



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock code: 00874)



INTERIM REPORT
2022

Important Notice

- I. The Board, the Supervisory Committee and the Directors, supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirms that there are no false information, misleading statements or material omissions in this interim report.
- II. The Directors were present at the 22th meeting of the eighth session of the Board, among whom, Mr. Yang Jun, vice chairperson, was unable to attend the meeting due to business reason and authorized Ms. Cheng Ning, vice chairperson, to attend and exercise the right to vote; Mr. Wong Hin Wing, an independent non-executive director, attended the meeting by telephone.
- III. Mr. Li Chuyuan (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 interim report.
- IV. After consideration, the Board did not recommend payment of interim dividends for the six months ended 30 June 2022 and did not propose any increase in share capital from the capitalization of capital reserve.
- V. The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises and are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- VII. There was no non-operational appropriation of funds of the Company by its controlling shareholder or its connected parties.
- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. There is no situation where more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of this interim report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there are no significant risks that have substantive and significant effect on the production and operations of the Group. Please refer to “(A) Risk exposure” under “E. OTHER MATTERS” set out in the section headed “3. Management Discussion and Analysis” in this interim report.

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

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	I. The financial statements signed and stamped by the legal representative of the Company, the responsible persons of the accounting work of the Company and the responsible person of the accounting firm;	
DOCUMENTS AVAILABLE FOR INSPECTION	II. The original corporate documents disclosed and announcements published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報) and Securities Daily (證券日報) of the PRC during the Reporting Period;	
	III. The documents listed above are available at the office of the Secretariat of the Company.	

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2022
After the Reporting Period	the period after the end of the Reporting Period and up to the date of this interim report, being 1 July 2022 to 19 August 2022
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director	a director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	a supervisor of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the PRC
Securities Law	Securities Law of the PRC
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on the HKEX
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)

Definitions

Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Baiyunshan Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Nuo Cheng	Guangzhou Nuo Cheng Biological Products Co., Ltd. (廣州諾誠生物製品股份有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)

Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特橋光醫療用品有限公司)
WLJ Ya'an	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司)
Weiling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Pharmaceutical Baiyunshan Chemical & Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd. (formerly known as Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣藥白雲山化學藥科技(珠海橫琴)有限公司(原廣州白雲山化學藥科技有限公司))
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司)
Baiyunshan Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (廣州白雲山醫療器械投資有限公司)
Baiyunshan Yihu Company	Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司)

Definitions

Baiyunshan Jianhu Company	Guangzhou Baiyunshan Jianhu Medical Products Company Limited (廣州白雲山健護醫療用品有限公司)
Guangzhou Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)
Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司)
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司)
GMP	the English abbreviation of Good Manufacturing Practice, and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system for the development of this specification with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
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	a Catalogue of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (國家基本醫療保險、工傷保險和生育保險藥品目錄) (the 2020 version), being the national standard of drugs fees payable for the basic medical insurance, work-related injury insurance and maternity insurance fund

Provincial Medical Insurance Catalogue	a Catalogue of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC
DRGs Payment	payment according to the disease diagnosis related groups
GZ Chan Tou	Guangzhou Industrial Investment and Capital Operation Holding Group Ltd. (廣州產業投資控股集團有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
Guangyao Fund	Guangzhou Guangyao Equity Fund Investment Partnership (Limited Partnership) (廣州廣藥基金股權投資合夥企業(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 GPL that was completed in 2013
Three-Medicine Linkage	Linkage between medical insurance system reform, health system reform and pharmaceutical circulation system reform (醫保體制改革、衛生體制改革與藥品流通體制改革聯動)

Company Profile and Principal Financial Indicators

A. COMPANY PROFILE

- Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED
English Name Abbreviation: GYBYS
- Legal Representative: Li Chuyuan
- Secretary to the Board: Huang Xuezheng
Representative of securities affairs: Huang Ruimei
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
The historical changes of the registered address: No
Telephone: (020) 6628 1218/6628 1216
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Postal code of office address: 510130
Company website: <http://www.gybys.com.cn>
Company e-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
- Stock exchanges, name and codes of the Company's shares: A shares: SSE
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN
H shares: HKEX
Stock Code: 0874 Stock Abbreviation: BAIYUNSHAN PH
- Designated newspapers for information disclosure: China Securities Journal (中國證券報), Shanghai Securities News (上海證券報) Securities Times (證券時報), Securities Daily (證券日報)
Websites for publishing the interim report: <http://www.sse.com.cn>
<http://www.hkex.com.hk>
Place for inspection of the interim report: Office of the Secretariat of the Company

Company Profile and Principal Financial Indicators

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal financial data	The Reporting Period (Unaudited)	The corresponding period of 2021 (Unaudited)	Changes as compared with the corresponding period of 2021 (%)
Income from operations (RMB'000)	37,220,451	36,128,577	3.02
Net profit attributable to the shareholders of the Company (RMB'000)	2,589,996	2,502,381	3.50
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	2,300,375	2,495,645	(7.82)
Net cash flow from operating activities (RMB'000)	1,712,214	2,184,410	(21.62)
Net cash flow from operating activities per share (RMB/share)	1.053	1.344	(21.62)
Total profit (RMB'000)	3,332,233	3,189,274	4.48

Principal financial data	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Changes as compared with 31 December 2021 (%)
Net assets attributable to the shareholders of the Company (RMB'000)	30,540,679	29,062,184	5.09
Total assets (RMB'000)	66,800,574	66,117,790	1.03
Equity attributable to the shareholders of the Company per share (RMB/share)	18.79	17.88	5.09

Principal financial indicators	The Reporting Period (Unaudited)	The corresponding period of 2021 (Unaudited)	Changes as compared with the corresponding period of 2021 (%)
Basic earnings per share (RMB/share)	1.593	1.539	3.51
Diluted earnings per share (RMB/share)	1.593	1.539	3.51
Basic earnings per share after deducting non-recurring items (RMB/share)	1.415	1.535	(7.82)
Ratio of weighted average return on net assets (%)	8.53	9.13	A decrease of 0.60 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	7.58	9.11	A decrease of 1.53 percentage point

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

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

□ Applicable √ Not applicable

Company Profile and Principal Financial Indicators

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

Applicable Not applicable

D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount (RMB'000)	Note (if applicable)
Profit or loss from disposal of non-current assets	(871)	
Government grants included in the profit or loss for the current period except for the government grants that are closely related to enterprise's normal business and are enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	319,786	This represents the amount of government grants received by the Company and its subsidiaries, including WLJ Great Health and Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd., which were transferred to non-operating income and other gains in the period.
Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt instruments	19,057	
Reverse of provision for impairment of receivables under individual impairment test	18,012	
Other non-operating income and expenses except for the above-mentioned items	1,126	
Less: Amount of income tax influence	(61,623)	
Amount of minority equity impact (after tax)	(5,866)	
Total	289,621	

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 classified as recurring profit and loss items

Applicable Not applicable

E. OTHERS

Applicable Not applicable

Management Discussion and Analysis

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

(A) Main business and products

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

1. Great Southern TCM (pharmaceutical manufacturing business)

The Great Southern TCM has 28 subsidiary medical manufacturing enterprises and organizations (including 3 branch companies, 22 holding subsidiaries and 3 joint ventures). The above enterprises and organizations engage in the research and development, manufacturing and sales of Chinese patent medicine, western medicine, chemical raw materials, chemical raw materials intermediates, biomedicine, and natural medicine, etc..

- (1) The Group is an epitome of the southern TCM. The Company has 12 Time-Honored Chinese Brand pharmaceutical enterprises, such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc., among which, 10 of them are century old Time-Honored enterprises. A total of 323 varieties of the Group and its joint ventures were included in the Medical Insurance Catalogue, 331 varieties were included in the Provincial Medical Insurance Catalogue, and 143 varieties were included in the Essential Drug List. Main Chinese medicine products include Xiao Ke Pill, Zi Shen Yu Tai Pill, Xiao Chai Hu Granules, Ban Lan Gen Granules series, Nao Xin Qing Tablets series, Compound Danshen Tablets series, Huo Tuo Zai Zao Pill, Bao Ji series, Xia Sang Ju Granule, Shu Jin Jian Yao Pill, Zhuang Yao Jian Shen Pill, Xiao Er Qi Xing tea granule, An Gong Niu Huang Pill, Qing Kai Ling series and Mi Lian Chuan Bei Pi Pa Goo etc.. The Group has clear advantages in brand and variety in proprietary Chinese medicines in southern China and even countrywide.

Management Discussion and Analysis

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

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

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

- (2) The Group has a complete antibiotic production chain ranging from raw material medicine to preparation, manufacturing products covering commonly used antibiotic varieties as well as male medicine. The Group integrated the antibiotic brands with the famous trademark "Kang Zhi Ba", striving to create a market image as the number one brand of antibacterial and anti-inflammatory oral medication. The Group's chemical medicine includes Sildenafil Citrate ("Jin Ge" as product name), Cefixime series, Cefuroxime sodium for injection, Amoxicillin, Aspirin Powder series, Amoxicillin clavulanate potassium etc..

2. Great Health

The Great Health of the Group is mainly involved in the production, research and development and sales of beverage, food, healthcare product, etc., which is operated primarily by the subsidiaries of the Company, WLJ Great Health and Wang Lao Ji; the Great Health's main products include Wang Lao Ji Herbal Tea, Ci Ning Ji series, lozenges, tortoise herb jelly etc.. Wang Lao Ji Herbal Tea has a relatively strong advantage in terms of brand value and product competitiveness, and accounts for a comparatively large market share of the herbal tea industry in China.

3. Great Commerce (Pharmaceutical distribution business)

The Great Commerce of the Group mainly engaged in the business of pharmaceutical distribution, including the 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 of the Group, GP Corp. mainly engages in the pharmaceutical 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.

Management Discussion and Analysis

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

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

4. Great Medical Care

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

Currently, we have invested/held equity interest in a number of projects including Guangzhou Baiyunshan Hospital, Runkang Confinement Company, 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. Runkang Confinement Company was opened and operated. 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

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

(B) Current circumstances of the development of the industry

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

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

In 2022, the pharmaceutical industry is facing a more complex external environment. The impact of the COVID-19 coronavirus epidemic ("the COVID-19 epidemic") is difficult to eliminate in the short term, and there are many new changes in the domestic and international situation. Domestic consumption is sluggish, and the growth rate of manufacturing investment is under pressure of slowing down. Reform measures such as the adjustment of medical insurance catalogue and centralized volume-based procurement have entered the stages of normalization and institutionalization. The pressure on the growth of the domestic market mainly comes from increasing medical insurance expenses, greater efforts on cost control, and price adjustments of generic drugs and high-value consumables. Moreover, the rising costs of raw materials, energy and labour, and the changes in the financing environment of the capital market for innovative drugs, will also bring challenges to the development of enterprises.

However, the development of the pharmaceutical industry has both challenges and opportunities. In general, China's pharmaceutical industry will still be in a period of important strategic opportunities in the coming future. The building of a healthy China, a strong manufacturing nation and the national support for the development of the biopharmaceutical industry will help to gain the support of more policy resources for developing the pharmaceutical industry, while innovation, transformation and improvement of manufacturing level are still the directions for pharmaceutical enterprises to work on.

From January to June 2022, the operating revenue of national pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB1,400.78 billion, representing a year-on-year decrease of 0.6%, and the total profit reached RMB220.95 billion, representing a year-on-year decrease of 27.6%. The operating revenue of national liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB856.56 billion, representing a year-on-year increase of 7.4%, and the total profit reached RMB182.25 billion, representing a year-on-year increase of 21%. (Data source: the website of the National Bureau of Statistics).

Management Discussion and Analysis

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

(C) Periodic characteristics

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

(D) Position of the Company in the Industry

The Group is one of the largest pharmaceutical conglomerates in the PRC. After years of high-quality development and consolidation, the Group has basically established an entire industrial chain layout of the biomedical healthcare industry, forming four business segments of Great Southern TCM, Great Health, Great Commerce and Great Medical Care. Wang Lao Ji, a core brand of the Great Health of the Company, has been ranking the first in the ranking list of herbal tea brands under the China Brand Power Index for six consecutive years, maintaining the leading position in the herbal tea industry. In June 2022, Guangzhou Pharmaceutical Pharmacy Co., Ltd., a wholly-owned subsidiary of GP Corp., was listed on the top 100 retailers of pharmaceutical distribution business in 2021 issued by the China Association of Pharmaceutical Commerce.

(E) The main performance driving factors

During the Reporting Period, the Group's revenue amounted to RMB37,220,451,000, representing an increase of 3.02% compared with the corresponding period last year. For details of reasons for changes, please refer to the relevant informational in "C. Discussion and Analysis of Operations" of this chapter.

Management Discussion and Analysis

B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

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

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

Management Discussion and Analysis

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

3. The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of the Group have formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs, the Group and its joint ventures have nearly 70 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 Nobel prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.
4. The Group has a relatively large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest pharmaceutical terminal retail network and medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in 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's leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.
5. The Group has a technological innovation system which is improving on a continuous basis. The Group has been strengthening the construction of platforms and improving its scientific research innovation system for many years. As at the date of this report, the Group and its joint ventures have 5 state level research and development institutions, 1 national level corporate technical center, 2 postdoctoral workstations, 17 provincial level corporate technical centers, 18 provincial level engineering technical centers, 5 provincial level key laboratories, 1 provincial level engineering laboratory, 14 municipal level corporate technical centers, 15 municipal level engineering technical research and development centers, and 6 municipal level key laboratories. The Group possesses core technology which occupies leading position in the nation on research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO₂ extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs, sterile powder production technology and preparation agent technology.

Management Discussion and Analysis

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

6. The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has insisted on attracting talents with competitive work environment and remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions, created positive atmosphere by respecting talents, knowledge and creation, stimulated creativity and innovativeness and setting up businesses of talents, built a business platform and led creative and high-quality development. Currently, the Group has a strong high level talent team with 3 Nobel Prize winners, 1 Guangdong innovation group, domestic double hired academicians, 23 state-level Chinese medicine experts, 7 foreign academicians, 4 State Council Special Allowance experts in-service, 29 professor-level experts and nearly a hundred doctors and post doctors.

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

C. DISCUSSION AND ANALYSIS OF OPERATIONS

During the Reporting Period, the Group adhered to the general basic principle of "seeking progress while maintaining stability", continued to strengthen the marketing innovation and market promotion efforts for each business segment, and conscientiously carried out the prevention and control of pandemic and coordinated the development of the enterprise, and strived to overcome the effects brought by such factors as the COVID-19 epidemic, and achieved stable development in operating results during the Reporting Period.

In the first half of 2022, the Group recorded an income from operation of RMB37,220,451,000, representing an increase of 3.02% year on year; total profit of RMB3,332,233,000, representing an increase of 4.48% year on year; and net profit attributable to shareholders of the Company of RMB2,589,996,000, representing an increase of 3.50% year on year.

