,618,420.14	854,175,349.81
Total Liabilities		6,159,275,646.15	4,846,471,513.46

Parent Company's Balance Sheet

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Liabilities & shareholders' equity	Notes	31 December 2021	31 December 2020
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Capital reserve		9,819,327,969.93	9,820,175,495.89
Less: Treasury shares		-	-
Other comprehensive income		(1,362,017.61)	(7,359,509.96)
Special reserve		-	-
Surplus reserve		1,536,105,314.93	1,347,694,333.79
Retained earnings		7,599,583,401.27	6,778,560,101.62
Total Shareholders' Equity		<u>20,579,445,617.52</u>	<u>19,564,861,370.34</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		<u>26,738,721,263.67</u>	<u>24,411,332,883.80</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Income Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Total revenue		69,014,052,347.03	61,673,702,450.01
Including: Operating revenue	V(47)	69,014,052,347.03	61,673,702,450.01
II. Total cost of sales		64,807,380,690.84	58,528,425,540.91
Including: Cost of sales	V(47)	55,780,767,281.43	51,233,326,115.24
Taxes and surcharges	V(48)	297,832,860.98	257,593,330.50
Selling and distribution expenses	V(49)	5,954,789,157.10	4,575,995,568.24
General and administrative expenses	V(50)	2,032,281,499.65	1,844,423,667.84
R&D expenses	V(51)	874,719,981.67	611,934,929.42
Financial expenses	V(52)	(133,010,089.99)	5,151,929.67
Including: Interest expense	V(52)	417,830,623.16	363,343,678.98
Interest income	V(52)	563,866,705.19	373,868,381.65
Add: Other income	V(53)	309,880,132.62	327,985,438.11
Investment income ("-" for loss)	V(54)	193,587,591.55	344,170,979.46
Including: Share of profit or loss of associates and joint ventures	V(54)	122,949,900.42	355,657,716.27
Gains on termination of financial assets measured at amortized cost ("-" for loss)		-	-
Gains on hedging of net exposure ("-" for loss)		-	-
Gains from changes in fair value ("-" for loss)	V(55)	196,881,039.74	(8,469,244.97)
Credit impairment losses ("-" for loss)	V(56)	(109,813,405.46)	(115,551,971.54)
Assets impairment losses ("-" for loss)	V(57)	(11,859,521.84)	(23,949,972.06)
Gains on disposal of assets ("-" for loss)	V(58)	694,506.95	2,954,109.08
III. Operating profit ("-" for loss)		4,786,041,999.75	3,672,416,247.18
Add: Non-operating income	V(59)	45,307,440.45	157,615,896.44
Less: Non-operating expenses	V(60)	108,278,496.71	90,950,431.33
IV. Total profit ("-" for loss)		4,723,070,943.49	3,739,081,712.29
Less: Income tax expenses	V(61)	754,085,224.52	647,453,872.83

Consolidated Income Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
V. Net profit ("-" for net loss)		<u>3,968,985,718.97</u>	<u>3,091,627,839.46</u>
(I) Categorized by operation continuity			
1. Net profit from continuing operations ("-" for loss)		3,968,985,718.97	3,091,627,839.46
2. Net profit from discontinued operations ("-" for loss)		-	-
(II) Categorized by ownership			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		3,719,877,680.46	2,915,244,576.05
2. Net profit attributable to minority interests ("-" for loss)		249,108,038.51	176,383,263.41
VI. Other comprehensive income, net of tax		127,599.28	(18,800,542.58)
Other comprehensive income, net of tax attributable to the parent company's shareholders		197,141.82	(17,534,538.14)
(I) Other comprehensive income that will not be reclassified to profit or loss		5,997,492.35	(2,453,740.55)
1. Changes arising from the remeasurement of defined benefit obligation		-	-
2. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
3. Change in fair value of other equity instrument investments		5,997,492.35	(2,453,740.55)
4. Change in fair value of the company's own credit risk		-	-
(II) Other comprehensive income that may be reclassified into profit or loss		(5,800,350.53)	(15,080,797.59)
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
2. Change in fair value of other debt investments		(3,320,886.12)	(5,064,017.77)
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		3,135,329.66	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements		(5,614,794.07)	(10,016,779.82)
7. Others		-	-
Other comprehensive income, net of tax attributable to minority shareholders		(69,542.54)	(1,266,004.44)
VII. Total comprehensive income		<u>3,969,113,318.25</u>	<u>3,072,827,296.88</u>
Total comprehensive income attributable to shareholders of the parent company		3,720,074,822.28	2,897,710,037.91
Total comprehensive income attributable to minority shareholders		249,038,495.97	175,117,258.97
VIII. Earnings per share (EPS):			
1. Basic earnings per share	V(62)	2.288	1.793
2. Diluted earnings per share	V(62)	2.288	1.793

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Income Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Operating revenue	XIV(4)	4,139,691,177.75	4,096,099,777.29
Less: Cost of sales	XIV(4)	1,809,648,111.26	2,290,473,837.38
Taxes and surcharges		38,578,904.25	38,660,312.88
Selling and distribution expenses		632,039,413.11	539,942,775.46
General and administrative expenses		376,751,291.49	336,605,067.33
R&D expenses		273,748,501.45	181,155,175.07
Financial expenses		(218,434,608.08)	(105,205,259.70)
Including: Interest expense		21,945,716.96	16,735,677.13
Interest income		241,928,454.23	121,537,828.46
Add: Other income		17,045,632.25	21,204,747.38
Investment income ("-" for loss)	XIV(5)	685,325,808.41	1,233,170,805.00
Including: Share of profit or loss of associates and joint ventures		192,651,655.32	370,968,825.50
Gains on termination of financial assets measured at amortized cost ("-" for loss)		-	-
Gains on hedging of net exposure ("-" for loss)		-	-
Gains from changes in fair value ("-" for loss)		147,270,318.82	(8,033,700.87)
Credit impairment losses ("-" for loss)		612,701.93	(792,499.29)
Assets impairment losses ("-" for loss)		(4,725,859.51)	2,615,784.76
Gains on disposal of assets ("-" for loss))		62,552.04	77,110.18
II. Operating profit ("-" for loss)		2,072,950,718.21	2,062,710,116.03
Add: Non-operating income		18,296,564.99	2,046,690.11
Less: Non-operating expenses		9,042,528.41	5,032,940.64
III. Total profit ("-" for loss)		2,082,204,754.79	2,059,723,865.50
Less: Income tax expenses		198,094,943.44	119,107,986.52
IV. Net profit ("-" for net loss)		1,884,109,811.35	1,940,615,878.98
(I) Net profit from continuing operations ("-" for loss)		1,884,109,811.35	1,940,615,878.98
(II) Net profit from discontinued operations ("-" for loss)		-	-

Parent Company's Income Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		5,997,492.35	(2,453,740.55)
(I) Other comprehensive income that will not be reclassified to profit or loss		5,997,492.35	(2,453,740.55)
1. Changes arising from the remeasurement of defined benefit obligation		-	-
2. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
3. Change in fair value of other equity instrument investments		5,997,492.35	(2,453,740.55)
4. Change in fair value of the company's own credit risk		-	-
(II) Other comprehensive income that may be reclassified into profit or loss		-	-
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-	-
2. Change in fair value of other debt investments		-	-
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments		-	-
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements		-	-
7. Others		-	-
VI. Total comprehensive income		<u>1,890,107,303.70</u>	<u>1,938,162,138.43</u>
VII. Earnings per share (EPS):			
1. Basic earnings per share		-	-
2. Diluted earnings per share		-	-

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Cash Flow Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		67,860,021,518.02	56,854,889,752.63
Receipts of taxes refunds		22,760,738.59	10,092,786.52
Other cash receipts relating to operating activities	V(63)	1,898,203,159.91	2,128,307,787.51
Subtotal of cash inflow from operating activities		69,780,985,416.52	58,993,290,326.66
Cash payments for goods purchased and services		51,994,027,989.72	46,804,034,341.38
Cash payments to and on behalf of employees		5,304,932,872.57	4,709,778,927.12
Payments of all types of taxes		2,896,111,387.90	2,647,983,120.79
Other cash payments relating to operating activities	V(63)	3,912,416,411.96	4,246,308,914.28
Subtotal of cash outflow from operating activities		64,107,488,662.15	58,408,105,303.57
Net cash flow from operating activities		5,673,496,754.37	585,185,023.09
II. Cash flow from investing activities:			
Cash receipts from returns of investments		444,950,705.24	101,400,000.00
Cash receipts from returns on investments		242,550,262.69	326,320,081.45
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		6,613,590.80	6,145,599.58
Net cash receipts from the disposals of subsidiaries and other business units		32,567,053.37	–
Other cash receipts relating to investing activities	V(63)	223,335.60	101,163.83
Subtotal of cash inflow from investment activities		726,904,947.70	433,966,844.86
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,254,917,256.11	876,502,745.66
Cash payments to acquire investments		402,162,500.00	610,775,000.00
Net cash payments for acquisitions of subsidiaries and other business units		1,394,013.57	–
Other cash payments relating to investing activities	V(63)	–	34,745,591.46
Subtotal of cash outflow from investment activities		1,658,473,769.68	1,522,023,337.12
Net cash flow from investing activities		(931,568,821.98)	(1,088,056,492.26)

Consolidated Cash Flow Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		10,090,000.00	213,714,660.64
Including: cash receipts from minorities making		10,090,000.00	213,714,660.64
Cash receipts from borrowing		8,826,175,084.79	8,917,817,000.71
Other cash receipts relating to financing activities	V(63)	3,064,902,899.69	2,918,786,199.38
Subtotal of cash inflow from financing activities		11,901,167,984.48	12,050,317,860.73
Cash repayments of amounts borrowed		8,657,267,209.78	6,158,578,483.96
Cash payments for distribution of dividends, profits or interest expenses		1,325,963,962.68	1,377,826,111.80
Including: payments for distribution of dividends or profit to minorities of subsidiaries		59,907,309.79	87,911,332.23
Other cash payments relating to financing activities	V(63)	3,411,916,305.06	3,074,537,071.74
Subtotal of cash outflow from financing activities		13,395,147,477.52	10,610,941,667.50
Net cash flow from financing activities		(1,493,979,493.04)	1,439,376,193.23
IV. Effect of foreign exchange rate changes on cash and cash equivalents		282,828.77	(4,994,458.19)
V. Net increase in cash and cash equivalents		3,248,231,268.12	931,510,265.87
Add: opening balance of cash and cash equivalents		17,765,132,774.10	16,833,622,508.23
VI. Closing balance of cash and cash equivalents		21,013,364,042.22	17,765,132,774.10

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Cash Flow Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
I. Cash flow arising from operating activities:			
Cash receipts from the sale of goods and the rendering of services		3,045,991,087.77	3,122,882,259.96
Receipts of taxes refunds		–	19,259.32
Other cash receipts relating to operating activities		869,057,487.00	436,332,231.37
Subtotal of cash inflow from operating activities		3,915,048,574.77	3,559,233,750.65
Cash payments for goods purchased and services received		1,543,477,818.64	1,344,991,734.66
Cash payments to and on behalf of employees		498,930,331.40	449,488,678.37
Payments of all types of taxes		380,327,079.18	423,371,014.33
Other cash payments relating to operating activities		218,001,945.53	562,917,368.04
Subtotal of cash outflow from operating activities		2,640,737,174.75	2,780,768,795.40
Net cash flow from operating activities		1,274,311,400.02	778,464,955.25
II. Cash flow from investing activities:			
Cash receipts from returns of investments		154,349,127.25	–
Cash receipts from returns on investments		1,819,635,260.69	1,658,982,386.11
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		5,233,760.65	111,908.00
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities		536,877,917.50	1,804,895,390.56
Subtotal of cash inflow from investment activities		2,516,096,066.09	3,463,989,684.67
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		223,588,056.99	147,659,619.34
Cash payments to acquire investments		641,080,500.00	777,275,000.00
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities		372,000,000.00	1,092,331,644.92
Subtotal of cash outflow from investment activities		1,236,668,556.99	2,017,266,264.26
Net cash flow from investing activities		1,279,427,509.10	1,446,723,420.41

Parent Company's Cash Flow Statement

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		-	-
Cash receipts from borrowing		351,000,000.00	797,550,000.00
Other cash receipts relating to financing activities		626,356.26	-
Subtotal of cash inflow from financing activities		351,626,356.26	797,550,000.00
Cash repayments of amounts borrowed		300,000,000.00	1,054,431,644.92
Cash payments for distribution of dividends, profits or interest expenses		897,109,058.02	972,371,087.68
Other cash payments relating to financing activities		7,231,615.77	6,630,701.31
Subtotal of cash outflow from financing activities		1,204,340,673.79	2,033,433,433.91
Net cash flow from financing activities		(852,714,317.53)	(1,235,883,433.91)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(11,280.49)	(19,097.45)
V. Net increase in cash and cash equivalents		1,701,013,311.10	989,285,844.30
Add: opening balance of cash and cash equivalents		7,290,448,816.07	6,301,162,971.77
VI. Closing balance of cash and cash equivalents		8,991,462,127.17	7,290,448,816.07

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Equity

As at 31 December 2021

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity			
	Other equity instruments				Current period									
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Comprehensive Income	Special reserve	Surplus Reserve	General risk provision	Retained earnings	Subtotal	Minority Equity	
I. Balance at 31 December 2020	1,625,790,948.00	-	-	-	9,885,011,185.13	-	(17,673,498.70)	-	1,720,302,768.39	-	12,931,411,564.72	26,144,842,968.54	2,060,423,645.55	28,205,266,614.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2021	1,625,790,948.00	-	-	-	9,885,011,185.13	-	(17,673,498.70)	-	1,720,302,768.39	-	12,931,411,564.72	26,144,842,968.54	2,060,423,645.55	28,205,266,614.19
III. Increase / (decrease) during period ("+" for losses)	-	-	-	-	71,942,198.25	-	197,141.82	-	188,410,981.14	-	2,656,791,168.76	2,917,341,489.97	204,068,454.83	3,121,401,944.80
(1) Total comprehensive income	-	-	-	-	-	-	197,141.82	-	-	-	3,719,871,680.46	3,720,074,622.28	249,038,495.97	3,969,113,318.25
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	188,410,981.14	-	(1,063,086,511.70)	(874,675,530.56)	(58,068,041.14)	(952,743,571.70)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	188,410,981.14	-	(188,410,981.14)	-	-	-
2. Appropriation to general risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	(58,068,041.14)	(932,743,571.70)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	71,942,198.25	-	-	-	-	-	-	71,942,198.25	-	71,942,198.25
IV. Balance at 31 December 2021	1,625,790,948.00	-	-	-	9,956,953,383.38	-	(17,476,356.88)	-	1,908,713,749.53	-	15,588,202,733.48	29,062,184,458.51	2,264,484,100.48	31,326,668,558.99

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Equity

As at 31 December 2021

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity			
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	General risk provision		Retained earnings	Subtotal	Minority Equity
I. Balance at 31 December 2019	1,627,790,949.00	-	-	-	9,865,084,049.39	-	(138,960.56)	-	1,526,241,180.49	-	11,167,819,445.53	24,184,796,663.85	1,804,690,284.34	25,989,486,948.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,627,790,949.00	-	-	-	9,865,084,049.39	-	(138,960.56)	-	1,526,241,180.49	-	11,167,819,445.53	24,184,796,663.85	1,804,690,284.34	25,989,486,948.19
III. Increase/(decrease) during period ("+" for losses)	-	-	-	-	19,927,135.74	-	(17,534,538.14)	-	194,061,387.90	-	1,763,592,119.19	1,960,046,304.69	255,733,361.31	2,215,779,666.00
(1) Total comprehensive income	-	-	-	-	-	-	(17,534,538.14)	-	-	-	2,915,244,576.05	2,897,770,037.91	175,117,258.97	3,072,827,296.88
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	194,061,387.90	(1,151,652,456.86)	(957,590,868.96)	(957,590,868.96)	(99,539,501.46)	(1,057,130,370.42)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	194,061,387.90	(194,061,387.90)	-	-	-	-
2. Appropriation to general risk provision	-	-	-	-	-	-	-	-	-	(957,590,868.96)	(957,590,868.96)	(957,590,868.96)	(99,539,501.46)	(1,057,130,370.42)
3. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or state capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or state capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	19,927,135.74	-	-	-	-	-	-	19,927,135.74	-	19,927,135.74
IV. Balance at 31 December 2020	1,627,790,949.00	-	-	-	9,885,011,185.13	-	(17,673,498.70)	-	1,720,302,768.39	-	12,931,411,564.72	26,144,842,968.54	2,060,423,645.65	28,205,266,614.19

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Fei

Head of accounting department:
Wu Chuling

Parent Company's Statement of Changes in Equity

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Current period											
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Comprehensive Income	Other Comprehensive Income	Special reserve	Surplus Reserve	Retained earnings	Total Shareholders' Equity
I. Balance at 31 December 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(7,359,509.96)	-	-	1,347,694,333.79	6,778,560,101.62	19,564,861,370.34
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2021	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(7,359,509.96)	-	-	1,347,694,333.79	6,778,560,101.62	19,564,861,370.34
III. Increase / (decrease) during period ("-" for losses)	-	-	-	-	(847,525.96)	-	5,997,492.35	5,997,492.35	-	188,410,981.14	821,023,299.65	1,014,584,247.18
(1) Total comprehensive income	-	-	-	-	-	-	5,997,492.35	5,997,492.35	-	-	1,884,109,811.35	1,890,107,303.70
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	188,410,981.14	(1,063,086,511.70)	(874,675,530.56)
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	188,410,981.14	(188,410,981.14)	-
3. Others	-	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)
(4) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	(847,525.96)	-	-	-	-	-	-	(847,525.96)
IV. Balance at 31 December 2021	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(1,362,017.61)	(1,362,017.61)	-	1,536,105,314.93	7,599,583,401.27	20,579,445,617.52

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Statement of Changes in Equity

As at 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

Item	Other equity instruments						Prior period				Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Retained earnings	
I. Balance at 31 December 2019	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(4,905,769.41)	-	1,153,632,745.89	5,989,596,679.50	18,584,290,100.87
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(4,905,769.41)	-	1,153,632,745.89	5,989,596,679.50	18,584,290,100.87
III. Increase / (decrease) during period	-	-	-	-	-	-	(2,453,740.55)	-	194,061,587.90	788,963,422.12	980,571,269.47
(1) Total comprehensive income	-	-	-	-	-	-	(2,453,740.55)	-	194,061,587.90	(1,151,652,456.86)	(957,590,868.96)
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	1,940,615,878.98	1,938,162,138.43
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	194,061,587.90	(1,151,652,456.86)	(957,590,868.96)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	194,061,587.90	(1,151,652,456.86)	(957,590,868.96)
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2020	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(7,359,509.96)	-	1,347,694,333.79	6,778,560,101.62	19,564,861,370.34

The accompanying notes form an integral part of these financial statements.

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION

1. Summarization of the Company

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

1. Summarization of the Company (Continued)

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

The financial statements were authorized for issue by the Board on 18 March 2022.

2. Scope of consolidation

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

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

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (hereinafter referred to as “Guangzhou Han Fang”)	Direct holding
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct holding
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Qi Xing”)	Indirect holding
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (hereinafter referred to as “Jing Xiu Tang”)	Direct holding
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect holding
Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd.	Indirect holding

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as "Pan Gao Shou")	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as "Wang Lao Ji")	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Co., Ltd. (hereinafter referred to as "San Gong Zai")	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect Indirect
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect Indirect
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (hereinafter referred to as "Cai Zhi Lin")	Direct holding
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd. (primitive name is Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory)	Indirect holding
Guangzhou Cai Zhi Lin Medicinal Co., Ltd. (primitive name is Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd.)	Indirect holding
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Indirect holding
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Indirect holding
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Indirect holding
Guangdong Han Chao Chinese Raw Medicine Technology Co., Ltd.	Indirect holding

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Pharmaceutical Import & Export Co., Ltd. (hereinafter referred to as "Pharmaceutical Import & Export")	Direct holding
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (hereinafter referred to as "Guangzhou Bai Di")	Direct holding
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Tibet Linzhi Guangyao Development Co., Ltd.	Indirect holding
Guangzhou WLJ Great Health Industry Co., Ltd. (hereinafter referred to as "WLJ Great Health")	Direct holding
WLJ Great Health Industry (Ya'an) Co., Ltd.	Indirect holding
Guangzhou WLJ Great Health Enterprise Development Co., Ltd.	Indirect holding
WLJ Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
WLJ Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou WLJ Great Health E-Commerce Co., Ltd.	Indirect holding
WLJ Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Indirect holding
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as "Yi Gan")	Direct holding
Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (hereinafter referred to as "Baiyunshan Medical and Healthcare Industry Company")	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd. (hereinafter referred to as "Guangzhou Baiyunshan Hospital")	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION (Continued)

2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as "Xing Zhu")	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as "Wang Lao Ji Investment")	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as "Guangyao Baiyunshan Hong Kong Company")	Direct holding
Guangzhou Baiyunshan Macao Co., Ltd.	Direct holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	Direct holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

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

II. BASIS OF PREPARATION

1. Basis of Preparation

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

2. Going Concern

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, present truly and completely the Company's financial position as of 31 December 2021, and performance results and cash flows for the period then ended.

2. Accounting Period

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

The accounting period of this financial statement is from 1 January 2021 to 31 December 2021.

3. Operating Cycle

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

4. Functional Currency

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

5. Business Combination

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

(1) Business combination under common control

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

5. Business Combination *(Continued)*

(1) Business combination under common control *(Continued)*

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

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

(2) Business combination not under common control

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

5. Business Combination *(Continued)*

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

6. Preparation Method for Consolidated Financial Statements

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

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

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

(2) The method for preparation of consolidated financial statements

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

8. Recognition Criteria for Cash and Cash Equivalents

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

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

(1) Methods for Translation of Foreign Currency Transactions

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

10. Financial Instruments

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

(1) Classification, recognition and measurement of financial assets

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

10. Financial Instruments *(Continued)*

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

① *Financial assets measured at amortized cost*

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

10. Financial Instruments *(Continued)*

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

② *Other financial liabilities*

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

10. Financial Instruments *(Continued)*

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

10. Financial Instruments *(Continued)*

(4) Derecognition of financial liabilities

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

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

(5) Offsetting of financial assets and liabilities

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

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

10. Financial Instruments *(Continued)*

(7) Equity instruments

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

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

11. Determination of expected credit losses and accounting treatment

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

(1) The recognition method of provision for impairment

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

(4) Accounting treatment of the impairment of financial assets

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

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

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

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(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

③ Methods for measuring loss provisions for other financial assets

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

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

the basis for the portfolio as follows:

Other receivables portfolio 1: Aging portfolio

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

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: Deposit portfolio

Portfolio (aging portfolio): expected credit loss rate:

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

12. Inventories

(1) Category of inventories

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

12. Inventories *(Continued)*

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

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

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

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

- (4) The perpetual inventory system is adopted
- (5) Amortization method for low value consumables

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

13. Assets Held for Sale and Disposal Company

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

14. Long-term Equity Investments

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

(1) Recognition of Investment Cost

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

③ *Minority Equity Purchase*

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

④ *Disposal of Long-term Equity Investment*

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

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

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

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

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

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

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

15. Investment Property

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

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

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

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

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

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

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

16. Fixed Assets

(1) Recognition Criteria of Fixed Assets

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Fixed Assets (Continued)

(2) Depreciation Method of Fixed Assets

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

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

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

(3) Impairment Testing and Accounting Treatment

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

(4) Others

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

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

17. Construction in Progress

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

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

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

18. Borrowing Costs

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Biological assets

Bearer biological assets

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

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

Category	Service life	Estimated Net Residual Rate (%)	Annual Depreciation Rate (%)
Trees of <i>Citrus reticulata</i> 'Chachiensis'	10 years	5.00	9.50

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

20 Intangible Assets

(1) Intangible Assets

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

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

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

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

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

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

(2) Research and development expenditure

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

20 Intangible Assets *(Continued)*

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

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

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

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

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

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

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

21. Long-term Asset Impairment

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

22. Long-Term Prepaid Expenses

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

23. Contractual Liability

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

24. Employee Benefits

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

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

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs. In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

25. Provisions

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

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

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

26. Revenue

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

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

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

Notes to the Financial Statements

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

26. Revenue *(Continued)*

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

(1) Sale of goods

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

(2) Rendering of services

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

(3) Transfer of asset use rights

Income from transfer of asset use rights include:

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

27. Government Grants

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

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

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

Notes to the Financial Statements

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

27. Government Grants *(Continued)*

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

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

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

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

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

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

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

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

28. Deferred Tax Assets/Deferred Tax Liabilities

(1) Current Income Tax

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

(2) Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

(3) Tax expenses

Tax expenses include current tax and deferred tax.

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

(4) Offset of Income Tax

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

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

29. Lease

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

(1) Accounting Treatments of Operating Leases for Lessees

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

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

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

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

29. Lease *(Continued)*

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

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

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

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

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances.

If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right-of-use assets accordingly.

If the carrying value of the right-of-use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

29. Lease *(Continued)*

(2) The Company records the lease business as the lessor

① *lease classification*

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

② *operating lease*

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

③ *financial lease*

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

30. Other Important Accounting Policies and Accounting Estimates

(1) Discontinued operations

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

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

31. Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in 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.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

31. Changes in Significant Accounting Policies and Accounting Estimates *(Continued)*

1. Changes in significant accounting policies *(Continued)*

- (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.

32. Significant Accounting Judgments and Estimates

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

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

(1) Revenue recognition

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

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

(2) Impairment of financial assets

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

(3) Provision for decline in value of inventories

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

(4) Fair value of financial instruments

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

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

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

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

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

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

(6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

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

(7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

(8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

(9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

IV. TAXES

1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax ("VAT") (Note)	Taxable income	(1) Sales of goods: 13%, 9% (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.

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

Taxpayer	Corporate income tax	Income tax rate
The Company, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, Tian Xin, Guang Hua, Ming Xing, Guangxi Ying Kang, WLJ Great Health, Guangyao General Institute, Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.		Calculated and paid at 15% of the taxable income
The Group's domestic subsidiaries other than the above-mentioned enterprises		Calculated and paid at 25% of the taxable income
The Group's enterprises located in Hong Kong		Calculated and paid at 16.5% of the taxable income
The Group's enterprises located in Macao		Calculated and paid at 3% – 12% of the taxable income

2. Important Tax Preferential Treatments and Approval Documents

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

- (1) 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).
- (2) 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.
- (3) 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.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	679,188.73	814,579.91
Cash at bank	20,945,367,227.97	17,738,141,398.59
Including: due from finance company	–	–
Other cash	1,430,881,444.73	1,731,320,246.03
Total	22,376,927,861.43	19,470,276,224.53
Including: Total amount of cash kept in foreign countries	129,090,989.43	82,251,385.28

Notes:

- (1) Other currency balance RMB1,430,881 thousand (31 December 2020: RMB1,731,320 thousand) is comprised of the Group's third-party payment accounts, deposits, foreign exchange deposits, credit card deposits, letters of credit, guarantee deposits, term deposits, housing funds, bank acceptance bill deposit, frozen account funds and the others.
- (2) As on 31 December 2021, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,363,564 thousand (31 December 2020: RMB1,705,143 thousand). Detail of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Closing balance of last year
Deposit for notes payable	1,201,347,571.10	1,137,188,905.68
Frozen account funds	47,000.00	64,529,762.25
Letters of credit	49,626,368.00	48,297,983.42
Term deposit	61,370,700.00	445,000,000.00
Guarantee deposits	50,235,314.29	9,164,375.92
Housing funds	928,865.82	925,606.04
Others	8,000.00	36,817.12
Total	1,363,563,819.21	1,705,143,450.43

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Transactional financial assets

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

3. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	1,135,898,000.56	1,036,369,577.94
Commercial acceptance notes	92,000,881.72	102,760,544.13
Less: bad debt reserves	5,801,782.63	4,314,128.68
Total	<u>1,222,097,099.65</u>	<u>1,134,815,993.39</u>

The Group hold certain bank acceptance notes receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These bank acceptance notes receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB1,853,747 thousand.

(2) Notes receivable pledged at the year end

Item	Amount pledged at the year end
Bank acceptance notes	29,706,612.80
Commercial acceptance notes	-
Total	<u>29,706,612.80</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

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

Item	Amount derecognized at the year end	Amount not derecognized at the year end
Bank acceptance notes	1,759,044,189.20	370,200,038.72
Commercial acceptance notes	–	14,500,000.00
Total	<u>1,759,044,189.20</u>	<u>384,700,038.72</u>

Notes:

- ① Pursuant to provisions of the Negotiable Instruments Law of the People's Republic of China, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted.
- ② For the above endorsed or discounted notes receivable, if the Group considers that almost all risks and remuneration have been transferred, the Group terminates the confirmation of this part of notes receivable, and because the fair value of the continued involvement is not significant, the Group doesn't confirm any assets or liabilities on the book. If the Group considers that almost all the risks and remuneration have not been completely transferred, the Group has not terminated the confirmation of notes receivable, and the Group confirms the receivable financing of RMB384,700 thousand, and the short-term borrowings, accounts payable of RMB384,700 thousand.
- ③ The maximum loss from the continuing involvement of the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value of RMB2,143,744 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 31 December 2021 which shall be matured by 31 December 2022.
- ⑤ For the year from 1 January to 31 December 2021, no profit or loss is recognized at the date of the transfer. The Group did not recognize any current or accumulated income or expenses arising from the continuing involvement of derecognized financial assets.
- ⑥ The above-mentioned notes receivable, which have been endorsed or discounted, occurred roughly balanced in the period and the distribution is roughly balanced either.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (4) As on 31 December 2021, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB1,754,124 thousand (31 December 2020: RMB2,461,751 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	23 Nov 2021	23 Feb 2022	22,662,238.41
Customer 2	25 Nov 2021	25 Feb 2022	12,189,208.68
Customer 3	22 Oct 2021	22 Jan 2022	10,000,000.00
Customer 4	19 Jul 2021	19 Jan 2022	10,000,000.00
Customer 5	19 Jul 2021	19 Jan 2022	10,000,000.00

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

- (6) As on 31 December 2021, bank acceptance notes discounted by the Group but not matured was RMB375,120 thousand (31 December 2020: RMB394,002 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	30 Jul 2021	31 Jan 2022	15,000,000.00
Customer 2	26 Jul 2021	26 Jan 2022	10,000,000.00
Customer 3	30 Nov 2021	30 May 2022	10,000,000.00
Customer 4	19 Jul 2021	19 Jan 2022	10,000,000.00
Customer 5	23 Dec 2021	23 Mar 2022	7,000,000.00

- (7) As on 31 December 2021, commercial acceptance notes discounted by the Group but not expired was RMB14,500 thousand, (31 December 2020: nil) The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	24 May 2021	20 Mar 2022	2,000,000.00
Customer 2	24 Mar 2021	20 Mar 2022	2,000,000.00
Customer 3	24 Mar 2021	20 Jan 2022	2,000,000.00
Customer 4	24 Mar 2021	20 Feb 2022	2,000,000.00
Customer 5	24 May 2021	20 Feb 2022	2,000,000.00

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

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

Category	Closing balance					Closing balance of last year				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)		Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,227,898,882.28	100.00	5,801,782.63	0.47	1,222,097,099.65	1,139,130,122.07	100.00	4,314,128.68	0.38	1,134,815,993.39
Including: portfolio 1	92,000,881.72	7.49	5,801,782.63	6.31	86,199,099.09	102,760,544.13	9.02	4,314,128.68	4.20	98,446,415.45
portfolio 2	1,135,898,000.56	92.51	-	-	1,135,898,000.56	1,036,369,577.94	90.98	-	-	1,036,369,577.94
Total	1,227,898,882.28	100.00	5,801,782.63	0.47	1,222,097,099.65	1,139,130,122.07	100.00	4,314,128.68	-	1,134,815,993.39

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

② Provision for bad debts by portfolio:

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

Aging	Closing balance		
	Book balance	Provision for bad debts	Proportion (%)
Within 1 year	73,980,881.72	739,808.82	1.00
1 – 2 years	1,720,130.93	172,013.09	10.00
2 – 3 years	16,299,869.07	4,889,960.72	30.00
Total	92,000,881.72	5,801,782.63	6.31

Portfolio 2: portfolio low risk

Portfolio	Closing balance		
	Book balance	Provision for bad debts	Proportion (%)
Portfolio low risk	1,135,898,000.56	-	-
Total	1,135,898,000.56	-	-

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

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

Category	Closing balance of last year	Amount	Current movement Return of recovery	Pay-off or write-off	Closing balance
Provision for bad debts of notes receivable	4,314,128.68	1,487,653.95	-	-	5,801,782.63
Total	<u>4,314,128.68</u>	<u>1,487,653.95</u>	<u>-</u>	<u>-</u>	<u>5,801,782.63</u>

4. Accounts receivable

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

Aging	Closing balance	Closing balance of last year
Within 1 year	12,495,057,859.86	12,061,337,011.07
1 to 2 years	506,794,473.92	393,436,764.62
2 to 3 years	79,224,897.37	60,706,620.53
3 to 4 years	40,944,191.41	148,699,324.24
4 to 5 years	144,582,632.69	7,790,540.34
Over 5 years	70,053,170.53	184,115,980.53
Subtotal	<u>13,336,657,225.78</u>	<u>12,856,086,241.33</u>
Less: Provision for bad debts	<u>520,120,118.38</u>	<u>466,430,664.72</u>
Total	<u>12,816,537,107.40</u>	<u>12,389,655,576.61</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Category	Closing balance					Closing balance of last year				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Book value	Amount	Proportion (%)	Amount	Expected credit loss (%)	Book value
Accounts receivable subject to separate provision	309,992,537.95	2.32	285,605,302.42	92.13	24,387,235.53	356,541,754.08	2.77	262,084,458.27	73.51	94,457,295.81
Accounts receivable subject to provision by portfolio	13,026,664,687.83	97.68	234,514,815.96	1.80	12,792,149,871.87	12,499,544,487.25	97.23	204,346,206.45	1.63	12,295,198,280.80
Including: portfolio 1	13,026,664,687.83	97.68	234,514,815.96	1.80	12,792,149,871.87	12,499,544,487.25	97.23	204,346,206.45	1.63	12,295,198,280.80
Total	13,336,657,225.78	100.00	520,120,118.38		12,816,537,107.40	12,856,086,241.33	100.00	466,430,664.72		12,389,655,576.61

① Accounts receivable subject to separate provision:

Accounts receivable	Book balance	Provision for bad debts	Closing balance Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	With the termination of the business there is in dispute and is expected to be unrecoverable For litigation involved, see this Note 13 (7) 1③b(i)
Customer 2	61,567,089.78	61,567,089.78	100.00	For litigation involved, see this Note 13(7)1③b(f), 13(7)1③b(g), 13(7)1③b(h)
Customer 3	23,446,125.96	2,219,163.07	9.46	It is expected to be unrecoverable
Customer 4	19,432,662.47	19,432,662.47	100.00	For litigation involved, see this Note 13 (7) 1③b(i)
Customer 5	18,611,963.06	18,611,963.06	100.00	For litigation involved, see this Note 13 (7) 1③b(a)
Customer 6	6,359,961.88	4,451,973.32	70.00	For litigation involved, see this Note 13 (7) 1③b
Customer 7	5,762,294.75	5,762,294.75	100.00	The company's capital was frozen by the court and is not expected to be recovered.
Customer 8	4,130,812.22	4,130,812.22	100.00	For litigation involved, see this Note 13 (7) 1③b(e)
Customer 9	4,122,456.00	4,122,456.00	100.00	For litigation involved, see this Note 13 (7) 1③b(c)
Customer 10	3,175,887.50	3,175,887.50	100.00	The company has been closed
Others	17,516,531.47	16,264,247.39	92.85	It is expected to be unrecoverable
Total	309,992,537.95	285,605,302.42	-	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

② Accounts receivable subject to provision by portfolio

Portfolio 1: portfolio aging

Aging	Closing balance		
	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	12,406,047,484.02	124,039,381.72	1.00
1 to 2 years	502,936,689.87	50,293,669.00	10.00
2 to 3 years	72,523,163.84	21,756,984.17	30.00
3 to 4 years	11,810,207.96	5,905,104.01	50.00
4 to 5 years	4,137,325.41	3,309,860.33	80.00
Over 5 years	29,209,816.73	29,209,816.73	100.00
Total	<u>13,026,664,687.83</u>	<u>234,514,815.96</u>	—

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Category	Closing balance of last year	Current movement Amount	Return of recovery	Pay-off or write-off	Other decrease	Closing balance
Provision for bad debts of accounts receivable	466,430,664.72	95,939,807.41	835,017.44	843,283.11	40,572,053.20	520,120,118.38
Total	<u>466,430,664.72</u>	<u>95,939,807.41</u>	<u>835,017.44</u>	<u>843,283.11</u>	<u>40,572,053.20</u>	<u>520,120,118.38</u>

Other decreases are due to the transfer of subsidiaries during the current period, and the final consolidation scope does not include the company's data.

Significant recovery or return of provision for bad debt in the current period:

Name	Return of recovery	Basis of original provision and its rationality	Reason	Collected by
Customer 1	177,054.00	It is expected to be unrecoverable	Recover the payment	Cash
Customer 2	147,630.26	It is expected to be unrecoverable	Recover the payment	Cash
Customer 3	142,842.21	It is expected to be unrecoverable	Recover the payment	Cash
Customer 4	105,024.00	It is expected to be unrecoverable	Recover the payment	Cash
Customer 5	100,016.96	It is expected to be unrecoverable	Recover the payment	Cash
Total	<u>672,567.43</u>			

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(4) Accounts receivable written off in the period:

Item	Amount written off
Accounts receivable written off	843,283.11
Significant write-off accounts receivable:	

Name	The nature of accounts receivable	Written-off amount	Reason for written-off	Procedure for written-off	Whether it is caused by connected transactions
Customer 1	Payment for goods	467,462.40	The payment has been verified to be recoverable	Approved by the management	No
Customer 2	Payment for goods	149,326.13	The payment has been verified to be recoverable	Approved by the management	No
Total		<u>616,788.53</u>			

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

Company	Closing balance	Closing balance Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	242,019,053.02	1.81	2,420,190.53
Customer 2	233,260,574.57	1.75	2,361,897.64
Customer 3	220,196,008.15	1.65	2,234,980.97
Customer 4	199,380,782.75	1.49	2,605,703.86
Customer 5	197,638,685.08	1.48	2,597,389.57
Total	<u>1,092,495,103.57</u>	<u>8.18</u>	<u>12,220,162.57</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
Accounts receivable asset-backed securities	Sold	89,360,080.32	2,865,100.13
Total		<u>89,360,080.32</u>	<u>2,865,100.13</u>

GP Corp. transferred receivables to financial institutions through factoring in an open, non-recourse type. Since GP Corp. has substantially transferred almost all of the risks and rewards in the ownership of those accounts receivable, and the recognition of those accounts receivable in GP Corp. has terminated.

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

5. Financing Receivables

- (1) Detail of financing receivables

Item	Closing balance	Closing balance of last year
Notes receivable	1,853,746,708.62	1,414,124,906.14
Accounts receivable	<u>1,318,119,252.58</u>	<u>750,854,019.15</u>
Total	<u>3,171,865,961.20</u>	<u>2,164,978,925.29</u>

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

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
ABS-based assets	Sold	<u>2,199,131,000.49</u>	<u>29,459,949.32</u>
Total		<u>2,199,131,000.49</u>	<u>29,459,949.32</u>

In 2021, GP Corp. issued the second phase of accounts receivable asset-backed securities ("ABS"), and GP Corp. transferred part of collection rights of the accounts receivable to financial institutions, and the risks and rewards related to the ownership of those accounts receivable have been substantially transferred. GP Corp. no longer has the right of continue involvement to those accounts receivable, and no longer assumes the obligation of continue involvement. Therefore, GP Corp. terminates to confirm the transfer of receivables to the Accounts Receivable Asset Support Special Plan (hereinafter referred to as the "Special Plan"). During the establishment of the special plan to the end of the circular purchase period, the special plan has the right to make a circular purchase of new-qualified assets from GP Corp. In addition, GP Corp. subscribed for the secondary asset-backed securities of the special plan in 2021 amounted to RMB4,000,000.00, which is classified as the financial assets at fair value through profit or loss, and is stated in non-current financial assets of the financial statements based on its maturity date.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Advances to suppliers

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

Aging	Closing balance		Closing balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	752,640,089.54	96.59	1,018,522,816.40	98.64
1 to 2 years	20,739,214.44	2.66	4,116,764.85	0.40
2 to 3 years	36,967.08	—	4,369,038.25	0.42
Over 3 years	5,823,555.38	0.75	5,524,546.04	0.54
Total	<u>779,239,826.44</u>	<u>100.00</u>	<u>1,032,533,165.54</u>	<u>100.00</u>

(2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	259,345,594.71	33.28
Supplier 2	38,946,804.57	5.00
Supplier 3	31,089,544.41	3.99
Supplier 4	25,087,106.63	3.22
Supplier 5	24,569,130.32	3.15
Total	<u>379,038,180.64</u>	<u>48.64</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable	–	4,477,916.67
Dividends receivable	343,766,959.00	37,938,523.45
Other receivables	834,947,434.77	723,295,041.25
Total	<u>1,178,714,393.77</u>	<u>765,711,481.37</u>

(1) Interest receivable

① Interest receivable by category

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

(2) Dividends receivable

① Dividends receivable are as follows

Item (or investee)	Closing balance	Closing balance of last year
Guangzhou Nuo Cheng Biological Products Co., Ltd. (hereinafter referred to as "Nuo Cheng")	–	37,938,523.45
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (hereinafter referred to as "HWBYS")	343,766,959.00	–
Subtotal	343,766,959.00	37,938,523.45
Less: Provision for bad debts	–	–
Total	<u>343,766,959.00</u>	<u>37,938,523.45</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables

① Other receivables disclosed by aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	745,289,089.76	597,533,813.85
1 to 2 years	42,388,736.52	54,057,466.95
2 to 3 years	27,449,916.42	51,927,772.55
3 to 4 years	18,392,069.80	22,664,539.72
4 to 5 years	11,730,965.96	14,612,015.90
Over 5 years	34,283,553.27	36,094,430.35
Subtotal	879,534,331.73	776,890,039.32
Less: Provision for bad debts	44,586,896.96	53,594,998.07
Total	834,947,434.77	723,295,041.25

② Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Closing balance of last year	10,630,440.48	-	42,964,557.59	53,594,998.07
Closing balance of last year in current period	-	-	-	-
-- transfer into 2nd stage	-	-	-	-
-- transfer into 3rd stage	-	-	-	-
-- back to 2nd stage	-	-	-	-
-- back to 1st stage	-	-	-	-
Current amount	3,952,701.09	-	4,339,251.42	8,291,952.51
Current return	-	-	818,168.63	818,168.63
Current pay-off	-	-	-	-
Current write-off	-	-	2,707,526.86	2,707,526.86
Other movements	-	-	13,774,358.13	13,774,358.13
Closing balance	<u>14,583,141.57</u>	<u>-</u>	<u>30,003,755.39</u>	<u>44,586,896.96</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables (Continued)

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

Category	Closing balance of last year	Current movement			Other decrease	Closing balance
		Amount	Return of recovery	Pay-off or write-off		
Provision for bad debts of other receivables	53,594,998.07	8,291,952.51	818,168.63	2,707,526.86	13,774,358.13	44,586,896.96
Total	<u>53,594,998.07</u>	<u>8,291,952.51</u>	<u>818,168.63</u>	<u>2,707,526.86</u>	<u>13,774,358.13</u>	<u>44,586,896.96</u>

Other decreases are due to the transfer of subsidiaries during the current period, and the final consolidation scope does not include the company's data.

Significant return or recovery of provision for bad debts of the current period:

Name	Return of recovery	Basis of original provision and its rationality	Reason	Collected by
Customer 1	600,000.00	It is expected to be unrecoverable	The liquidation was strengthened, and arrearage was recovered.	Cash
Customer 2	166,378.63	It is expected to be unrecoverable	The liquidation was strengthened, and arrearage was recovered.	Cash
Total	<u>766,378.63</u>			

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables (Continued)

④ Other receivables actually written-off in current period:

Item	Written-off
Other receivables written-off	2,707,526.86

Significant other receivables written-off:

Name	The nature of receivable	Written-off amount	Reason for written-off	Procedure for written-off	Whether it is caused by connected transactions
Customer 1	Receivables due from external parties	1,695,716.38	It is unrecoverable	Approved by the management	No
Customer 2	Receivables due from external parties	869,413.73	It is unrecoverable	Approved by the management	No
Customer 3	Receivables due from external parties	142,396.75	It is unrecoverable	Approved by the management	No
Total		<u>2,707,526.86</u>			

⑤ Category of other receivables by nature

Nature	Closing book balance	Closing balance of last year
Receivables due from external parties	624,998,607.07	533,487,361.80
Margin, deposit and down payment	125,925,785.15	125,216,738.57
Advances to employees	41,146,466.25	41,940,796.10
Petty cash	6,425,065.14	11,280,929.84
Receivables due from related parties	6,874,005.17	14,390,894.18
Tax refund for exports	2,537,700.42	2,617,054.55
Others	71,626,702.53	47,956,264.28
Total	<u>879,534,331.73</u>	<u>776,890,039.32</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(3) Other receivables (Continued)

⑥ The top five debtors by balances are as follows:

Company	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Customer 1	Receivables due from external parties	41,064,912.00	Within 1 year	4.67	410,649.12
Customer 2	Receivables due from external parties	35,970,575.41	Within 1 year	4.09	359,705.75
Customer 3	Receivables due from external parties	31,579,342.34	Within 1 year, 2-3 years, 3-4 years	3.59	720,563.71
Customer 4	Receivables due from external parties	25,243,292.50	Within 1 year, 2-3 years, 3-4 years	2.87	575,972.39
Customer 5	Receivables due from external parties	19,346,558.64	Within 1 year, 1-2 years	2.20	339,049.91
Total		<u>153,204,680.89</u>		<u>17.42</u>	<u>2,405,940.87</u>

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

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

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

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

Item	Closing balance		Closing balance of last year	
	Book balance	Provision for decline in value of inventories	Book balance	Provision for decline in value of inventories
Raw materials	875,495,219.20	5,659,802.75	869,835,416.45	881,270,726.45
Turnover materials	172,122,724.02	-	172,122,724.02	147,351,892.09
Consignment processing material	14,537,013.78	-	14,537,013.78	3,158,510.07
Work in progress	579,661,002.42	-	579,661,002.42	546,798,886.75
Commodity stocks	8,862,926,488.42	61,348,845.10	8,801,577,643.32	8,252,511,887.77
Total	<u>10,504,742,447.84</u>	<u>67,008,647.85</u>	<u>10,437,733,799.99</u>	<u>9,831,091,903.13</u>

(2) Provision for decline in value of inventories

Item	Closing balance of last year	Increase in the period		Decrease in the period		Closing balance
		Provision	Others	Reversed or written-off	Others	
Raw materials	2,362,973.18	3,304,975.22	-	8,145.65	-	5,659,802.75
Commodity stocks	64,197,566.15	12,295,862.76	-	7,938,402.51	7,206,181.30	61,348,845.10
Total	<u>66,560,539.33</u>	<u>15,600,837.98</u>	<u>-</u>	<u>7,946,548.16</u>	<u>7,206,181.30</u>	<u>67,008,647.85</u>

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

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

9. Other Current Assets

Item	Closing balance	Closing balance of last year
Balance of outstanding VAT debit	651,280,688.19	481,459,130.39
Input tax to be certified	37,324,937.21	78,662,023.84
Prepaid income tax	14,933,268.31	49,137,617.20
Structured deposits	-	30,000,000.00
Bank financial products	-	20,000,000.00
Undisposed assets for whole relocation (Note)	1,498,397.39	1,440,641.32
Refunds payable	97,027,770.61	-
Others	25,393,349.86	9,415,878.31
Total	<u>827,458,411.57</u>	<u>670,115,291.06</u>

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on 29 June 2020.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Debt investment

(1) Classification of debt investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Fixed deposit held to maturity	523,572,918.08	-	523,572,918.08	505,069,444.73	-	505,069,444.73
Large-denomination certificates of deposit held to mature	107,139,166.67	-	107,139,166.67	-	-	-
Total	<u>630,712,084.75</u>	<u>-</u>	<u>630,712,084.75</u>	<u>505,069,444.73</u>	<u>-</u>	<u>505,069,444.73</u>

11. Long-term Equity Investment

Investee	Closing balance of last year	Increase	Decrease	Change in the period			Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
				Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity				
I. Joint ventures										
HWBYS	366,024,411.38	-	-	120,983,424.30	-	(847,525.96)	(343,766,959.00)	-	142,393,350.72	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (hereinafter referred to as "Baxter Qiao Guang")	50,575,057.64	-	-	8,546,006.77	-	-	-	-	58,121,064.41	-
Nuo Cheng	239,445,236.39	-	-	(69,527,883.76)	-	-	-	-	169,917,352.63	-
Chengdu Hejian Guangyao Pharmaceutical Co., Ltd. (hereinafter referred to as "Chengdu Hejian")	-	9,800,000.00	-	(994,317.53)	-	-	-	-	8,805,682.47	-
Subtotal	<u>656,044,705.41</u>	<u>9,800,000.00</u>	<u>-</u>	<u>59,007,229.78</u>	<u>-</u>	<u>(847,525.96)</u>	<u>(343,766,959.00)</u>	<u>-</u>	<u>380,237,450.23</u>	<u>-</u>
II. Associates										
Golden Eagle Fund Management Co., Ltd	68,827,384.77	-	-	5,550,930.26	-	-	-	-	74,378,315.03	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,051,803.36	-	-	5,810.39	-	-	-	-	2,057,613.75	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	951,554,608.49	-	(141,889,174.00)	63,340,826.55	-	-	(12,578,616.30)	-	860,427,644.74	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	71,639,042.67	18,000,000.00	-	(2,039,405.68)	-	-	-	-	87,599,636.99	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	7,670,543.53	-	-	(1,128,535.05)	-	-	-	-	6,542,008.48	-
Guangzhou Guangyao Jinzang Equity Investment Partnership Business (Limited Partnership)	-	46,000,000.00	-	(867,891.86)	-	-	-	-	45,132,108.14	-
Guangzhou Du Feng Health Industry Co., Ltd.	-	780,000.00	-	(643,161.96)	-	-	-	-	136,838.04	-
Guangzhou Baiyunshan Southern Anti-Tumor Biological Products Co., Ltd. (hereinafter referred to as "Southern Anti-Tumor Biological")	44,040,969.76	-	-	(1,509,088.85)	-	-	-	-	42,531,880.91	-
Chuangmei Medicines Co., Ltd. (hereinafter referred to as "Chuang Mei")	63,131,675.84	-	-	-	-	-	-	(1,088,137.58)	62,043,538.26	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	905,437.77	-	-	886,095.02	-	-	-	-	1,791,532.79	-
Subtotal	<u>1,209,821,466.19</u>	<u>64,780,000.00</u>	<u>(141,889,174.00)</u>	<u>63,595,578.82</u>	<u>-</u>	<u>-</u>	<u>(12,578,616.30)</u>	<u>(1,088,137.58)</u>	<u>1,182,641,117.13</u>	<u>-</u>
Total	<u>1,865,866,171.60</u>	<u>74,580,000.00</u>	<u>(141,889,174.00)</u>	<u>122,602,808.60</u>	<u>-</u>	<u>(847,525.96)</u>	<u>(356,345,575.30)</u>	<u>(1,088,137.58)</u>	<u>1,562,878,567.36</u>	<u>-</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other Equity Instruments investments

Item	Investment cost	Closing balance	Closing balance of last year	Dividend income recognized in the period	Amount of cumulative profits and losses transferred from other comprehensive income to retained earnings for the period	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	112,122,500.00	105,295,586.85	98,246,271.20	-	-	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,000,000.00	10,000,000.00	10,000,000.00	-	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,677,876.51	7,677,876.51	7,677,876.51	-	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	450,000.00	448,616.43	443,267.13	-	-	Long-term holdings for strategic purposes
Total	130,250,376.51	123,422,079.79	116,367,414.84	-	-	

13. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for the period	574,277,570.93	263,528,067.86
Including: debt instrument investments	4,000,000.00	-
equity instrument investments	506,809,499.53	250,000,674.13
Others (note)	63,468,071.40	13,527,393.73
Total	574,277,570.93	263,528,067.86

Note: The item Others are performance compensation amounted to RMB49,601,252.63. In December 2020, former minority shareholders of the 5 subsidiaries of GP Corp., Hainan Chenfei Investment Holding Co., Ltd., Chengdu Huixin Huiyuan Investment Co., Ltd., Shanxi Tao Yun Shang Information Science & Technology Co., Ltd., Foshan Wenjian Business Co., Ltd., and Meizhou Haofeng Pharmaceutical Information Co., Ltd., purchased 142,624,225 new-added shares of GP Corp. by their equities amounted to RMB357,986,804.75 of the 5 subsidiaries. Minority shareholders and their controlling parties ("Payer") has made commitments on the performance in 2020, 2021 and 2022 of five subsidiaries: If the performance of subsidiaries during the commitment period cannot reach the standard, the Payer shall compensate to GP Corp. in cash as agreed. Based on the possibility for the performance, the credit risk and solvency of the payer, GP Corp. will recognize the contingent consideration related to the performance commitment as financial assets at fair value through profit or loss in 2021.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Investment Properties

(1) Investment property measured using the cost model

Item	Buildings	Land use right	Construction in progress	Total
I. Original cost				
1. Closing balance of last year	392,875,449.57	18,344,900.69	5,626,773.47	416,847,123.73
2. Increase	21,720,258.00	-	4,782,436.70	26,502,694.70
(1) Purchase	-	-	4,782,436.70	4,782,436.70
(2) Transfer to fixed assets\ long-term prepaid expenses	21,720,258.00	-	-	21,720,258.00
3. Decrease	1,331,104.90	-	-	1,331,104.90
(1) Disposal	1,137,279.79	-	-	1,137,279.79
(2) Changes in foreign exchange rate	193,825.11	-	-	193,825.11
4. Closing balance	413,264,602.67	18,344,900.69	10,409,210.17	442,018,713.53
II. Accumulated depreciation and amortization				
1. Closing balance of last year	193,640,400.11	10,204,733.82	-	203,845,133.93
2. Increase	25,010,003.95	395,344.67	-	25,405,348.62
(1) Provision or amortization	9,849,100.21	395,344.67	-	10,244,444.88
(2) Transfer to fixed assets\ long-term prepaid expenses	15,160,903.74	-	-	15,160,903.74
(3) Others	-	-	-	-
3. Decrease	1,207,517.29	-	-	1,207,517.29
(1) Disposal	1,115,191.75	-	-	1,115,191.75
(2) Changes in foreign exchange rate	92,325.54	-	-	92,325.54
4. Closing balance	217,442,886.77	10,600,078.49	-	228,042,965.26
III. Provision for impairment				
1. Closing balance of last year	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	195,821,715.90	7,744,822.20	10,409,210.17	213,975,748.27
2. Closing balance of last year of book value	199,235,049.46	8,140,166.87	5,626,773.47	213,001,989.80

(1) Depreciation is RMB9,849 thousand for year 2021 (2020: RMB10,114 thousand). Amortization is RMB395 thousand for year 2021 (2020: RMB316 thousand).

(2) In 2021, the original investment property value and accumulated depreciation decreased by RMB194 thousand and RMB92 thousand due to exchange rate changes respectively. (2020: increased RMB436 thousand and RMB170 thousand respectively).

(3) Most of the investment properties with land use right are located in Mainland China with useful life vary from 10 to 50 years.

(4) The original value and the accumulated depreciation of the real estate or fixed asset/long-term prepaid expenses of the Group into investment real estate are RMB21,720 thousand and RMB15,161 thousand respectively (2020: nil).