Management Discussion and Analysis

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

During the Reporting Period, major activities actively promoted by the Group include:

- (I) Adhering to in-depth cultivation and consolidating the business of the Greater Southern TCM. During the Reporting Period, the Greater Southern TCM seized opportunities to develop the market, actively promoted the transformation of marketing model; vigorously promoted the concept of “Fashionable Chinese medicine” and through methods such as developing star-rated products and tapping the potential of second-tier echelon products, to drive the rapid growth of a batch of key products; continued to enhance the brand influence of Baiyunshan by focusing resources, actively promoting the Group’s time-honored brand revitalization project, and constantly enhancing the brand and product awareness.
- (II) Adhering to the principle of “one core with multi-elements” and strengthening and optimizing the businesses of the Great Health. Taking the “Ji” culture of Wang Lao Ji as the starting point, the Great Health carried out multi-scenario and multi-field marketing coverage through the development of custom-made cans such as “surname + totem” and “Auspicious National College Entrance Examination”. A new lychee beverage with sea salt “Li Xiao Ji” was launched, forming a lucky combination of three treasures, namely “Wang Lao Ji”, “Ci Ning Ji”, “Li Xiao Ji”, and increasing the awareness of new products in the market. Meanwhile, in line with the new trend of online consumption, the promotion efforts on major e-commerce platforms such as Tmall were increased. Riding on the breakthrough trend in E-commerce, continuing to carry out marketing for all members, and strengthening the efforts for development of new products and cultivation of markets. During the Reporting Period, Guangyao Wanglaoji Guangdong Lychee (Maoming) Industrial Park, the largest lychee beverage production base in China, was invested and completed, filling the gap in domestic lychee processing technology.
- (III) Accelerating network expansion, deepening and enlivening the business of the Great Commerce. During the Reporting Period, GP Corp., the Company’s subsidiary, cooperated with upstream and downstream resources to vigorously expand the distribution network of medical institutions at all levels and develop new customers continuously. Great efforts were used to develop e-commerce business, the Guangzhou City Intelligent Pharmacy went online in B2C business, a fully automation system of medicine picking and sorting was introduced and the businesses of prescription for chronic disease and outflow hospital prescription were developed; 10 retail pharmacies have obtained the medical insurance dual-channel qualification; the Baiyun Logistics Park project (Phase I) significantly increased its storage capacity, and the preparation work for the Phase II project was progressing steadily. In the first half of 2022, GP Corp. also successfully won the bid for the procurement qualification of pandemic prevention materials for the International Health Post (Phase I) in 2022.

Management Discussion and Analysis

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

- (IV) Strengthening business development, expanding and refining the business of the Great Medical. During the Reporting Period, Guangzhou Baiyunshan Hospital continued to strengthen the construction of disciplines and added a number of secondary subjects such as the Department of Orthopedics and Traumatology of Traditional Chinese Medicine, the Department of Cardiovascular Medicine and the Department of Children's Health, so as to enhance the comprehensive strength of the hospital. With the professional support of Guangzhou Baiyunshan Hospital and Southern Medical University Nan Fang Hospital, Runkang Confinement Company quickly established its brand name. Baiyunshan Jianhu Company has obtained a medical device production license and has the qualification for the production of masks and protective clothings.
- (V) Increasing investment in scientific research, strengthening the construction of scientific research platform, and accelerating the progress of scientific research informatization project. The Ganoderma lucidum scientific research and innovation project of the Company's subsidiary Baiyunshan Han Fang won the International Invention Gold Award in Geneva; the clinical trial of BYS10 tablets independently developed by Baiyunshan General Factory was officially approved by the U.S. Food and Drug Administration (FDA) in U.S.; Zhong Yi obtained the GMP certification from the Australian Therapeutic Goods Administration. During the Reporting Period, one new product of the Group passed the consistency evaluation of quality and efficacy of generic drugs, the Company was recognized by the Enterprise and Technology Centre of Guangdong Province, and the "Post-doctorate Innovative Implementation Base" of Zhong Yi was successfully certified as a scientific research platform of municipal level. In the first half of 2022, the Group's total research and development expenses amounted to RMB441 million, representing a year-on-year increase of 14.36%.
- (VI) Strengthening the establishment of quality system and safety production system, and continuously advancing the establishment of pharmacovigilance system. During the Reporting Period, the Group completed the review of two standardized technological transformation projects to further strengthen product quality management; continued to promote the establishment of the Group's pharmacovigilance system for the prevention and control of drug safety risks; and promoted the application of the Health, Safety and Environment Management System (Phase I) within the Group to establish the intelligent system of "safety production big data".

Management Discussion and Analysis

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

- (VII) Investing in the establishment of an industrial equity investment fund to enhance capital operation capabilities. In the first half of 2022, the Company subscribed for 99.9% of Guangyao Fund with its own capital of RMB999 million. Guangyao Fund completed the filing of private investment fund in July 2022. In addition, both 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)), of which the Company participated in the establishment, completed the filing of private investment funds.
- (VIII) Promoting the initiatives of strengthening enterprise by talents, optimizing the talent structure, continuously deepening the reform of professional managers, and initiating the reform of the second batch of professional managers of enterprises.
- (IX) Constantly strengthening the normalized management of internal control and risk control, launching the integrated and collaborative model of risk review and carrying out a number of special audits for major risks to further enhance the Group's s integrated capability in early warning, monitoring, prevention and control of risks.

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

Applicable Not applicable

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(A) Analysis of principal operations

1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB'000)	The corresponding period of 2021 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2021 (%)
Revenue	37,220,451	36,128,577	3.02
Including: income from principal operations	37,083,607	36,007,775	2.99
Cost of sales	29,515,379	28,597,774	3.21
Including: cost from principal operations	29,490,095	28,569,535	3.22
Selling and distribution expenses	3,185,948	3,000,359	6.19
General and administrative expenses	1,067,965	970,031	10.10
Financial expenses ^(note 1)	(129,434)	(73,535)	(76.02)
Research and development expenses	441,319	385,897	14.36
Net cash flow from operating activities	1,712,214	2,184,410	(21.62)
Net cash flow from investing activities ^(note 2)	(2,630,427)	(278,015)	(846.15)
Net cash flow from financing activities	1,094,509	1,297,153	(15.62)
Other income ^(note 3)	319,247	78,151	308.50
Investment income ^(note 4)	55,356	137,598	(59.77)
Gains from changes in fair value ^(note 5)	(952)	(6,219)	84.69
Impairment losses in respect of credit ^(note 6)	(20,540)	(36,977)	44.45
Impairment losses in respect of assets ^(note 7)	(1,339)	(13,152)	89.82
Gains on disposal of assets ^(note 8)	555	124	347.60
Non-operating expenses ^(note 9)	9,370	67,697	(86.16)

Management Discussion and Analysis

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

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

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

Notes:

- (1) Financial expenses decreased year-on-year due to the year-on-year increase in interest income from deposits of the Company and its subsidiaries.
- (2) Net cash flow generated from investing activities decreased year-on-year due to: ① the increase in purchases of fixed bank deposits and large-denomination certificates of bank deposits during the Reporting Period by the subsidiaries of the Company to increase the revenue from funds; ② less cash dividends were received by the Company and its subsidiaries year-on-year.
- (3) Other income increased year-on-year due to an increase in government grants recognized by the subsidiaries of the Company year-on-year.
- (4) Investment income decreased year-on-year due to: ① a decrease in long-term equity investment income under equity method of the Company and its subsidiaries year-on-year; ② a year-on-year decrease in the amount of this item resulting from an increase in asset-backed securities ("ABS") business of GP Corp., a holding subsidiary of the Company.
- (5) Gains from changes in fair value increased year-on-year due to the increase in fair value of financial assets held by the Company at the end of the Reporting Period.
- (6) Impairment losses in respect of credit increased year-on-year due to the reversal of part of the separate provision for bad debt of account receivables by the subsidiaries of the Company during the Reporting Period.
- (7) Impairment losses in respect of assets increased year-on-year due to the decrease in the provision for decline in value of inventories made by the subsidiaries of the Company.
- (8) Gains on disposal of assets increased year-on-year due to the increase in the gains recognized from disposal of assets by the subsidiaries of the Company year-on-year.
- (9) Non-operating expenses decreased year-on-year due to a decrease in non-operating expenses recognized by the subsidiaries of the Company year-on-year.

Management Discussion and Analysis

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

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

2. Analysis on industry, product and regional operation result

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

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2021 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2021 <i>(%)</i>	Profit margin of principal operations <i>(%)</i>	Increase/(Decrease) over the corresponding period of 2021 <i>(percentage point)</i>
Great Southern TCM	5,955,016	(1.70)	3,071,546	(8.13)	48.42	An increase of 3.61 percentage points
Great Health	6,521,431	(1.25)	3,552,050	3.85	45.53	A decrease of 2.68 percentage points
Great Commerce	24,355,440	4.96	22,656,979	4.47	6.97	An increase of 0.43 percentage points
Other ^(Note)	251,720	79.32	209,520	78.62	16.76	An increase of 0.32 percentage points
Total	37,083,607	2.99	29,490,095	3.22	20.48	A decrease of 0.18 percentage points

Management Discussion and Analysis

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

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

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

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

Types of products	Results of principal operations by products					
	Results of principal operations by products		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations <i>(RMB'000)</i>	Increase/(Decrease) over the same period of 2021 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/(Decrease) over the same period of 2021 <i>(%)</i>	Profit margin of principal operations <i>(%)</i>	Increase/(Decrease) over the same period of 2021 <i>(percentage point)</i>
Chinese patent medicine	3,053,294	5.77	1,731,801	6.36	43.28	A decrease of 0.32 percentage points
Chemical medicine	2,901,722	(8.49)	1,339,745	(21.89)	53.83	An increase of 7.92 percentage points
Total of Great Southern TCM	5,955,016	(1.70)	3,071,546	(8.13)	48.42	An increase of 3.61 percentage points

Note:

The significant increase in the income from and the cost of principal operations of the other segments was mainly attributable to: the year-on-year increase in the number of outpatient visits at the hospital of the Company and the sales of medical equipments such as epidemic prevention supplies during the Reporting Period.

Management Discussion and Analysis

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

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

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

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

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2021 <i>(%)</i>
Southern China	28,215,675	3.78
Eastern China	3,139,818	(5.73)
Northern China	1,511,544	(6.03)
North-Eastern China	308,732	0.31
South-Western China	2,858,335	14.97
North-Western China	1,040,918	(3.31)
Exports	8,585	(20.99)
Total	37,083,607	2.99

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

Applicable Not applicable

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

Applicable Not applicable

Management Discussion and Analysis

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

(C) Analysis on financial conditions

1. Liquidity

As at 30 June 2022, the current ratio of the Group was 1.71 (31 December 2021: 1.64), and its quick ratio was 1.44 (31 December 2021: 1.31). During the Reporting Period, accounts receivable turnover was 60.94 in days, representing an increase of 0.26 day as compared with 31 December 2021; inventory turnover was 57.27 in days, representing a decrease of 8.43 days as compared with 31 December 2021.

2. Financial resources

As at 30 June 2022, cash and cash equivalents of the Group amounted to RMB21,194,890,000 (31 December 2021: RMB21,013,364,000), of which approximately 99.45% and 0.55% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, respectively.

As at 30 June 2022, the Group had bank borrowings of RMB10,180,555,000 (31 December 2021: RMB9,180,820,000) including short-term borrowings of RMB8,899,263,000 (31 December 2021: RMB8,428,008,000), and long-term borrowings of RMB1,250,620,000 (31 December 2021: RMB752,812,000), non-current liabilities expiring within one year of RMB30,672,000 (31 December 2021: RMB0).

3. Capital structure

As at 30 June 2022, the Group's current liabilities amounted to RMB30,677,951,000 (31 December 2021: RMB32,253,851,000), representing a decrease of 4.89% as compared to the beginning of 2022, and its long-term liabilities were RMB3,163,826,000 (31 December 2021: RMB2,537,270,000), with an increase of 24.69% as compared to the beginning of 2022. Shareholders' equity attributable to the shareholders of the Company amounted to RMB30,540,679,000 (31 December 2021: RMB29,062,184,000), with an increase of 5.09% as compared to the beginning of 2022.

4. Capital expenditure

The Group expects the capital expenditure for 2022 to be approximately RMB2.218 billion among which the expenditure in the first half of 2022 amounted to RMB0.62 billion (in the first half of 2021: RMB0.483 billion), which would be mainly applied to the construction of production bases, upgrade of equipment and set-up of information system, etc.. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

Management Discussion and Analysis

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

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

5. Description of assets and liabilities

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as	Reasons for changes
	30 June 2022 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2021 <i>(RMB'000)</i>	total assets <i>(%)</i>	compared to 31 December 2021 <i>(%)</i>	
Financial assets held for trading	50,669	0.08	–	0.00	100.00	During the Reporting Period, the contingent consideration related to performance pledge between GP Corp., a holding subsidiary of the Company, and its non-controlling shareholders was changed from “other non-current financial assets” to this item for presentation.
Current portion of non-current assets	109,089	0.16	–	0.00	100.00	During the Reporting Period, large-denomination certificates of deposit held to maturity by subsidiaries of the Company with a maturing period of less than one year were changed from “debt investment” to this item for presentation.

Management Discussion and Analysis

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

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

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

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as compared to	Reasons for changes
	30 June 2022 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2021 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2021 <i>(%)</i>	
Other current assets	1,499,986	2.25	827,458	1.25	81.28	(1) During the Reporting Period, the purchase of large-denomination certificates of deposit held to maturity by subsidiaries of the Company with a maturing period of less than one year; (2) a decrease in deductible input tax for WLJ Great Health, a wholly-owned subsidiary of the Company.
Other non-current financial assets	1,008,790	1.51	574,278	0.87	75.66	(1) During the Reporting Period, the purchase of large-denomination certificates of deposit held for resale by subsidiaries of the Company with maturity of more than one year; (2) the contingent consideration related to performance pledge between GP Corp., a holding subsidiary of the Company, and its non-controlling shareholders was changed from this item to "financial assets held for trading" for presentation.

Management Discussion and Analysis

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

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

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

Item	As at 30 June 2022 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	As at 31 December 2021 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	Increase/ (Decrease) as compared to 31 December 2021 <i>(%)</i>	Reasons for changes
Development expenditure	15,331	0.02	10,567	0.02	45.07	There was an increase in expenses for the development stage of intangible assets incurred by the Company and its subsidiaries.
Contract liabilities	1,186,803	1.78	2,740,338	4.14	(56.69)	(1) There was an increase in advanced payments for sale of goods received by WLJ Great Health, a wholly-owned subsidiary of the Company, at the end of 2021 in preparation for Spring Festival. The goods were delivered and realized sales during the Reporting Period and resulted in a decrease in the balances of advanced payments for sale of goods; (2) there was a decrease in advanced payments for sale of goods in other subsidiaries of the Company when compared with the end of last year.
Taxes payables	538,123	0.81	233,497	0.35	130.46	There was an increase in the amount of outstanding payable corporate income tax and value-added tax of subsidiaries of the Company when compared with the end of last year.

Management Discussion and Analysis

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

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

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

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as compared to	Reasons for changes
	30 June 2022 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2021 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2021 <i>(%)</i>	
Other current liabilities	740,224	1.11	346,060	0.52	113.90	(1) GP Corp., a holding subsidiary of the Company, issued RMB600 million of super short-term commercial paper; (2) there was a decrease 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 borrowing	1,250,620	1.87	752,812	1.14	66.13	There was an increase in bank borrowings by subsidiaries of the Company.
Other comprehensive income	(12,111)	(0.02)	(17,476)	(0.03)	30.70	There was an increase in the amount of exchange rate differences arising from translation of foreign currencies by subsidiaries of the Company.