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets

(1) Fixed assets and disposal of fixed assets

Item	Closing balance	Closing balance of last year
Fixed assets	3,347,591,974.10	2,912,513,169.84
Disposal of fixed assets	–	–
Total	3,347,591,974.10	2,912,513,169.84

(2) Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electrical equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Closing balance of last year	3,116,873,232.91	2,506,332,325.48	120,763,257.24	191,282,739.32	291,688,156.18	54,938,752.48	6,281,878,463.61
2. Increase	236,999,975.55	467,116,469.66	5,832,447.76	24,044,869.40	58,323,442.39	4,310,832.93	796,628,037.69
(1) Purchases	1,305,630.39	76,011,939.32	4,792,745.68	16,590,757.84	28,261,475.63	185,641.48	127,148,190.34
(2) Transferred from construction in progress	235,694,345.16	337,576,559.13	1,039,702.08	7,454,111.56	30,061,966.76	4,125,191.45	615,951,876.14
(3) Others	–	53,527,971.21	–	–	–	–	53,527,971.21
3. Decrease	25,215,123.31	50,514,428.21	8,959,679.53	7,519,201.82	10,749,276.58	1,942,276.09	104,899,985.54
(1) Disposal or scrap	3,905,383.91	50,432,558.32	7,126,217.02	7,005,168.86	9,243,841.90	805,062.20	78,518,232.21
(2) Changes in foreign exchange rate	192,491.86	–	–	–	–	–	192,491.86
(3) Transfer to investment properties	21,117,247.54	–	–	–	–	–	21,117,247.54
(4) Others	–	81,869.89	1,833,462.51	514,032.96	1,505,434.68	1,137,213.89	5,072,013.93
4. Closing balance	3,328,658,085.15	2,922,934,366.93	117,636,025.47	207,808,406.90	339,262,321.99	57,307,309.32	6,973,606,515.76
II. Accumulated depreciation							
1. Closing balance of last year	1,348,460,948.34	1,559,124,283.05	84,096,774.63	126,341,565.44	192,729,428.00	40,239,908.19	3,350,992,907.65
2. Increase	127,397,160.64	161,431,984.36	7,435,141.05	16,281,410.96	32,435,598.32	3,740,853.48	348,722,148.81
(1) Provision	127,397,160.64	161,431,984.36	7,435,141.05	16,281,410.96	32,435,598.32	3,740,853.48	348,722,148.81
3. Decrease	18,353,768.59	45,806,452.86	8,566,328.62	7,286,089.24	8,712,629.71	1,942,276.09	90,667,545.11
(1) Disposal or scrap	2,996,640.87	45,806,452.86	6,743,649.05	6,772,056.28	7,382,864.26	805,062.20	70,506,725.52
(2) Changes in foreign exchange rate	61,058.35	–	–	–	16,038.38	–	77,096.73
(3) Transfer to investment properties	15,296,069.37	–	–	–	–	–	15,296,069.37
(4) Others	–	–	1,822,679.57	514,032.96	1,313,727.07	1,137,213.89	4,787,653.49
4. Closing balance	1,457,504,340.39	1,674,749,814.55	82,965,587.06	135,336,887.16	216,452,396.61	42,038,485.58	3,609,047,511.35
III. Provision for impairment							
1. Closing balance of last year	11,767,229.72	5,001,980.63	158,224.47	1,443,365.80	1,585.50	–	18,372,386.12
2. Increase	–	–	–	–	–	–	–
3. Decrease	–	1,405,270.31	–	–	85.50	–	1,405,355.81
(1) Disposal or scrap	–	1,405,270.31	–	–	85.50	–	1,405,355.81
4. Closing balance	11,767,229.72	3,596,710.32	158,224.47	1,443,365.80	1,500.00	–	16,967,030.31
IV. Book value							
1. Closing balance of book value	1,859,386,515.04	1,244,587,842.06	34,512,213.94	71,028,153.94	122,808,425.38	15,268,823.74	3,347,591,974.10
2. Closing balance of last year of book value	1,756,645,054.85	942,206,061.80	36,508,258.14	63,497,808.08	98,957,142.68	14,698,844.29	2,912,513,169.84

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Fixed Assets (Continued)

(2) Fixed assets (Continued)

- ① Original value of fixed assets transferred from construction in progress is RMB615,952 thousand in 2021 (2020: RMB240,598 thousand).
- ② Decrease in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB192 thousand and RMB77 thousand respectively in 2021 (2020: decreased RMB562 thousand and RMB103 thousand respectively).
- ③ Fixed assets depreciation accrued in 2021 is RMB348,722 thousand (2020: RMB315,416 thousand), which is comprised of depreciation in operating cost RMB149,691 thousand, depreciation in selling expenses RMB77,731 thousand, depreciation in general and administrative expenses RMB90,543 thousand and depreciation in R&D expenditure RMB30,757 thousand (2020: depreciation in operating cost RMB144,616 thousand, depreciation in selling expenses RMB56,649 thousand, depreciation in General administrative expenses RMB84,604 thousand and depreciation in R&D expenditure RMB29,547 thousand).

(3) Temporary-idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value
Buildings	430,613.36	273,039.53	–	157,573.83
Machinery and equipment	<u>1,678,344.15</u>	<u>1,434,498.66</u>	<u>243,845.49</u>	<u>–</u>
Total	<u>2,108,957.51</u>	<u>1,707,538.19</u>	<u>243,845.49</u>	<u>157,573.83</u>

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

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

Item	Book value	Reason for do not have certificate of property right
Buildings	<u>44,616,333.06</u>	Not handled yet as necessary procedures were not complete

- (6) As on 31 December 2021, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, has buildings with the original costs of HK\$8,893 thousand and the net book value of HK\$6,044 thousand (Converted into RMB4,942 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$4,623 thousand (Converted into RMB3,780 thousand) pledged as collateral, and obtained a credit line with a limit of HK\$300 thousand, the letter of credit and the total amount of 90-day credits of HK\$100,000 thousand, and an issued but unexpired letter of credit of HK\$13 thousand, USD697 thousand from the Bank of China (Hong Kong) Co., Ltd.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress

(1) Construction in Progress and construction material

Item	Closing balance	Closing balance of last year
Construction in progress	1,564,091,121.32	1,276,251,488.95
Construction material	—	—
Total	1,564,091,121.32	1,276,251,488.95

(2) Detail of construction in progress

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	<u>1,564,342,855.70</u>	<u>251,734.38</u>	<u>1,564,091,121.32</u>	1,276,503,223.33	251,734.38	1,276,251,488.95
Total	<u>1,564,342,855.70</u>	<u>251,734.38</u>	<u>1,564,091,121.32</u>	<u>1,276,503,223.33</u>	<u>251,734.38</u>	<u>1,276,251,488.95</u>

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

Project	Budget	Closing balance of last year	Increase	Amount transferred into fixed assets in the period	Other decrease in the period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Accumulated capitalization of interest	Including: the amount of capitalization of current interest	Capitalization rate of current interest (%)	Source of funds
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	731,879,100.00	94,558,839.64	170,584,778.81	—	—	265,143,618.45	47.82	62.00	—	—	—	Self-raised funds, issuing shares
Construction of Bio-island R&D Headquarters	1,099,853,000.00	176,727,760.60	71,040,613.67	—	—	247,768,374.27	43.47	50.00	—	—	—	Self-raised funds, issuing shares
Ming Xing relocation improvement	475,620,000.00	155,657,704.22	42,720,387.16	—	—	198,378,091.38	41.71	45.98	—	—	—	Self-raised funds, issuing shares
Nansha Base Project	750,000,000.00	55,786,085.44	106,377,571.62	—	—	162,163,657.06	34.38	34.38	—	—	—	Self-raised funds
Chinese medicine modernization GMP phase III construction project	287,620,000.00	60,560,506.00	88,380,005.01	—	—	148,940,511.01	47.18	43.23	—	—	—	Self-raised funds
Base of WU Great Health Industry (Meizhou) Co., Ltd.	400,000,000.00	104,678,366.72	2,058,233.79	6,148,317.70	543,850.66	100,044,432.15	54.51	61.50	—	—	—	Self-raised funds
Cai Zhi Lin Meizhou TCM Industrialized production and service base	94,698,394.00	72,986,722.34	6,430,140.19	2,419,538.15	—	76,997,324.38	83.86	99.00	—	—	—	Self-raised funds
Monoclonal antibody project	62,650,000.00	13,395,171.96	36,946,685.88	—	—	50,341,857.84	80.35	80.35	—	—	—	Self-raised funds

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

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

Project	Budget	Closing balance of last year	Increase	Amount transferred into fixed assets in the period	Other decrease in the period	Closing balance	Proportion of construction investment (%)	Project progress (%)	Accumulated capitalization of interest	Including: the amount of capitalization of current interest	Capitalization rate of current interest (%)	Source of funds
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	904,533.22	44,730,091.09	-	-	45,634,624.31	41.15	55.00	-	-	-	Self-raised funds
Zhongluotan Wulonggang AB08070981 block	159,750,000.00	30,538,332.13	425,116.72	-	-	30,963,448.85	43.05	43.05	-	-	-	Self-raised funds
Project of special medical use formula food production line	42,400,000.00	24,404,588.38	5,827,801.53	-	-	30,232,389.91	71.30	90.00	-	-	-	Self-raised funds
Lanzhou production base	350,000,000.00	1,550,047.17	18,240,647.73	-	-	19,790,694.90	16.77	2.00	-	-	-	Self-raised funds
Revamping of equipment	67,430,000.00	1,093,175.16	13,433,667.23	4,212,106.00	23,815.94	10,290,920.45	37.16	64.92	-	-	-	Self-raised funds
Extension project P of Hospital service	116,000,000.00	1,915,922.69	7,993,483.65	-	1,079,646.02	8,829,760.32	19.58	19.58	-	-	-	Self-raised funds
Intelligent three-dimensional warehouse	102,740,000.00	488,540.51	8,121,351.73	-	-	8,609,892.24	9.00	20.00	-	-	-	Self-raised funds
Base of WJ Great Health Industry (Ya'an) Co., Ltd.	67,000,000.00	935,736.26	7,563,376.46	-	-	8,499,112.72	12.90	12.90	-	-	-	Self-raised funds
Building 31415	8,400,000.00	6,947,742.71	1,093,073.19	-	6,403.96	8,034,411.94	95.72	99.00	-	-	-	Self-raised funds
Baiyun Project	527,000,000.00	270,062,714.65	127,687,506.90	383,146,541.23	8,276,342.12	6,327,338.20	85.13	85.13	-	-	-	Self-raised funds
Process waste gas treatment equipment	9,038,000.00	-	6,282,064.51	-	-	6,282,064.51	40.46	35.81	-	-	-	Self-raised funds
Extension project R of Hospital service	113,000,000.00	7,008,314.21	15,472,126.33	16,455,399.25	-	6,025,041.29	96.63	96.93	-	-	-	Self-raised funds
Renovation for offices in industrial park	8,792,800.00	127,358.49	5,601,614.51	-	-	5,728,973.00	65.16	60.00	-	-	-	Self-raised funds
S282C information software of Guangyao	12,702,977.86	690,318.58	5,456,637.15	-	1,191,150.44	4,955,805.29	85.06	85.06	-	-	-	Self-raised funds
Packing machine	5,000,000.00	-	4,618,318.54	-	-	4,618,318.54	92.37	80.00	-	-	-	Self-raised funds
Extension project for hospital service V	250,488,000.00	1,905,000.00	8,209,159.29	5,619,468.99	-	4,494,690.30	28.30	28.30	-	-	-	Self-raised funds
Extension project for hospital service W	13,916,000.00	-	4,381,518.52	-	-	4,381,518.52	31.49	31.49	-	-	-	Self-raised funds
Power distribution project	6,000,000.00	4,033,856.66	313,382.68	-	-	4,347,239.34	72.45	90.00	-	-	-	Self-raised funds
Total	1,086,957,337.75	809,989,353.89	418,001,371.32	11,121,209.14	1,467,824,111.17							

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Construction in Progress (Continued)

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

(5) Impairment of construction in progress

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

17. Bearer biological assets

(1) Cost measurement method

Item	Corp farming		Total
	Immature biological assets- Trees of citrus reticulata cv. 'Chachiensis'	Mature biological assets- Trees of citrus reticulata cv. 'Chachiensis'	
I. Original cost			
1. Closing balance of last year	-	3,678,000.00	3,678,000.00
2. Increase	-	-	-
3. Decrease	-	-	-
4. Closing balance	-	3,678,000.00	3,678,000.00
II. Accumulated depreciation			
1. Closing balance of last year	-	524,115.00	524,115.00
2. Increase	-	349,410.00	349,410.00
(1) Provision	-	349,410.00	349,410.00
3. Decrease	-	-	-
4. Closing balance	-	873,525.00	873,525.00
III. Provision for impairment			
1. Closing balance of last year	-	-	-
2. Increase	-	-	-
3. Decrease	-	-	-
4. Closing balance	-	-	-
IV. Book value			
1. Closing balance of book value	-	2,804,475.00	2,804,475.00
2. Closing balance of last year of book value	-	3,153,885.00	3,153,885.00

Bearer biological assets are measured at cost, the crop production increased by RMB0 thousand due to purchase, RMB0 due to breeding (education), and RMB0 due to sale, decreased RMB0 by death, loss, damage and decreased RMB349 thousand due to depreciation.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Closing balance of last year	1,006,184,512.36	356,264,796.42	1,362,449,308.78
2. Increase	187,625,241.06	353,541.15	187,978,782.21
(1) New lease	187,625,241.06	353,541.15	187,978,782.21
3. Decrease	141,861,380.61	106,990,780.29	248,852,160.90
(1) Disposal	141,861,380.61	106,990,780.29	248,852,160.90
4. Closing balance	1,051,948,372.81	249,627,557.28	1,301,575,930.09
II. Accumulated depreciation			
1. Closing balance of last year	341,944,310.72	111,166,746.82	453,111,057.54
2. Increase	206,204,585.69	34,341,125.54	240,545,711.23
(1) Provision	206,204,585.69	34,341,125.54	240,545,711.23
3. Decrease	108,457,569.51	53,462,809.08	161,920,378.59
(1) Disposal	108,457,569.51	53,462,809.08	161,920,378.59
4. Closing balance	439,691,326.90	92,045,063.28	531,736,390.18
III. Provision for impairment			
1. Closing balance of last year	—	—	—
2. Increase	—	—	—
3. Decrease	—	—	—
4. Closing balance	—	—	—
IV. Book value			
1. Closing balance of book value	612,257,045.91	157,582,494.00	769,839,539.91
2. Closing balance of last year of book value	664,240,201.64	245,098,049.60	909,338,251.24

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible Assets

(1) Detail of intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non- Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Closing balance of last year	866,589,124.62	22,185,679.98	64,860,711.53	1,561,818,053.54	127,793,900.00	235,801,056.23	2,879,048,525.90
2. Increase	165,238,675.00	3,489,950.51	-	176,546.53	-	32,137,286.78	201,042,458.82
(1) Purchase	165,238,675.00	489,950.51	-	176,546.53	-	30,434,086.88	196,339,258.92
(2) Internal R&D	-	-	-	-	-	1,703,199.90	1,703,199.90
(3) Other	-	3,000,000.00	-	-	-	-	3,000,000.00
3. Decrease	730,671.47	-	-	-	-	30,000.00	760,671.47
(1) Disposal	730,671.47	-	-	-	-	30,000.00	760,671.47
4. Closing balance	1,031,097,128.15	25,675,630.49	64,860,711.53	1,561,994,600.07	127,793,900.00	267,908,343.01	3,079,330,313.25
II. Accumulated amortization							
1. Closing balance of last year	194,269,116.42	11,339,055.67	36,457,535.26	32,792,424.68	-	159,565,229.66	434,423,361.69
2. Increase	21,739,659.59	1,194,496.09	5,223,501.34	-	-	33,795,812.99	61,953,470.01
(1) Provision	21,739,659.59	1,194,496.09	5,223,501.34	-	-	33,795,812.99	61,953,470.01
3. Decrease	443,190.55	-	-	736.24	-	30,000.00	473,926.79
(1) Disposal	443,190.55	-	-	-	-	30,000.00	473,190.55
(2) Others	-	-	-	736.24	-	-	736.24
4. Closing balance	215,565,585.46	12,533,551.76	41,681,036.60	32,791,688.44	-	193,331,042.65	495,902,904.91
III. Provision for impairment							
1. Closing balance of last year	-	453,343.04	-	583,573.00	-	-	1,036,916.04
2. Increase	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
4. Closing balance	-	453,343.04	-	583,573.00	-	-	1,036,916.04
IV. Book value							
1. Closing balance of book value	815,531,542.69	12,688,735.69	23,179,674.93	1,528,619,338.63	127,793,900.00	74,577,300.36	2,582,390,492.30
2. Closing balance of last year of book value	672,320,008.20	10,393,281.27	28,403,176.27	1,528,442,055.86	127,793,900.00	76,235,826.57	2,443,588,248.17

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible Assets (Continued)

(1) Detail of intangible assets (Continued)

- (1) The purchase of intangible assets in the period includes the amount transferred from construction in progress.
- (2) The amortization amount in 2021 was RMB61,953 thousand (2020: RMB62,737 thousand), which included in the development expenditure RMB2 thousand, and included in the current profit or loss RMB61,951 thousand. All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 10 to 50 years.
- (3) The recoverable amount of the trademark without service life is determined by the income method valuation. The future expected income of the estimated trademark assets is converted into the present value through an appropriate discount rate, and is added to determine the recoverable amount. Expected income is calculated according to the following formula: expected income $R_i = (\text{Billing base for trademark royalties} * \text{Trademark use rate}) - \text{tax and additional-enterprise income tax}$. The key valuation parameters include: (1) discount rate, 12.5%; (2) sales revenue growth rate, generally 2%, individual enterprises at 10% -15%; (3) trademark use rate is calculated based on the excess profit rate multiplied by the trademark contribution rate. The excess profit rate is calculated based on the average historical data of the enterprise in the past four years. The trademark contribution rate is calculated by the hierarchical analysis method. The trademark use rate calculated above is between 0.80% and 1.96%.

After the test, there are no impairment from the trademarks as below:

Baiyunshan, Dashen, Series of Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, Wang Lao Ji, Jian Zhi Qiao, Guo Ying, Jian Min, Da Zhai, Wei Yi.

20. Development expenditure

Item	Closing balance of last year	Increase		Decrease			Closing balance	Provision for impairment	Specific basis of capitalization	Rate of progress
		Internal development expenditure	Others	Confirmed as Intangible assets	Transfer to current P&L	Others				
Capital expenditure	6,735,587.41	10,427,034.28	-	556,884.73	6,038,269.25	-	10,567,467.71	800,000.00		
Expense expenditure	-	868,681,712.42	-	-	868,681,712.42	-	-	-		
Total	6,735,587.41	879,108,746.70	-	556,884.73	874,719,981.67	-	10,567,467.71	800,000.00		

Development expenditure RMB800 thousand was a patent on technology purchased by the Group subsidiary in 2005, recorded as development expenditure accounting, not to carry out further research after the purchase, as the period ended, it is expected to no longer practical value, Therefore, the full provision for impairment is made.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill

(1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
Guangzhou Baiyunshan Hospital	9,216,610.56	-	-	-	-	9,216,610.56
Guangyao Haima	2,282,952.18	-	-	-	-	2,282,952.18
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	932,349,003.84	-	-	-	-	932,349,003.84
San Gong Zai	-	3,900,000.00	-	-	-	3,900,000.00
Total	944,324,323.50	3,900,000.00	-	-	-	948,224,323.50

(2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	118,275,499.68	-	-	-	-	118,275,499.68
Total	118,751,256.60	-	-	-	-	118,751,256.60

(3) Detail of provision for impairment of goodwill

Item	Guangzhou Baiyunshan Hospital	Guangyao Haima	GP Corp.	San Gong Zai
Book balance of goodwill ^①	9,216,610.56	2,282,952.18	932,349,003.84	3,900,000.00
Balance of provision impairment of goodwill ^②	-	-	118,275,499.68	-
Book value of goodwill ^③ =①-②	9,216,610.56	2,282,952.18	814,073,504.16	3,900,000.00
Unverified Goodwill value attributable to minority interests ^④	8,855,174.85	-	307,851,159.16	-
Post-adjust book value of total goodwill ^⑤ =④+③	18,071,785.41	2,282,952.18	1,121,924,663.32	3,900,000.00
Book value of asset group ^⑥	91,725,725.59	1,583,804.55	1,602,737,281.41	-
Book value of asset group with total goodwill ^⑦ =⑤+⑥	109,797,511.00	3,866,756.73	2,724,661,944.73	3,900,000.00
Present value of estimated future cash flow of asset group (recoverable amount) ^⑧	111,533,495.50	36,935,693.38	2,905,330,000.00	14,358,700.00
Loss on impairment of goodwill(more than 0) ^⑨ =⑦-⑧	-	-	-	-

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(4) Information of asset group or asset portfolio including goodwill

- (1) GP Corp.: it is mainly engaged in the wholesale and retail of drugs, biological products, health foods and medical apparatus and instruments, as well as providing logistics and warehousing services, and customers are all domestic. This company's business entities include the parent company, many wholly-owned subsidiaries and holding subsidiaries. The management regularly evaluates the overall operating results of the above business activities and allocates resources accordingly, so GP Corp. is an asset group.

The goodwill-related asset group is GP Corp., which invests in all operational non-current assets and all goodwill related to the pharmaceutical circulation industry that it owns, excluding non-operating assets, non-operating liabilities, interest-bearing liabilities, working capital and subsidiaries already in liquidation without actual operation (such as Hubei Guangyao Ankang Pharmaceutical Co., Ltd.).

- (2) Guangzhou Baiyunshan Hospital: It is a single entity specializing in healthcare, and being independent of other units within the Group, and generates cash flow as a whole. Guangzhou Baiyunshan Hospital is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill related to the medical industry of the Hospital.
- (3) Guangyao Haima: It is a single entity specializing in medical advertisement, and being independent of other units within the Group, and generates cash flow separately. Guangyao Haima is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill related to advertising of the agency.
- (4) San Gong Zai: It is a single entity specializing in medical advertisement, and being independent of other units within the Group, and generates cash flow separately. San Gong Zai is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill of this company, excluding non-operating assets, non-operating liabilities, interest-bearing liabilities, working capital.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

- (5) Process of the test for the impairment, key parameters (e.g. predictive growth rate, stable growth rate, profit margin, discount rate and predictive phase etc. related to the forecast of present value of future cash flow) and recognition for impairment loss of goodwill

At the end of the year, the Group tested on various asset groups related to goodwill. First, the goodwill and the one attributable to minority interests are included, the book value of each asset group is adjusted, and then the adjusted book value of each asset group is compared with its recoverable amount, so as to determine whether each asset group (including goodwill) is impaired.

① Significant assumptions and basis

- (a) It is assumed that the assessed has a continuous operation, the business scope, sales model and channels, the management of the key aspects affecting the production and operation have no significant changes compared with the current situation;
- (b) It is assumed that the social and economic environment of the assessed does not change greatly, and there are no significant changes in the relevant laws, regulations and policies of the region and country the company located;
- (c) It is assumed that the various products provided by the assessed meet the market demand, and the goals and measures can be achieved according to the scheduled, and realize the expected benefits;
- (d) It is assumed that interest rate, exchange rate, tax base and tax rate have no significant changes within the normal range stipulated by the state.

② Key parameters

Company	Predictive phase	Key parameters			Discount rate (weighted average cost of capital before tax) (%)
		Predictive growth rate	Stable growth phase	Profit margin in stable growth phase	
GP Corp. (Note 1)	2022 -2026 (subsequent years are stable phase)	9%, 8%, 7%, 6%, 5%	Steady	1.62% (2020:1.58%)	10.54% (2020: 10.63%)
Guangzhou Baiyunshan Hospital (Note 2)	2022-2026 (subsequent years are stable phase)	29%, 15%, 13%, 13%, 13%	Steady	2.73% (2020:5.03%)	12.36% (2020: 12.67%)
Guangyao Haima	2022-2026 (subsequent years are stable phase)	10%	Steady	0.44% (2020: 1.09%)	11.93% (2020: 12.85%)
San Gong Zai	2022-2026 (subsequent years are stable phase)	2.75%	Steady	3.03% (2020: not applicable)	12.77% (2020: not applicable)

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

- (5) Process of the test for the impairment, key parameters (e.g. predictive growth rate, stable growth rate, profit margin, discount rate and predictive phase etc. related to the forecast of present value of future cash flow) and recognition for impairment loss of goodwill (Continued)

② Key parameters (Continued)

1. According to the analysis of the management of GP Corp., the main source of the company after the appraisal date is the drug sales. According to the historical data of revenue, the company analyzed the indicators affecting operating revenue, such as the brand, variety, price, customer channels, network of the above operation and their historical trend, considering the impact of each factor on the changes in indicators after the appraisal date, to predict the operating revenue of GP Corp.. The revenue growth rate in 2022-2026 will be 9%, 8%, 7%, 6%, and 5% respectively. The revenue growth rate predicted this year in 2022-2026 will be 8.21%, 8.10%, 8.48%, 8.57%, and 8.66% respectively. Affected by decline of expected market economic growth, the expected revenue growth rate in predictive phase of this year has decreased compared with the rate of last year.
2. According to the analysis of the management of Guangzhou Baiyunshan Hospital., the main source of the hospital after the appraisal date is medical and drugs revenue. According to the historical data, the management of the hospital analyzed the indicators affecting operating revenue, such as the service number, average price of the above operation and their historical trend, considering the impact of relocation and extension on the changes in indicators after the appraisal date, to predict the operating revenue of the hospital. The revenue growth rate in 2022-2026 will be 29%, 15%, 13%, 13%, 13% respectively. The revenue growth rate predicted last year in 2022-2025 will be 23.4%. Affected by the expected gradually steady growth of the medical industry, the expected revenue growth rate of this year has decreased compared with the rate of last year.

The predictive profit margin of Guangzhou Baiyunshan Hospital this year is 2.73%, and the one of last year was 5.03%. Affected by the expected gradually steady growth of the medical industry, the predictive margin profit in stable phase of this year has decreased compared with the rate of last year.

- (6) Impact of the impairment test of goodwill

This year, the Group tested the impairment and determined that the goodwill of GP Corp., Guangzhou Baiyunshan Hospital, Guangyao Haima and San Gong Zai was not impaired.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	91,061,403.37	48,855,770.02	32,620,146.43	-	107,297,026.96
ABC Buildings certification service	514,162.88	-	134,865.84	-	379,297.04
GMP reconstruction expenses	3,150,441.94	1,487,671.23	1,490,464.20	-	3,147,648.97
Computer system expenses	2,002,603.35	634,535.06	752,376.34	-	1,884,762.07
Others	14,577,758.79	13,724,012.82	8,532,769.19	-	19,769,002.42
Total	<u>111,306,370.33</u>	<u>64,701,989.13</u>	<u>43,530,622.00</u>	<u>-</u>	<u>132,477,737.46</u>

23. Deferred Tax Assets and Deferred Tax Liabilities

(1) Detail of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for credit impairment	582,370,518.10	138,088,804.30	535,389,937.11	130,198,717.21
Provision for decline in value of inventories	61,034,420.63	12,789,026.36	64,045,662.50	13,619,088.04
Provision for impairment of fixed assets	8,843,401.26	1,424,374.76	10,214,401.28	1,549,311.61
Provision for impairment of construction in progress	251,734.38	37,760.16	251,734.38	37,760.16
Provision for impairment of intangible assets	158,858.14	26,601.77	200,883.33	33,829.90
Other equity instruments investments	6,978,296.72	1,046,744.51	14,026,228.80	2,103,934.32
Other non-current financial assets	22,854,076.23	3,428,111.44	19,590,996.28	2,938,649.44
Fixed assets depreciation differences between accounting and tax law	56,963,162.61	13,427,959.30	54,442,369.56	12,755,055.25
Intangible assets depreciation differences between accounting and tax law	161,666.67	24,250.00	287,325.87	43,098.88
Employee benefits payable	121,150,636.54	21,097,975.74	75,080,186.51	13,664,665.28
Other payables	1,385,626,032.46	292,228,979.24	1,475,078,761.11	288,141,294.54
Deferred income	566,944,269.39	89,348,027.77	561,565,680.51	88,850,432.72
Provisions	764,339,412.10	114,650,911.82	620,622,597.26	94,893,389.59
Impact on total profit arising from elimination	181,285,932.26	39,613,657.83	152,794,135.27	27,615,601.14
Deductible tax losses	371,687,857.64	58,862,491.92	395,822,625.92	63,470,362.48
Others	48,302,947.54	8,136,743.11	52,123,615.27	11,807,182.28
Total	<u>4,178,953,222.66</u>	<u>794,232,420.03</u>	<u>4,031,537,140.96</u>	<u>751,722,372.84</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Book value of the appreciated intangible assets and fixed assets in business combination	552,487,056.54	135,111,342.37	590,939,612.96	147,734,903.25
Other receivables – profit distribution	1,032,750,626.67	154,912,594.00	787,754,423.33	118,163,163.50
Other non-current financial assets	205,050,367.00	30,757,555.05	78,307,682.13	11,746,152.32
Fixed assets depreciation differences between accounting and tax law	34,890,766.80	5,233,615.02	46,324,924.78	6,948,738.72
Book value of amortization provided for intangible assets appreciation	7,204,120.00	1,080,618.00	7,436,512.00	1,115,476.80
Book value of depreciation provided for fixed assets appreciation	1,495,740.00	224,361.00	1,590,024.00	238,503.60
Other equity instruments investments	–	–	238,280.61	59,558.67
Others	29,385,181.91	4,407,897.00	2,350,400.00	352,560.00
Total	<u>1,863,263,858.92</u>	<u>331,727,982.44</u>	<u>1,514,941,859.81</u>	<u>286,359,056.86</u>

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

Item	Closing balance	Closing balance of last year
Deductible temporary difference	4,247,754.97	176,837.40
Deductible losses	<u>358,919,093.83</u>	<u>262,897,086.88</u>
Total	<u>363,166,848.80</u>	<u>263,073,924.28</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Year	Closing balance	Closing balance of last year	Remark
2021	–	35,399,376.92	
2022	58,877,444.43	58,877,444.43	
2023	39,403,272.77	39,403,272.77	
2024	49,436,130.85	49,436,130.85	
2025	79,780,861.91	79,780,861.91	
2026	131,421,383.87	–	
Total	<u>358,919,093.83</u>	<u>262,897,086.88</u>	

24. Other Non-current Assets

Item	Book balance	Closing balance		Closing balance of last year		
		Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	151,554,588.24	–	151,554,588.24	159,146,450.00	–	159,146,450.00
Management system of logistic information	12,893,030.73	–	12,893,030.73	–	–	–
Others	4,033,337.70	–	4,033,337.70	282,878.02	–	282,878.02
Total	<u>168,480,956.67</u>	–	<u>168,480,956.67</u>	<u>159,429,328.02</u>	–	<u>159,429,328.02</u>

25. Short-term Borrowings

- (1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Pledge borrowings	187,427,680.84	398,420,821.22
Guarantee borrowings	102,777,084.97	153,003,037.43
Credit borrowings	8,116,220,581.71	7,667,414,100.02
Bills Discounted	21,582,964.00	46,891,694.36
Total	<u>8,428,008,311.52</u>	<u>8,265,729,653.03</u>

- ① As on 31 December 2021, please refer to Note. V. 65. Assets with Restricted Ownership or Use Right for details on category and amount of pledge borrowings.
- ② As on 31 December 2021, short-term borrowings of RMB52,700 thousand of the Group's guarantee borrowings are guaranteed by the Group's internal enterprises. Other guarantee loans are guaranteed by minority shareholders of the subsidiaries.
- ③ As on 31 December 2021, the weighted average annual interest rate of short-term borrowings is 3.5186% (31 December 2020: 3.2988%).

- (2) The Group had no overdue short-term borrowings as on 31 December 2021.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Financial liabilities held for trading

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

In May 2018, the Company acquired 30% equity of GP Corp. held by Alliance BMP Ltd (“BMP”). In the meantime, the Company granted BMP a sale option, and the Company accounted for the sale option as a derivative instrument. According to the acquisition agreement, the expected fair value of the target instrument on the expected exercise date is consistent with the expected exercise price. The value of financial instruments is zero. On 30 November 2021, the Company received a written notice from BMP and decided to exercise the right to sale, and the Company is negotiating with BMP on the project.

27. Notes Payable

Category	Closing balance	Closing balance of last year
Bank acceptance notes	3,419,708,217.35	3,265,703,451.04
Commercial acceptance notes	26,107,443.95	18,845,786.75
Total	3,445,815,661.30	3,284,549,237.79

As on 31 December 2021, amount expected to be matured within a year is RMB3,445,816 thousand (31 December 2020: RMB3,284,549 thousand).

28. Accounts Payable

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

Item	Closing balance	Closing balance of last year
Within 1 year	11,003,981,552.80	10,483,901,955.40
1 – 2 years	131,125,792.14	128,716,446.42
2 – 3 years	26,168,500.69	62,719,894.27
Over 3 years	125,877,023.91	199,470,083.51
Total	11,287,152,869.54	10,874,808,379.60

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts Payable (Continued)

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	26,590,281.82	Payment terms not satisfied
Supplier 2	21,359,931.34	Payment terms not satisfied
Supplier 3	10,687,350.51	Litigation is involved. Please refer to Note XIII (7). 1. (3) ② (a)
Total	<u>58,637,563.67</u>	

29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	2,735,677,234.79	1,244,021,767.32
Medical payment received in advance	4,660,834.50	5,233,818.13
Total	<u>2,740,338,069.29</u>	<u>1,249,255,585.45</u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	2,712,640,917.08	1,213,397,998.28
Over 1 year	27,697,152.21	35,857,587.17
Total	<u>2,740,338,069.39</u>	<u>1,249,255,585.45</u>

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable

(1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	838,502,417.07	4,936,900,798.14	4,834,537,921.82	940,865,293.39
Post-employment benefits-set up a deposit plan	6,275,791.45	469,593,928.21	466,759,263.97	9,110,455.69
Termination benefits	2,000,000.00	1,635,686.78	3,635,686.78	-
Total	846,778,208.52	5,408,130,413.13	5,304,932,872.57	949,975,749.08

(2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
1. Wages, bonuses, allowances and subsidies	786,286,425.70	4,222,709,008.51	4,123,166,056.23	885,829,377.98
2. Employee welfare	4,913,047.48	166,691,713.94	167,260,742.19	4,344,019.23
3. Social Insurance premium	155,096.37	177,899,973.29	178,040,901.82	14,167.84
Including: Medical insurance premium	149,598.43	158,179,488.49	158,315,871.10	13,215.82
Industrial injury insurance premium	3,649.51	5,534,583.51	5,537,281.00	952.02
Maternity insurance premium	1,848.43	14,185,901.29	14,187,749.72	-
4. Housing funds	109,352.01	272,944,414.75	272,846,749.70	207,017.06
5. Labor-union expenditure and employee education funds	13,953,005.59	74,652,462.95	73,467,144.69	15,138,323.85
6. Non-monetary welfare	329,623.45	138,735.12	6,348.50	462,010.07
7. Housing allowance	32,498,625.90	19,168,819.99	17,076,576.69	34,590,869.20
8. Other short-term benefits	257,240.57	2,695,669.59	2,673,402.00	279,508.16
Total	838,502,417.07	4,936,900,798.14	4,834,537,921.82	940,865,293.39

(3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
1. Basic pension insurance	751,723.66	343,381,022.48	344,078,903.76	53,842.38
2. Unemployment insurance premiums	45,554.72	9,326,507.56	9,370,158.27	1,904.01
3. Enterprise annuity	4,810,199.24	94,818,698.83	91,046,889.71	8,582,008.36
4. Others	668,313.83	22,067,699.34	22,263,312.23	472,700.94
Total	6,275,791.45	469,593,928.21	466,759,263.97	9,110,455.69

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable (Continued)

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	2,000,000.00	1,635,686.78	3,635,686.78	-
Total	2,000,000.00	1,635,686.78	3,635,686.78	-

The closing balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of December 2021. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in the period.

31. Tax Payable

Item	Closing balance	Closing balance of last year
Value-added tax	41,526,904.77	47,522,893.95
Enterprise income tax	143,410,622.81	238,379,083.67
Individual income tax	25,110,287.09	14,936,489.94
Urban maintenance and construction tax	7,146,944.27	5,253,657.87
Educational surcharge	3,326,541.78	2,341,757.27
Local education surcharge	1,787,098.81	1,422,322.56
Property tax	2,689,786.51	1,671,400.93
Land use tax	778,685.55	1,111,608.05
Stamp duty	7,522,868.67	3,361,431.50
Others	196,985.21	108,422.26
Total	233,496,725.47	316,109,068.00

32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	460,278.35	17,844,845.53
Dividends payable	55,789,451.94	57,512,041.85
Other payables	4,520,950,851.30	3,938,558,177.75
Total	4,577,200,581.59	4,013,915,065.13

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(1) Interest payable

Item	Closing balance	Closing balance of last year
Long-term borrowings interest payable	–	495,879.17
Short-term borrowings interest payable	–	17,348,966.36
Others	460,278.35	–
Total	460,278.35	17,844,845.53

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	155,202.85	155,202.85
Domestic public shares	778,253.23	652,592.32
Minority shareholders	54,855,950.85	56,704,201.67
BYS Group	45.01	45.01
Total	55,789,451.94	57,512,041.85

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Sales discounts	1,663,851,740.23	1,455,832,831.71
Payables for external enterprises	950,898,923.27	597,085,560.22
Accrued expenses	798,943,984.76	504,429,838.09
Margin, deposit, and down payment received	551,673,100.84	544,055,936.52
Epidemic prevention materials	286,657,842.31	652,627,225.38
Accruals for fixed assets	140,170,703.43	51,792,676.21
Current accounts to related parties	31,663,451.26	28,280,422.08
Funds received temporarily from employees	19,582,627.09	26,090,020.74
Others	77,508,478.11	78,363,666.80
Total	4,520,950,851.30	3,938,558,177.75

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(3) Other payables (Continued)

② Detail of accrued expenses

Item	Closing balance	Closing balance of last year
Terminal expenses	244,821,541.74	135,407,894.51
Freight expenses	231,900,638.67	129,209,916.74
Advertisement and promotion expenses	158,578,345.76	115,410,316.76
Research and development expenditures	47,671,943.90	5,944,526.20
Conference expenses	17,034,620.80	14,162,187.64
Travel expenses	15,528,477.95	17,196,578.70
Utilities expenses	8,283,724.55	8,345,264.63
Rental expenses	6,300,658.51	9,074,370.19
Agency fee	5,077,033.12	10,801,807.17
Trademark fee	1,999,698.47	1,800,000.00
Consulting fee	1,225,719.55	1,120,351.62
Others	60,521,581.74	55,956,623.93
Total	<u>798,943,984.76</u>	<u>504,429,838.09</u>

③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	3,525,056,242.50	3,486,852,580.09
Over 1 year	995,894,608.80	451,705,597.66
Total	<u>4,520,950,851.30</u>	<u>3,938,558,177.75</u>

④ Significant other payables with aging over 1 year as in the current period:

Item	Closing balance	Reason for repayment or carry-over
Supplier 1	286,657,842.31	The settlement period has not arrived
Total	<u>286,657,842.31</u>	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Current portion of non-current liabilities

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year	30,030,833.33	–
Lease liabilities due within 1 year	215,772,073.53	236,106,690.45
Total	245,802,906.86	236,106,690.45

34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	346,060,329.07	155,979,889.85
Total	346,060,329.07	155,979,889.85

35. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	752,812,083.34	497,550,000.00
Total	752,812,083.34	497,550,000.00
Including: due in 1 -2 years	527,550,000.00	–
due in 2 -5 years	225,000,000.00	497,550,000.00

As on 31 December 2021, the average annual rate of long-term borrowings was 3.2372% (as on 31 December 2020: 3.0000%).

(2) The Group had no overdue long-term borrowings as on 31 December 2021.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	713,469,909.49	797,931,144.73
Less: Amount due within 1 year	215,772,073.53	236,106,690.45
Total	497,697,835.96	561,824,454.28

37. Long-term Payables

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

(1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	17,486,188.17	17,486,188.17
Department of Finance of Guangxi Zhuang Autonomous Region	2,264,426.47	2,264,426.47
State Administration of Medicine	305,000.00	305,000.00
Others	408,887.36	408,887.36
Total	20,464,502.00	20,464,502.00

(2) Special payables

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Compensation for relocation due to policies	2,382,270.00	–	2,382,270.00	–	–
Total	<u>2,382,270.00</u>	<u>–</u>	<u>2,382,270.00</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	304,247.44	302,723.26
Total	304,247.44	302,723.26

39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	45,418,005.57	–	880,733.51	44,537,272.06	Note (1)
Pending litigation	18,000,000.00	8,937,075.00	18,000,000.00	8,937,075.00	Note (2) (3)
Estimated tax refund	40,610,000.00	–	40,610,000.00	–	Note (2)
Estimated loss on return of products	500,191.19	–	–	500,191.19	Estimated based on the disposal assets agreement. It has not been settled yet
Total	<u>104,528,196.76</u>	<u>8,937,075.00</u>	<u>59,490,733.51</u>	<u>53,974,538.25</u>	

Note:

- (1) The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 30 June 2014, and employee benefits are accrued consequently.
- (2) Current reductions of pending litigations and estimated tax refund are due to the transfer of subsidiaries during the current period, and the final consolidation scope does not include the company's data.
- (3) Current addition of pending litigations is due to the provisions of WLJ Great Health, please refer to the notes 13. (7) 1 (2).

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Government grants	784,074,821.24	358,051,515.06	315,266,874.08	826,859,462.22	Government funding
Total	<u>784,074,821.24</u>	<u>358,051,515.06</u>	<u>315,266,874.08</u>	<u>826,859,462.22</u>	

Item related to government grants:

Item	Closing balance of last year	Current increase in grants	Amount recognized into other income	The amount of other income is included in the current period	The amount of cost write-down in this period	Disbursement to project partners	Other decrease	Closing balance	Asset related/ income related
Government grants related to assets	321,171,549.74	47,989,488.74	111,974.64	13,988,730.42	126,417.00	-	-	354,933,916.42	
Including:									
Technology funds granted by the government	69,041,029.75	6,808,913.83	-	8,382,394.46	-	-	-	67,467,549.12	Asset related
Compensation for relocation	22,925,406.39	-	72,997.56	-	-	-	-	22,852,408.83	Asset related
Government subsidies on interests	126,417.00	-	-	-	126,417.00	-	-	-	Asset related
Special project funds for environmental protection	1,203,556.67	-	-	135,123.28	-	-	-	1,068,433.39	Asset related
Construction funds for innovation platform and laboratory	12,126,701.03	-	-	1,120,110.67	-	-	-	11,006,590.36	Asset related
Land support funds granted by the government	67,887,619.16	-	-	2,292,775.24	-	-	-	65,594,843.92	Asset related
Support funds for industrial development	125,451,849.43	40,100,574.91	-	3,388,142.10	-	-	-	162,164,282.24	Asset related
Others	22,408,970.31	1,080,000.00	38,977.08	(1,329,815.33)	-	-	-	24,779,808.56	Asset related
Government grants related to income	462,903,271.50	310,062,026.32	16,058,427.00	219,432,298.63	59,226,933.24	400,000.00	5,922,093.15	471,925,545.80	
Including:									
Technology funds granted by the government	84,919,739.04	38,151,338.21	-	28,683,462.53	1,760.00	400,000.00	5,922,093.15	88,063,761.57	Income related
Special funds for technology export	-	-	-	-	-	-	-	-	Income related
Medical industrial research project funds	757,320.22	-	-	180,000.00	-	-	-	577,320.22	Income related
Special funds for energy conservation renovation project	-	-	-	-	-	-	-	-	Income related
Special fund for innovative enterprises	4,102,900.08	15,759,306.93	-	18,340,074.69	-	-	-	1,522,132.32	Income related
Compensation for relocation	361,711,095.22	74,663,322.00	16,058,427.00	-	58,604,895.00	-	-	361,711,095.22	Income related
Support funds for industrial development	1,600,000.00	155,848,714.10	-	146,960,520.00	-	-	-	10,488,194.10	Income related
Others	9,812,216.94	25,639,345.08	-	25,268,241.41	620,278.24	-	-	9,563,042.37	Income related
Total	<u>784,074,821.24</u>	<u>358,051,515.06</u>	<u>16,170,401.64</u>	<u>233,421,029.05</u>	<u>59,353,350.24</u>	<u>400,000.00</u>	<u>5,922,093.15</u>	<u>826,859,462.22</u>	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Other non-current liabilities

Item	Closing balance	Closing balance of last year
Commitment to the investment of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	50,225,000.00	50,225,000.00
Pending output VAT	3,204,349.59	3,853,462.71
Total	53,429,349.59	54,078,462.71

Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.

42. Share capital

Item	Closing balance of last year	Changes in the period				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Restricted shares	-	-	-	-	-	-	-
State shareholding	-	-	-	-	-	-	-
Shares held by state-owned companies	236,315,006.00	-	-	-	(236,315,006.00)	(236,315,006.00)	-
Shares held by other domestic investors	98,396,693.00	-	-	-	(98,396,693.00)	(98,396,693.00)	-
Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	98,396,693.00	-	-	-	(98,396,693.00)	(98,396,693.00)	-
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	<u>334,711,699.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334,711,699.00)</u>	<u>(334,711,699.00)</u>	<u>-</u>
Unrestricted shares	-	-	-	-	-	-	-
Ordinary shares denominated in RMB	1,071,179,250.00	-	-	-	334,711,699.00	334,711,699.00	1,405,890,949.00
Domestically-listed shares held by foreign investors	-	-	-	-	-	-	-
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
Others	-	-	-	-	-	-	-
Total Unrestricted shares	<u>1,291,079,250.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,711,699.00</u>	<u>334,711,699.00</u>	<u>1,625,790,949.00</u>
Total shares	<u>1,625,790,949.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,625,790,949.00</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Capital reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	–	–	9,048,269,635.38
Other capital reserves	836,741,549.75	72,789,724.21	847,525.96	908,683,748.00
Including: Capital reserve transferred under previous accounting system	<u>24,955,836.66</u>	<u>–</u>	<u>–</u>	<u>24,955,836.66</u>
Total	<u>9,885,011,185.13</u>	<u>72,789,724.21</u>	<u>847,525.96</u>	<u>9,956,953,383.38</u>

- (1) This year, the Group sold 100% of its subsidiary Pharmaceutical Import & Export to the majority shareholder GPLH at the transaction price of RMB1. The company has a great deficit, so the sale of equity sale was recorded as a gain amounted to RMB72,789,724.21 in consolidated statements, which was regarded as an equity transaction and included in capital reserve.
- (2) This year, for changes in capital reserve of joint ventures, the Group calculated the share according to the shareholding ratio, thus reducing the capital reserve by RMB847,525.96.

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Other Comprehensive Income

Item	Closing balance of last year	Current amount before tax	Current period					Closing balance
			Less: profit or loss transferred from other comprehensive income in previous year	Less: retained earnings transferred from other comprehensive income in previous year	Less: Income tax expense	Attributable to the parent company, after tax	Attributable to minority shareholders, after tax	
I. Other comprehensive income that will not be reclassified to profit or loss	(5,940,464.72)	7,054,664.95	-	-	1,057,172.60	5,997,492.35	-	57,027.63
Including:								
Other comprehensive income that will not be reclassified to profit or loss under equity method	1,448,181.81	-	-	-	-	-	-	1,448,181.81
Change in fair value of investments in other equity instruments	(7,388,646.53)	7,054,664.95	-	-	1,057,172.60	5,997,492.35	-	(1,391,154.18)
II. Other comprehensive income that may be reclassified into profit or loss	(11,733,033.98)	(5,954,926.07)	-	-	(85,033.00)	(5,800,350.53)	(69,542.54)	(17,533,384.51)
Including:								
Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	-	-	-	-	-	-	29,136.57
Change in fair value of investments in other debt instruments	(9,665,799.91)	(6,087,309.66)	-	-	(1,521,827.42)	(3,320,886.12)	(1,244,596.12)	(12,986,686.03)
Provision for credit impairment of other debt investments	4,601,782.14	5,747,177.66	-	-	1,436,794.42	3,135,329.66	1,175,053.58	7,737,111.80
Difference arising from the translation of foreign currency financial statements	(6,698,152.78)	(5,614,794.07)	-	-	-	(5,614,794.07)	-	(12,312,946.85)
Total other comprehensive income	<u>(17,673,498.70)</u>	<u>1,099,738.88</u>	<u>-</u>	<u>-</u>	<u>972,139.60</u>	<u>197,141.82</u>	<u>(69,542.54)</u>	<u>(17,476,356.88)</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	1,601,377,150.90	188,410,981.14	-	1,789,788,132.04
Discretionary surplus reserve	118,925,617.49	-	-	118,925,617.49
Total	<u>1,720,302,768.39</u>	<u>188,410,981.14</u>	<u>-</u>	<u>1,908,713,749.53</u>

- (1) In accordance with the provisions of the Company Law and the Articles of Association, the Group shall withdraw the statutory surplus reserve at 10% of the net profit. If the accumulative statutory surplus reserve reaches more than 50% of the registered capital of the Group, it may not be withdrawn.
- (2) The Group may withdraw any discretionary surplus reserve after drawing the statutory surplus reserve. Upon approval, discretionary surplus reserve may be used to cover losses of previous years or increase the share capital.

46. Retained earnings

Item	Closing balance	Closing balance of last year
Closing balance of retained earnings of prior year before adjustments	12,931,411,564.72	11,167,819,445.53
Adjustments to Closing balance of last year of retained earnings at the period (Add: +; Less: -)	-	-
Retained earnings at the beginning of the period after adjustments	12,931,411,564.72	11,167,819,445.53
Add: Net profit attributable to shareholders of the parent company for the period	3,719,877,680.46	2,915,244,576.05
Less: Appropriation of statutory surplus reserve	188,410,981.14	194,061,587.90
Appropriation of discretionary surplus reserve	-	-
Appropriation of general risk reserve	-	-
Ordinary share dividends payable	874,675,530.56	957,590,868.96
Ordinary shares dividends converted to share capital	-	-
Closing balance of retained earnings	<u>15,588,202,733.48</u>	<u>12,931,411,564.72</u>

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

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Revenue and Cost of sales

(1) Operating Revenue and Cost of sales

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	68,757,954,215.27	55,721,967,199.49	61,450,355,469.37	51,176,775,675.08
Other businesses	256,098,131.76	58,800,081.94	223,346,980.64	56,550,440.16
Total	<u>69,014,052,347.03</u>	<u>55,780,767,281.43</u>	<u>61,673,702,450.01</u>	<u>51,233,326,115.24</u>

(2) Disclosure by category

Reporting segment	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Great Southern TCM	10,789,224,586.22	6,034,752,792.80	10,199,689,721.03	6,510,321,449.89
Great Health	10,851,095,066.99	5,713,867,482.47	7,858,917,249.10	4,096,517,144.40
Great Commerce	46,778,524,199.51	43,672,666,686.74	43,177,116,784.05	40,407,599,065.70
Others	339,110,362.55	300,680,237.48	214,631,715.19	162,338,015.09
Total	<u>68,757,954,215.27</u>	<u>55,721,967,199.49</u>	<u>61,450,355,469.37</u>	<u>51,176,775,675.08</u>

(3) Disclosure by primary operating region

Reporting segment	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Southern China Area	53,046,259,138.74	44,874,166,822.29	47,863,677,175.02	41,445,631,353.81
Eastern China Area	5,832,681,801.01	3,981,044,375.33	4,762,568,994.32	3,131,893,330.73
Northern China Area	3,022,706,019.79	1,923,278,380.78	2,385,185,138.18	1,617,774,013.37
Northeast Area	614,694,785.98	461,322,012.59	534,272,743.17	426,995,016.39
Southwest Area	4,220,391,494.95	2,883,154,893.71	3,937,559,252.51	2,922,092,203.46
Northwest Area	1,978,396,674.50	1,562,225,324.39	1,927,069,638.66	1,595,182,788.52
Export	42,824,300.30	36,775,390.40	40,022,527.51	37,206,968.80
Total	<u>68,757,954,215.27</u>	<u>55,721,967,199.49</u>	<u>61,450,355,469.37</u>	<u>51,176,775,675.08</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Revenue and Cost of sales (Continued)

- (4) Total sales to the top five customers are RMB4,810,902 thousand (2020: RMB4,829,147 thousand), accounting for 7.00% of the Group's primary operating revenue for the period. (2020: 7.86%)

Customer	Revenue	Proportion to total income (%)
Customer 1	1,474,431,577.12	2.14
Customer 2	1,085,033,410.41	1.58
Customer 3	783,406,213.52	1.14
Customer 4	739,623,671.41	1.08
Customer 5	728,407,594.40	1.06
Total	<u>4,810,902,466.86</u>	<u>7.00</u>

- (5) Other operating revenue and other costs

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Leased assets	60,053,102.38	13,728,199.78	40,023,849.04	13,834,769.59
Sales of materials	6,557,407.61	6,036,501.20	6,708,487.00	3,467,406.45
Income from franchise store management fee	10,388,113.10	2,692,590.51	32,201,004.25	5,491,595.67
Trademark fee income	2,506,238.94	–	2,046,547.23	–
Consulting fee	21,280,112.67	6,080,415.43	24,128,581.61	8,254,399.53
Collection of utility on behalf of others	6,673,186.30	4,880,056.62	4,229,937.23	8,751,551.27
Service income	2,713,177.19	1,400,636.71	1,399,113.00	1,847,079.45
Property management fee	12,156,979.33	6,892,595.44	8,900,342.27	6,040,066.59
Technical service income	32,578,028.55	2,983,160.78	2,377,629.95	1,497,054.49
License fee for franchise	–	–	15,831,442.49	–
E-commerce platform and store service fee	65,536,096.78	2,576,664.28	65,112,756.05	368,958.00
Others	35,655,688.91	11,529,261.19	<u>20,387,290.52</u>	<u>6,997,559.12</u>
Total	<u>256,098,131.76</u>	<u>58,800,081.94</u>	<u>223,346,980.64</u>	<u>56,550,440.16</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	125,936,699.77	111,766,726.84
Education surcharge	54,263,668.40	48,276,310.31
Local education surcharge	36,160,002.29	32,156,509.35
House property tax	28,352,470.34	22,981,757.98
Vehicle and vessel use tax	167,002.80	181,368.77
Land use tax	6,600,637.72	5,736,268.38
Stamp duty	46,219,998.08	36,275,845.84
Others	132,381.58	218,543.03
Total	<u>297,832,860.98</u>	<u>257,593,330.50</u>

49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	2,868,022,175.16	2,493,384,661.33
Advertising and promotion fees	1,053,646,165.66	690,742,888.44
Sales and service fees	955,234,852.69	562,057,360.43
Freight and miscellaneous charges	290,258,321.48	141,772,944.17
Depreciation expenses	234,313,471.46	223,537,807.70
Traveling expenses	133,274,715.84	123,362,297.40
Conference expenses	82,206,159.19	76,456,810.33
Rental expenses	37,700,915.02	29,669,793.84
Office expenses	40,241,635.68	42,060,143.25
Others	259,890,744.92	192,950,861.35
Total	<u>5,954,789,157.10</u>	<u>4,575,995,568.24</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	1,341,240,870.89	1,200,350,427.11
Depreciation expense	161,903,531.28	145,635,148.48
Amortization cost	95,135,528.91	94,505,775.01
Office expenses	71,131,848.97	67,595,428.42
Repairing expenses	45,840,263.27	38,701,019.93
Trademark license fees	26,266,521.01	23,148,667.42
Utilities	23,852,317.54	19,273,993.66
Agency fees	22,474,625.98	24,374,392.29
Including: audit fees	2,433,962.26	2,423,584.91
Traveling expenses	17,143,015.22	16,809,957.85
Freight and miscellaneous charges	14,916,739.13	14,495,774.94
Consulting fees	13,124,060.80	17,290,359.57
Insurance premium	4,977,287.96	4,824,411.69
Rental expenses	7,730,282.00	4,241,324.96
Conference expenses	5,604,844.56	5,454,233.28
Others	180,939,762.13	167,722,753.23
Total	<u>2,032,281,499.65</u>	<u>1,844,423,667.84</u>