Management Discussion and Analysis

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

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

6. Exposure to fluctuations in exchange rates

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

7. Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

8. Charge on the Group's assets

As at 30 June 2022, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the overdraft amounting to HKD300,000, letter of credit and 90 days credit in the total amount of HKD100,000,000 as well as unexpired letter of credit of HKD350,000 and USD166,000 from Bank of China (Hong Kong) Co., Ltd., secured by fixed assets and buildings with an original value amounting to HKD8,893,000 and net value amounting to HKD3,683,000 and investment properties with an original value amounting to HKD6,843,000 and net value amounting to HKD3,496,000.

9. Bank loans, overdraft and other borrowings

As at 30 June 2022, the bank loans of the Group amounted to RMB10,180,555,000 (31 December 2021: RMB9,180,820,000), with an increase of RMB999,735,000 as compared to the beginning of 2022. The above bank loans included short-term borrowings of RMB8,899,263,000, long-term borrowings of RMB1,250,620,000 and non-current liabilities expiring within one year of RMB30,672,000.

10. Gearing ratio

As at 30 June 2022, the Group's gearing ratio (total liabilities/total assets × 100%) was 50.66% (31 December 2021: 52.62%).

11. Material investment

As at 30 June 2022, the Group had no other material investment.

Management Discussion and Analysis

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

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

12. Overseas assets

Applicable Not applicable

(1) Asset size

Including: Foreign assets of RMB218,433,000, represent 0.33% of total assets.

(2) Description of overseas assets accounting for a higher proportion

Applicable Not applicable

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

Applicable Not applicable

(D) Issues and difficulties in operations and plans for the second half of 2022

In the first half of 2022, the global economic growth slowed down significantly. The frequent spread of COVID-19 epidemic in China brought instability to economic operation. Affected by the policy environment of the pharmaceutical industry, the pharmaceutical industry accelerated its transformation and upgrading amidst the changes. On one hand, with the acceleration of centralized volume-based procurement, the normalized adjustment of the medical insurance catalogue, the continuous implementation of a series of regulatory policies by the country such as comprehensive strengthening of the development of drug regulatory capacity, and the impact of COVID-19 epidemic and other social factors, pharmaceutical enterprises were required to further reduce costs and increase efficiency, strengthen research and development and enhance competitiveness, bringing certain challenges to pharmaceutical enterprises. On the other hand, the country promulgated policies to vigorously support the development of the biopharmaceutical and health industry, especially to support and promote the inheritance and innovation of traditional Chinese medicine, at the same time creating important opportunities for the pharmaceutical and health industry.

Management Discussion and Analysis

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

(D) Issues and difficulties in operations and plans for the second half of 2022 *(Continued)*

In the second half of 2022, the Group will focus on advancing the following works:

1. We will promote the solid and all-round development of the Great Southern TCM and lay a solid foundation. We will strive to reduce costs and increase efficiency, deepen the integration of resources such as sales, procurement and production, seize the expansion opportunities of the medical insurance catalogue, and strengthen the support and cultivation of “Diva brands”. We will seize opportunities, actively promote the transformation of marketing model sales. We will strengthen the protection and inheritance of time-honored brands, and further stimulate the innovation and vitality of time-honored enterprises and expand the featured health business.
2. We will expand and optimize the business of the Great Health to achieve innovative development. We will seize the peak sales season, with the spread of “Ji culture” as the core, strongly promote the sales of “Wang Lao Ji”, “Ci Ning Ji”, “Li Xiao Ji” and other products of the Ji series, deepened the deployment of omni-channel and increase the sales volume of products. We will strengthen the market expansion of lozenges, tortoise herb jelly, coconut juice and other potential products, create new growth points.
3. We will deepen and enliven the Great Commerce and promote service transformation. Adhering to the two-wheel drive of wholesale and retail, on one hand, we will improve the B2B platform and actively increase market share; and on the other hand, we will accelerate the development of retail outlets, continue to fill the market space in the province, and constantly strive for the qualification of “dual-channel” pharmacy of medical insurance and special drug pharmacy certification to seize the opportunity of prescription outflow.
4. We will develop the business of the Great Medical Care in terms of both size and professionalism to build its brand influence. We will strive to strengthen the standardized management and informatization construction of Guangzhou Baiyunshan Hospital, build the brand of “Baiyunshan Runkang” confinement service center, and accelerate the construction of Baiyunshan Traditional Chinese Medicine Hospital.
5. We will continue to increase investment, focus on innovation, leverage the Group’s advantages in scientific research, carry out research on key and core technologies in the pharmaceutical process, and actively explore the establishment of innovation consortium to enhance research and development capabilities.
6. We will solidly advance the reform of professional managers in the second batch of enterprises, implement the strategy of strengthening the enterprise by talents, and promote the quality and efficiency of corporate management. We will continue to strengthen fundamental management and risk control, and enhance the Group’s integrated capability in early warning, monitoring, prevention and control of risks.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment

1. Overall analysis on foreign equity investment

Applicable Not applicable

As at the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB1,628,037,000, representing an increase of RMB65,158,000 as compared to 31 December 2021, mainly due to the Group's recognition of the investment income of the joint ventures and associates under the equity method, which led to an increase in long-term equity investment.

(1) Significant equity investment

Applicable Not applicable

(2) Significant non-equity investment

Applicable Not applicable

(3) Financial assets evaluating at fair value

Applicable Not applicable

① Financial assets held for trading

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Financial assets measured at FVTPL	50,669	–
Including: Equity instrument investments	–	–
Others	50,669	–
Total	50,669	–

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on foreign equity investment (Continued)

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

② Other equity instrument investments

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Sino-Israel Bio-industry Investment Fund	107,334	105,295
South China Center for innovative Pharmaceuticals Co., Ltd.	10,000	10,000
Guangzhou Nanxi Pharmaceutical Co., Ltd.	7,678	7,678
Yilin Bio-industry Co., Ltd	464	449
Total	125,476	123,422

③ Other Non-Current Financial Assets

Item	As at 30 June 2022 (RMB'000)	As at 31 December 2021 (RMB'000)
Classification of financial assets which are measured at fair value and changes of which are included in the current profit and loss	1,008,790	574,278
Including: Investment in debt instruments	504,000	4,000
Equity instrument investment	504,790	506,810
Others	–	63,468
Total	1,008,790	574,278

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on foreign equity investment (Continued)

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

Including: Stocks investments

Number	Type of Stock	Stock Code	Stock name	The initial	Number of	Book value	% of stock	Gain/(loss)
				amount of	shares held	as at the	investment	during the
				investment	as at the	as at the	as at the	Reporting
				(RMB'000)	end of the	end of the	end of the	Period
					Reporting	Reporting	Reporting	Period
					Period	Period	Period	Period
					(share)	(RMB'000)	(%)	(RMB'000)
1	A share of SSE	600664	Harbin Pharmaceutical Group	3,705	376,103	1,132	0.86	(203)
2	A share of Shenzhen Stock Exchange	000950	C.Q. Pharmaceutical Holding	150,145	25,992,330	129,962	99.14	(910)
	Other stock investments held as at the end of the Reporting Period							-
	Gain/(loss) of stock investments sold during the Reporting Period							-
Total				<u>153,850</u>	<u>26,368,433</u>	<u>131,094</u>	<u>100.00</u>	<u>(1,113)</u>

(F) Significant asset and equity disposal

Applicable Not applicable

Management Discussion and Analysis

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

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

Applicable Not applicable

Name of enterprise	Business nature or services	Business nature or services	Registered capital <i>(RMB'000)</i>	Equity directly held by the Company <i>(%)</i>	Income from principal operations <i>(RMB'000)</i>	Profit from principal operations <i>(RMB'000)</i>	Total assets <i>(RMB'000)</i>	Net assets <i>(RMB'000)</i>	Net profit <i>(RMB'000)</i>
WLJ Great Health	Manufacturing	Production and sales of pre-packaged food, dairy products, etc.	900,000.00	100	5,920,257	2,652,699	11,165,907	8,205,459	1,247,337
GP Corp.	Pharmaceutical business	Wholesale and retail business	2,449,305.50	72.74	24,403,623	1,526,809	28,999,239	6,099,816	295,269

During the Reporting Period, except in relation to 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 and investment income from any investee company which had an impact of 10% or more on the net profit of the Group.

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

(H) Circumstance of structured subjects controlled by the company

Applicable Not applicable

Management Discussion and Analysis

E. OTHER MATTERS

(A) Risk exposure

Applicable Not applicable

In 2022, in the context of the increasingly close “Three-Medicine Linkage”, centralized procurement of pharmaceuticals by the State has been normalized, which led to the expansion of product types of generic drugs included in centralized procurement and significant decrease in medicines prices, and put further pressure on the generic drug business; the continuous promotion of payment mode by disease and the improvement of the monitoring and assessment system of rational use of drug will further reduce the use of drugs in medical institutions; cost control of medical insurance become strict, the implementation and promotion of a series of new policies, such as the National Medical Insurance and the DRGs Payment model is beneficial for cost-effective generic drugs and innovative drugs, pharmaceutical market is in drastic change, and creation and transformation, industry integration and business model transformation are inevitable, which have also brought challenges to the Group’s traditional business development.

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

(B) Other disclosures

Applicable Not applicable

F. DEVELOPED/DISPOSED PROPERTIES

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

A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session	Date of the meeting	Index on the designated website for publication of the resolution	Date of publication of the resolutions	Resolutions
The Annual General Meeting for year 2021	26 May 2022	http://www.sse.com.cn http://www.hkex.com.hk	27 May 2022 (SSE), 26 May 2022 (HKEX)	All the resolutions of the shareholders' meeting were deliberated and passed. Please refer to the relevant announcements published on the designated websites for the particulars.

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

Applicable Not applicable

Explanation in respect of the general meetings of shareholders

Applicable Not applicable

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

Applicable Not applicable

Explanation on the changes of Directors, Supervisors and senior management of the Company

Applicable Not applicable

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of the changes in information of Directors and Supervisors after the publication of the annual report for the year ended 31 December 2021 are set out below:

Name of Directors	Details of the changes
Cheng Ning	served as the Chairperson of Guangzhou Guangyao Capital Private Fund Management Co., Ltd. in January 2022.
Li Hong	served as the Director of Guangyao Baiyunshan Hong Kong Company in May 2018; ceased to be a member of the Party Committee of GPLH in January 2022.

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

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 or any increase in share capital by transfer from capital reserve.

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

Any distribution or transfer	No
Number of bonus shares to be distributed for every ten shares (shares)	/
Amount of dividends to be distributed for every ten shares (RMB) (inclusive of tax)	/
Number of shares to be transferred into share capital for every ten shares (shares)	/
Explanation on profit distribution or increase in share capital by transfer from capital reserve	/

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

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

Applicable Not applicable

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

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentive

Applicable Not applicable

E. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

F. CORPORATE GOVERNANCE

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

As at the end of the Reporting Period, the corporate governance of the Company was in compliance with the standardized operation requirements of listed companies, and there were no material discrepancies against the requirements of CSRC.

During the Reporting Period, the Company complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules of HKEX (“CG Code”) except that Ms. Liu Juyan, an executive director, was unable to attend the 2021 annual general meeting due to business reason which constituted a deviation from code provision C.1.6 in Part 2 of the CG Code.

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

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

The review of the business and financial position of the Company for the Reporting Period is set out in section 3 which is entitled “Management Discussion and Analysis” in this interim report.

F. CORPORATE GOVERNANCE *(Continued)*

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

- (A) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2021 pursuant to the requirements of the Notice on Proper Preparation of the 2021 Annual Report by Listed Companies issued by the SSE, and the Self-assessment Report on Internal Control for 2021 and the Report on Performance of Social Responsibilities for 2021 were prepared accordingly, which were disclosed after being duly considered and approved at the 19th meeting of the eighth session of the Board of the Company held on 18 March 2022.
- (B) According to the Guidelines for the Articles of Association of Listed Companies (revised in 2022) issued by the CSRC, the Listing Rules of SSE, Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation and other relevant laws and regulations, and based on the actual conditions of the Company, the Company revised relevant provisions of the Articles of Association. The above revisions were disclosed after being duly considered and approved at the 19th meeting of the eighth session of the Board of the Company held on 18 March 2022 and were considered and approved at the 2021 annual general meeting held on 26 May 2022.
- (C) In order to further standardize the internal organs and operating procedures of the Board of Directors and the Supervisory Committee, in accordance with the Company Law, the Code of Corporate Governance of Listed Companies, the Articles of Association and other relevant regulations, the Company has revised relevant provisions of the Rules of Procedure of the Annual General Meeting of Shareholders, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee. The above revisions were disclosed after being duly considered and approved at the 19th meeting of the eighth session of the Board of the Company held on 18 March 2022 and were considered and approved at the 2021 annual general meeting held on 26 May 2022.
- (D) In order to further improve the corporate governance structure and fully leverage the positive contributions of the independent directors, in accordance with the requirements of the Company Law, the Code of Corporate Governance of Listed Companies, the Rules for Independent Directors of Listed Companies, the Listing Rules of SSE, the Listing Rules of HKEX and the Articles of Association, the Company has revised relevant provisions of the Independent Directors System. The above revisions were disclosed after being duly considered and approved at the 19th meeting of the eighth session of the Board of the Company held on 18 March 2022 and were considered and approved at the 2021 annual general meeting held on 26 May 2022.

F. CORPORATE GOVERNANCE *(Continued)*

- (E) In order to regulate the management and use of proceeds of the Company, in accordance with the Company Law, the Securities Law, the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies, the Listing Rules of SSE, the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange, the Articles of Association and other relevant regulations, the Company has revised relevant provisions of the Measures for the Management of Proceeds. The above revisions were disclosed after being duly considered and approved at the 20th meeting of the eighth session of the Board of the Company held on 26 April 2022.
- (F) In order to further strengthen the effective regulation of the Company's fund transactions, prevent the controlling shareholders, actual controller and other related parties from occupying the Company's funds, so as to safeguard the legitimate rights and interests of investors, in accordance with the requirements of the Company Law, the Code of Corporate Governance of Listed Companies, the Opinions of the State Council on Further Improving the Quality of Listed Companies, the Guidelines for the Supervision of Listed Companies No. 8 -Regulatory Requirements for Fund Transactions and External Guarantees of Listed Companies and the Articles of Association, the Company has revised relevant provisions of the Administrative Measures on Preventing Capital Occupation by the Controlling Shareholders and the Related Parties. The above revisions were disclosed after being duly considered and approved at the 20th meeting of the eighth session of the Board of the Company held on 26 April 2022.
- (G) In order to safeguard the legitimate rights and interests of the Company and all shareholders and ensure that the Company's disclosable transactions and connected transactions comply with the principles of fairness, impartiality and openness, in accordance with the Company Law, the Securities Law, Accounting Standards for Business Enterprises No. 36 – Disclosure of Related Parties, the Listing Rules of SSE, the Listing Rules of HKEX, the Articles of Association and other relevant regulations, the Company has revised relevant provisions of the Requirements on Strengthening the Monitoring and Management of Disclosable and Connected Transactions (《關於加強須予披露交易及關聯(連)交易的監控與管理的規定》). The above revisions were disclosed after being duly considered and approved at the 20th meeting of the eighth session of the Board of the Company held on 26 April 2022.