51. Research and development expenses

Item	Current period	Prior period
Employee benefits	332,316,151.99	263,616,699.00
Special research and development	128,786,284.46	60,941,013.36
Raw materials	192,835,034.77	95,495,777.06
Trial production expenses	65,696,785.28	52,896,505.14
Depreciation expenses	30,916,111.99	29,512,388.52
Technique research expenses	10,111,260.72	11,788,373.12
Clinical trial expenses	19,896,856.69	10,221,909.27
Amortization cost	6,379,521.01	5,363,129.27
Others	87,781,974.76	82,099,134.68
Total	<u>874,719,981.67</u>	<u>611,934,929.42</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Financial expenses

Item	Current period	Prior period
Interest expenses	417,830,623.16	363,343,678.98
Including: interest expenses related to lease	36,081,521.31	39,804,395.45
Less: interest income	563,866,705.19	373,868,381.65
Exchange gains/(losses)	(8,674,104.67)	(2,099,614.08)
Service change of finance institutions	19,367,031.79	16,210,259.59
Cash discount	–	(1,505,483.16)
Others	2,333,064.92	3,071,469.99
Total	<u>(133,010,089.99)</u>	<u>5,151,929.67</u>

53. Other Income

Item	Current period	Prior period
Government grants	309,880,132.62	327,985,438.11
Total	<u>309,880,132.62</u>	<u>327,985,438.11</u>

Government grants charges into other income

Item	Current period	Prior period	Asset related/ income related
Technology funds granted by the government	8,510,541.82	13,714,100.85	Asset related
Government discount	–	1,794,674.59	Asset related
Special project fund for environmental protection	135,123.28	198,603.28	Asset related
Construction funds for innovation platform and laboratory	1,120,110.67	448,093.09	Asset related
Support funds for lands	2,292,775.24	–	Asset related
Support funds for industrial development	3,388,142.10	1,978,805.76	Asset related
Others	1,257,033.99	1,236,607.43	Asset related
Subtotal	<u>16,703,727.10</u>	<u>19,370,885.00</u>	
Technology funds granted by the government	52,049,164.40	51,449,841.94	Income related
Special fund for innovative enterprises	18,340,074.69	9,902,356.01	Income related
Support funds for industrial development	146,960,520.00	173,683,070.99	Income related
Others	75,826,646.43	73,579,284.17	Income related
Subtotal	<u>293,176,405.52</u>	<u>308,614,553.11</u>	
Total	<u>309,880,132.62</u>	<u>327,985,438.11</u>	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	122,949,900.42	355,657,716.27
Investment income from disposal of long-term equity investment	45,495,023.05	(3,890,970.64)
Dividend income during the holding year of other equity instruments	1,944,978.68	7,670,000.00
Investment income from holding other non-current financial assets at FVTPL	33,721,260.98	27,746,164.93
Investment income from disposal of other non-current financial assets at FVTPL	(3,393,656.32)	–
Income from financial products and interests of structural deposit	21,744,911.99	7,203,605.95
Others	(28,874,827.25)	(50,215,537.05)
Total	193,587,591.55	344,170,979.46

55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	196,881,039.74	(8,469,244.97)
Total	196,881,039.74	(8,469,244.97)

56. Credit impairment losses

Item	Current period	Prior period
Loss on bad debts of notes receivable	(1,487,653.95)	(3,142,551.51)
Loss on bad debts of accounts receivable	(95,104,789.97)	(100,124,870.86)
Loss on bad debts of receivables financing	(5,747,177.66)	(7,669,636.89)
Loss on bad debts of other receivables	(7,473,783.88)	(4,614,912.28)
Total	(109,813,405.46)	(115,551,971.54)

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Assets impairment losses

Item	Current period	Prior period
Loss on decline in value of inventories	(11,859,521.84)	(23,949,972.06)
Total	(11,859,521.84)	(23,949,972.06)

58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period
Total gains from disposal of non-current assets	694,506.95	2,954,109.08	694,506.95
Including: Gains from disposal of fixed assets	2,133,615.61	39,412.99	2,133,615.61
Gains from disposal of intangible assets	(287,480.92)	2,271,312.97	(287,480.92)
Gains from disposal of right-of-use assets	1,122,583.66	643,383.12	1,122,583.66
Gains from disposal of long-term prepayment	(2,274,211.40)	–	(2,274,211.40)
Total	694,506.95	2,954,109.08	694,506.95

59. Non-operating income

(1) Non-operating income by item

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period
Proceed from damage and scrapping of non-current assets	450,880.88	132,638.49	450,880.88
Government grants	25,396,937.69	132,077,223.67	25,396,937.69
Penalty income	596,824.83	436,416.35	596,824.83
Income from sale of scrap	4,792,878.81	3,686,243.05	4,792,878.81
Debt forgiveness	4,780,497.01	2,372,963.49	4,780,497.01
Compensation income	1,930,939.89	8,759,365.48	1,930,939.89
Others	7,358,481.34	10,151,045.91	7,358,481.34
Total	45,307,440.45	157,615,896.44	45,307,440.45

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income (Continued)

(2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	72,997.56	72,997.56	Asset related
Others	38,977.08	38,977.08	Asset related
Subtotal	111,974.64	111,974.64	
Demolition compensation	16,058,427.00	130,878,419.09	Income related
Others	9,226,536.05	1,086,829.94	Income related
Subtotal	25,284,963.05	131,965,249.03	
Total	25,396,937.69	132,077,223.67	

60. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the period
Losses on damage and scrapping of non-current assets	3,528,011.01	3,017,835.56	3,528,011.01
Public welfare donation expenditure	12,283,276.97	23,061,313.79	12,283,276.97
Abnormal loss	5,728,577.21	8,430,669.30	5,728,577.21
Inventory loss	2,021.04	8,230.33	2,021.04
Penalty and overdue fines	3,122,513.95	463,784.86	3,122,513.95
Reward of family planning	19,490.63	293,188.35	19,490.63
Withdrawal based on judgment	24,821,561.43	12,015,000.00	24,821,561.43
Others	58,773,044.47	43,660,409.14	58,773,044.47
Total	108,278,496.71	90,950,431.33	108,278,496.71

61. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	752,183,488.69	784,384,090.73
Deferred tax expenses	1,901,735.83	(136,930,217.90)
Total	754,085,224.52	647,453,872.83

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income Tax Expenses (Continued)

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

Item	Current period
Total profit	4,723,070,943.49
Income tax expenses calculated at statutory/applicable rates	708,460,641.52
Tax effect of different rates applicable to subsidiaries	63,658,329.34
Adjustment effect of income tax of prior year	23,229,120.88
Tax effect of non-taxable income	(17,898,915.72)
Tax effect of costs, expenses and losses not deductible for tax purposes	35,156,192.91
Tax effect of use of deductible loss of previously unrecognized DTA	(3,256,115.19)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the period	42,640,866.41
Impact of deductible temporary differences of unrecognized deferred income tax assets in the previous period	(20,639,937.94)
Tax effect of R&D expenditure deduction	(77,010,894.26)
Changes in the opening balance of deferred tax assets/liabilities as a result of adjustment of tax rate	(254,063.43)
Income tax expenses	<u>754,085,224.52</u>

62. Earnings per share (EPS)

(1) Basic EPS

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

① Weighted average basic EPS

Item	For the 12 months ended 31 December 2021	For the 12 months ended 31 December 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	3,719,877,680.46	2,915,244,576.05
The number of weighted average outstanding ordinary shares at the year end	1,625,790,949	1,625,790,949
Weighted average basic EPS	<u>2.288</u>	<u>1.793</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Earnings per share (EPS) (Continued)

(1) Basic EPS (Continued)

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

Item	For the 12 months ended 31 December 2021	For the 12 months ended 31 December 2020
Net consolidated profit attributable to ordinary shareholders of the parent company	3,719,877,680.46	2,915,244,576.05
The number of outstanding ordinary shares as at the year end	1,625,790,949	1,625,790,949
EPS based on the number of shares as at the year end	2.288	1.793

(2) Diluted EPS

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

63. Items in the Cash Flow Statement

(1) Cash received from other operating activities

Item	Current period	Prior period
Interest income	563,866,705.19	373,868,381.65
Government grant	443,737,154.68	769,234,064.73
Other operating income	256,098,131.76	223,346,980.64
Non-operating income	14,626,738.28	24,509,706.11
Deposit received and other items	619,874,430.00	737,348,654.38
Total	1,898,203,159.91	2,128,307,787.51

(2) Cash paid for other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	2,697,715,260.36	3,201,227,758.26
Cash paid for general and administrative expenses	893,190,351.05	723,044,033.69
Financial expenses—bank charges	19,367,031.79	16,210,259.59
Others	302,143,768.76	305,826,862.74
Total	3,912,416,411.96	4,246,308,914.28

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Items in the Cash Flow Statement (Continued)

(3) Cash received from other investing activities

Item	Current period	Prior period
Interest received	130,969.64	36,487.70
Others	92,365.96	64,676.13
Total	<u>223,335.60</u>	<u>101,163.83</u>

(4) Cash paid for other investing activities

Item	Current period	Prior period
Balance of cash at bank and on hand when subsidiaries are no included in consolidation scope	–	34,745,591.46
Total	<u>–</u>	<u>34,745,591.46</u>

(5) Cash received from other financing activities

Item	Current period	Prior period
Bill deposit received	3,063,902,899.69	2,918,786,199.38
Others	1,000,000.00	–
Total	<u>3,064,902,899.69</u>	<u>2,918,786,199.38</u>

(6) Cash paid for other financing activities

Item	Current period	Prior period
Bill deposit	3,126,252,704.31	2,793,808,570.76
Rental	285,663,600.75	278,103,712.87
Others	–	2,624,788.11
Total	<u>3,411,916,305.06</u>	<u>3,074,537,071.74</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement

(1) Supplementary information of cash flow statement

Supplementary information	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	3,968,985,718.97	3,091,627,839.46
Add: Provision for assets impairment	11,859,521.84	23,949,972.06
Impairment loss in respect of credit	109,813,405.46	115,551,971.54
Depreciation of fixed assets, oil and gas assets, investment properties and bearer biological assets	357,956,081.13	326,194,531.64
Depreciation of right-of-use assets	257,082,020.54	255,265,180.63
Amortization of intangible assets	61,953,470.01	62,737,295.31
Amortization of long-term prepaid expenses	43,530,622.00	35,353,507.03
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(694,506.95)	(2,954,109.08)
Losses on scrapping of fixed assets ("-" refers to income)	3,077,130.13	2,885,197.07
Loss on changes in fair value ("-" refers to income)	(196,881,039.74)	8,469,244.97
Financial expenses ("-" refers to income)	389,907,589.22	336,411,783.76
Investment losses ("-" refers to income)	(193,587,591.55)	(344,170,979.46)
Decrease in deferred tax assets ("-" refers to increase)	(42,510,047.19)	(156,730,211.08)
Increase in deferred tax liabilities ("-" refers to decrease)	45,368,925.58	19,450,322.98
Decrease in inventories ("-" refers to increase)	(673,650,544.71)	(265,442,697.42)
Decrease of operating receivables("-" refers to increase)	(1,626,764,713.04)	(572,165,282.57)
Increase of operating payables ("-" refers to decrease)	3,158,050,712.67	(2,351,248,543.75)
Others	-	-
Net cash flow from operating activities	5,673,496,754.37	585,185,023.09
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
Factoring financing payable	2,677,706,561.31	1,729,825,100.39
3. Net changes in cash and cash equivalents		
Cash at the end of year	21,013,364,042.22	17,765,132,774.10
Less: Cash at the beginning of year	17,765,132,774.10	16,833,622,508.23
Add: Cash equivalents at the end of the year	-	-
Less: Cash equivalents at the beginning of the year	-	-
Net increase in cash and cash equivalents	3,248,231,268.12	931,510,265.87

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement (Continued)

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

	Amount
Current cash or cash equivalents paid for business combination	12,000,000.00
Including: San Gong Zai	12,000,000.00
Less: cash and cash equivalents holding by subsidiaries on acquisition date	10,605,986.43
Including: San Gong Zai	10,605,986.43
Add: Prior cash or cash equivalents paid for business combination	-
Net cash paid for acquiring subsidiaries	<u>1,394,013.57</u>

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

	Amount
Current cash or cash equivalents received from disposal of subsidiaries	1.00
Including: Pharmaceutical Import & Export	1.00
Less: cash and cash equivalents holding by subsidiaries on the date of cease of control right	819,818.73
Including: Pharmaceutical Import & Export	819,818.73
Add: Prior cash or cash equivalents received from disposal of subsidiaries	33,386,871.10
Net cash received from disposal of subsidiaries	<u>32,567,053.37</u>

(4) Detail of cash and cash equivalents

Item	Closing balance	Closing balance of last year
I. Cash	21,013,364,042.22	17,765,132,774.10
Including: Cash on hand	679,188.73	814,579.91
Bank deposits that are readily available for payment	20,945,367,227.97	17,738,141,398.59
Other cash that are readily available for payment	67,317,625.52	26,176,795.60
II. Cash equivalents		
Including: Debt investment maturing within three months	-	-
III. Closing balance of cash and cash equivalents	21,013,364,042.22	17,765,132,774.10
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	-	-
	<u>-</u>	<u>-</u>

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Assets with Restriction on Ownership or Ring of Use

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	1,363,564 thousand	The Group's deposit of notes payable is RMB1,201,348 thousand, term deposit of RMB61,371 thousand, frozen account funds of RMB47 thousand, L/C deposit of RMB49,626 thousand, cash deposit of credit of RMB50,235 thousand, housing fund is RMB929 thousand, others RMB8 thousand.
Accounts receivable	880,977 thousand	The Group's total credit of RMB990,000 thousand and short-term borrowings are derived from accounts receivable of RMB880,977 thousand as pledge
Notes receivable	414,407 thousand	The Group's notes receivable pledged is RMB29,707 thousand. Notes receivable endorsed but not yet due is RMB368,584 thousand. Notes receivable discounted but not yet expire is RMB16,116 thousand
Fixed assets	4,942 thousand	The Group's the original value of the houses and buildings of fixed assets of HKD8,893 thousand, the net value of HKD6,044 thousand (converted to RMB4,942 thousand), the original value of the investment properties of HKD6,843 thousand, the net value of HKD4,623 thousand (converted to RMB3,780 thousand) as collateral, to obtain the overdraft limit of HKD300 thousand, and 90 days L/C issue credit of HKD100,000 thousand, which has been issued before maturity of the L/C HKD13 thousand, USD697 thousand from the Bank of China (Hong Kong) Co., Ltd.
Investment properties	3,780 thousand	
Total	2,667,670 thousand	

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Foreign Currency Funds Items

(1) Foreign Currency Funds Item

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			132,950,140.25
Including: USD	12,960,391.12	6.3757	82,631,565.66
HKD	60,853,268.21	0.8176	49,753,632.09
EUR	77,583.93	7.2197	560,132.70
AUD	1,040.02	4.6220	4,806.97
JPY	51.00	0.0554	2.83
Accounts receivable			8,478,790.45
Including: HKD	10,370,340.57	0.8176	8,478,790.45
Other receivables			1,088,770.35
Including: USD	75,000.00	6.3757	478,177.50
HKD	746,811.22	0.8176	610,592.85
Accounts payable			59,010,163.96
Including: USD	2,705,531.50	6.3757	17,249,657.18
HKD	49,952,836.31	0.8176	40,841,438.97
EUR	127,300.00	7.2197	919,067.81
Short-term borrowings			19,616,329.58
Including: HKD	23,992,575.32	0.8176	19,616,329.58
Other payables			1,168,074.70
Including: HKD	1,428,662.79	0.8176	1,168,074.70

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

67. Lease

(1) As the lessee

Item	Current amount	Prior amount
Short-term rental expenses charged into current profit or loss	46,861,116.62	35,764,873.91
Rental expenses for low-value assets	3,555,885.76	3,391,441.11
Variable rental that are not included into lease liabilities	7,278,640.88	822,152.49
Revenue from the transfer of right-of-use assets	672,329.59	888,779.15
Total cash outflow related to lease	328,249,459.78	295,865,312.54
Gain or loss from sale-leaseback transactions	—	—

(2) As the lessor

① Operating lease

	Current amount	Prior amount
Revenue from operating lease	60,053,102.38	40,023,849.04
Including: revenue related to variable rental payment not included in the rental collection	169,740.00	312,418.67

The received non-discounting rental collection after 31 December 2021 is as follows:

Remaining lease term	Non-discounting rental collection
Within 1 year	9,123,179.07
1 – 2 years	25,598,483.95
2 – 3 years	20,893,401.63
3 – 4 years	17,155,291.92
4 – 5 years	12,857,992.81
Over 5 years	11,183,322.90
Total	96,811,672.28

Notes to the Financial Statements

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

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

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

(1) Detail of Business combinations 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	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

San Gong Zai

Cost of consolidation	
– Cash	13,900,000.00
Total cost of consolidation	13,900,000.00
Less: proportion of fair value of obtained identifiable net assets	10,000,000.00
Goodwill/The amount that the combination cost is less than the fair value share of the identifiable net assets obtained	<u>3,900,000.00</u>

(3) Identifiable assets and liabilities of acquiree on acquisition date

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

Notes to the Financial Statements

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

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

2. Business combination under the common control during the period

Nil

3. Counter purchase in the period

Nil

4. Disposal of subsidiaries

(1) Detail of once disposal for the ceased control arising from investment to subsidiaries:

Name of subsidiary	Price of disposal for equity	Disposal ratio (%)	Mode of disposal	Time of cease of control right	Basis	Differences between disposal price and portion of net assets held by disposal investment for the range of consolidated financial statements	Ratio of the remaining equity	Book value of the remaining equity at the date of ceased control	Fair value of the remaining equity at the date of ceased control	Gain or loss from the remaining equity re-measured at fair value	Determination and assumption for the fair value	Investment gain or loss transferred from other comprehensive income related to the equity investment of former subsidiaries
Pharmaceutical Import & Export	1.00	100.00	Equity transferred	23 December 2021	Cease of decision-making right of production and operation	72,789,725.21	-	-	-	-	-	-

Based on the consideration of the integration of commercial platform resources, 100% of equity in the subsidiary Pharmaceutical Import & Export was transferred to the majority shareholder GPLH. The assessment date was on 30 September 2021. In accordance with the Asset Appraisal Report [Guo Zhong Lian Ping Bao Zi (2021) No. 3 -0173], Asset-based method was adopted for the assessment. According to the Company Law, if the value of net assets is a negative amount, shareholders shall bear the limited liability according to the limit of their capital contribution. Therefore, the assessed value is RMB0. Both parties finally concluded the transaction at RMB1, and the registration of Industrial and Commercial Bureau was completed on 23 December 2021.

Notes to the Financial Statements

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

VI. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

5. Other reasons for changes in the scope of consolidation

The reasons for the addition of 7 companies in scope of consolidation comparing to the prior year are as follows:

- (1) Guangzhou Baiyunshan Hospital, a direct subsidiary of the Company, established Guangzhou Baiyunshan Hospital of Traditional Chinese Medicine Co., Ltd. in April 2021, capital contribution of Guangzhou Baiyunshan Hospital accounts for 100% of registered capital amounted to RMB20 million.
- (2) Jing Xiu Tang, a subsidiary of the Company, established Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd. in May 2021, capital contribution of Jing Xiu Tang accounts for 51% of registered capital amounted to RMB3 million.
- (3) The Company and the 3 subsidiaries of the Company including Zhong Yi 、 Cai Zhi Lin and Guangzhou Han Fang, established Guangzhou Hanchao Chinese Medical Technology Co., Ltd. which registered capital amounted to RMB30 million in May 2021, capital contribution of the Company accounts for 20% of registered capital 、 capital contribution of Zhong Yi for 5% of registered capital 、 capital contribution of Cai Zhi Lin for 45% of registered capital and capital contribution of Guangzhou Han Fang for 5% of registered capital.
- (4) WLJ Great Health, a direct subsidiary of the Company, established WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd. in August 2021, capital contribution of WLJ Great Health accounts for 100% of registered capital amounted to RMB50 million.
- (5) WLJ Great Health, a direct subsidiary of the Company, established Guangzhou WLJ Great Health Lychee Industry Development Co., Ltd. in August 2021, capital contribution of WLJ Great Health accounts for 100% of registered capital amounted to RMB50 million.
- (6) WLJ Great Health, a direct subsidiary of the Company, established Guangzhou WLJ Great Health (Zhuhai Hengqin) Co., Ltd. in September 2021, capital contribution of WLJ Great Health accounts for 100% of registered capital amounted to RMB10 million.
- (7) Zhong Yi, a direct 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.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of Enterprises Group

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	77,168.90	88.99	–	Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00	–	88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	217,410.00	100.00	–	Establishment or Investment
Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Science and technology promotion, application service	5,000.00	–	100.00	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	112,845.42	100.00	–	Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	15,000.00	–	44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	252,564.30	98.02	1.98	Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical manufacturing	2,000.00	–	100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	82,416.70	100.00	–	Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	–	100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	86,230.00	88.40	–	Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00	–	45.08	Establishment or Investment
Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00	–	45.08	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77	–	Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00	–	87.77	Establishment or Investment

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09	–	Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	1,000.00	–	96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Limited liability company	Wholesale and retail	1,000.00	–	96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00	–	96.09	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,449,305.50	72.74	–	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	86,000.00	–	72.74	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	37,000.00	–	72.74	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	50,000.00	–	72.74	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd. (Note)	Fuzhou	Fuzhou	Limited liability company	Pharmaceutical trading	30,100.00	–	37.82	Business combination not under common control
Hubei Guangyao An Kang Pharmaceutical Co., Ltd. (Note)	Wuhan	Wuhan	Limited liability company	Pharmaceutical trading	6,000.00	–	37.10	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	552,000.00	–	72.74	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	123,000.00	–	72.74	Business combination not under common control

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	13,500.00	–	72.74	Business combination not under common control
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Limited liability company	Pharmaceutical trading	90,000.00	–	72.74	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical trading	85,000.00	–	72.74	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	156,000.00	–	72.74	Business combination not under common control
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	20,000.00	–	72.74	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Limited liability company	Pharmaceutical trading	87,500.00	–	72.74	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical trading	14,000.00	–	72.74	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Limited liability company	Pharmaceutical trading	80,000.00	–	72.74	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Limited liability company	Pharmaceutical trading	50,000.00	–	72.74	Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical trading	50,000.00	–	50.92	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	5,000.00	–	72.74	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD300.00	–	72.74	Business combination not under common control

Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical trading	13,210.00	–	72.74	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	57,000.00	–	72.74	Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	60,000.00	–	72.74	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	60,000.00	–	72.74	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Limited liability company	Pharmaceutical trading	6,000.00	–	72.74	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	7,000.00	–	72.74	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	6,450.00	–	72.74	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	8,000.00	–	72.74	Business combination not under common control
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,940.00	–	72.74	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	6,680.00	–	72.74	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	112,809.88	100.00	–	Establishment or Investment
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	5,000.00	–	100.00	Establishment or Investment

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(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Pharmaceutical trading	3,000.00	–	60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Limited liability company	Pharmaceutical trading	1,000.00	–	80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Limited liability company	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	10,000.00	–	100.00	Establishment or Investment
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	50,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Health and social work	10,000.00	–	51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technology service	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00	–	51.00	Establishment or Investment
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Limited liability company	Pharmaceutical trading	2,000.00	–	54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00	–	Establishment or Investment
WLJ Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00	–	100.00	Establishment or Investment
Guangzhou WLJ Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00	–	100.00	Establishment or Investment
WLJ Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00	–	100.00	Establishment or Investment
WLJ Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00	–	100.00	Establishment or Investment
Guangzhou WLJ Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00	–	100.00	Establishment or Investment
WLJ Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Limited liability company	Trading	50,000.00	–	100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Qiannan	Qiannan	Limited liability company	Commercial services	1,000.00	–	100.00	Establishment or Investment
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Limited liability company	Establishment or Investment	50,000.00	–	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Establishment or Investment	50,000.00	–	100.00	Establishment or Investment
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Establishment or Investment	10,000.00	–	100.00	Establishment or Investment

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VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Business combination not under common control	31,884.50	51.00	-	Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Establishment or Investment	55,000.00	60.00	-	Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Establishment or Investment	111,600.00	100.00	-	Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Limited liability company	Establishment or Investment	50,000.00	-	100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Limited liability company	Business combination not under common control	40,816.00	-	51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	10,000.00	-	51.00	Establishment or Investment
Guangzhou Baiyunshan Hospital of Traditional Chinese Medicine Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	20,000.00	-	51.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	126,480.00	100.00	-	Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00	-	Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00	-	80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49	-	Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00	-	100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48	-	Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00	-	63.36	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	46,091.90	100.00	-	Business combination under common control

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(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	100.00	–	100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Limited liability company	Pharmaceutical manufacturing	11,790.00	100.00	–	Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00	–	Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00	–	60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00	–	60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD132,500.00	100.00	–	Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP 1,000.00	–	99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	100,000.00	–	100.00	Establishment or Investment
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	593,470.00	100.00	–	Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	–	51.00	Business combination not under common control
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	537,500.00	–	100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00	–	Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	40,000.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	1,000.00	–	100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Limited liability company	Medical research	80,000.00	100.00	–	Business combination under common control

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VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Category of corporation	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Baiyunshan Medical Instruments investment Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	-	100.00	Establishment or Investment
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	5,000.00	-	60.00	Establishment or Investment
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	2,000.00	-	51.00	Establishment or Investment
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	100.00	-	Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Leasing and commercial services	10,000.00	100.00	-	Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Leasing and commercial services	9,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	500,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	70,000.00	100.00	-	Establishment or Investment

Note: Although the Group's shareholding ratio of Guangzhou Chen Li Ji Great Health Industry Co., Ltd., Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd., Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd. And Hubei Guangyao An Kang Pharmaceutical Co., Ltd. Holding is less than 50%, with the majority in the board seats of these companies; they were included into the consolidation scope.

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

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VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders in the period	Dividend paid to minority shareholders in the period	Closing balance of minority shareholders' equity
GP Corp.	27.26%	141,837,712.73	–	1,591,122,419.09

(3) Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Current assets	Non-current assets	Closing balance			
			Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	25,322,381,755.06	2,369,995,661.53	27,692,377,416.59	21,215,171,609.67	669,669,433.93	21,884,841,043.60

Closing balance of last year

GP Corp.	24,277,456,470.22	2,137,048,078.42	26,414,504,548.64	20,659,476,369.61	466,976,719.16	21,126,453,088.77
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Subsidiary	Current period				Prior period			
	Operating revenue	Net profit	Total comprehensive income	Operating cash flows	Operating revenue	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	46,980,796,080.73	521,148,822.07	520,893,723.07	396,769,695.22	42,663,817,872.97	379,194,832.72	372,864,810.51	374,276,391.77

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(All amounts in Renminbi yuan unless otherwise stated)

VII. EQUITY IN OTHER ENTITIES (Continued)

2. Summary for financial information of insignificant associates and joint ventures

(1) Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Closing balance of last year/ Prior period
Joint ventures:		
Total book balance of investments	380,237,450.23	656,044,705.41
Calculated by rate of interests held:		
– Net profit	60,484,247.06	291,694,516.81
– Other comprehensive income	–	–
– Total comprehensive income	60,484,247.06	291,694,516.81
Associates		
Total book balance of investments	1,182,641,117.13	1,209,821,466.19
Calculated by rate of interests held:		
– Net profit	65,253,220.53	60,663,236.54
– Other comprehensive income	–	–
– Total comprehensive income	65,253,220.53	60,663,236.54

(2) There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the company.

Nil

(3) There are no excessive losses incurred by joint ventures or associates.

Nil

(4) There are no unrecognized commitments related to joint venture investment.

Nil

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

Nil

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VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities are subject to various financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance.

1. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

2. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

Item	Closing balance					Total	Book value of balance sheet
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date		
Short-term borrowings	8,502,654,807.03	-	-	-	-	8,502,654,807.03	8,428,008,311.52
Notes payable	3,445,815,661.30	-	-	-	-	3,445,815,661.30	3,445,815,661.30
Accounts payable	11,287,152,869.54	-	-	-	-	11,287,152,869.54	11,287,152,869.54
Other payables	4,577,200,581.59	-	-	-	-	4,577,200,581.59	4,577,200,581.59
Current portion of non-current liabilities	254,944,889.76	-	-	-	-	254,944,889.76	245,802,906.86
Long-term borrowings	24,521,791.69	550,211,145.86	229,159,687.50	-	-	803,892,625.05	752,812,083.34
Lease liability	-	147,438,932.17	212,944,519.97	232,234,542.27	-	592,617,994.41	497,697,835.96
Long-term payables	-	-	-	20,464,502.00	-	20,464,502.00	20,464,502.00
Subtotal	<u>28,092,290,600.91</u>	<u>697,650,078.03</u>	<u>442,104,207.47</u>	<u>252,699,044.27</u>	-	<u>29,484,743,930.68</u>	<u>29,254,954,752.11</u>

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

2. Liquidity risk (Continued)

Item	Closing balance of last year					No fixed maturity date	Total	Book value of balance sheet
	Within 1 year	1-2 years	2-5 years	Over 5 years				
Short-term borrowings	8,173,961,239.89	-	-	-	-	-	8,173,961,239.89	8,265,729,653.03
Notes payable	3,284,549,237.79	-	-	-	-	-	3,284,549,237.79	3,284,549,237.79
Accounts payable	10,874,808,379.60	-	-	-	-	-	10,874,808,379.60	10,874,808,379.60
Other payables	4,013,915,065.13	-	-	-	-	-	4,013,915,065.13	4,013,915,065.13
Current portion of non-current liabilities	236,106,690.45	-	-	-	-	-	236,106,690.45	236,106,690.45
Long-term borrowings	15,093,166.72	15,093,166.72	511,059,833.36	-	-	-	541,246,166.80	497,550,000.00
Lease liability	-	191,983,432.70	199,169,238.85	170,671,782.73	-	-	561,824,454.28	561,824,454.28
Long-term payables	-	-	-	22,846,772.00	-	-	22,846,772.00	22,846,772.00
Subtotal	<u>26,598,433,779.58</u>	<u>207,076,599.42</u>	<u>710,229,072.21</u>	<u>193,518,554.73</u>	-	-	<u>27,709,258,005.94</u>	<u>27,757,330,252.28</u>

3. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 31 December 2021, except for the assets or liabilities described in the following table, which are in US dollars, Euros, Japanese Yen, and Hong Kong Dollars, Australian Dollars, the Group's assets and liabilities balances are all in Renminbi. The foreign exchange risk arising from the assets and liabilities of these foreign currency balances may have an impact on the Group's operating results.

Item	Closing Balance	Closing balance of last year
Cash at bank and on hand	132,950,140.25	89,655,045.78
Accounts receivable	8,478,790.45	12,200,877.95
Other receivables	1,088,770.35	992,686.10
Total financial assets in foreign currency	<u>142,517,701.05</u>	<u>102,848,609.82</u>
Short-term borrowings	19,616,329.58	34,019,924.99
Accounts payable	59,010,163.96	38,291,842.30
Other payables	1,168,074.70	3,205,160.89
Total financial liabilities in foreign currency	<u>79,794,568.24</u>	<u>75,516,928.18</u>

- (1) Subsidiaries of the Group are responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.
- (2) As on 31 December 2021, for all types of financial assets and financial liabilities of the Group in foreign currency, if the RMB appreciates or depreciates against the foreign currency by 10% and other factors remain unchanged, the Group's net profit will increase or decrease by approximately RMB4,704 thousand (As on 31 December 2020: approximately RMB2,050 thousand).

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VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. Market risk (Continued)

(2) Interest rate risk

As on 31 December 2021, the Group's long-term interest-bearing debt balance was RMB752,550 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB2,652 thousand (As on 31 December 2020: RMB3,488 thousand).

(3) Other price risks

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

Item	Closing Balance	Closing balance of last year
Other equity instruments investments	–	–
Other non-current financial assets	133,896,048.65	165,821,377.99
Total	133,896,048.65	165,821,377.99

As on 31 December 2021, if all other variables remain unchanged and the value of equity instruments rises or falls by 10%, the Company's net profit will increase or decrease by RMB11,381 thousand (As on 31 December 2020: net profit will increase or decrease by RMB14,092 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

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IX. DISCLOSURE OF FAIR VALUE

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

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

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

The third hierarchy: Input value of assets or liabilities based on variables excluding observable market data (unobservable input value).

The hierarchy of a fair value measurement result is determined by the bottom level of the input value, which is significant to the overall measurement of fair value.

1. Closing balance of fair value of assets and liabilities measured at fair value

Item	Closing balance of fair value			Total
	The first hierarchy	The second hierarchy	The third hierarchy	
I. Continuous measurement at fair value				
Receivable financing	–	–	3,171,865,961.20	3,171,865,961.20
Other equity instrument investments	–	–	123,422,079.79	123,422,079.79
Other non-current financial assets	133,896,048.65	17,866,818.77	422,514,703.51	574,277,570.93
1. Financial assets measured at FVTPL	133,896,048.65	17,866,818.77	422,514,703.51	574,277,570.93
(1) Debt instrument investments	–	4,000,000.00	–	4,000,000.00
(2) Equity instrument investments	133,896,048.65	–	372,913,450.88	506,809,499.53
(3) Others	–	13,866,818.77	49,601,252.63	63,468,071.40
Total assets continuously measured at fair value	<u>133,896,048.65</u>	<u>17,866,818.77</u>	<u>3,717,802,744.50</u>	<u>3,869,565,611.92</u>

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

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

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

The fair value of the secondary asset-backed securities subscribed by the Group is estimated against the unadjusted quoted bonds in the relevant active market at the end of the year.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

Notes to the Financial Statements

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IX. DISCLOSURE OF FAIR VALUE (Continued)

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

Item	Closing fair value	Valuation technology	Unobservable input value	Range
Receivable financing	3,171,865,961.20	Discounted Cash Flow Method	Discount rate of risk adjustment	1.66%-2.90%

The fair value of the Group's equity instruments measured at fair value is estimated by the discounted model. The model adopted is mainly the Discounted Cash flow Model, and the input value of the valuation mainly includes the expected return (annual growth rate of 2% to 3%), the period of expected return (perpetual period) and discounted rate (10%-12%), etc. For the fair value of non-listed equity instruments that not estimated by the model, it shall be calculated according to the proportion holding by the Group and the net assets of the invested company on 31 December 2021.

For the other non-current financial assets are mainly include the contingent consideration related to the sub-subsidiary's performance commitments stated in the notes V. (13), based on possibility for the performance, the credit risk and solvency of the sub-subsidiary, the Group estimates the fair value by Discounted Cash Flow Model.

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

Item	Closing balance of last year	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the period		Purchase, issue, sale and settle		Closing balance
				Recognized in profit or loss	Recognized in other comprehensive income	Increase in the period	Decrease in the period	
◆ Transactional financial assets	4,000,000.00	-	-	-	-	-	4,000,000.00	-
Financial assets based on fair value through profit or loss	4,000,000.00	-	-	-	-	-	4,000,000.00	-
- Others	4,000,000.00	-	-	-	-	-	4,000,000.00	-
◆ Receivable financing	2,164,978,925.29	-	-	-	(185,556.46)	2,421,197,498.51	1,414,124,906.14	3,171,865,961.20
◆ Other equity instrument investments	116,367,414.84	-	-	-	7,054,664.95	-	-	123,422,079.79
◆ Other non-current financial assets	84,179,296.14	-	-	199,335,407.37	-	139,000,000.00	-	422,514,703.51
Financial assets based on fair value through profit or loss	84,179,296.14	-	-	199,335,407.37	-	139,000,000.00	-	422,514,703.51
- Equity instrument investments	84,179,296.14	-	-	149,734,154.74	-	139,000,000.00	-	372,913,450.88
- Others	-	-	-	49,601,252.63	-	-	-	49,601,252.63
Total	<u>2,369,525,636.27</u>	<u>-</u>	<u>-</u>	<u>199,335,407.37</u>	<u>6,869,108.49</u>	<u>2,560,197,498.51</u>	<u>1,418,124,906.14</u>	<u>3,717,802,744.50</u>

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X. RELATED PARTIES AND CONNECTED TRANSACTIONS

1. Information of the Parent Company

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

The ultimate control party of the Group is State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government, which is located in P.R.C.

2. Subsidiaries of the Group

Please refer to Note VII. (1). Equity in subsidiaries.

3. Associates and joint ventures of the Group

For important joint ventures or associates of this enterprise, please refer to the note "VII. (2) Equity in joint ventures or associates"

Information of associates or joint ventures which have had transactions with the Company in the period, or had had transactions with the Company in prior years and formed a balance in period is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS	Joint venture
Baxter Qiao Guang	Joint venture
Nuo Cheng	Joint venture
Chengdu Hejian	Joint venture
Guangzhou Dufen Health Industry Co., Ltd.	Associates
Baiyunshan Yi Xin Tang	Associates
Yi Xin Tang	Associates
Chuang Mei	Associates
Southern Anti-Tumor Biological	Associates

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X. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

4. Other Related Parties without Control Relationship

Other related parties	Relationship with the Company
Guangzhou Yu Fa Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou South China Medical Instruments Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (hereinafter referred to as "Hua Cheng")	Controlled by the same parent company
GPHL (Macao) International Development Industry Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Controlled by the same parent company
Pharmaceutical Import & Export	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture of the parent company

5. Connected Transactions

(1) Connected transaction of purchase and sales of goods, rendering and receiving of services

Detail of purchase of goods/receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	240,949,175.45	0.15	232,715,250.95	0.45
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	107,826,983.16	0.07	60,091,806.12	0.12
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	13,094,138.48	0.01	18,196,415.58	0.04
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	29,322,798.26	0.02	31,835,385.77	0.06
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	280,272.32	0.00	7,675.59	0.00
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	1,277,613.73	0.00	-	-
Subtotal				392,750,981.40		342,846,534.01	
HWBYS	Acceptance of service	Publicity fee	Market price	13,893,892.14	1.32	11,933,487.07	1.73
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	1,582,420.74	0.15	897,996.23	0.13
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	1,649.53	0.00	-	-
Subtotal				15,477,962.41	1.47	12,831,483.30	1.86
Total				408,228,943.81		355,678,017.31	

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(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Connected Transactions (Continued)

(1) Connected transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Detail of sales of goods/rendering of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	422,353,028.19	0.61	558,789,479.66	0.91
HWBYS	Sales of good	Medicinal material or medicine	Market price	168,104,040.20	0.24	195,953,801.67	0.32
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	109,232,497.73	0.16	79,795,293.53	0.13
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	85,649,089.84	0.12	85,635,383.10	0.14
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	25,674,833.55	0.04	31,728,479.83	0.05
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	1,001,204.55	0.00	2,156,915.34	0.00
Chengdu Hejian	Sales of goods	Medicinal material or medicine	Market price	1,547,497.20	0.00	-	-
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Others	Market price	510,607.52	0.00	-	-
Guangzhou Dufen Health Industry Co., Ltd.	Sales of good	Equipment	Market price	234,712.34	0.00	-	-
GPHL	Sales of good	Medicinal material or medicine	Market price	15,920.35	0.00	201,292.04	0.00
Nuo Cheng	Sales of good	Medicinal material or medicine	Market price	18,500.60	0.00	43,773.44	0.00
Southern Anti-tumor Biological	Sales of good	Medicinal material or medicine	Market price	519.03	0.00	8,405.31	0.00
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	45,013.36	0.00	-	-
Subtotal				814,387,464.47		954,312,823.92	
HWBYS	Rendering of services	Advertising agency service	Market price	37,234,290.66	61.72	41,036,504.39	66.47
Hua Cheng	Rendering of services	Advertising agency service	Market price	11,923,828.34	19.76	15,434,688.58	25.00
GPHL	Rendering of services	Advertising agency service	Market price	1,926,798.16	3.19	1,408,462.72	2.28
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	50,315.09	0.08	40,881.13	0.07
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	1,234,905.66	2.05	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	702,183.73	1.16	-	-
Subtotal				53,072,321.64		57,920,536.82	

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X. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Connected Transactions (Continued)

(1) Connected transaction of purchase and sales of goods, rendering and receiving of services (Continued)

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

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Hua Cheng	Rendering of services	Consigned processing	Market price	18,545,565.83	9.28	20,491,861.82	11.58
HWBYS	Rendering of services	Consigned processing	Market price	7,702,505.39	3.85	5,690,575.89	3.22
Subtotal				26,248,071.22		26,182,437.71	
HWBYS	Collecting trademark fee	Right to use trademark	Market price	1,093,814.78	43.64	945,941.87	46.22
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	338,231.74	13.50	342,372.70	16.73
Subtotal				1,432,046.52		1,288,314.57	
HWBYS	Rendering of services	R & D	Market price	366,043.39	2.06	29,716.98	0.25
Hua Cheng	Rendering of services	R & D	Market price	-	-	339,622.64	2.85
Chengdu Hejian	Rendering of services	R & D	Market price	23,584.91	0.13	-	-
Subtotal				389,628.30	0.00	369,339.62	0.00
Nuo Cheng	Rendering of services	Other services	Market price	2,352,467.85	0.00	1,176,086.26	0.00
Baxter Qiao Guang	Rendering of services	Other services	Market price	4,723,493.73	0.01	5,849,244.43	0.01
HWBYS	Rendering of services	Other services	Market price	1,027,309.54	0.00	636,880.81	0.00
GPHL	Rendering of services	Other services	Market price	27,228.83	0.00	28,612.00	0.00
Hua Cheng	Rendering of services	Other services	Market price	452,520.18	0.00	96,726.33	0.00
Southern Anti-tumor Biological	Rendering of services	Other services	Market price	30,094.35	0.00	32,830.20	0.00
Chengdu Hejian	Rendering of services	Other services	Market price	13,553.50	0.00	-	-
Subtotal				8,626,667.98		7,820,380.03	
Total				904,156,200.13		1,047,893,832.67	

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For the year ended 31 December 2021
(All amounts in Renminbi yuan unless otherwise stated)

X. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

5. Connected Transactions (Continued)

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

(3) Related leases

① The Group as the lessor

Unit: Thousand Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
The Company	Controlling shareholder	Venue for working	523	342
The Company	Joint Venture	Warehouse	3,343	3,463
Subsidiaries	Joint Venture	Plant	3,238	3,047

② The Group as the lessee

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

Unit: Thousand Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Subsidiaries	Warehouse, Venue for working	9,539	2,060

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

Unit: Thousand Yuan Currency: RMB

Lessor	Lessee	Types of leased assets	Depreciation of the right-of-use assets recognized in the current period	Interest expense of lease liability drawn in the current period
Controlling shareholder	The Company	Warehouse, Venue for working	873	63
Controlling shareholder	Subsidiaries	Warehouse, Venue for working, shops	1,778	230
Joint Venture	Subsidiaries	Venue for working	4,506	137

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

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

5. Connected Transactions *(Continued)*

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

Employee benefits of the Group's key management personnel amounted to RMB9,172 thousand for January to December 2021 (January to December 2020: RMB7,722 thousand). The Group's key management personnel of the period include 9 persons, such as director, general manager, vice general manager, and secretary to the Board of Director (January to December 2020: 9 persons). Among them, 7 received their salaries from the Company (January to December 2020: 7 persons).

(8) Other connected transactions

① License Agreement

- (a) The Company shall receive a total of RMB1,094 thousand (January to December 2020: RMB946 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Hehuang Great Health for January to December 2021.
- (b) The Company should receive license fee of "Bai yun shan" amounted to RMB338 thousand from Hua Cheng for January to December of 2021 (January to December 2020: RMB342 thousand).

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X. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties

(1) Receivables

Item	Related party	Closing Balance		Closing balance of last year	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable:					
	Chuang Mei	4,573,355.40	–	31,038,038.38	–
	Total	4,573,355.40	–	31,038,038.38	–
Accounts receivable:					
	Chuang Mei	51,337,880.84	513,378.81	102,549,973.07	1,025,499.73
	Hua Cheng	22,597,780.94	231,928.22	22,898,108.96	228,981.09
	HWBYS	30,560,978.03	305,609.79	46,487,138.28	464,871.38
	Yi Xin Tang	22,432,685.03	234,542.47	17,180,565.94	180,305.35
	Baiyunshan Yi Xin Tang	1,026,585.46	10,265.86	2,931,428.71	29,314.29
	Baxter Qiao Guang	896,188.66	8,961.89	1,397,792.15	13,977.92
	GPHL	136,734.00	1,367.34	94,338.00	943.38
	Chengdu Hejian	437,159.82	4,371.60	–	–
	GPHL (Macao) International Development Industry Co., Ltd.	1,856,986.50	18,569.87	–	–
	Kang Mei Pharmaceutical	5,087,494.72	36,159.03	–	–
	Total	136,370,474.00	1,365,154.87	193,539,345.11	1,943,893.14
Accounts receivable financing:					
	Chuang Mei	105,665,655.78	–	113,681,083.67	–
	Yi Xin Tang	4,605,971.87	–	3,783,987.05	–
	Hua Cheng	–	–	966,590.49	–
	Total	110,271,627.65	–	118,431,661.21	–

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For the year ended 31 December 2021

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

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

1. Receivables *(Continued)*

Item	Related party	Closing Balance		Closing balance of last year	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:					
	HWBYS	26,571,218.51	-	26,415,223.41	-
	Hua Cheng	867,491.97	-	4,231,662.79	-
	Chuang Mei	-	-	4,693,451.50	-
	GPHL	-	-	621.00	-
	Kang Mei Pharmaceutical	3,051.78	-	-	-
	Pharmaceutical Import & Export	891.45	-	-	-
	Total	27,442,653.71	-	35,340,958.70	-
Dividends receivable:					
	HWBYS	343,766,959.00	-	-	-
	Nuo Cheng	-	-	37,938,523.45	-
	Total	343,766,959.00	-	37,938,523.45	-
Other receivables:					
	HWBYS	3,758,419.21	-	2,728,464.67	-
	Hua Cheng	1,902,442.55	-	1,971,036.40	-
	GPHL	419,953.74	-	8,859,503.11	-
	Nuo Cheng	387,828.19	-	-	-
	Baxter Qiao Guang	399,388.01	-	731,890.00	-
	Guangzhou South China Medical Instruments Co., Ltd.	-	-	100,000.00	100,000.00
	Pharmaceutical Import & Export	5,973.47	-	-	-
	Total	6,874,005.17	-	14,390,894.18	100,000.00

Notes to the Financial Statements

For the year ended 31 December 2021

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

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

(2) Payables

Item	Related party	Closing Balance	Closing balance of last year
Notes payable:			
	Pharmaceutical Import & Export	157,646,920.60	–
	HWBYS	74,117,360.04	53,000,565.58
	Baxter Qiao Guang	6,511,394.00	–
	Chuang Mei	4,027,824.00	–
	Hua Cheng	220,800.00	–
	Total	242,524,298.64	53,000,565.58
Accounts payable:			
	Kang Mei Pharmaceutical	29,547,024.33	–
	HWBYS	17,476,861.46	10,362,885.61
	Baxter Qiao Guang	10,489,322.90	8,830,790.10
	Chuang Mei	6,690,871.84	1,459,110.29
	Pharmaceutical Import & Export	6,569,216.49	–
	Hua Cheng	435,966.48	218,892.13
	Baiyunshan Yi Xin Tang	157,934.41	–
	Total	71,367,197.91	20,871,678.13
Contractual liabilities:			
	GPHL Chuang Mei	51,297,522.85	62,530,674.36
	Kang Mei Pharmaceutical	15,723,291.81	–
	HWBYS	5,440,334.50	3,448,096.77
	Baiyunshan Yi Xin Tang	491,645.46	313,073.44
	GPHL (Macao) International Development Industry Co., Ltd.	465,212.00	–
	Pharmaceutical Import & Export	180,443.60	–
	Guangzhou DuFen Health Industry Co., Ltd.	32,898.26	–
	Hua Cheng	5,575.22	67,709.95
	Yi Xin Tang	15.40	1.12
	Baxter Qiao Guang	–	285,868.14
	Total	73,636,939.10	66,645,423.78

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

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

(2) Payables *(Continued)*

Item	Related party	Closing Balance	Closing balance of last year
Other payables			
	GPHL	17,535,367.82	28,112,222.08
	HWBYS	13,030,404.44	–
	Baxter Qiao Guang	2,322,200.00	10,952,552.76
	Chuang Mei Pharmaceutical Import & Export	855,600.00	–
		20,000.00	20,000.00
	Total	33,763,572.26	39,084,774.84
Other current liabilities:			
	Chuang Mei	6,668,677.95	7,939,464.90
	Kang Mei Pharmaceutical	1,986,839.80	–
	HWBYS	470,656.52	285,164.08
	Baiyunshan Yi Xin Tang Pharmaceutical Import & Export	63,913.92	40,699.54
		6,201.03	–
	Guangzhou Dufen Health Industry Co., Ltd.	4,276.78	–
	Hua Cheng	724.78	8,802.29
	Yi Xin Tang	0.09	0.09
	Baxter Qiao Guang	–	37,162.86
	Total	9,201,290.87	8,311,293.76
Other non-current liabilities:			
	HWBYS	71,764.00	152,234.74
	Kang Mei Pharmaceutical	57,112.83	–
	Pharmaceutical Import & Export	17,256.64	–
	Yi Xin Tang	–	0.05
	Total	146,133.47	152,234.79

Notes to the Financial Statements

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XI. COMMITMENTS OR CONTINGENCY

1. Significant Commitments

(1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement		
– Commitment on purchasing long-term assets	1,150,100,556.38	1,810,400,417.44
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	<u>1,150,100,556.38</u>	<u>1,810,400,417.44</u>

(2) As on 31 December 2021, the Group has no unrecognized commitment related to investment in joint ventures.

(3) Other commitments

① *The Group's share of the capital expenditures commitments of the joint ventures is as follows:*

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	–	–
Total	<u>–</u>	<u>–</u>

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

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	1,582,093,876.06	1,556,547,175.17
Commitments on external investments	–	320,000,000.00
Total	<u>1,582,093,876.06</u>	<u>1,876,547,175.17</u>

The commitments on external investments amounted to RMB320,000,000.00 of last year has been canceled in 2021.

③ *Fulfillment of commitments for the prior.*

The Group has fulfilled the capital expenditures and operating lease commitments as on 31 December 2021.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XI. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies

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

In December 2001, Baiyunshan General Factory, Pharmaceutical Technological and Technology Company and other units signed the “Agreement”, stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan General Factory, Pharmaceutical Technological, It is determined that Baiyunshan General Factory is a production unit, and Pharmaceutical Technological owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan General Factory and Pharmaceutical Technological obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (“Chemical Pharmaceutical Factory”) obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark “Jin Ge” registered by Baiyunshan General Factory was approved as the drug product name, and the “Jin Ge” trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Pharmaceutical Technological in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge’s rights and interests, between the shareholders of the two sides, Pharmaceutical Technological and Baiyunshan General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge’s sales. Jin Ge has achieved good sales performance since its listing.

Affected by changes in the patent protection period of the original research drug and the actual cooperation mode between the two parties, in view of the different contributions of the parties in the process of research and development, production and operation of King Ge, in order to safeguard the interests of all parties, avoid the impact of income distribution disputes on Jin Ge’s good development trend, the representatives of the two shareholders have conducted many consultations on Jin Ge’s property rights and benefits, but the two sides have not been able to reach an agreement. At present, Baiyunshan General Factory has set up a special working group to actively promote the relevant work.

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

(2) Please refer to Note XIII (7) 1 for contingencies related to litigation.

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XII. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the profit distribution resolution of 19th meeting of the eighth Board of Directors of the Company on 18 March 2022, based on the total share capital of the Company of 1,625,790,949 shares at the end of 2021, the cash dividend is RMB6.87 (including tax) per 10 shares, and a total cash dividend is RMB1,116,918,381.96.

XIII. OTHER SIGNIFICANT MATTERS

1. Correction of prior accounting error

Nil

2. Debt restructuring

Nil

3. Asset replacement

Nil

4. Annuity plan

Nil

5. Termination of operations

Nil

6. Information of Segments

(1) Recognition Basis and Accounting Policies for Reporting Segments

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

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

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

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

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments

① The segment information for the twelve months January to December 2021 and as of 31 December 2021 is as follows:

Item	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)	122,949,900.42
Credit impairment losses	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

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

② The segment information for the twelve months January to December 2020 and as of 31 December 2020 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	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
Credit impairment losses	(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

③ The Group's total revenue from external customers in the P.R.C. and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the P.R.C. and other countries/regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
P.R.C	68,971,228,046.73	61,633,679,922.50
Other countries / regions	42,824,300.30	40,022,527.51
Total	69,014,052,347.03	61,673,702,450.01

Item	Closing balance	Closing balance of last year
Total non-current assets:		
P.R.C.	11,171,339,196.89	11,217,481,695.33
Other countries / regions	13,231,950.11	14,345,306.66
Total	11,184,571,147.00	11,231,827,001.99

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters

(1) Litigation of the Group

- ① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021.

As at 23 December 2021, the claims of Subsidiary A were as follows:

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

Litigant Plaintiff: Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. ("Guangsheng Metal")

Defendant: DongGuan Yelian Petroleum Bitumen Co., Ltd. ("Gongguan Yelian"), Guangzhou Tongtai Fuel Chemical Co., Ltd. ("Guangzhou Tongtai"), Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, Peng Beizhan

Note: Guangsheng Metal is the upstream supplier of Subsidiary A, and the downstream customer is Gongguan Yelian

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

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

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

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

Case facts

On 26 May 2020, in accordance with the civil judgment of 1st instance from the People's Court of Tianhe District: 1. Dongguan Yelian, Chen Xijiang, Subsidiary A, Ni Li, and Peng Beizhan shall return plaintiff's loan of RMB120 thousand and the interest; 2. Plaintiff's other claims were dismissed; The total case acceptance fee is RMB267,100, Guangsheng Metal paid RMB266.17 thousand, defendants Dongguan Yelian, Chen Xijiang, Subsidiary A, Ni Li, Peng Beizhan paid RMB930; The total property preservation fee is RMB5 thousand, Guangsheng Metal paid RMB4980, defendants Dongguan Yelian, Chen Xijiang, Subsidiary A, Ni Li, Peng Beizhan paid RMB20.

On 5 June 2020, We lodged an appeal to Guangzhou Intermediate People's Court. The 2nd instance opened in the court on 22 December 2020. On 1 April 2021, in accordance with the Civil Judgment: 1. The decision of 2nd article in the 1st instance by the People's Court of Tianhe District is reversed; 2. The decision of 1st article in the 1st instance by the People's Court of Tianhe District is changed to: Dongguan Yelian, Chen Xijiang, Ni Li, Peng Beizhan shall return plaintiff's loan of RMB36 million and the interest during the period of capital occupation; 3. Subsidiary A shall be liable for one third of the part returned by Dongguan Yelian and Chen Xijiang; 4. Other claims of Guangsheng Metal were dismissed. The total case acceptance fee is RMB221.8 thousand and total property preservation fee is RMB5 thousand. Guangsheng Metal paid RMB56.7 thousand, Subsidiary A paid RMB56.7 thousand, Dongguan Yelian and Chen Xijiang paid RMB56.7 thousand, Ni Li and Peng Beizhan paid RMB56.7 thousand; The total case acceptance fee of 2nd instance is RMB221.8 thousand, Guangsheng Metal paid RMB55.45 thousand, Subsidiary A paid RMB55.45 thousand, Dongguan Yelian and Chen Xijiang paid RMB55.45 thousand, Ni Li and Peng Beizhan paid RMB55.45 thousand.

On 18 August 2021, regarding the case of RMB36 million, we raised the objection to the execution and filed the case in the People's Court of Tianhe District.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

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

The main content of the court decision

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

The Guangzhou Intermediate People's Court made the judgment (2020) Yue 01 Min Zhong No. 20754 in December 2020: 1. To revoke the second item of the Civil Judgment (2018) Yue 0106 Min Chu No.29792 of the People's Court of Tianhe District; 2. Change The first item of the civil judgment (2018) Yue 0106 Min Chu No. 29792 to: Dongguan Yelian, Chen Xijiang, Ni Li, and Peng Beizhan shall return plaintiff's loan of RMB36 million and the interest during the period of capital occupation within 10 days from the date this judgment takes effect; 3. Subsidiary A shall bear one-third of the compensation liability for the parts that cannot be returned by Dongguan Yelian and Chen Xijiang; 4. Other claims of Guangsheng Metal were dismissed. On 7 April 2021, for our application of retrial, Guangdong High People's Court has placed on file for investigation.