F. CORPORATE GOVERNANCE *(Continued)*

(H) During the Reporting Period, the Company firmly focused on the building of the “Audit Risk Control 1234” targets to enhance the risk prevention capability and reduce the operational and management risks of the enterprise. It mainly carried out the following work:

- (1) Conducting tour inspections and audits on subsidiaries with the focus on the implementation of major decision-making measures, the compliance of key business links, the prevention and resolution of major risks, and the disposal and rectification of businesses with greater potential risks.
- (2) Launching the integration and coordination work between risks and audit by carrying out eight major risk special audits and launching a number of term-end accountability audit projects to ensure the legal compliance of the enterprise operations.
- (3) Building a risk control supervision platform, establishing an “business-audit integration” information platform integrating finance, operation, procurement, capital, intellectual property, properties and other business information systems, integrating the major three supervision sectors, namely, audit, inspection and risk control, and carrying out comprehensive control from six dimensions: business supervision, sector supervision, enterprise supervision, contract supervision, process supervision and business intelligence analysis.
- (4) Sorting out the rules and standards of each business segment, clarifying the organizational structure, responsibilities and authorities, forming a standardized risk control management mechanism so as to improve the risk prevention capability of each enterprise.
- (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, organizing review on significant economic contracts and annual risk appraisal.

G. THE AUDIT COMMITTEE OF THE EIGHTH SESSION OF THE BOARD COMPRISED FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM POSSESSED ACCOUNTING PROFESSIONAL QUALIFICATION. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP’S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING WITH THE MANAGEMENT, INCLUDING REVIEWING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022. THE AUDIT COMMITTEE HAD NO DISAGREEMENT WITH ACCOUNTING TREATMENT ADOPTED BY THE COMPANY.

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION

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

√ Applicable □ Not applicable

1. Information on sewage disposal

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

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m ³)	Implementation of pollutant emission standards (mg/m ³)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong, Province, the PRC	4	"Integrated Emission Standard for Air Pollutants", ≤50	0.0069	-	None
	Nitrogen oxides	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong, Province, the PRC	100.7	"Integrated Emission Standard for Air Pollutants", ≤200	0.1798	-	None
	Particulate matter (smoke dust)	Intermittently	5	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong, Province, the PRC	0.92	"Integrated Emission Standard for Air Pollutants", ≤30	0.041	-	None
	Total VOCs	Intermittently	6	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong, Province, the PRC	3.97	"Integrated Emission Standard of Air Pollutants", ≤120	0.0014	-	None
WLJ Ya'an	COD	Discharge after treatment	1	No. 1 Deguang Road, Ya'an Economic Development Zone, Sichuan Province, the PRC	12.50	"Integrated Wastewater Discharge Standard (III class criteria)"	0.25	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province	65.80	"Integrated Wastewater Discharge Standard (III class criteria)"	1.10	4.60	None

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

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION (Continued)

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

2. Construction and operation of pollution prevention and control facilities

√ Applicable □ Not applicable

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

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Technique	Average daily processing capacity (m ³ /h)
Chemical Pharmaceutical Factory	Sewage treatment facility tail gas treatment system DA008 (6#)	2018.02.01	Odor, VOCs	Washing+biofilter	3, 895
	202 production exhaust gas treatment facility DA010 (7#)	2007.10.01	Particulate matter, VOCs	Bag-type dust collecting+ lye spray+ activated carbon adsorption	3, 672
	205 cephalosporin sterile APIs production exhaust gas treatment facility DA004 (5#)	2009.06.01	VOCs	Condensation+ absorber recovery	360
	203 oral APIs production exhaust gas treatment facility DA003 (9#)	2014.10.01	VOCs, sulfuric acid mist	Condensation+ lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01.20	VOCs, Hydrochloride	Lye spray+ photo catalytic oxidation	2, 579
	205 oral cephalosporin APIs production dust and exhaust gas treatment facility DA002 (10#)	2016.01.20	Particulate matter	Cellulose filter cylinder filtration	5, 350
	203 oral raw medicine production dust and waste gas treatment facility DA009 (8#)	2014.10.01	Particulate matter	Cellulose filter cylinder filtration	4870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007(2#)	2009.06.01	Particulate matter	Cellulose filter cylinder filtration	7205
	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	3000: 2200
	WLJ Ya'an Company	Sewage Treatment Station	2015.09.01	COD, ammonia nitrogen	A/O Process
Weiling	Sewage Treatment Station	2016.06.07	COD, ammonia Nitrogen	A/O Process	40

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

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

Applicable Not applicable

The design, construction and trial run of plants, new projects and reconstruction and expansion projects of each key sewage-discharging entity of the Company went through the environmental impact assessment and the environmental protection completion inspection in strict compliance with relevant laws and regulations. The environmental protection facilities of supporting construction should be designed, constructed and put into trial operation at the same time as the main project.

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

4. Environmental emergency response plan

Applicable Not applicable

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

5. Environmental self-monitoring program

Applicable Not applicable

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

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

6. Administrative punishment on environmental issues during the Reporting Period

Applicable Not applicable

7. Other disclosable environmental information

Applicable Not applicable

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

Applicable Not applicable

1. Administrative punishment on environmental issues

Applicable Not applicable

2. Other environmental information disclosed with reference to other key pollutant-discharging units

Applicable Not applicable

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

3. Reasons for non-disclosure of other environmental information

Applicable Not applicable

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

Applicable Not applicable

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

Applicable Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Company strictly controls the treatment and discharge of various pollutants through emission reduction from the source, green production in the intermediate process, and pollution prevention at the end. While achieving emission standards, the Company strictly control internal emission indicators. For example, the wastewater discharged into municipal pipelines only needs to meet the Class III discharge standards according to regulations while the Company works hard to meet the Class I discharge standards through strict management through technological upgrading. 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 of medicinal herbs, quality seedlings and quality tracing of 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.

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

Applicable Not applicable

The Company uses clean energy as combustion medium for boilers. Currently, the Company are carrying out low nitrogen transformation to reduce air pollution each enterprise, and the subsidiaries involving VOCs emission are implementing hierarchical management and emission compliance in accordance with the requirements of the territory. For the use of power energy, it proactively purchases power-saving equipment and adopts LED lights for lighting and energy-saving electrical machinery. For power distribution equipment, it adopts capacitance compensation, provides power factors and proactively promotes the use of degradable and recyclable packaging materials in the production process. Meanwhile, the Company has carried out statistical work of carbon verification from 2021 to 2022.

Environmental and Social Responsibility

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

Applicable Not applicable

During the Reporting Period, the Company has continuously promoted, solidified and expanded the results of alleviating poverty and rural revitalization, and the specific works are as following:

1. Aiming at helping the township villages of Nanxing Town, Leizhou City, the Company has conducted analysis on the light, soil, topography and hydrogeological conditions of Nanxing Town, mining of local resources, exploration of the construction of planting bases for Chinese herbal medicine, and turning Pinglan Village into a specialty village of “One Village, One Product”. At present, the planting base of Pinglan Village has planted a total of approximately 20,000 seedlings of Microcos (布渣葉).
2. Promoting the toilet revolution, upgrading the living environment and improving the sanitary and ecological conditions.
3. Eleven projects in three towns and eight villages in Sandu County, Qiannan Prefecture, Guizhou Province, have been basically confirmed under collaboration between the eastern and western regions through pairing up with assistance funds of approximately RMB1 million.
4. Undertaking mission of developing the lychee industry in Guangdong actively to develop the lychee product “Li Xiao Ji (荔小吉)” by using lychee, a specialty of Lingnan, and plan to replicate the model of “Ci Ning ji (刺檸吉)” for revitalizing the lychee industry in Guangdong.

Major Events

A. PERFORMANCE OF UNDERTAKINGS

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

Applicable Not applicable

1. Independence of listed company

Item	Content
Background of undertakings	Undertakings related to 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, will comply with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association of GPC, and exercise shareholder's right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organisation and business.2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

2. 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"> After completion of the Material Assets Reorganization in 2013, GPLH and its controlled subsidiaries (hereinafter "Subsidiaries" excluding GPC and its subsidiaries and same as below) should avoid engaging in business and operations which substantially compete with those of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013, and avoid increasing investment in companies and enterprises other than the GYBYS and its subsidiaries, and engaging in business and operations which substantially compete with those of the GYBYS. GPLH will not and will procure its Subsidiaries not to engage in the same or similar business of the GYBYS to avoid direct or indirect competition with the operation and business of the GYBYS. In addition, GPLH will voluntarily forego and vigorously procure its Subsidiaries forego competition with the GYBYS if GPLH and its Subsidiaries will bring unfair impact on the GYBYS in respect of market shares, business opportunities and allocation of resources. GPLH shall bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by the GYBYS due to any breach of the above undertakings. The undertaking letter shall remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Complied with or not	Yes

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

3. 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 the Company. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreement with the Company in accordance with laws and perform the legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of SSE and the Listing Rules of HKEX and the Articles of Association of GPC, and warrant that it will not harm the legitimate rights and interests of the GYBYS subsisting after completion of the Material Assets Reorganization in 2013 and its other shareholders. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Complied with or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

4. 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 are not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any losses.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Complied with or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

5. Undertakings related to trademarks by the controlling shareholder

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 undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) upon the expiry date of 1 May 2020, or earlier when the license agreement and its supplemental agreement were determined invalidated/void/terminated by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the pre-emption right in Wang Lao Ji trademarks. 2. On the basis of the original undertaking letter, GPLH has further made the undertaking as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such 4 other trademarks related to Wang Lao Ji, which are all obtained and owned in legal manner by GPLH after the execution day (inclusive of that day) of the Supplementary Agreement to the Agreement of Trademark Custody. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
Time and period of undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Valid period for performance	No
Whether timely and strictly performed	Yes. In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the effective date of the judgment on the law case of ‘red can decoration’”, due to the trial of the “case on red can decoration dispute”. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of “Wang Lao Ji” trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Complied with or not	Yes
Note	On 16 August 2017, the Supreme People’s Court of the PRC announced the judgment on the “case on red can decoration dispute”, 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 on red can decoration dispute” (For details, please refer to the Announcement of the Final Judgement on the Case of “Dispute over Wang Lao Ji 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.

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
	<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 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by GPL, the controlling shareholder (including trademarks already registered in the PRC and other countries or regions and trademarks under application and pending for approval) in cash, and signed the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited and the Profit Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited. The above transaction was considered and passed at the first extraordinary general meeting in 2019 held on 28 March 2019. On 30 April 2019, the Company entered into the Confirmation of the Delivery of Assets for the Transfer of “Wang Lao Ji” Series Trademarks with GPL, in accordance with which the transfer of the “Wang Lao Ji” trademark assets had been completed.</p>

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

5. Undertakings related to trademarks by the controlling shareholder *(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 GPLH. As affected by the 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</p> <p>Of 418 trademarks of Wang Lao Ji series that the Company has submitted the changing application documents to both domestic and foreign intellectual property departments, there has been 384 trademarks changed and 34 trademarks pending approval.</p>

Major Events

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

√ Applicable □ Not applicable

Name of shareholders or related parties	Relationship with the Company	Appropriation time	Reasons	Amount	New	Total amount repaid during the Reporting Period	Balance at the end of the Reporting Period	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
				beginning of the Reporting Period	appropriation amount during the Reporting Period						
				(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)			
HWBYS	Joint venture	(Note)	Dividends	343,767	-	-	343,767	343,767	Cash	343,767	-
Total	/	/	/	343,767	-	-	343,767	343,767	/	343,767	/
Proportion of total amount at the end of the period in the latest audited net assets											1.10%
Decision-making procedures for appropriation of funds for non-operating purposes by controlling shareholder and other related parties											-
Reasons for new appropriation of funds for non-operating purposes by substantial shareholders and their affiliated enterprises; investigation of responsible persons and explanations to measures proposed to be adopted by the Board											-
Reasons for failure to settle appropriation of funds for non-operating purposes as planned; investigation of responsibilities and explanations to measures proposed to be adopted by the Board											-
Special audit opinion of certified public accountants on appropriation of funds (if any)											-

Note: 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 above 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 invested substantial capital, in order not to affect production and operation and project construction, HWBYS has not paid dividends to its shareholders as at the end of the Reporting Period.

C. BREACH OF GUARANTEES

Applicable Not applicable

D. AUDIT OF THE INTERIM REPORT

Applicable Not applicable

(A) Explanation on appointment, dismissal of auditors

Explanation on appointment, dismissal of auditors

Applicable Not applicable

As approved at the 2nd meeting of the Audit Committee in 2022, the Company agreed not to appoint BDO CHINA SHU LUN PAN Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for year 2022.

As considered and approved at the 2nd meeting of the Audit Committee in 2022, the 20th meeting of the eighth session of the Board and 16th meeting of the eighth session of the Supervisory Committee and the annual general meeting of Shareholders of 2021 of the Company, the Company approved the appointment of WUYIGE Certified Public Accountants LLP as the financial auditors and the internal control auditors of the Company for year 2022. For details, please refer to the announcement of the Company dated 26 April 2022, circular dated 10 May 2022 and announcement of poll results of the annual general meeting of shareholders in 2021 dated 26 May 2022. BDO CHINA SHU LUN PAN Certified Public Accountants LLP would not be the financial auditors and the internal control auditors of the year, which has been effective since the end of annual general meeting of shareholders in 2021 issued on 26 May 2022.

Explanation on change in appointment of auditors during the audit period

Applicable Not applicable

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

Applicable Not applicable

Major Events

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

Applicable Not applicable

F. MATTERS RELEVANT TO WINDING UP AND SCHEME OR ARRANGEMENT

Applicable Not applicable

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

Material litigations or arbitrations of the Company during the Reporting Period
 No Material litigations or arbitrations of the Company during the Reporting Period

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

Applicable Not applicable

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

Applicable Not applicable

(C) Others

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	2,386	0.01	Cash
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	112,289	0.37	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	55,922	0.18	Cash
Subtotal					170,597		
HWBYS	Joint venture	Acceptance of service	Publicity fee	Market price	5,651	0.87	Cash
GPHL	Parent company	Acceptance of service	Publicity fee	Market price	85	0.01	Cash
Hua Cheng	Controlled by the same parent company	Acceptance of service	Publicity fee	Market price	17	0	Cash
Subtotal					5,753		
Total					176,350		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	66,162	0.18	Cash
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	74,675	0.20	Cash
Nuo Cheng	Joint venture	Sales of goods	Medicinal material or medicine	Market price	6	0	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	168	0	Cash
Guangyao Group (Macau) International Development Industry Co., Ltd	Controlled by the same parent company	Sales of goods	Other	Market price	67	0	Cash
Subtotal					141,078		
GPHL	Parent company	Rendering of services	Advertising agency service	Market price	993	2.46	Cash
Hua Cheng	Controlled by the same parent company	Rendering of services	Advertising agency service	Market price	6,548	16.22	Cash
HWBYS	Joint venture	Rendering of services	Advertising agency service	Market price	32,185	79.74	Cash
Baxter Qiao Guang	Joint venture	Rendering of services	Advertising agency service	Market price	9	0.02	Cash
Guangzhou Baiyunshan Cultural Industry Co. Ltd	Controlled by the same parent company	Rendering of services	Advertising agency service	Market price	4	0.01	Cash

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount <i>(RMB'000)</i>	Proportion of similar transaction amount <i>(%)</i>	Related party transaction settlement method
Hua Cheng	Controlled by the same parent company	Rendering of services	Consigned processing	Market price	13,176	10.19	Cash
HWBYS	Joint venture	Rendering of services	Consigned processing	Market price	5,748	4.45	Cash
Hua Cheng	Controlled by the same parent company	Rendering of services	Research and development services	Market price	359	2.75	Cash
HWBYS	Joint venture	Rendering of services	Research and development services	Market price	312	2.38	Cash
HWBYS	Joint venture	Rendering of services	Other	Market price	297	0	Cash
Nuo Cheng	Joint venture	Rendering of services	Other	Market price	594	0	Cash
Baxter Qiao Guang	Joint venture	Rendering of services	Other	Market price	2,738	0.01	Cash
Guangyao Group (Macau) International Development Industry Co., Ltd	Controlled by the same parent company	Rendering of services	Other	Market price	374	0	Cash
Subtotal					63,337		
Hua Cheng	Controlled by the same parent company	Providing rights to use patents, trademarks, etc.	Rights to use trademarks	Agreement price	186	17.08	Cash
HWBYS	Joint venture	Providing rights to use patents, trademarks, etc.	Rights to use trademarks	Agreement price	604	55.53	Cash

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

Related party	Relationship	Type of related party transaction	Related transaction content	Related party pricing principle	Transaction amount (RMB'000)	Proportion of similar transaction amount (%)	Related party transaction settlement method
HWBYS	Joint venture	Other	Assets leased from related parties	Agreement price	2,681	1.76	Cash
GPHL	Parent company	Other	Assets leased from related parties	Agreement price	4,334	2.85	Cash
Subtotal					7,805		
GPHL	Parent company	Other	Assets leased to related parties	Agreement price	214	1.01	Cash
Guangzhou Baiyunshan Cultural Industry Co. Ltd	Controlled by the same parent company	Other	Assets leased to related parties	Agreement price	28	0.13	Cash
Baxter Qiao Guang	Joint venture	Other	Assets leased to related parties	Agreement price	1,780	8.42	Cash
Nuo Cheng	Joint venture	Other	Assets leased to related parties	Agreement price	1,619	7.66	Cash
Subtotal					3,641		
Total					215,861		

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

3. Matters not disclosed in temporary announcement

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

1. **Events disclosed in temporary announcements and with no progress or change in subsequent implementation**
 Applicable Not applicable
2. **Events disclosed in temporary announcements but with progress or change in subsequent implementation**
 Applicable Not applicable
3. **Events not disclosed in temporary announcements**
 Applicable Not applicable
4. **Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed**
 Applicable Not applicable

(C) Material related party transactions on joint external investment

1. **Events disclosed in temporary announcements and have no progress or change in subsequent implementation**
 Applicable Not applicable
2. **Events disclosed in temporary announcements but with progress or change in subsequent implementation**
 Applicable Not applicable
3. **Events not disclosed in temporary announcements**
 Applicable Not applicable

Major Events

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(D) Credit claims and liabilities between related parties

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(F) **Other significant related party transactions**

Applicable Not applicable

(G) **Other**

Applicable Not applicable

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

No.	Approval body	Subject matter	Status
1	5th meeting of the Strategic Development and Investment Committee in 2016	The Company's subsidiary Chemical & Pharmaceutical Technology Company and Zhuhai Fushan Industrial Park Management Committee entered into the Investment Agreement between Zhuhai Fushan Industrial Park Management Committee and Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. ("Zhuhai Project"), with an initial investment amount of RMB55 million.	The Company has established Chemical Pharmaceutical (Zhuhai) Company. Currently, the Zhuhai Project has entered into the construction stage.
	1st meeting of the Strategic Development and Investment Committee in 2017	The Company contributed additional capital in cash of RMB12.47 million to Chemical & Pharmaceutical Technology Company for the use of project design and environmental assessment of the Zhuhai Project.	
	1st meeting of the Strategic Development and Investment Committee in 2018	The Company contributed additional capital of RMB100 million to Chemical & Pharmaceutical Technology Company for use in the establishment of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. ("Chemical Pharmaceutical (Zhuhai) Company").	
	11th meeting of the seventh session of the Board	Initiation of the Zhuhai Project with a total investment amount of RMB731,879,100.	
	5th meeting of the Strategic Development and Investment Committee in 2019	The Company made a capital increase of RMB100 million to Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company.	

Major Events

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

No.	Approval body	Subject matter	Status
	3rd meeting of the Strategic Development and Investment Committee in 2020	Chemical & Pharmaceutical Technology Company, a wholly-owned subsidiary of the Company, applied for a capital injection of RMB300 million from the Company for the use of the construction of the Zhuhai Project.	
2	5th meeting of the Strategic Development and Investment Committee in 2017	Medical Instrument Investment Company, a subsidiary of the Company, would set up a joint venture jointly with Shanghai Xiecheng Investment Management Co., Ltd. (上海協成投資管理有限公司) and Guangzhou OSMUNDA Medical Device Technology Inc. Ltd. (廣州奧諮達醫療器械技術股份有限公司) to build an operating platform for the medical equipment innovation incubator park, and Medical Instrument Investment Company intends to contribute capital in cash of RMB17 million, accounting for 34% of the equity interest.	First phase of capital increase completed.
3	18th meeting of the seventh session of the Board	The Company's subsidiary WLJ Great Health invested in and commenced the construction of Nansha Base (Phase I) project with a total investment of RMB750 million.	The construction work is in progress.
4	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.	The construction work is in progress.

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

No.	Approval body	Subject matter	Status
	1st meeting of the Strategic Development and Investment Committee in 2021	The estimate budget on the Phase-II project of WLJ Ya'an was adjusted to RMB67 million.	
5	6th meeting of the Strategic Development and Investment Committee in 2018	The Company made an additional contribution of RMB30 million to its wholly-owned subsidiary Guangyao General Institute, with the first phase of RMB18 million and the second phase of RMB12 million.	First phase of capital increase has been completed.
6	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 and the construction work is in progress.
7	11th meeting of the seventh session of the Board	The Company invested in the establishment of GYBYS Biological Medicine and Health R&D Sales Headquarters project.	The construction work is in progress.
	6th meeting of the Strategic Development and Investment Committee in 2019	RMB40.41 million was injected as capital contribution to GYBYS Biological Medicine and Health R&D Sales Headquarters project.	
8	6th meeting of the Strategic Development and Investment Committee in 2019	Zhong Yi, a wholly-owned subsidiary of the Company, carried out the 3rd GMP construction improvement project of modernization of TCM production.	The construction work is in progress.
		Cai Zhi Lin, a wholly-owned subsidiary of the Company, implemented the first phase of the project of Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Industrial Park.	The construction work is in progress.

Major Events

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

No.	Approval body	Subject matter	Status
9	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.	The construction work is in progress.
10	1st meeting of the Strategic Development and Investment Committee in 2021	The Company, Cai Zhi Lin, Zhong Yi and Baiyunshan Hanfang proposed to establish a joint venture named Guangdong Hanchao TCM Technology Co., Ltd. (廣東漢潮中藥科技有限公司) with Guangzhou Jinan University Asset Operation Co., Ltd. (廣州暨南大學資產經營有限公司), Gansu Pharmaceutical Industry Research Institute Co., Ltd. (甘肅藥物產業研究院有限公司) and Lanzhou Nuoran Intestinal Health Precision Nutrition Research Institute (蘭州諾然腸道健康精準營養研究所). The registered capital of the joint venture is RMB30 million, of which, the Company contributes RMB6 million, accounting for 20%. The comprehensive shareholding proportion of the Group in the joint venture is 75%.	Registration has been completed.

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

No.	Approval body	Subject matter	Status
11	2nd meeting of the Strategic Development and Investment Committee in 2021	GP Corp., a subsidiary of the Company, applied for RMB150 million of self-owned funds to purchase land for the phase two of the logistics project of the Baiyun base in the Biological Medicine Town of GPLL.	The purchase of land has been completed.
12	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 RMB223.51 million	The construction work is in progress .
		The 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 be based on the valuation of asset evaluation.	Completed.
13	3rd meeting of the Strategic Development and Investment Committee in 2022	Guangzhou Baiyunshan Weiyi, of which 51% of the equity is held by Guangzhou Baiyunshan Baidi Biopharmaceutical Company Limited, a wholly-owned subsidiary of the Company, will purchase office property with amount of RMB 53.94 million.	Completed.

Major Events

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

No.	Approval body	Subject matter	Status
14	5th meeting of the Strategic Development and Investment Committee in 2022	The Company's controlling subsidiary, GP Crop., will integrate its two wholly-owned pharmaceutical retail companies Guangzhou Jian Min Pharmaceutical Chain Company Limited ("Jian Min Chain") and Guangzhou Cai Zhi Lin Pharmaceutical Chain Company Limited ("Cai Zhi Lin Chain"). Jian Min Chain will acquire Cai Zhi Lin Chain.	In progress.

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

L. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(A) Trusteeship, contract and lease matters

Applicable Not applicable

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

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

(B) The major guarantees that have not been performed or have not been completed during the Reporting Period

Applicable Not applicable

(Unit: RMB'000)

Guarantor	The relationship between the guarantor and the Company	Secured party	Amount guaranteed	Date of guarantee (date of agreement)	External guarantees of the Company (excluding guarantees to subsidiaries)			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
					Guarantee commencement date	Guarantee maturity date	Collateral type						
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee provided during the Reporting Period (excluding guarantee provided to the subsidiaries of the Company)													-
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantee provided to the subsidiaries of the Company)													-
Guarantee provided by the Group for the benefit of its subsidiaries													
Total amount of guarantee provided for the benefit of subsidiaries during the Reporting Period													150,000
Total balance of guarantee provided for the benefit of subsidiaries at the end of the Reporting Period (B)													150,000
Amounts of guarantees provided by the Group (including guarantees for subsidiaries)													
Total amount of guarantee (A+B)													150,000
The proportion of the total amount of guarantees to the Company's net assets (%)													0.46
Including:													
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)													-
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio of over 70% (D)													150,000
Portion of the total amount of guarantee in excess of 50% of net assets (E)													-
Aggregated amount of the above three types of guarantee (C+D+E)													150,000
Description of the potential joint and several repayment liability for outstanding guarantee													Not applicable
Description of guarantee													The guarantee was provided by GP Corp., a controlling subsidiary of the Company, to Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., its wholly-owned subsidiary. The amount of the guarantee is within the limit of the guarantee considered and approved at the general meeting of the Company.

(C) Other major contracts

Applicable Not applicable

Major Events

M. DESCRIPTION OF OTHER IMPORTANT MATTERS

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

Applicable Not applicable

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

Applicable Not applicable

(C) Others

Applicable Not applicable

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

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

(C) Others *(Continued)*

1. *(Continued)*

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The resolution on the capital injection and enlargement of GP Corp. was considered and approved at the third meeting of the eighth session of the Board on 6 August 2020. The resolution on the initial public offering of foreign shares (H shares) by GP Corp. by way of overseas listing and a series of resolutions related to the listing proposals were considered and approved at the sixth meeting of the eighth session of the Board on 30 September 2020. GP Corp. solicited qualified investors by way of a public tender process via the Guangzhou Enterprises Mergers and Acquisition Services from 12 October 2020 to 4 December 2020. According to the delisting, comprehensive evaluation and competitive negotiation of the public tender of the Guangzhou Enterprises Mergers and Acquisition Services, eventually, one strategic investor and five ordinary investors were solicited for the capital injection and enlargement of GP Corp. and its capital increased by 222,305,300 new shares by way of capital injection and enlargement. On 30 December 2020, GP Corp. completed the business registration for the changes relating to the said capital injection and enlargement. On 9 March 2021, GP Corp. submitted the application materials for the initial public offering of overseas listed foreign shares (H shares) and listing on the Main Board of the HKEX to the CSRC, which were accepted on 17 March 2021. On 31 March 2021, GP Corp. submitted the Form A1 listing application to the HKEX for the listing and trading of the shares of GP Corp. on the Main Board of the HKEX. On 2 July 2021, GP Corp. received the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Guangzhou Pharmaceuticals Co., Ltd. issued by the CSRC. On 23 June 2022, in view of the expiry of the Approval issued by the CSRC and having considered the changes of capital market of Hong Kong, and in conjunction with the development plan of the Company and GP Corp., the Company and GP Corp. determined to suspend proceeding with the proposed spin-off after due and careful consideration. However, the Company and GP Corp. do not exclude that they may, after taking into account future market circumstances and their business development needs, reconsider proceeding with the proposed spin-off at the appropriate time.

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, 4 July 2021 and 23 June 2022 published in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

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

(C) Others *(Continued)*

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

GP Corp. continued to issue Xingye Yuanrong-GP Corp. Phase II Special Asset Support Plan for Accounts Receivable (“Phase 2 Special Plan”) on 10 September 2021, with effective amount of RMB1 billion during the fundraising period. After its establishment, it will be filed in accordance with relevant regulations and requirements of relevant regulatory authorities.

As at 30 June 2022, the book value of accumulative asset sale of GP Corp.’s Phase 2 Special Plan amounted to RMB3,063 million, the received purchase value of GP Corp. amounted to RMB3,004 million. The income shall be used to supplement the working capital of the GP Corp.. For details, please refer to the announcements of the Company dated 10 September 2021 and dated 28 April 2022 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.

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

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

The Company used proceeds in the amount of RMB262,033,300 in January to June 2022. As at 30 June 2022, the aggregate proceeds invested amounted to RMB6,483,496,800 and the aggregate proceeds invested after deduction of bank charges and addition of accrued interest income amounted to RMB1,940,828,700, details of which are as follows:

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2022 (RMB'0000)	Difference between the accumulated amount invested and the total amount committed for investment as at the end of the Reporting Period (RMB'0000)	Date of the projects becoming ready for intended use
1	The construction project of the Great Southern TCM research and development platform	99,757.10	60,864.70	(38,892.40)	31 December 2022 ^(Note 1 and Note 4)
2	The construction project of the Great Southern TCM production base (phase 1)	64,391.67	22,911.88	(41,479.79)	-
	Including Ming Xing relocation improvement project	60,000.00	18,520.21	(41,479.79)	31 January 2024 ^(Note 3)
	He Ji Gong relocation improvement project	4,391.67	4,391.67	0	Change in the intended use ^(Note 3)
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPLH (the controlling shareholder of the Company)	108,000.00	108,000.00	0	^(Note 2)

Major Events

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

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 30 June 2022 (RMB'0000)	Difference	Date of the projects becoming ready for intended use
				between the accumulated amount invested and the total amount committed for investment as at the end of the Reporting Period (RMB'0000)	
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	2,744.99	2,744.99	0	Change in a portion of the intended use of by the Company (Note 2 and Note 3)
6	The project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	48,901.37	23,828.72	(25,072.65)	(Note 3)
7	The project for Nansha base Phase 1 of WLI Health	38,400.00	1,547.85	(36,852.15)	(Note 4)
8	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	11,842.90	1,920.67	(9,922.23)	(Note 4)
9	Replenishment of liquidity	<u>222,049.70</u>	<u>223,105.20</u>	<u>1,055.50</u>	N/A
	Total	<u>796,117.73</u>	<u>648,349.68</u>	<u>(147,768.05)</u>	-

Notes:

- The Company convened the 29th meeting of the seventh session of the Board and the 20th meeting of the seventh session of the Supervisory Committee and considered and passed the resolution on postponing the implementation date of the construction project of the Great Southern TCM research and development base to 31 December 2022. For details, please refer to the announcement of the Company dated 11 December 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- 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 extraordinary general meeting of shareholders in 2019 considered and passed the resolution on changing the use of RMB1,000 million and RMB80 million out of the proceeds for the extension project of modern medical logistics services and for the project for the establishment of the information platform respectively to the acquisition of the "Wang Lao Ji" series trademarks held by GPLH, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018, 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.