The legal responsibilities for the Company or its subsidiaries

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

The impact on the Company's operation and finance

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

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

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

- ① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

- b. Litigation involving RMB18,440 thousand

Litigant Plaintiff: Guangsheng Metal

Defendant: Guangzhou Tongtai, Dongguan Yelian, Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, Peng Beizhan

Note: In this case, the upstream supplier of Subsidiary A is Guangsheng Metal, and the downstream customer is Guangzhou Tongtai

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

In September 2018, Guangsheng Metals filed a private lending dispute litigation with Dongguan Yelian, Guangzhou Tongtai, Chen Xijiang, Liu Xianghong, Subsidiary A, Ni Li, and Peng Beizhan in the People's Court of Tianhe District, Guangzhou City. The case number is: (2018) Yue 0106 Min Chu No.23672.

In October 2019, in accordance with the Civil Judgment (2018) Yue 0106 Min Chu No.23672 issued by the People's Court of Tianhe District on 22 October 2019, Chen Xijiang, Guangzhou Tongtai, Dongguan Yelian, Subsidiary A, and Liu Xianghong shall return plaintiff's principle of loan of RMB18 million and the interest, and they shall pay the case acceptance fee and property preservation amounted to RMB157,780 in total.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

b. Litigation involving RMB18,440 thousand (Continued)

Case facts In November 2019, we lodged an appeal to Guangzhou Intermediate People's Court. The 2nd instance opened in the court on 7 May 2020, we received the civil ruling. The Court decides: The 1st instance court failed to notify the manager of Dongguan Yelian to attend the proceedings, and made the judgment by default, which seriously violated the legal procedures. In accordance with the ruling, 1. The 1st sentence by People's Court of Tianhe District was reversed; 2. This case is remanded to the People's Court of Tianhe District for a retrial. The prepaid acceptance fee of the 2nd instance of RMB152,780 was returned.

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

The Guangzhou Intermediate People's Court made the judgment (2020) Yue 01 Min Zhong No. 2198 in July 2020: 1. To revoke the Civil Judgment (2018) Yue 0106 Min Chu No.23672 of the People's Court of Tianhe District; 2. This case is remanded to the People's Court of Tianhe District, Guangzhou City for retrial. After the decision, this case has opened in the People's Court of Tianhe District on 12 October 2021. In the court, our lawyers implemented proceedings in the court for the retrial of the 1st instance "proxy words" and "agency opinions". The ruling has not been received.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

b. Litigation involving RMB18,440 thousand (Continued)

The legal responsibilities for the Company or its subsidiaries	The case is currently under trial, and the legal liability that Subsidiary A should bear has yet to be determined by the court.
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The impact on the Company's operation and finance	The case is still under trial. The management of Subsidiary A evaluated the case on the basis of full reference to the professional opinions of external lawyers, and believed that Subsidiary A lost the case and the direct economic losses caused by it were estimated to be approximately RMB6 million, therefore RMB6 million was accrued as provisions.
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c. Litigation involving RMB47,400 thousand

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

c. Litigation involving RMB47,400 thousand (Continued)

Case facts

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

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

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

On 8 December 2020, in accordance with the 1st sentence in Civil Judgment issued by the People's Court in Haizhu District, all claims of Guangsheng Energy were dismissed.

On 21 December 2020, Guangsheng Energy lodged an appeal to Guangzhou Intermediate People's Court.

On 25 November 2021, the case opened in the Court, our lawyers implemented proceedings in the court for the retrial of the 2nd instance "proxy words". The 2nd trial of this case opened in Guangzhou Intermediate People's Court on 31 November 2021.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

c. Litigation involving RMB47,400 thousand (Continued)

The main content of the court decision The People's Court of Haizhu District, Guangzhou City issued the civil judgment (2019) Yue 0105 Min Chu No. 35467 and (2019) Yue 0105 Min Chu No. 35469 in December 2020, and all claims of Guangsheng Energy were dismissed. Guangsheng Energy refused to obey court decision and has appealed to the Guangzhou Intermediate People's Court.

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

The impact on the Company's operation and finance The case is still under trial. The management of Subsidiary A evaluated the case on the basis of full reference to the professional opinions of external lawyers. Accounts receivable^{②③} of Defenghang and accounts receivable of Guangzhou Tongtai were individually subject to provision for bad debt with a ratio of 10%.

Based on the prudence principle, for the actual paid funds not involved the above cases, which including pending other receivables of Defenghang amounted to RMB10,315.7 thousand and accounts receivable of SINO Gas (Zhuhai) Limited amounted to RMB10,541.8 thousand, were individually subject to provision for bad debt with a ratio of 100%.

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

d. Litigation involving the amount of RMB8.3649 million

Litigant

1. Case (2019) Yue 0115 Min Chu No. 3946

Plaintiff: Guangzhou Linhai Trade & Industry Co., Ltd. ("Guangzhou Linhai")

Defendant: Hainan Lanhui New Energy Development Co., Ltd. ("Hainan Lanhui"), Subsidiary A

2. Case (2019) Yue 0115 Min Chu No. 3947

Plaintiff: Guangzhou Linhai

Defendant: Hainan Lanhui, A subsidiary

Note: In this case, the upstream supplier of Subsidiary A is Guangzhou Linhai, and the downstream customer is Hainan Lanhui

Case facts

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

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

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

d. Litigation involving the amount of RMB8.3649 million (Continued)

The main content of the court decision

1. Case (2019) Yue 0115 Min Chu No. 3946

In July 2020, the People's Court of Nansha District, Guangzhou City issued a judgment (2019) Yue 0115 Min Chu No. 3946: (1) Hainan Lanhui shall return the principal of the loan amounted to RMB4,031,250 to Guangzhou Linhai within ten days from the effective date of this judgment; (2) Hainan Lanhui shall compensate plaintiff for interest losses within ten days from the effective date of this judgment; (3) Plaintiff's other claims were dismissed.

In April 2021, the Guangzhou Intermediate People's Court issued judgment (2020) Yue 01 Min Zhong No. 25121: (1) To Uphold the first and second item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (2) To revoke the third item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (3) For the debt confirmed in this court decision, Subsidiary A shall be jointly and severally liable for the liquidation to Guangzhou Linhai; (4) Guangzhou Linhai's other claims were dismissed.

2. Case (2019) Yue 0115 Min Chu No. 3947

The People's Court of Nansha District, Guangzhou City issued a judgment (2019) Yue 0115 Min Chu No. 3947 in July 2020: (1) Hainan Lanhui shall return the principal of the loan amounted to RMB4,031,250 to Guangzhou Linhai within ten days from the effective date of this judgment; (2) Hainan Lanhui shall compensate plaintiff for interest losses within ten days from the effective date of this judgment; (3) Plaintiff's other claims were dismissed.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

d. Litigation involving the amount of RMB8.3649 million (Continued)

The main content of the court decision

Guangzhou Intermediate People's Court issued a judgment (2019) Yue 01 Min Zhong No.25122 in April, 2021: (1) To Uphold the first and second item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3947 issued by the People's Court of Nansha District, Guangzhou City; (2) To revoke the third item of the main article in the Civil Judgment (2019) Yue 0115 Min Chu No. 3946 issued by the People's Court of Nansha District, Guangzhou City; (3) For the debt confirmed in this court decision, Subsidiary A shall be jointly and severally liable for the liquidation to Guangzhou Linhai; (4) Guangzhou Linhai's other claims were dismissed. On 22 October 2021, for our application of retrial, Guangdong High People's Court has placed on file for investigation.

The legal responsibilities for the Company or its subsidiaries

According to the above court decisions, Subsidiary A shall be jointly and severally liable to Guangzhou Linhai for the repayment of RMB8,062,500 of the principal of the loan and interest loss from Hainan Lanhui to Guangzhou Linhai.

The impact on the Company's operation and finance

According to the first-instance judgment of the above-mentioned court, Subsidiary A deducted RMB7,203,235.04 of revenue and RMB7,149,485.04 of cost recognized in 2014 in 2017 respectively. According to the above-mentioned judgment of the second instance of the court, Subsidiary A accrued provisions of RMB15,884,486.43 in the current period.

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

- ① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

As at 23 December 2021, litigations of Subsidiary A are as follows:

a. Litigation of Fujian Bestway Medical Polymer Corporation

Litigant	Plaintiff: Subsidiary A Defendant: Fujian Bestway Medical Polymer Corporation (“Bestway”)
Case facts	On 26 March 2019, Subsidiary A sued Fujian Bestway Medical Polymer Corporation with the People’s Court of Guangzhou Liwan District for a dispute over the sale and purchase contract, requesting an order for defendant to pay RMB7.31 million for the repurchase of the remaining material inventory. The returned product payment was RMB4.55 million and overdue liquidated damages were about RMB1.657 million, totaling about RMB13,512 thousand.
The main content of the court decision	After Subsidiary A filed an appeal and applied for a retrial, the Guangdong Higher People’s Court issued a “Civil Ruling” on 28 December 2020, ruling to revoke the first-instance ruling made by the Liwan District Court and the second-instance ruling made by the Guangzhou Intermediate People’s Court, and instructed the Liwan District Court to accept the case. On 11 January 2021, Subsidiary A filed a lawsuit with the Liwan District Court. At present, the Liwan District Court has accepted this case, and the case number is (2021) Yue 0103 Min Chu No. 1184.

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

a. Litigation of Fujian Bestway Medical Polymer Corporation (Continued)

The main content of the court decision

On 4 March 2021, Subsidiary A received the “Civil Ruling” and “Property Preservation Notice” from the Liwan District Court on property preservation, which ruled to seal, freeze, and detain the respondent, Bestway, with a value of RMB15 million of the property. In fact, only 100% of the equity of Fuzhou Kanglite Medical Equipment Co., Ltd. held by Bestway was frozen, and the freezing of two bank accounts failed due to errors.

Subsidiary A received the “Summons” from the Liwan District Court, and the Liwan District Court opened the first instance on 15 March 2021. As of the reporting date, the case has not yet been judged.

The case was heard in the 6th Court of the Liwan District People’s Court on July 26, 2021. The Liwan District People’s Court issued a judgment (2021) Yue 0103 Min Chu No.1184 in August 2021: (1) Bestway shall repurchase the remaining goods purchased by Subsidiary A from Bestway within 10 days from the legal effect of this judgment and pay the repurchase amount of RMB6,668,496.00; (2) Bestway shall pay to Subsidiary A RMB4,549,031.50 of the returned goods within 9 days from the legal effect of this judgment; (3) Bestway shall pay to Subsidiary A liquidated damages within 10 days from the legal effect of this judgment; (4) Bestway shall pay to Subsidiary A custody charges for the remaining goods within 10 days from the legal effect of this judgment; (5) Other claims of Subsidiary A were dismissed.

On 23 August 2021, Bestway lodged an appeal to Guangzhou Intermediate People’s Court.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

① The Group transferred 100% equity of the former Subsidiary A to GPLH this year, and completed the industrial and commercial change on 23 December 2021. (Continued)

a. Litigation of Fujian Bestway Medical Polymer Corporation (Continued)

The main content of the court decision

On 24 November 2021, the case opened in Guangzhou Intermediate People's Court.

On 2 December 2021, in accordance with the Civil Judgment (2021) Yue 01 Min Zhong No. 23390 – 1, the 1st article of the Civil Judgment (2021) Yue 01 Min Zhong No. 23390 issued by Guangzhou Intermediate People's Court is upheld: Bestway shall repurchase the remaining goods purchased by Subsidiary A from Bestway within 10 days from the legal effect of this judgment and pay the repurchase amount of RMB6,668,496.00. Guangzhou Intermediate People's Court made a pre-judgment on the matters that have no objection to both parties. For other matters disputed by the two parties in the 2nd instance, the Court will find out the relevant facts and make a judgment separately.

On 30 December 2021, we received the "Validity Certificate" of the pre-judgment (2021) Yue 01 Min Zhong No.23390 for the 2nd instance from the Court. Recently, we submitted to the Court "Execution Application" and other materials, and applied to the Court for the execution.

The legal responsibilities for the Company or its subsidiaries

Subsidiary A, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.

The impact on the Company's operation and finance

Based on the professional opinions of external lawyers, the management of Subsidiary A assessed the case. Out of the principle of prudence, Subsidiary A made a provision for inventory depreciation of RMB5.68 million for Bestway's inventory.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

② Litigation involving the subsidiaries of the Group

a. Litigation involving Subsidiary I of the Group

Litigant	Plaintiff: Guangsheng Energy Defendant: Subsidiary I
Case facts	In January 2018, Guangsheng Energy requested Subsidiary I of the Group to pay RMB81,408,500.00 for the goods on the grounds that the purchase and sale contract did not receive the payment.

The plaintiff in this case has sued on 11 March 2015 on the same grounds, and was rejected by the Tianhe District Court on the grounds of criminal proceedings on 17 August 2016. This time, Guangsheng Energy renewed the prosecution on the grounds that “there is no evidence that the dispute in this case is suspected of being an economic crime”. At present, the first instance has rejected the prosecution and Guangsheng Energy has filed an appeal; the second instance has been sent back to the first instance court for retrial. Plaintiff has applied for four of the five retrial cases, and the court has ruled to withdraw the case, and the Tianhe District Court has already ruled Subsidiary I. The case was won and all of the plaintiff’s claims were dismissed. The counterpart did not appeal, and the judgment has come into effect.

However, on 24 April 2020, Guangsheng Energy listed the Subsidiary I as the 5th Defendant and filed a lawsuit with the Yuexiu District Court. The reason for the lawsuit was that Guangsheng Energy had already handed over the payment to other defendants and demanded them repay the loans of RMB52,745 thousand. It also claimed that Subsidiary I was directly liable for its losses and required Subsidiary I to assume supplementary liability for repayment.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

7. Other significant matters *(Continued)*

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

② *Litigation involving the subsidiaries of the Group (Continued)*

a. Litigation involving Subsidiary I of the Group *(Continued)*

The main content of the court decision	On 24 April 2020, the sued case of Subsidiary I was opened on 31 August 2020, and no judgment has been made.
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The legal responsibilities for the Company or its subsidiaries	The case is currently under trial, and the legal liabilities that the Subsidiary I should bear are yet to be determined by the court.
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The impact on the Company's operation and finance	Plaintiff claims that Subsidiary I shall bear the general guarantee responsibility, and Subsidiary I does not have any guarantee relationship with the plaintiff and other borrowers.
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The management of the Subsidiary I combined the opinions of external lawyers to assess the case, and the risk of loss is expected to be low.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

② Litigation involving the subsidiaries of the Group (Continued)

b. Litigation involving a subsidiary of the Group

Litigant	Plaintiff: Guangsheng Energy Defendant: a subsidiary of the Group
Case facts	<p>On 24 April 2014 and 26 May 2014, Guangsheng Energy and a subsidiary of the Group respectively signed the "Oil Products Purchase and Sales Contract". Guangsheng Energy has sued the subsidiary to the People's Court of Tianhe District on the grounds of sales contract dispute since 2014.</p> <p>In June 2018, the Provincial Higher People's Court finally rejected the application of re-examination from Guangsheng Energy.</p> <p>On 24 April 2020, Guangsheng Energy filed a lawsuit on the grounds of "claiming rights through legal channels based on the true rights and obligations formed in the transactions involved".</p>
The main content of the court decision	Not yet judged
The legal responsibilities for the Company or its subsidiaries	The case is currently under trial, and the legal liability that the subsidiary should bear has yet to be determined by the court.
The impact on the Company's operation and finance	The management of the subsidiary evaluated the situation of the case in combination with the opinions of external lawyers. If there is no special accident, it is expected that the possibility of losses caused by this lawsuit is relatively small.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

② Litigation involving the subsidiaries of the Group (Continued)

c. Matters sued of Subsidiary F of the Group

Litigant Plaintiff: Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd.

Defendant: Subsidiary F

Case facts On 1 June 2015, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued Subsidiary F of the Group for a legal service contract dispute and required Subsidiary F to pay RMB22,421.80 thousand for legal service fees and overdue interest.

The latest situation of the case is that on March 16, 2020, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued the Group's Subsidiary F. The cause of the case was a complaint in a legal service contract dispute. The amount involved was RMB18,069,450.00. Subsequently, the Group's Subsidiary F filed an objection to jurisdiction. On April 15, 2020, the court ruled to reject the application of Subsidiary F; on April 22, Subsidiary F filed an appeal petition against jurisdiction.

On July 17, 2020, Subsidiary F received the Jurisdiction Objection Ruling, and the Guangzhou Intermediate People's Court ruled that the case was transferred to the Nansha District Court for trial. An exchange of evidence took place on November 24, 2020. The case was heard in Nansha District People's Court on December 8, 2021. On December 29, 2021, Nansha District People's court made a judgment of first instance. Subsidiary F paid the plaintiff Guangzhou Ruigu a service fee of RMB8,937,075 within 10 days from the date of the legal effect of this judgment. The case acceptance fee is RMB132,017, RMB65,812 for the plaintiff and RMB64,405 for the defendant. Subsidiary F filed an appeal on January 5, 2022.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

② Litigation involving the subsidiaries of the Group (Continued)

c. Matters sued of Subsidiary F of the Group (Continued)

The main content of the court decision

Not yet judged

The legal responsibilities for the Company or its subsidiaries

The case is currently under trial, and the legal liabilities that Subsidiary F should bear are yet to be determined by the court.

The impact on the Company's operation and finance

The above cases are all litigations filed by Guangzhou Ruihu Enterprise Management Information Consulting Co., Ltd. for the same incident with different reasons. The management of Subsidiary F has assessed the situation of the case and believes that the 1st sentence is reasonable, and provisions amounted to RMB8,937,075 has been recorded accordingly.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries

a. Matters sued of the Company

Litigant	Plaintiff: the Group Defendant: Beijing Kangyeyuan Investment Consulting Co., Ltd.
Case facts	On October 14, 2019, the Group filed a lawsuit against Beijing Kangyeyuan Investment Consulting Co., Ltd. for Internet infringement of reputation rights to the Guangzhou Internet Court, involving an amount of RMB10,135,700.00.
The main content of the court decision	In August 2020, the Guangzhou Internet Court conducted a public judgment in the first instance in accordance with the law. Both the Group and Beijing Kangyeyuan Investment Consulting Co., Ltd. lodged an appeal. For details of the relevant content, please refer to the announcement numbered 2020-073 disclosed by the Company on the official website of the Shanghai Stock Exchange in August 2020. In April 2021, the Intermediate People's Court of Guangzhou City issued a second-instance judgment, dismissing the appeal and upholding the original judgment.
The legal responsibilities for the Company or its subsidiaries	The Group, as Plaintiff, actively asserted its rights through legal litigation and required defendant to make payments, which did not involve the legal liability of the Company or its subsidiaries.
The impact on the Company's operation and finance	In the first instance of this case, defendant compensated plaintiff for economic losses of RMB150,000, and the Company received the money on July 27, 2021.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group

(a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. ("Hubei Hongqiao")

Litigant

Plaintiff: Subsidiary G

Defendant: Hubei Hongqiao

Note: In this case, Company L and M, the sub-subsidiaries of Subsidiary G, are suppliers of Hubei Hongqiao

Case facts

In July 2015, Subsidiary G sued Hubei Hongqiao as the defendant to file a contract dispute litigation with the Wuhan Intermediate People's Court. The case number is: (2015) Yue Wuhan Zhong Min Shang Chu Zi No. 08822.

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

The main content of the court decision

The Wuhan Intermediate People's Court issued a judgment (2015) E Wuhan Zhong Min Shang Chu Zi No. 00822 in January 2017: (1) Hubei Hongqiao shall pay the arrears of RMB27,725,115.9 to the Subsidiary G within ten days from the effective date of this judgment; and shall pay to Subsidiary G since January 1, 2015, based on the arrears of RMB23,401,515.9 as the basis of two-thousandths of the daily liquidated damages until the day when the payment is settled; As of May 1, 2015, the loss of interest payable on the arrears on the basis of RMB4,323,600 of the People's Bank of China for the same period until the date of settlement; (2) Other claims from Subsidiary G were dismissed.

On 22 May 2018, Wuhan Intermediate People's Court issued "Execution Ruling" [(2017) Yue 01 Zhi No.316-3], the right of use and aboveground appendages of the land located in the west side of Tanshan Road, Hannan District, Wuhan City [Land Certificate No.: Han Guo Yong(2013) No.40481, 16,139.2 square meters] owned by Hongqiao Company were auctioned.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. (“Hubei Hongqiao”) (Continued)

The main content of the court decision

From 10 am 24 July 2018 to 10 am 25 July 2018, Wuhan Intermediate People’s Court held a public auction for the target [the right of use and aboveground appendages of the land located in the west side of Tanshan Road, Hannan District, Wuhan City [Land Certificate No.: Han Guo Yong (2013) No.40481, 16,139.2 square meters] and the land use right building of 12,150.9 square meters via internet, and the building of 12150.9 square meters]. The auction failed because no one registered to participate in the bidding. From 10 am 11 October 2018 to 10 am 12 October 2018, Wuhan Intermediate People’s Court held the second public auction for the target, and the deal was made at the price of RMB19,674,975. 00.

From May 2019 to July 2019, the court of the jurisdiction of the case allocated the money according to relevant laws. On 31 May 2019, RMB4,000,000.00 was allocated. On 26 July 2019, RMB7,303,975.00 and RMB38,139.98 were transferred to Guangzhou Pharmaceutical, total allocation was RMB11,342,114.98.

On 26 August 2019, Wuhan Intermediate People’s Court issued “Execution Ruling” [(2017) Yue 01 Zhi No.316-7], the execution of (2015) E Wuhan Zhong Min Shang Chu Zi No. 00822 was terminated.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(a) Litigation involving Hubei Hongqiao Pharmaceutical Co., Ltd. ("Hubei Hongqiao") (Continued)

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as a plaintiff, actively claims its rights through legal litigation, and requires defendant to pay arrears and liquidated damages, which does not involve the legal liability of the Company or its subsidiaries.

The impact on the Company's operation and finance

After execution by the court, plaintiff has received a compensation of RMB11,342,114.98, and the RMB18,611,963.06 arrears and liquidated damages have not been realized. In accordance with the (2017) E 01 Zhi No. 316-7 Min Sheng ruling made by the Wuhan Intermediate People's Court, the execution procedures of the (2015) E Wuhan Zhong Min Shang Chu Zi No. 00822 Judgment have been terminated. If it is found that the person subject to execution is available for execution, the execution can be applied again when the property is existed.

The management of Subsidiary G evaluated the situation of the case and combined with the professional opinions of external lawyers. After deducting the litigation-related costs, the relevant accounts receivable and the provision for bad debts were written off for the above-mentioned recovery of the enforcement payment; for the remaining uncollected payment, the management has made full provision for bad debts.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(b) Litigation involving Guangzhou Laitai Pharmaceutical Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G) Defendant: Guangzhou Laitai Pharmaceutical Co., Ltd.
Case facts	On May 31, 2019, Sub-subsidiary K (its parent company is Subsidiary G) sued Guangzhou Laitai Pharmaceutical Co., Ltd. over a dispute over the sales and purchase contract, demanding the refund of the undelivered part of the goods and processing of the inventory, involving an amount of RMB4,163,021.44.
The main content of the court decision	On 27 December 2019, the court decided to support all the claims of Sub-subsidiary K and freeze the land under the name of Guangzhou Laitai. Guangzhou Laitai did not appeal, and the judgment in this case has come into effect. On May 26, 2020, the court notified Sub-subsidiary K that defendant had entered the bankruptcy review in the Guangzhou Intermediate People's Court, so the court will make a ruling to terminate the Sub-subsidiary K's current execution procedures. On June 29, 2020, the court requested a final transcript, and Sub-subsidiary K did not agree to the transcript. In January 2021, Sub-subsidiary K applied to the court to resume execution. In September 2021, we received the reply of fail auction for the blocked land, which was transferred from Guangzhou Municipal Planning and Natural Resources Bureau to the Court. The land had been restored by the government for free in 2014. The housing authority system did not show the status because the defendant has not timely applied for the cancellation. This case is still unenforceable.

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For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

7. Other significant matters *(Continued)*

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

③ Matters sued of the Group and its subsidiaries *(Continued)*

b. Matters sued of Subsidiary G of the Group *(Continued)*

(b) Litigation involving Guangzhou Litai Pharmaceutical Co., Ltd. *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	The management of Sub-subsidiary K evaluated the situation of the case and combined with the opinions of external lawyers. It is believed that defendant has entered the bankruptcy review stage, and there is greater uncertainty in the recovery of the payment. The relevant inventory was returned, and the provision for depreciation of inventory has been written off, and the other receivables of RMB3.9 million was fully subject to provision for bad debts.
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Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(C) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen

Litigant Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)

Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd. Liang Hongfen

Case facts On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122,456.00.

The main content of the court decision The court opened a hearing on August 12, 2020. As of June 30, 2021, Sub-subsidiary K had lost the first-instance judgment. Sub-subsidiary K has appealed to the Intermediate Court and is now waiting for the court to issue a summons to determine the opening time. In accordance with the 2nd sentence received on 9 October 2021, our appeal was dismissed and the former judgment was upheld

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation, and required Defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance As of the reporting date, the case has not yet been judged. The management of Sub-subsidiary K evaluated the situation of the case and combined with the opinions of external lawyers. It is expected that the accounts receivable will be difficult to recover. Based on the principle of prudence, the management of Sub-subsidiary K accrued the entire amount of the accounts receivable individually as provision for bad debts.

Notes to the Financial Statements

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(d) Litigation involving Guangxi New Era

Litigant	Plaintiff: Subsidiary G Defendant: Guangxi Guangyao New Era Pharmaceutical Co., Ltd. ("Guangxi New Era")
Case facts	In July 2020, Subsidiary G filed a complaint with the People's Court of Liwan District, Guangzhou City, and filed a lawsuit against Guangxi New Era. At the same time, it submitted an application for property preservation and applied for the sealing up the 30% of equity and bank accounts of Guangxi New Era.
The main content of the court decision	On July 28, 2020, Subsidiary G received a civil ruling and a notice of property preservation issued by the People's Court of Liwan District, Guangzhou City, and successfully seized the equity and bank accounts held by Guangxi New Era. The first-instance with case number (2020) Yue 0103 Min Chu No. 6790, requiring Guangxi New Era Pharmaceutical Co., Ltd. to pay RMB18,049,400.00 for the goods and RMB22,908,592.20 for the default penalty for late payment (the principle is RMB18,049,400.00, which is based on five out of ten thousand per day. The payment was made in installments from July 3, 2013, temporarily counted until June 30, 2020, and requested until the date of defendant's actual payment), RMB300,000.00 for attorney fees and other related expenses, the first hearing was held on September 30, 2020, and the second hearing was held on December 15, 2020. The court issued a civil judgment on December 22, 2020, supporting the principal of RMB18,049,400.00, and part of liquidated damages and attorney fees of RMB150,000.00. The other claims were dismissed. Guangxi New Era Pharmaceutical Co., Ltd. refused to obey the court decision of the first instance and filed an appeal. The 2nd trial opened on 6 July 2021. In August 2021, the Court has ruled in favor of us. The judgment was entered in October 2021.