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

Notes: *(Continued)*

3. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of the construction project of the Great Southern TCM production base (phase 1) of Ming Xin's relocation improvement project to 31 January 2024, and redesignated RMB104.725 million (the actual amount is based on the balance of designated account on the day the proceeds are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the designated account on the day when proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmcentral (Zhuhai) Co., Ltd. Please refer to the announcements 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.
4. 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 as disclosed above, as of 30 June 2022, the use of the proceeds through the non-public offering of A shares above was in line with the use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies (Announcement of CSRC [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 for the first half of 2022 (the full text of which had been uploaded to the website of SSE).

Changes in Share Capital and Shareholders

A. CHANGES IN SHARE CAPITAL

(A) Changes in share capital

1. Changes in share capital

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

2. Explanation on changes in shares capital

Applicable Not applicable

3. Impact of changes in ordinary shares on financial indicators such as earnings per share and net assets per share during the period from the Reporting Period to the disclosures date of the interim report (if any)

Applicable Not applicable

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

Applicable Not applicable

(B) Changes in shares subject to selling restrictions

Applicable Not applicable

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2022, the Company had 84,648 shareholders in total, of which 84,596 were holders of domestically listed Reminbi-denominated ordinary shares (A shares) and 52 were holders of overseas listed foreign share (H shares).

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

Shareholders	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions <i>(share)</i>	Number of shares pledged or locked shares <i>(share)</i>	Nature of shares
GPHL	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	66,000	219,767,290	13.52	0	0	Others
GZ Chengfa	0	73,313,783	4.51	0	0	Others
Hong Kong Securities Clearing Company	27,431,377	62,613,898	3.85	0	0	Others
GZ Chan Tou	0	55,548,80	3.42	0	0	State-owned legal
China Securities Finance Corporation Limited	0	47,277,962	2.91	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

B. INFORMATION ON SHAREHOLDERS *(Continued)*

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

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

Shareholders	Number of shares without selling restrictions <i>(share)</i>	Class and number of shares	
		Class of shares	The number of shares <i>(share)</i>
GPHL	732,305,103	Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,767,290	Overseas listed foreign shares	219,767,290
GZ Chengfa	73,313,783	Ordinary shares denominated in RMB	73,313,783
Hong Kong Securities Clearing Company Limited	62,613,898	Ordinary shares denominated in RMB	62,613,898
GZ Chan Tou	55,548,800	Ordinary shares denominated in RMB	55,548,800
China Securities Finance Corporation Limited	47,277,962	Ordinary shares denominated in RMB	47,277,962
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Ordinary shares denominated in RMB	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	Ordinary shares denominated in RMB	8,680,636
Boshi AMC-Agricultural Bank-Boshi China Securities Financial Asset Management Plan	8,662,836	Ordinary shares denominated in RMB	8,662,836
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	8,657,836	Ordinary shares denominated in RMB	8,657,836
Top ten shareholders in the buyback special account		N/A	
Explanation on the above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right		N/A	
Explanation on the connection or persons acting in concert among the above shareholders:	(1)	According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.	
	(2)	The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Rules Governing the Disclosure of Changes in Shareholders' Shareholding in Listed Companies".	
Preferred shareholders with their voting rights restored and the number of shares they hold		N/A	

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS (Continued)

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

Applicable Not applicable

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

Applicable Not applicable

(E) As at 30 June 2022, the interests and short positions held by the persons (not being the directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
GPHL	A shares	732,305,103 (Long position)	Beneficial owner	About 52.09	–
GZ Chengfa	A shares	73,313,783 (Long position)	Beneficial owner	About 5.21	–
Norges Bank	H shares	32,801,000 (Long position)	Beneficial owner	–	About 14.92
Citigroup Inc (Note 1 and Note 2)	H shares	22,116,963 (Long position)	Interest in controlled corporation	–	About 10.05
		8,634 (Short position)	Interest in controlled corporation	–	About 0.00
		22,102,646 (Lending pool)	Approved lending agent	–	About 10.05
LSV ASSET MANAGEMENT	H shares	9,095,000 (Long position)	Investment manager	–	About 4.14
		4,157,000 (Long position)	Other (note 3)	–	About 1.89

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

(E) *(Continued)*

Notes:

1. According to the notice of corporate substantial shareholders submitted by the Citigroup Inc..
 - (1) Interests in long position in 13,357 H shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 90% by Citigroup Financial Products Inc. ("Citigroup Financial"). Citigroup Financial was owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings") and Citigroup Holdings was wholly owned by Citigroup Inc. Therefore, Citigroup Bahamas, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup Markets under the SFO.
 - (2) Interests in long position in 960 H shares and short position in 960 H 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 long position in 22,102,646 H shares 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.
2. In which 1,000 long position H shares in the Company are unlisted derivatives to be settled in cash.
3. Interests in 2,912,000 long position H shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in 542,000 long position H 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 H shares in the Company were held by LSV International(AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT separately controls the 100% general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund. Therefore, LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund were deemed to be interested in the shares held by LSV ASSET MANAGEMENT under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2022, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

Changes in Share Capital and Shareholders

C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

(A) Interests in shares (A shares) of the current and the outgoing Directors, Supervisors

Name	Position	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period (share)	Reasons for change
Li Chuyuan	Chairperson	0	0	0	N/A
Yang Jun	Vice chairperson	0	0	0	N/A
Cheng Ning	Vice chairperson	0	0	0	N/A
Liu Juyan	Executive Director	0	0	0	N/A
Zhang Chunbo	Executive Director	0	0	0	N/A
Wu Changhai	Executive Director	0	0	0	N/A
Li Hong	Executive Director General manager	0	0	0	N/A
Wong Hin Wing	Independent non-executive Director	0	0	0	N/A
Wang Weihong	Independent non-executive Director	0	0	0	N/A
Chen Yajin	Independent non-executive Director	0	0	0	N/A
Huang Min	Independent non-executive Director	0	0	0	N/A
Cai Ruiyu	Chairperson of the Supervisory Committee	0	0	0	N/A
Cheng Jinyuan	Supervisor	0	0	0	N/A
Jian Huidong	Supervisor	0	0	0	N/A
Huang Haiwen	Deputy general manager	0	0	0	N/A
Zheng Haoshan	Deputy general manager	0	0	0	N/A
Zheng Jianxiong	Deputy general manager	2,300	2,300	0	Note
Huang Xuezhen	Secretary to the Board	0	0	0	N/A

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

Changes in Share Capital and Shareholders

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

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

Applicable Not applicable

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

1. As at 30 June 2022, the directors, supervisors, senior management and their associates who had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX were as follows:

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

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

2. Saved as disclosed above, as at 30 June 2022, none of the directors, supervisors, chief executive of the Company and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code to be notified to the Company and the HKEX.

Changes in Share Capital and Shareholders

D. EMPLOYEES OF THE GROUP

(A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 24,771. The total salary payment for the first half of 2022 was approximately RMB1.958 billion.

(B) The remuneration policy

The remuneration of the employees of the Group includes salary, subsidies, bonuses and other fringe benefits such as five social insurances and one housing fund, and supplementary medical insurance. The Group, while complying with the relevant laws and regulations, paid different rate of remuneration for different employees, based 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 the talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employees with care such as shuttle bus, talent apartment various needs.

(C) Employees training plan

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

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

F. PUBLIC FLOAT

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

G. PRE-EMPTIVE RIGHTS

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

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



Relevant Information on Preferred Shares

DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY PREFERRED SHARES.

Relevant Information of Company Bonds

THERE WAS NO INFORMATION OF BONDS OF THE COMPANY DURING THE REPORTING PERIOD.

Consolidated Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
Current assets:			
Cash at bank and on hand	V.1	22,548,728,664.32	22,376,927,861.43
Financial assets held for trading	V.2	50,668,596.07	–
Derivative financial assets		–	–
Notes receivable	V.3	1,263,229,550.19	1,222,097,099.65
Accounts receivable	V.4	14,489,946,568.38	12,816,537,107.40
Accounts receivable financing	V.5	2,623,261,032.55	3,171,865,961.20
Advances to suppliers	V.6	619,873,224.91	779,239,826.44
Other receivables	V.7	1,092,678,151.27	1,178,714,393.77
Including: Interest receivable		–	–
Dividends receivable	V.7	343,766,959.00	343,766,959.00
Inventories	V.8	8,191,793,952.43	10,437,733,799.99
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets	V.9	109,089,166.67	–
Other current assets	V.10	1,499,985,593.87	827,458,411.57
Total current assets		52,489,254,500.66	52,810,574,461.45
Non-current assets:			
Debt investment	V.11	811,314,168.68	630,712,084.75
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment	V.12	1,628,036,876.40	1,562,878,567.36
Other equity instrument investment	V.13	125,476,204.59	123,422,079.79
Other non-current financial assets	V.14	1,008,789,924.35	574,277,570.93
Investment properties	V.15	209,469,045.89	213,975,748.27
Fixed assets	V.16	3,488,292,549.13	3,347,591,974.10
Construction in progress	V.17	1,683,560,138.83	1,564,091,121.32
Bearer biological assets	V.18	2,629,770.00	2,804,475.00
Oil and gas assets		–	–
Right-of-use assets	V.19	762,259,047.17	769,839,539.91
Intangible assets	V.20	2,559,559,921.90	2,582,390,492.30
Development expenditure	V.21	15,330,675.52	10,567,467.71
Goodwill	V.22	829,473,066.90	829,473,066.90
Long-term prepaid expenses	V.23	140,281,676.63	132,477,737.46
Deferred tax assets	V.24	830,876,290.68	794,232,420.03
Other non-current assets	V.25	215,970,174.56	168,480,956.67
Total non-current assets		14,311,319,531.23	13,307,215,302.50
Total Assets		66,800,574,031.89	66,117,789,763.95

Consolidated Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
Current liabilities:			
Short-term borrowings	V.26	8,899,262,520.46	8,428,008,311.52
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable	V.27	2,559,571,064.43	3,445,815,661.30
Accounts payable	V.28	10,831,969,947.79	11,287,152,869.54
Advances from customers		–	–
Contract liabilities	V.29	1,186,802,820.03	2,740,338,069.29
Employee benefits payable	V.30	947,451,156.34	949,975,749.08
Taxes payable	V.31	538,122,907.26	233,496,725.47
Other payables	V.32	4,721,453,624.20	4,577,200,581.59
Including: Interest payable	V.32	–	460,278.35
Dividends payable	V.32	205,380,929.35	55,789,451.94
Liabilities held for sales		–	–
Current portion of non-current liabilities	V.33	253,092,825.65	245,802,906.86
Other current liabilities	V.34	740,224,480.68	346,060,329.07
Total current liabilities		<u>30,677,951,346.84</u>	<u>32,253,851,203.72</u>
Non-current liabilities:			
Long-term borrowings	V.35	1,250,619,536.61	752,812,083.34
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V.36	496,995,246.20	497,697,835.96
Long-term payables	V.37	20,396,504.60	20,464,502.00
Long-term employee benefits payable	V.38	304,655.11	304,247.44
Provisions	V.39	44,751,273.29	53,974,538.25
Deferred income	V.40	945,807,437.91	826,859,462.22
Deferred tax liabilities	V.24	350,954,504.69	331,727,982.44
Other non-current liabilities	V.41	53,996,954.48	53,429,349.59
Total non-current liabilities		<u>3,163,826,112.89</u>	<u>2,537,270,001.24</u>
Total Liabilities		<u>33,841,777,459.73</u>	<u>34,791,121,204.96</u>

Consolidated Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
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 surplus	V.43	9,957,004,727.02	9,956,953,383.38
Less: Treasury shares		–	–
Other comprehensive income	V.44	(12,111,200.01)	(17,476,356.88)
Special reserve		–	–
Surplus reserve	V.45	1,908,713,749.53	1,908,713,749.53
Undistributed profits	V.46	17,061,280,410.22	15,588,202,733.48
Total equity attributable to shareholders of the parent company		30,540,678,635.76	29,062,184,458.51
Minority interest		2,418,117,936.40	2,264,484,100.48
Total Shareholders' Equity		32,958,796,572.16	31,326,668,558.99
Total Liabilities and Shareholders' Equity		66,800,574,031.89	66,117,789,763.95

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Income Statement

January to June of 2022

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

Item	Notes	Current period	Prior period
I. Operating income	V.47	37,220,450,549.68	36,128,577,150.09
Less: Operating costs	V.47	29,515,378,779.95	28,597,774,408.52
Taxes and surcharges	V.48	159,605,764.96	162,347,913.50
Selling and distribution expenses	V.49	3,185,948,061.06	3,000,359,234.80
General and administrative expenses	V.50	1,067,964,512.35	970,031,051.16
R&D expenses	V.51	441,319,390.36	385,896,688.40
Financial expenses	V.52	(129,433,504.39)	(73,534,603.45)
Including: Interest expense	V.52	207,955,559.92	203,792,083.36
Interest income	V.52	354,817,498.21	286,009,185.72
Add: Other income	V.53	319,246,813.47	78,151,305.15
Investment income ("-" for loss)	V.54	55,355,804.65	137,598,490.38
Including: Share of profit or loss of associates and joint ventures	V.54	66,721,169.39	128,698,641.73
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	(952,231.74)	(6,219,324.42)
Impairment losses in respect of credit ("-" for loss)	V.56	(20,540,257.06)	(36,976,500.79)
Impairment losses in respect of assets ("-" for loss)	V.57	(1,339,343.47)	(13,152,332.97)
Gains on disposal of assets ("-" for loss)	V.58	554,973.05	123,987.72
II. Operating profit ("-" for loss)		3,331,993,304.29	3,245,228,082.23
Add: Non-operating income	V.59	9,609,130.75	11,742,752.28
Less: Non-operating expenses	V.60	9,369,794.70	67,697,125.04
III. Total profit ("-" for loss)		3,332,232,640.34	3,189,273,709.47
Less: Income tax expenses	V.61	583,300,834.15	539,770,865.01

Consolidated Income Statement

January to June of 2022

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

Item	Notes	Current period	Prior period
IV. Net profit ("-" for net loss)		2,748,931,806.19	2,649,502,844.46
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		2,748,931,806.19	2,649,502,844.46
2. Net profit from discontinued operation ("-" for loss)		–	–
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		2,589,996,058.70	2,502,380,845.33
2. Minority interest ("-" for loss)		158,935,747.49	147,121,999.13
V. Other comprehensive income, net of tax		4,550,379.61	(4,580,485.54)
(I) Other comprehensive income, net of tax attributable to the parent company's shareholders	V.44	5,365,156.87	(4,044,073.29)
1. Other comprehensive income that will not be reclassified to profit or loss	V.44	(174,219.35)	(900,555.64)
(1) Changes arising from the remeasurement of defined benefit obligation		–	–
(2) Other comprehensive income that will not be reclassified to profit or loss under equity method		–	–
(3) Change in fair value of other equity instrument investments	V.44	(174,219.35)	(900,555.64)
(4) Change in fair value of the company's own credit risk		–	–
2. Other comprehensive income that may be reclassified into profit or loss	V.44	5,539,376.22	(3,143,517.65)
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		–	–
(2) Change in fair value of other debt investments	V.44	(2,786,826.92)	(6,305,013.20)
(3) The amount of financial assets reclassified into other comprehensive income		–	–
(4) Provision for credit loss of other debt investments	V.44	612,802.38	4,873,734.42
(5) Cash flow hedge reserve		–	–
(6) Difference arising from the translation of foreign currency financial statements	V.44	7,713,400.76	(1,712,238.87)
(7) Others		–	–
(II) Other comprehensive income, net of tax attributable to minority shareholders	V.44	(814,777.26)	(536,412.25)

Consolidated Income Statement

January to June of 2022

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

Item	Notes	Current period	Prior period
VI. Total comprehensive income		<u>2,753,482,185.80</u>	<u>2,644,922,358.92</u>
1. Total comprehensive income attributable to shareholders of the parent company		2,595,361,215.57	2,498,336,772.04
2. Total comprehensive income attributable to minority shareholders		158,120,970.23	146,585,586.88
VII. Earnings per share (EPS):		-	-
1. Basic earnings per share	V.62	1.593	1.539
2. Diluted earnings per share	V.62	1.593	1.539

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Cash Flow

January to June of 2022

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

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		33,989,948,540.00	33,970,829,884.23
Receipts of taxes refunds		41,637,507.65	8,646,819.66
Other cash receipts relating to operating activities	V.63	994,689,666.73	1,040,450,730.94
Subtotal of cash inflow from operating activities		35,026,275,714.38	35,019,927,434.83
Cash payments for goods purchased and services received		27,273,658,932.42	26,651,904,411.98
Cash payments to and on behalf of employees		2,835,857,143.58	2,655,573,707.98
Payments of all types of taxes		1,500,638,519.58	1,624,676,919.19
Other cash payments relating to operating activities	V.63	1,703,906,680.94	1,903,362,780.30
Subtotal of cash outflow from operating activities		33,314,061,276.52	32,835,517,819.45
Net cash flow from operating activities		1,712,214,437.86	2,184,409,615.38
II. Cash flow from investing activities:			
Cash receipts from returns of investments		83,500,000.00	259,000,000.00
Cash receipts from returns on investments		13,015,697.28	122,149,357.56
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,087,473.45	1,080,998.39
Net cash receipts from the disposals of subsidiaries and other business units		–	33,386,871.10
Other cash receipts relating to investing activities	V.63	14,007.36	127,897.99
Subtotal of cash inflow from investment activities		97,617,178.09	415,745,125.04
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		550,584,636.29	482,197,680.93
Cash payments to acquire investments		2,175,559,088.75	211,562,500.00
Net cash payments for acquisitions of subsidiaries and other business units		1,900,000.00	–
Other cash payments relating to investing activities		–	–
Subtotal of cash outflow from investment activities		2,728,043,725.04	693,760,180.93
Net cash flow from investing activities		(2,630,426,546.95)	(278,015,055.89)

Consolidated Statement of Cash Flow

January to June of 2022

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		–	1,000,000.00
Including: cash receipts from minorities making investment in subsidiaries		–	1,000,000.00
Cash receipts from borrowing		5,993,665,943.16	6,760,997,866.69
Other cash receipts relating to financing activities	V.63	2,334,506,543.26	1,587,802,938.05
Subtotal of cash inflow from financing activities		8,328,172,486.42	8,349,800,804.74
Cash repayments of amounts borrowed		4,622,417,506.07	4,591,429,671.67
Cash payments for distribution of dividends, profits or interest expenses		1,146,263,512.64	963,542,068.95
Including: payments for distribution of dividends or profit to minorities of subsidiaries		6,040,049.31	22,669,578.53
Other cash payments relating to financing activities	V.63	1,464,982,961.10	1,497,676,455.26
Subtotal of cash outflow from financing activities		7,233,663,979.81	7,052,648,195.88
Net cash flow from financing activities		1,094,508,506.61	1,297,152,608.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents		5,229,741.11	387,317.83
V. Net increase in cash and cash equivalents	V.64	181,526,138.63	3,203,934,486.18
Add: opening balance of cash and cash equivalents	V.64	21,013,364,042.22	17,765,132,774.10
VI. Closing balance of cash and cash equivalents	V.64	21,194,890,180.85	20,969,067,260.28

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Shareholders' Equity

January to June of 2022

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

Item	Current period										Total Shareholders' Equity	
	Equity attributable to the Shareholders of Parent Company											
	Other equity instruments				Less:		Other Comprehensive Income		Subtotal		Minority Equity	Total Shareholders' Equity
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Special Reserve	Surplus Reserve	Undistributed profits	Subtotal		
I. Balance at 31 December 2021	1,625,790,949.00	-	-	-	9,956,953,383.38	-	-	1,908,713,749.53	15,586,202,733.48	29,062,184,458.51	2,264,484,100.48	31,226,668,558.99
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year errors	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2022	1,625,790,949.00	-	-	-	9,956,953,383.38	-	-	1,908,713,749.53	15,586,202,733.48	29,062,184,458.51	2,264,484,100.48	31,226,668,558.99
III. Increase/(decrease) in the current year ("+" for losses)												
(1) Total comprehensive income	-	-	-	-	51,343.64	-	-	-	1,473,071,676.74	1,473,071,676.74	-	1,473,071,676.74
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	2,389,996,058.70	2,389,996,058.70	-	2,389,996,058.70
(3) Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-
(4) Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
(5) Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
(7) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
(8) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
(9) Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
(10) Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
(11) Others	-	-	-	-	-	-	-	-	-	-	-	-
(12) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
(13) Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
(14) Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
(15) Surplus reserve used to offset accumulated losses to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
(16) Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
(17) Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
(18) Others	-	-	-	-	-	-	-	-	-	-	-	-
(19) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
(20) Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
(21) Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(22) Others	-	-	-	-	51,343.64	-	-	-	-	51,343.64	-	51,343.64
IV. Balance at 30 June 2022	1,625,790,949.00	-	-	-	9,957,004,727.02	-	-	1,908,713,749.53	17,059,280,410.22	30,540,678,635.76	2,416,177,936.40	32,956,856,572.16

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Shareholders' Equity

January to June of 2022

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

Item	Prior period										Total Shareholders' Equity	
	Equity attributable to the Shareholders of Parent Company											
	Other equity instruments				Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity
	Share capital	Preferred stock	Perpetual bond	Others								
I. Balance at 31 December 2020	1,625,790,949.00	-	-	9,885,011,185.13	-	(17,673,488.70)	-	1,720,302,788.39	12,891,411,564.72	26,144,842,863.54	2,060,423,645.65	28,205,266,644.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year errors	-	-	-	-	-	-	-	-	-	-	-	-
Combination of business under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2021	1,625,790,949.00	-	-	9,885,011,185.13	-	(17,673,488.70)	-	1,720,302,788.39	12,891,411,564.72	26,144,842,863.54	2,060,423,645.65	28,205,266,644.19
III. Increase (decrease) in the current year (** for losses)												
(1) Total comprehensive income	-	-	-	-	-	(4,044,073.29)	-	-	1,627,705,314.77	1,623,661,241.48	12,827,908.35	1,753,489,149.83
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	(4,044,073.29)	-	-	2,502,380,845.33	2,498,336,772.04	146,585,586.88	2,644,922,335.92
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	4,000,000.00	4,000,000.00
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	4,000,000.00	4,000,000.00
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	(20,757,678.53)	(895,433,209.09)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	(20,757,678.53)	(895,433,209.09)
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2021	1,625,790,949.00	-	-	9,885,011,185.13	-	(21,717,571.99)	-	1,720,302,788.39	14,559,116,879.49	27,768,504,710.02	2,190,251,554.00	29,959,755,764.02

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
Current assets:			
Cash at bank and on hand		7,755,358,560.58	8,991,577,533.57
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		1,068,389,570.45	603,537,592.78
Accounts receivable	XIV.1	132,991,345.04	116,916,915.21
Accounts receivable financing		186,768,040.15	484,779,528.24
Advances to suppliers		29,102,722.96	28,967,445.79
Other receivables	XIV.2	794,215,303.24	761,938,917.95
Including: Interest receivable		–	–
Dividends receivable	XIV.2	506,821,857.43	506,821,857.43
Inventories		450,002,587.82	510,031,189.16
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		109,089,166.67	–
Other current assets		1,228,104,908.37	288,682,032.73
Total current assets		<u>11,754,022,205.28</u>	<u>11,786,431,155.43</u>
Non-current assets:			
Debt investments		532,799,307.53	630,712,084.75
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XIV.3	11,101,789,808.27	10,692,296,313.26
Other equity instrument investments		125,476,204.59	123,422,079.79
Other non-current financial assets		1,003,461,505.21	505,481,080.39
Investment properties		184,414,055.52	188,683,134.87
Fixed assets		444,563,651.10	460,623,906.17
Construction in progress		377,847,857.82	307,099,279.34
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		21,667,024.79	9,625,266.13
Intangible assets		1,780,048,130.05	1,785,222,494.55
Development expenditure		7,054,109.82	5,039,438.12
Goodwill		–	–
Long-term prepaid expenses		6,045,863.36	6,652,382.79
Deferred tax assets		140,450,938.86	139,999,052.08
Other non-current assets		97,433,596.00	97,433,596.00
Total non-current assets		<u>15,823,052,052.92</u>	<u>14,952,290,108.24</u>
Total Assets		<u>27,577,074,258.20</u>	<u>26,738,721,263.67</u>

Parent Company's Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
Current liabilities:			
Short-term borrowings		276,000,000.00	351,000,000.00
Financial liabilities held for trading		—	—
Derivative financial liabilities		—	—
Notes payable		—	—
Accounts payable		673,294,396.21	596,450,947.87
Advances from customers		—	—
Contract liabilities		152,497,908.71	247,569,894.61
Employee benefits payable		105,279,951.58	85,854,490.97
Taxes payable		104,405,575.74	39,739,006.55
Other payables		4,770,552,734.74	3,762,368,113.81
Including: Interest payable		—	—
Dividends payable		152,165,254.89	933,501.09
Liabilities held for sales		—	—
Current portion of non-current liabilities		10,324,428.93	7,351,754.77
Other current liabilities		22,954,579.25	34,323,017.43
Total current liabilities		6,115,309,575.16	5,124,657,226.01
Non-current liabilities:			
Long-term borrowings		297,550,000.00	297,550,000.00
Bonds payable		—	—
Including: Preferred stock		—	—
Perpetual bond		—	—
Lease liabilities		12,910,559.39	3,996,738.36
Long-term payables		7,802,224.39	7,802,224.39
Long-term employee benefits payable		—	—
Provisions		713,959,457.19	620,150,567.19
Deferred income		95,058,244.71	69,064,504.53
Deferred tax liabilities		37,495,079.29	35,981,971.76
Other non-current liabilities		84,979.13	72,413.91
Total non-current liabilities		1,164,860,544.10	1,034,618,420.14
Total Liabilities		7,280,170,119.26	6,159,275,646.15

Parent Company's Balance Sheet

30 June 2022

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

Item	Notes	30 June 2022	31 December 2021
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus		9,819,327,969.93	9,819,327,969.93
Less: Treasury shares		–	–
Other comprehensive income		(1,536,236.96)	(1,362,017.61)
Special reserve		–	–
Surplus reserve		1,536,105,314.93	1,536,105,314.93
Undistributed profits		7,317,216,142.04	7,599,583,401.27
Total Shareholders' Equity		20,296,904,138.94	20,579,445,617.52
Total Liabilities and Shareholders' Equity		27,577,074,258.20	26,738,721,263.67

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Income Statement

January to June of 2022

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

Item	Notes	Current period	Prior period
I. Operating income	XIV.4	2,227,972,697.03	2,540,833,502.58
Less: Operating costs	XIV.4	784,483,901.40	1,156,346,611.44
Taxes and surcharges		23,023,761.33	18,859,959.09
Selling and distribution expenses		463,166,439.68	441,736,760.06
General and administrative expenses		172,682,838.74	158,556,366.62
R&D expenses		140,656,987.29	129,587,717.55
Financial expenses		(72,330,138.03)	(68,030,663.21)
Including: Interest expense		11,655,619.71	11,228,867.03
Interest income		84,107,217.44	79,411,690.32
Add: Other income		24,462,944.58	10,600,936.17
Investment income ("-" for loss)	XIV.5	216,178,321.88	141,352,511.73
Including: Share of profit or loss of associates and joint ventures	XIV.5	78,335,592.31	128,947,186.46
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)		(2,019,575.18)	(6,378,392.70)
Impairment losses in respect of credit		(372,023.52)	189,593.58
Impairment losses in respect of assets		2,314,602.99	(12,265,641.45)
Gains on disposal of assets ("-" for loss)		–	–
II. Operating profit ("-" for loss)		956,853,177.37	837,275,758.36
Add: Non-operating income		1,143,854.41	1,514,543.12
Less: Non-operating expenses		1,758,248.39	3,172,262.96
III. Total profit ("-" for loss)		956,238,783.39	835,618,038.52
Less: Income tax expenses		121,687,660.66	87,877,621.17
IV. Net profit ("-" for net loss)		834,551,122.73	747,740,417.35
1. Net profit from continuing operations ("-" for loss)		834,551,122.73	747,740,417.35
2. Net profit from discontinued operation ("-" for loss)		–	–

Parent Company's Income Statement

January to June of 2022

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

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		(174,219.35)	(900,555.64)
(I) Other comprehensive income that will not be reclassified to profit or loss		(174,219.35)	(900,555.64)
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		(174,219.35)	(900,555.64)
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		-	-
		834,376,903.38	746,839,861.71
VI. Total comprehensive income		834,376,903.38	746,839,861.71
VII. Earnings per share (EPS):		-	-
1. Basic earnings per share		-	-
2. Diluted earnings per share		-	-

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Statement of Cash Flow

January to June of 2022

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

Item	Notes	Current period	Prior period
I. Cash flow arising from operating activities:			
Cash receipts from the sale of goods and the rendering of services		1,398,461,304.51	1,744,289,460.66
Receipts of taxes refunds		517,320.24	–
Other cash receipts relating to operating activities		333,024,748.89	421,185,801.79
Subtotal of cash inflow from operating activities		1,732,003,373.64	2,165,475,262.45
Cash payments for goods purchased and services received		165,632,543.72	766,421,651.44
Cash payments to and on behalf of employees		246,542,309.24	242,076,772.19
Payments of all types of taxes		215,418,308.55	175,085,356.74
Other cash payments relating to operating activities		130,250,768.36	64,209,187.69
Subtotal of cash outflow from operating activities		757,843,929.87	1,247,792,968.06
Net cash flow from operating activities		974,159,443.77	917,682,294.39
II. Cash flow from investing activities:			
Cash receipts from returns of investments		–	–
Cash receipts from returns on investments		721,059,544.75	917,311,725.76
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		56,080.00	31,200.00
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities		4,218,785.15	364,786,749.34
Subtotal of cash inflow from investment activities		725,334,409.90	1,282,129,675.10
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		93,881,079.97	77,514,585.14
Cash payments to acquire investments		1,792,507,088.75	391,582,500.00
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities		–	202,000,000.00
Subtotal of cash outflow from investment activities		1,886,388,168.72	671,097,085.14
Net cash flow from investing activities		(1,161,053,758.82)	611,032,589.96