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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

7. Other significant matters *(Continued)*

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

③ *Matters sued of the Group and its subsidiaries (Continued)*

b. Matters sued of Subsidiary G of the Group *(Continued)*

(d) Litigation involving Guangxi New Era *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.
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The impact on the Company's operation and finance	As of the reporting date, the case has not yet been judged. Subsidiary G has applied to the court for freezing the corresponding equity and bank accounts. The management of Subsidiary G has assessed the situation of the case and made a 100% provision for bad debts of accounts receivable based on the opinions of external lawyers.
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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(e) Litigation involving Guilin Pharmaceutical Group Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Guilin Pharmaceutical Group Co., Ltd. ("Guilin Pharmaceutical")
Case facts	In August 2016, Subsidiary G filed a case to the People's Court in Liwan District, Guangzhou against Guilin Pharmaceutical for arrears of RMB4,130,812.22.
The main content of the court decision	In February 2017, Subsidiary G won the case, Guilin Pharmaceutical shall pay off Subsidiary G for RMB4,130,812.22 within 10 days from the legal effect of the judgment and the liquidated damages (and shall pay to Subsidiary G since August 22, 2014, based on the arrears of RMB4,130,812.22 as the basis of five out of ten thousand of the daily liquidated damages until the day when the payment is settled) and RMB100,000 for attorney fees. In March 2017, Guilin Pharmaceutical lodged an appeal. In August 2017, the Intermediate People's Court of Guangzhou City issued a second-instance judgment, upholding the original judgment. As at the reporting date, without property available for execution, the Court has ruled to terminate the execution of the case. The case would be resumed after the discovery of property available for execution.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation, and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the court has sealed up all properties of Guilin Pharmaceutical, but the seized real estate should not be dealt with temporarily. The court has issued a consumption restriction order on the person subject to enforcement. The management of Subsidiary G evaluated the situation of the case and combined with the professional opinions of external lawyers. The accounts receivable was recorded as provision for bad debts with a ratio of 100%.

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XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

7. Other significant matters *(Continued)*

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

③ *Matters sued of the Group and its subsidiaries (Continued)*

b. *Matters sued of Subsidiary G of the Group (Continued)*

- (f) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant Plaintiff: Sub-subsidiary O (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. (“Kang Ai Duo”)

Case facts On 19 October 2021, Sub-subsidiary O filed a case to the People’s Court in Liwan District, Guangzhou against Kang Ai Duo for arrears of RMB43,916,856.97 and the interest.

The main content of the court decision We put on record for the case on 19 October 2021. The case opened on 7 December 2021 and the judgment is still pending.

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary O, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company’s operation and finance As of the reporting date, the court has sealed up zero of Kang Ai Duo., The management of Sub-subsidiary O evaluated the situation of the case and the accounts receivable was recorded as provision for bad debts with a ratio of 100%.

Notes to the Financial Statements

For the year ended 31 December 2021

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(g) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo")

Case facts On 22 October 2021, Sub-subsidiary K filed a case against Kang Ai Duo for arrears of RMB10,140,622.28 and the interest.

The main content of the court decision On 22 October 2021, in accordance with the Civil Ruling issued by People's Court in Liwan District, the bank deposit of RMB10,460,315.14 of Kang Ai Duo was frozen.

The case opened in No.244 room of the Court on 27 December 2021 and the judgment is still pending.

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance The management of Sub-subsidiary K estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded with a ratio of 100%.

Notes to the Financial Statements

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XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

(h) Litigation involving Guangyao Qi Hua Medical Instruments Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary N (its parent company is Subsidiary G)
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	Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo")
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Case facts	On 21 October 2021, Sub-subsidiary N filed a case against Kang Ai Duo for arrears of RMB7,485,730.94 and the interest.
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The main content of the court decision	On 26 October 2021, in accordance with the Civil Ruling, the bank deposit of RMB7,485,730.94 of Kang Ai Duo was frozen.
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	The case opened on 2 December 2021 and the judgment is still pending.
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The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary N, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	The management of Sub-subsidiary N estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded with a ratio of 100%.
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Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

- (i) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Zhongshan Pharmaceutical Co., Ltd. ("Zhongshan"), Lianhe Yatai Food Medicine Logistics incorporated Company ("Yatai"), Guangdong Succhi Pharmaceutical (Group) Ltd. ("Succhi"), Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. ("Sancai")
Case facts	On 27 December 2021, Subsidiary G filed a case against Zhongshan for the unpaid commercial bill of RMB129,653,321.54 and the interest, and requested that Yatai, Succhi and Sancai to assume joint liability.
The main content of the court decision	The case has been put on record on 27 December 2021 and is will open on 18 March 2022.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	The management of Subsidiary G estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded with a ratio of 100%.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

b. Matters sued of Subsidiary G of the Group (Continued)

- (j) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd

Litigant Plaintiff: Subsidiary G

Defendant: Lianhe Yatai Food Medicine Logistics incorporated Company ("Yatai"), Zhongshan Pharmaceutical Co., Ltd. ("Zhongshan"), Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Case facts On 24 December 2021, Subsidiary G filed a case against Yatai for the unpaid commercial bill of RMB73,263,044.00 and the interest.

On 27 December 2021, Subsidiary G filed a case against Yatai for the payment of RMB145,866,752.86 and the interest, and requested that Zhongshan, Succhi and Sancai to assume joint liability.(case contract of Yatai)

The Court has put on record for this case on 26 January 2022, claims of Subsidiary G was changed to RMB72,603,654.37 and the interest based on existing evidence, and requested that Zhongshan, Succhi and Sancai to assume joint liability.

The main content of the court decision The case notes of Yatai will open on 5 May 2022 and the case contract of Yatai will open on 30 March 2022.

The legal responsibilities for the Company or its subsidiaries Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance As at the reporting date, based on the business of Subsidiary G and the defendant, the direct economic loss of the case will be RMB145, 866,752.86. Based on the principle of prudence,, separate provision for bad debts is recorded with a ratio of 100%.

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(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

7. Other significant matters (Continued)

(1) Litigation of the Group (Continued)

③ Matters sued of the Group and its subsidiaries (Continued)

③ Litigation involving Subsidiary I of the Group

Litigant	Plaintiff: Subsidiary I Defendant: Guangdong Ruipusheng Pharmaceutical Co., Ltd. ("Ruipusheng"), Jiang Zichao
Case facts	On 27 December 2021, Subsidiary I filed a case against Ruipusheng and Jiang Zichao for the arrears of RMB14,054,110.06, which including sales compensation and reimbursement totally amounted to RMB5,638,458.18, RMB5,442,766.57 for the returned purchase of Cai Zhi Lin, reselling payable amounted to RMB917,195.31, current inventory amounted to RMB2,055,690.00.
The main content of the court decision	The case was put on record via internet on 27 December 2021. Subsidiary I filed a case (2021) Yue 0103 Min Chu No. 18603 to People's Court in Liwan District. The property preservation of the building located in Room 1602, 1, Hongjingbeier Street, Yihong Road, Haizhu District, Guangzhou City owned by Jiang Zi Chao and Ruipusheng has been applied. This cast will open on 31 March 2022.
The legal responsibilities for the Company or its subsidiaries	Subsidiary I, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	The management of Subsidiary I estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded with a ratio of 100%.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Remuneration of Auditors

Item	Closing balance	Closing balance of last year
Remuneration for auditors	2,792,452.83	2,800,943.40

9. Remuneration of directors, supervisors

1. Remuneration of each director and supervisor for the year ended 31 December 2021 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
Director									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, General Manager	-	456,344.00	101,960.00	1,160,715.00	-	-	-	1,719,019.00
Wu Chang hai	Executive Director	-	234,576.00	58,541.00	996,020.00	-	-	-	1,289,137.00
Zhang Chunbo	Executive Director	-	240,371.00	50,029.00	767,400.00	-	-	-	1,057,800.00
Huang Xianrong	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Wang Weihong	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Chen Yajin	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Huang Min	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Supervisor									
Cai Ruiyu	Chairman of the Board of Supervisors	-	412,824.00	101,960.00	836,500.00	-	-	-	1,351,284.00
Cheng Jinyuan	Supervisor	-	286,257.00	76,424.00	431,065.00	-	-	-	793,746.00
Gao Yanzhu (Note 1)	Supervisor	-	10,499.55	-	295,822.45	-	-	-	306,322.00
Jian Huidong (Note 1)	Supervisor	-	173,685.00	45,408.00	378,156.00	-	-	-	597,249.00

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

9. Remuneration of directors, supervisors (Continued)

2. Remuneration of each director and supervisor for the year ended 31 December 2020 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
Director									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, General Manager	-	390,081.00	84,649.00	966,305.00	-	-	-	1,441,035.00
Wu Chang hai	Executive Director	-	378,517.00	91,753.00	903,014.00	-	-	-	1,373,284.00
Zhang Chunbo	Executive Director	-	354,463.00	73,945.00	718,283.00	-	-	-	1,146,691.00
Huang Xianrong	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Wang Weihong	Independent Non-executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Chu Xiaoping	Independent Non-executive Director	50,000.00	-	-	-	-	-	-	50,000.00
Jiang Wenqi	Independent Non-executive Director	50,000.00	-	-	-	-	-	-	50,000.00
Chen Yajin	Independent Non-executive	50,000.00	-	-	-	-	-	-	50,000.00
Huang Min	Independent Non-executive	50,000.00	-	-	-	-	-	-	50,000.00
Supervisor									
Cai Ruiyu		-	332,017.00	91,621.00	604,963.00	-	-	-	1,028,601.00
Chen Jinyuan		-	204,558.25	48,536.00	504,101.75	-	-	-	757,196.00
Gao Yanzhu		-	225,319.25	66,841.00	509,213.75	-	-	-	801,374.00

Note 1: At the 2020 Annual General Meeting of Shareholders held on 3 June 2021, Mr. Jian Huidong was elected as the shareholder representative supervisor of the eighth Board of Supervisors of the Company. The term of office shall be from the date of election to the date of election of the members of the new Board of Supervisors. On the same day, Ms. Gao Yanzhu stepped down as the supervisor of the Company.

Besides the above-mentioned remuneration of directors and supervisors, Li Chuyuan, Yang Jun, Liu Juyan, Wu Changhai (Note 2), Zhang Chunbo (Note 2) received remuneration amounted to RMB2,092,170.00, RMB1,552,354.00, RMB1,879,407.00, RMB1,883,375.00, RMB367,923.00, RMB353,175.00 respectively from the subsidiaries of the Company. (2020: Li Chuyuan, Yang Jun, Cheng Ning, Liu Juyan, received remuneration amounted to RMB1,550,908.00, RMB868,209.00, RMB1,389,526.00, RMB1,381,002.00 respectively from the subsidiaries of the Company.), part of that is remuneration for service to the Group, directors consider it's difficult to allocate the amount for the service to the Group, subsidiaries and jointly controlled entities, no amortization is made of it.

Note 2: Due to the job transfer, Mr. Wu Changhai and Mr. Zhang Chunbo applied to resign from the deputy general manager and vice general manager of the Company on 16 August 2021. After resignation, they will continue to retain the position of executive director of the Company. Therefore, they received remuneration from the controlling shareholders of the Company from August to December 2021.

As at 31 December 2021, no directors have given up or agreed to give up any arrangements of remuneration (2020: nil).

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (Continued)

10. Top five of remuneration

1. Top five of remuneration of the Group for the year ended 31 December 2021 includes 3 directors (2020: includes 3 directors). 2 among top five of remuneration of the Group for the year ended 31 December 2021 (2020: 2) are as below:

Item	The year ended 31 December 2021	The year ended 31 December 2020
Salary and subsidies	731,342.15	738,760.00
Pension	71,842.00	52,684.00
Bonus	3,976,368.00	2,518,554.00
Others	800.00	800.00
Total	<u>4,780,352.00</u>	<u>3,310,798.00</u>

Scope of remuneration	Number of people	
	The year ended 31 December 2021	The year ended 31 December 2020
RMB0-RMB1,000,000	0	0
RMB1,000,000-RMB1,500,000	0	0
RMB1,500,000-RMB2,000,000	0	2
Over RMB2,000,000	<u>2</u>	<u>0</u>

11. Other significant matter which have an impact on the decision of investors

Nil.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	117,132,960.73	203,276,046.23
1 to 2 years	1,213,112.00	98,000.00
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	—	—
Over 5 years	4,252,743.52	4,352,743.52
Subtotal	122,598,816.25	207,726,789.75
Less: Provision for bad debts	5,681,901.04	6,395,303.98
Total	116,916,915.21	201,331,485.77

(2) Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book value	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)		Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	3,867,738.24	3.15	2,615,454.16	67.62	1,252,284.08	2,354,626.24	1.13	2,354,626.24	100.00	—
Accounts receivable subject to provision by portfolio	118,731,078.01	96.85	3,066,446.88	2.58	115,664,631.13	205,372,163.51	98.87	4,040,677.74	1.97	201,331,485.77
Including: portfolio 1	118,731,078.01	96.85	3,066,446.88	2.58	115,664,631.13	205,372,163.51	98.87	4,040,677.74	1.97	201,331,485.77
Total	122,598,816.25	100.00	5,681,901.04		116,916,915.21	207,726,789.75	100.00	6,395,303.98		201,331,485.77

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

Accounts receivable subject to separate provision in the period:

Accounts receivable (by company)	Accounts receivable	Provision for bad debts	Closing balance	
			Expected credit loss ratio (%)	Reason
Customer 1	1,513,112.00	260,827.92	17.24	Part of the amount is expected to be unrecoverable.
Customer 2	1,500,000.00	1,500,000.00	100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 3	69,117.50	69,117.50	100.00	Amount is expected to be unrecoverable.
Customer 4	470,000.00	470,000.00	100.00	Amount is expected to be unrecoverable.
Customer 5	315,508.74	315,508.74	100.00	Amount is expected to be unrecoverable.
Total	<u>3,867,738.24</u>	<u>2,615,454.16</u>		

Accounts receivable subject to provision by portfolio:

Aging	Book balance	Closing balance	
		Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	116,832,960.73	1,168,329.60	1.00
1 to 2 years	—	—	—
2 to 3 years	—	—	—
3 to 4 years	—	—	—
4 to 5 years	—	—	—
Over 5 years	<u>1,898,117.28</u>	<u>1,898,117.28</u>	100.00
Total	<u>118,731,078.01</u>	<u>3,066,446.88</u>	

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

1. Accounts receivable (Continued)

(3) Provision for bad debts accrued, recovered or reversed in the period

Category	Closing balance of last year	Provision	Current change amount		Closing balance
			Amount recovered or reversed	Amount resold or written-off	
Provision for bad debts of accounts receivable	6,395,303.98	(713,402.94)	-	-	5,681,901.04
Total	<u>6,395,303.98</u>	<u>(713,402.94)</u>	<u>-</u>	<u>-</u>	<u>5,681,901.04</u>

(4) There are no accounts receivables written off in the period.

(5) The top five customers by closing balance of accounts receivable

Company	Accounts receivable	Closing balance Proportion of accounts receivable (%)	Provision for bad debts
Customer 1	91,780,812.33	74.86	917,808.12
Customer 2	6,610,000.00	5.39	66,100.00
Customer 3	4,529,028.28	3.69	45,290.28
Customer 4	2,600,000.00	2.12	26,000.00
Customer 5	2,292,525.00	1.87	22,925.25
Total	<u>107,812,365.61</u>	<u>87.93</u>	<u>1,078,123.65</u>

(6) The Group had no accounts receivable derecognized due to transfer of financial assets for the period.

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

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	506,821,857.43	165,044,898.43
Other receivables	255,117,060.52	538,201,447.42
Total	761,938,917.95	703,246,345.85

(1) Dividends receivable

① Dividends receivable are as follows:

Item (or investee)	Closing balance	Closing balance of last year
Tian Xin	83,097,803.75	83,097,803.75
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
Pharmaceutical Technological HWBYS	–	1,990,000.00
	343,766,959.00	–
Subtotal	506,821,857.43	165,044,898.43
Less: provision for bad debts	–	–
Total	506,821,857.43	165,044,898.43

② The Group has no significant dividends receivable with aging over one year for the period.

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	129,576,929.51	399,069,033.94
1 to 2 years	3,143,148.94	36,955,780.43
2 to 3 years	29,116,113.87	101,759,517.86
3 to 4 years	92,701,892.73	219,754.52
4 to 5 years	242,226.22	2,452,911.07
Over 5 years	8,056,912.98	7,929,042.43
Subtotal	262,837,224.25	548,386,040.25
Less: provision for bad debts	7,720,163.73	10,184,592.83
Total	255,117,060.52	538,201,447.42

Notes to the Financial Statements

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XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

② Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Closing balance of last year	1,147,740.21	–	9,036,852.62	10,184,592.83
Closing balance of last year in current period	–	–	–	–
– transfer into 2nd stage	–	–	–	–
– transfer into 3rd stage	–	–	–	–
– back to 2nd stage	–	–	–	–
– back to 1st stage	–	–	–	–
Current accrual	100,701.01	–	–	100,701.01
Current return	–	–	–	–
Current pay-off	–	–	–	–
Current write-off	–	–	2,565,130.11	2,565,130.11
Other movements	–	–	–	–
Closing balance	1,248,441.22	–	6,471,722.51	7,720,163.73

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

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Return or recovery	Pay-off or write-off	
Provision for bad debts of other receivables	10,184,592.83	100,701.01	–	2,565,130.11	7,720,163.73

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

④ Other receivables written off for the period.

Item	Amount written-off
Other receivables written-off	<u>2,565,130.11</u>

Significant written-off of other receivable:

Name	The nature of accounts receivable	Written-off amount	Reason for written-off	Procedure for written-off	Whether it is caused by connected transactions
Customer 1	Current account	1,695,716.38	The payment has been verified to be unrecoverable	Approved by the management	No
Customer 2	Current account	869,413.73	The payment has been verified to be unrecoverable	Approved by the management	No
Total		<u>2,565,130.11</u>			

⑤ Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	186,960,755.57	482,699,744.07
Margins, deposit, advances to employees	3,904,895.49	3,226,209.06
Others	<u>71,971,573.19</u>	<u>62,460,087.12</u>
Total	<u>262,837,224.25</u>	<u>548,386,040.25</u>

Notes to the Financial Statements

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XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

⑥ The top five amount of the closing balance of other receivables by customers.

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	118,104,919.39	Within 1 year, 1 to 2 years, 3 to 4 years	44.93	–
Other receivables 2	Receivables due from related parties	29,943,349.34	Within 1 year	11.39	–
Other receivables 3	Receivables due from related parties	15,296,421.93	Within 1 year	5.82	–
Other receivables 4	Receivables due from related parties	5,924,372.42	Within 1 year	2.25	–
Other receivables 5	Receivables due from related parties	4,870,499.18	Within 1 year, 2-3 years	1.85	–
Total		<u>174,139,562.26</u>		<u>66.24</u>	

⑦ There is no receivables related to government grants for the period.

⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the period.

⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the period.

3. Long-term Equity Investment

Item	Book balance	Closing balance Provision for impairment	Book value	Closing balance of last year		
				Book balance	Provision for impairment	Book value
Investment in subsidiaries	<u>9,584,156,978.59</u>	<u>171,000,000.00</u>	<u>9,413,156,978.59</u>	9,275,716,281.83	171,500,000.00	9,104,216,281.83
Investment in joint ventures and associates	<u>1,279,139,334.67</u>	<u>–</u>	<u>1,279,139,334.67</u>	1,515,569,954.61	–	1,515,569,954.61
Total	<u>10,863,296,313.26</u>	<u>171,000,000.00</u>	<u>10,692,296,313.26</u>	<u>10,791,286,236.44</u>	<u>171,500,000.00</u>	<u>10,619,786,236.44</u>

Notes to the Financial Statements

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XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries

Investee	Closing balance of last year	Increase for the period	Decrease for the period	Closing balance	Provision for impairment provided in the period	Closing balance of provision for impairment
Xing Qun	125,322,300.00	-	-	125,322,300.00	-	-
Zhong Yi	324,320,391.34	-	-	324,320,391.34	-	-
Chen Li Ji	142,310,800.00	-	-	142,310,800.00	-	-
Guangzhou Han Fang	255,517,109.58	-	-	255,517,109.58	-	55,000,000.00
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	126,775,500.00	-	-	126,775,500.00	-	-
Jing Xiu Tang	101,489,800.00	-	-	101,489,800.00	-	-
Pan Gao Shou	144,298,200.00	-	-	144,298,200.00	-	-
Wang Lao Ji	854,431,508.17	-	-	854,431,508.17	-	-
GP Corp.	3,313,425,159.88	-	-	3,313,425,159.88	-	-
Cai Zhi Lin	175,685,900.00	59,498,000.00	-	235,183,900.00	-	69,000,000.00
Pharmaceutical Import & Export	18,557,303.24	-	18,557,303.24	-	-	-
Guangzhou Bai Di	197,795,812.38	-	-	197,795,812.38	-	47,000,000.00
WLJ Great Health	2,100,000,000.00	-	-	2,100,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
Yi Gan	33,000,000.00	4,500,000.00	-	37,500,000.00	-	-
Baiyunshan Medical and Healthcare Industry Company	111,600,000.00	-	-	111,600,000.00	-	-
Xing Zhu	126,480,000.00	-	-	126,480,000.00	-	-
Wang Lao Ji Investment	28,000,000.00	-	-	28,000,000.00	-	-
Tian Xin	96,192,658.47	-	-	96,192,658.47	-	-
Guang Hua	53,659,963.75	-	-	53,659,963.75	-	-
Ming Xing	218,381,794.18	-	-	218,381,794.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-
Pharmaceutical Technological	1,020,000.00	-	-	1,020,000.00	-	-
Baiyunshan Great Health Hotel	500,000.00	-	500,000.00	-	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	363,470,000.00	230,000,000.00	-	593,470,000.00	-	-
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	98,000,000.00	15,000,000.00	-	113,000,000.00	-	-
Medical Instruments investment	10,000,000.00	15,000,000.00	-	25,000,000.00	-	-
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	6,500,000.00	2,500,000.00	-	9,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	-	1,000,000.00	-	1,000,000.00	-	-
Total	9,275,716,281.83	327,498,000.00	19,057,303.24	9,584,156,978.59	-	171,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Closing balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	The period		Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Changes in other equity					
I. Joint ventures											
HMBYS	363,293,161.96	-	-	119,162,272.70	-	(847,525.96)	(343,766,959.00)	-	-	137,840,949.70	-
Baxter Qiao Guang	50,533,409.83	-	-	8,578,604.87	-	-	-	-	-	59,112,014.70	-
Subtotal	413,826,571.79	-	-	127,740,877.57	-	(847,525.96)	(343,766,959.00)	-	-	196,952,964.40	-
II. Associates											
Golden Eagle Fund Management Co., Ltd.	68,827,384.77	-	-	5,550,930.26	-	-	-	-	-	74,378,315.03	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,051,803.36	-	-	5,810.39	-	-	-	-	-	2,057,613.75	-
Yi Xin Tang	951,554,608.49	-	(141,889,174.00)	63,340,826.55	-	-	(12,578,616.30)	-	-	860,427,644.74	-
Baiyunshan Yi Xin Tang	71,639,042.67	18,000,000.00	-	(2,039,405.68)	-	-	-	-	-	87,599,636.99	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	7,670,543.53	-	-	(1,128,535.05)	-	-	-	-	-	6,542,008.48	-
Guangdong Han Chao Chinese Raw Medicine Technology Co., Ltd.	-	6,000,000.00	-	49,043.14	-	-	-	-	-	6,049,043.14	-
Guangzhou Guangyao Jin Zang Equity Investment Partnership Business (LP)	-	46,000,000.00	-	(867,891.86)	-	-	-	-	-	45,132,108.14	-
Subtotal	1,101,743,382.82	70,000,000.00	(141,889,174.00)	64,910,777.75	-	-	(12,578,616.30)	-	-	1,082,186,370.27	-
Total	1,515,569,954.61	70,000,000.00	(141,889,174.00)	192,651,655.32	-	(847,525.96)	(356,345,575.30)	-	-	1,279,139,334.67	-

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

4. Operating Revenue and Cost of sales

(1) Operating Revenue and Cost of sales

Category	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Main businesses	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>	3,774,690,510.32	2,264,655,635.85
Other businesses	<u>366,078,215.06</u>	<u>30,187,134.32</u>	<u>321,409,266.97</u>	<u>25,818,201.53</u>
Total	<u>4,139,691,177.75</u>	<u>1,809,648,111.26</u>	<u>4,096,099,777.29</u>	<u>2,290,473,837.38</u>

(2) Category by business

Reporting segments	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Great Southern TCM	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>	<u>3,774,690,510.32</u>	<u>2,264,655,635.85</u>
Total	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>	<u>3,774,690,510.32</u>	<u>2,264,655,635.85</u>

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Southern China Area	<u>2,232,457,802.03</u>	<u>639,872,040.68</u>	2,251,576,000.90	1,234,871,372.26
Eastern China Area	<u>772,538,805.32</u>	<u>602,669,593.28</u>	793,844,365.53	539,284,244.92
Northern China Area	<u>393,673,761.39</u>	<u>282,071,017.60</u>	357,661,893.12	243,641,675.20
Northeast Area	<u>30,683,380.60</u>	<u>22,992,441.19</u>	39,657,689.69	28,590,012.26
Southwest Area	<u>280,569,320.65</u>	<u>176,941,871.04</u>	242,710,327.67	155,623,318.23
Northwest Area	<u>63,689,892.70</u>	<u>54,914,013.15</u>	<u>89,240,233.41</u>	<u>62,645,012.98</u>
Total	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>	<u>3,774,690,510.32</u>	<u>2,264,655,635.85</u>

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

4. Operating Revenue and Cost of sales (Continued)

(4) Information of the top five customers as per sales:

Customer	Revenue	Proportion of total revenue (%)
Customer 1	1,785,812,666.66	47.32
Customer 2	102,467,435.69	2.72
Customer 3	79,503,155.88	2.11
Customer 4	67,521,061.97	1.79
Customer 5	59,984,545.91	1.59
Total	<u>2,095,288,866.11</u>	<u>55.53</u>

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	387,494,470.37	821,344,208.60
Investment Income from long-term equity investments under equity method	192,651,655.32	370,968,825.50
Investment Income from disposal of long-term equity investments	45,455,491.12	–
Dividend income from the holding other equity instruments	1,944,978.68	7,670,000.00
Investment income from the holding other non-current financial assets	33,582,623.48	27,611,659.50
Investment Income from disposal of other non-current financial assets	(3,384,553.34)	–
Interest income from financial products and structured deposits	27,581,142.78	5,576,111.40
Total	<u>685,325,808.41</u>	<u>1,233,170,805.00</u>

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION

1. Detail of Non-Recurring Profit and Loss for the period

Item	Amount	Note
Gain and loss on disposal of non-current assets	43,112,399.87	
Tax return or exemption without proper authorization	–	
Government grants recognized in profit or loss (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	331,878,456.09	
Interests received from entities other than financial institutions recognized in profits or losses	–	
Gains arising from the difference between Investment cost on subsidiaries, associates and joint ventures and the fair value of the net assets attributable to the Group	–	
Gains or losses arising from non-monetary assets exchange	–	
Gains or losses arising from entrusted investments or entrusted asset management	–	
Asset impairment provided due to force majeure (e.g. natural disasters)	–	
Gains or losses arising from debt restructuring	–	
Corporate restructuring costs (e.g. staff replacement costs and costs during the course of integration)	–	
Gains or losses arising from the difference between the fair value and transaction price in obviously unfair transactions	–	
Net profit of subsidiaries acquired under common control from beginning of year to the merger date	–	
Gains or losses arising from contingencies irrelevant to the Group's normal business	–	
Except for the effective hedging business related to the normal operation of the Company, gain or loss from changes in fair value arising from holding assets and liabilities held for trading and derivative financial assets and liabilities; investment income from disposal of assets and liabilities held for trading and derivative financial assets and liabilities, other investment on creditor's right	201,297,282.44	
Reversal of provision for bad debts of accounts receivable subject to separate provision	1,653,186.07	
Gain or loss arising from entrusted loan granted to other entities	–	
Gain or loss arising from changes in fair value of investment properties under fair value model	–	
One-off adjustments to profit or loss as required by taxation and accounting laws and regulations	–	
Trustee fees income arising from entrusted operations	–	
Other non-operating revenue and cost other than the above-mentioned items	(85,290,863.82)	
Other profit or loss items meeting the definition of non-recurring profit or loss	49,601,252.63	
Subtotal	542,251,713.28	
Impact on income tax	(106,518,002.16)	
Impact on minority interests (after tax)	(22,271,633.72)	
Total	<u>413,462,077.40</u>	

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts in Renminbi yuan unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION (Continued)

2. Return on Equity and Earnings Per Share

Profits for the period	Weighted Average Return on Equity (%)		Earnings per share			
			Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Net profit attributable to the ordinary shareholders of the Company	13.46	11.55	2.288	1.793	2.288	1.793
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	11.96	10.41	2.034	1.616	2.034	1.616

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.

18 March 2022