Parent Company's Statement of Cash Flow

January to June of 2022

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		–	–
Cash receipts from borrowing		26,000,000.00	101,000,000.00
Other cash receipts relating to financing activities		–	626,356.26
Subtotal of cash inflow from financing activities		26,000,000.00	101,626,356.26
Cash repayments of amounts borrowed		101,000,000.00	–
Cash payments for distribution of dividends, profits or interest expenses		971,301,890.83	766,213,940.60
Other cash payments relating to financing activities		3,522,767.11	3,012,308.50
Subtotal of cash outflow from financing activities		1,075,824,657.94	769,226,249.10
Net cash flow from financing activities		(1,049,824,657.94)	(667,599,892.84)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		(1,236,718,972.99)	861,114,991.51
Add: opening balance of cash and cash equivalents		8,991,462,127.17	7,290,448,816.07
VI. Closing balance of cash and cash equivalents		7,754,743,154.18	8,151,563,807.58

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Statement of Changes in Shareholders' Equity

January to June of 2022

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

Item	Current period							Total Shareholders' Equity			
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income		Special reserve	Surplus Reserve	Undistributed profits
I. Balance at 31 December 2021	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(1,362,017.61)	-	1,536,105,314.93	7,599,363,401.27	20,579,445,617.52
Adj: Changes in accounting policies Correction of prior year's errors Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2022	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(1,362,017.61)	-	1,536,105,314.93	7,599,363,401.27	20,579,445,617.52
III. Increase (decrease) in the current year ("+" for losses)	-	-	-	-	-	-	(174,219.35)	-	-	(282,367,259.23)	(282,541,478.58)
(1) Total comprehensive income	-	-	-	-	-	-	(174,219.35)	-	-	834,551,122.73	834,376,903.38
(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	-	-	-	-	-	-	-	-	-	(1,116,918,381.96)	(1,116,918,381.96)
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,116,918,381.96)	(1,116,918,381.96)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' 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	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2022	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(1,536,236.96)	-	1,536,105,314.93	7,317,216,142.04	20,296,904,138.94

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Li Liu Fei

Head of accounting department:
Wu Chuling

Parent Company's Statement of Changes in Shareholders' Equity

January to June of 2022

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

Item	Other equity instruments						Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Prior period						
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 year's 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) in the current year ("+" for losses)												
(1) Total comprehensive income	-	-	-	-	-	-	(900,555.64)	-	-	(126,935,113.21)	(127,835,668.85)	
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	(900,555.64)	-	-	747,740,417.35	746,839,861.71	
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-	
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	
3. Others	-	-	-	-	-	-	-	-	-	-	-	
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	
(6) Others	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at 30 June 2021	1,625,790,949.00	-	-	-	9,820,175,495.89	-	(8,260,065.60)	-	1,347,694,333.79	6,651,624,988.41	19,437,025,701.49	

Legal representative:
Li Chuyuan

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION

1. Company overview

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

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

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

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.

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION *(Continued)*

1. Company overview *(Continued)*

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

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

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

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

The financial statements were authorized for issue by the Board on 19 August 2022.

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation

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

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

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhou Baiyunshan 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 Baiyunshan 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
Tibet Guangyao Hanfang Ganoderma lucidum Industry 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 Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Indirect holding
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as “Pan Gao Shou”)	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as “Wang Lao Ji”)	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Pharmaceutical Co, Ltd.	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as “GP Corp.”)	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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 holding
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangyao (Guangzhou Huadu) Pharmaceutical 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
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin Medicinal 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

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Indirect 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 Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as “WLJ Great Health”)	Direct holding
Wang Lao Ji Great Health Industry (Ya’an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
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 Health Industry Investment Co., Ltd. (hereinafter referred to as “BYS M&H Industry”)	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as “Xing Zhu”)	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as “Wang Lao Ji Investment”)	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as “WLJ Catering”)	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as “Tian Xin”)	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as “Guang Hua”)	Indirect holding

Notes to the Financial Statements

For January – June 2022

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

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

Notes to the Financial Statements

For January – June 2022

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

II. BASIS OF PREPARATION

1. Basis of Preparation

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

2. Going Concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, present truly and completely the Company’s financial position as of 30 June 2022, and performance results and cash flows for the period then ended.

2. Accounting Period

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

The accounting period of this financial statement is from January 1, 2022 to June 30, 2022.

Notes to the Financial Statements

For January – June 2022

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

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

3. Operating Cycle

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

4. Functional Currency

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

5. Business Combination

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

(1) Business combination under common control

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

5. Business Combination *(Continued)*

(2) Business combination not under common control

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

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

Notes to the Financial Statements

For January – June 2022

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

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

5. Business Combination *(Continued)*

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

5. Business Combination *(Continued)*

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

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

6. Preparation Method for Consolidated Financial Statements

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

(2) The method for preparation of consolidated financial statements

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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".

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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

8. Recognition Criteria for Cash and Cash Equivalents

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

Notes to the Financial Statements

For January – June 2022

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

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

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

(1) Methods for Translation of Foreign Currency Transactions

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

When preparing the consolidated financial statements involving the overseas operation, if there are foreign-currency monetary items essentially constituting a net investment in an overseas operation, the exchange difference incurred due to the exchange rate change shall be presented in other comprehensive income as “difference arising from the translation of foreign currency financial statements”. When overseas operations are disposed, the difference shall be transferred to the profit or loss for the current 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 opening balance of undistributed profits are the closing balance of undistributed profits translated at the prior year; for closing balance of undistributed profits, each item shall be calculated and presented as per the translated profits; and the difference between the asset items and the sum of liability items and shareholders' equity items after translation shall be recognized into other comprehensive incomes as translation difference from translation of foreign financial statements. When disposing overseas operation and losing the control, difference arising from the translation of foreign currency financial statements, which are presented under shareholders' equity in the balance sheet and related to the overseas operation, shall be transferred to the profit or loss for the current year in whole or in proportion of the disposed overseas operation.

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

10. Financial Instruments *(Continued)*

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

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.

① *Financial assets measured at amortized cost*

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

10. Financial Instruments *(Continued)*

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

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

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

(2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

10. Financial Instruments *(Continued)*

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

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

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

② *Other financial liabilities*

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

10. Financial Instruments *(Continued)*

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

If the 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 January – June 2022

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

10. Financial Instruments *(Continued)*

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

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

(7) Equity instruments

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

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

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

11. Determination of expected credit losses and accounting treatment

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

(1) The recognition method of provision for impairment

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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

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

(4) Accounting treatment of the impairment of financial assets

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

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

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

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

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

The company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition at each balance sheet date. The process of credit impairment of financial instruments is divided into three stages. Different stages of financial instrument impairment are applied in different accounting treatment method: (A) In the first stage, if the credit risk of a financial instrument has not increased significantly after initial recognition, the company shall measure the loss provision based on the expected credit loss of the financial instrument in the next 12 months, and shall calculate interest income based on its book balance (that is, without deducting impairment provisions) and the actual interest rate; (B) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the company will use the expected credit losses measure loss provisions and calculate interest income based on their book balances and actual interest rates; (C) In the third stage, if credit impairment occurs after initial recognition, the company shall measure the loss provisions according to the expected credit loss of the financial instrument throughout its lifetime, and shall use its amortized cost (book balance minus provision for impairment) to calculate interest income with the actual interest rate.

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 January – June 2022

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

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

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

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

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

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

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

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

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 January – June 2022

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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.

(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.

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

12. Inventories *(Continued)*

(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.

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

14. Long-term Equity Investments

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

(1) Recognition of Investment Cost

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

③ *Minority Equity Purchase*

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

④ *Disposal of Long-term Equity Investment*

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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

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

15. Investment Property

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

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

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

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

15. Investment Property *(Continued)*

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

For January – June 2022

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

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

16. Fixed Assets *(Continued)*

(2) Depreciation Method of Fixed Assets

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

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

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

(3) Impairment Testing and Accounting Treatment

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

Notes to the Financial Statements

For January – June 2022

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

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

16. Fixed Assets *(Continued)*

(4) Others

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

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

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

17. Construction in Progress

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

18. Borrowing Costs

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

19. Biological assets

Bearer biological assets

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2022

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

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

19. Biological assets *(Continued)*

Bearer biological assets *(Continued)*

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

20. Intangible Assets

(1) Intangible Assets

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

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

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

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

20 Intangible Assets *(Continued)*

(1) Intangible Assets *(Continued)*

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

(2) Research and development expenditure

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

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

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

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

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

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

20 Intangible Assets *(Continued)*

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

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

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

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

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

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

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

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.

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.

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

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

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. Contract Liability

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

24. Employee Benefits

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

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

Notes to the Financial Statements

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

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

24. Employee Benefits *(Continued)*

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.

Notes to the Financial Statements

For January – June 2022

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

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

24. Employee Benefits *(Continued)*

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.

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.

Notes to the Financial Statements

For January – June 2022

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

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

26. Revenue *(Continued)*

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.

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

Notes to the Financial Statements

For January – June 2022

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

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

26. Revenue *(Continued)*

(1) Sale of goods

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

(2) Rendering of services

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

(3) Transfer of asset use rights

Income from transfer of asset use rights include:

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

27. Government Grants

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

For January – June 2022

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

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.

Notes to the Financial Statements

For January – June 2022

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

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

27. Government Grants *(Continued)*

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

28. Deferred Tax Assets/Deferred Tax Liabilities

(1) Current Income Tax

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

(2) Deferred tax assets and deferred tax liabilities

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

(3) Tax expenses

Tax expenses include current tax and deferred tax.

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

Notes to the Financial Statements

For January – June 2022

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

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

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

(4) Offset of Income Tax

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

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

29. Lease

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

(1) Accounting Treatments of Operating Leases for Lessees

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

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

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

29. Lease *(Continued)*

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

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

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

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

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances.

If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly.

If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

Notes to the Financial Statements

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

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

29. Lease *(Continued)*

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

① *leasing classification*

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

② *operating lease*

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

③ *financial lease*

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

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

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For January – June 2022

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

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

No.

32. Significant Accounting Judgments and Estimates

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

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

Notes to the Financial Statements

For January – June 2022

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

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.

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

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

(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.

(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.

Notes to the Financial Statements

For January – June 2022

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

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

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

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

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.

(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.

Notes to the Financial Statements

For January – June 2022

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

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

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

(8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

(9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

Notes to the Financial Statements

For January – June 2022

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

IV. TAXES

1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax (“VAT”)	Taxable income	(1) Sales of goods: 13%, 9% (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.

Note: The tax rates of 17% and 11% applicable to the Group’s VAT taxable sale or import of goods were adjusted to 16% and 10%, respectively, on 1 May 2018, in accordance with the requirements of the Notice of the Ministry of Finance of the People’s Republic of China and the State Administration of Taxation on Adjusting Value-Added Tax Rates (No. 32 [2018], Ministry of Finance of the People’s Republic of China). According to the Announcement of the Ministry of Finance of the People’s Republic of China, the State Administration of Taxation and General Administration of Customs on Policies about Deepening the Value-added Tax (VAT) Reform (No. 39 [2019], Ministry of Finance of the People’s Republic of China, the State Administration of Taxation and General Administration of Customs), the applicable tax rate will be adjusted to 13%/9% from April 1, 2019. Meanwhile, as a taxpayer of the production and living service industry, the Company can deduct 10% of the input tax in the current period from April 1, 2019 to December 31, 2021 to offset the tax payable. According to the announcement of the Ministry of Finance and the State Administration of Taxation on promoting the value-added tax policies related to the relief and development of difficult industries in the service industry (Announcement No. 11 of the Ministry of Finance and the State Administration of Taxation in 2022), the implementation period of the value-added tax plus and minus policy for the production and living service industry is extended to December 31, 2022.

Corporate income tax

Taxpayer	Income tax rate
The Company, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, WLJ Great Health, Tian Xin, Guang Hua, Ming Xing, Guangyao General Institute, Guangxi Ying Kang, Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd., Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Guizhou Wang Lao Ji Ci Ning Ji Industry Development 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

Notes to the Financial Statements

For January – June 2022

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

IV. TAXES (Continued)

2. Important Tax Preferential Treatments and Approval Documents

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

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR202044005583), Xing Qun (No. GR202044001705), Zhong Yi (No. GR202044006988), Chen Li Ji (No. GR202044002810), Guangzhou Han Fang (No. GR202044003115), Qi Xing (No. GR202044000117), Jing Xiu Tang (No. GR202044006124), Pan Gao Shou (No. GR202044002092), Wang Lao Ji (No. GR202044006736), Tian Xin (No. GR202044001663), Guang Hua (No. GR202144001816), Ming Xing (No. GR202044000339), Guangxi Ying Kang (No. GR202145001254), WLJ Great Health (No. GR201944000953), Guangyao General Institute (No. GR202144002939).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd. and Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd., Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2022.

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 period is the fifth year, and the enterprise income tax is halved.

Notes to the Financial Statements

For January – June 2022

(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	599,288.88	679,188.73
Cash at bank	21,134,259,164.53	20,945,367,227.97
Other currency balance (note)	1,413,870,210.91	1,430,881,444.73
Total	<u>22,548,728,664.32</u>	<u>22,376,927,861.43</u>
Including: Total amount of cash kept in foreign countries	<u>109,803,653.46</u>	<u>129,090,989.43</u>

Notes: Other currency balance RMB1,413,870 thousand (31 December 2021: RMB1,430,881 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, large denomination certificates of deposit, housing funds, bank acceptance bill deposit, frozen account funds and the others.

As on 30 June 2022, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,353,838 thousand (31 December 2021: RMB1,363,564 thousand). Breakdown of cash at bank and on hand with restrictions on use is as follows:

Item	Closing balance	Closing balance of last year
Deposit for notes payable	795,812,141.85	1,201,347,571.10
Term deposit, Certificate of deposit	450,000,000.00	61,370,700.00
Letters of credit	55,735,522.03	49,626,368.00
Guarantee deposits	50,794,734.29	50,235,314.29
Frozen account funds	547,000.00	47,000.00
Housing funds	929,371.69	928,865.82
Other	19,713.61	8,000.00
Total	<u>1,353,838,483.47</u>	<u>1,363,563,819.21</u>

Notes to the Financial Statements

For January – June 2022

(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	50,668,596.07	–
Including: Debt instrument investment	–	–
Equity instrument investment	–	–
Derivative financial assets	–	–
Hybrid instrument assets	–	–
Other (note)	50,668,596.07	–
Designated as financial assets that are measured at fair value and whose changes are included in the current profit and loss	–	–
Including: Debt instrument investment	–	–
Hybrid instrument assets	–	–
Other	–	–
Total	50,668,596.07	–

Note: The main others are mainly performance compensation of RMB50,668,596.07. In December 2020, Hainan ChenFei Investment Holding Co., Ltd., Chengdu Huixin Huiyuan Investment Co., Ltd., Shanxi Taoyunshang Information Technology Co., Ltd., Foshan Wenjian Commerce Co., Ltd. and Meizhou Haofeng Pharmaceutical Information Co., Ltd. respectively subscribed 142,624,225 new shares of the Pharmaceutical Company at a total price of RMB357,986,804.75 based on the total equity of their five subsidiaries. The above-mentioned original minority shareholders and their controlling parties (“performance compensation payers”) have performance commitments on the performance of the above-mentioned five subsidiaries in 2020, 2021 and 2022: if the performance of the above-mentioned five subsidiaries fails to meet the promised performance within the commitment period, the performance compensation payer shall pay cash compensation to the Pharmaceutical Company as agreed. The Pharmaceutical Company recognizes the contingent consideration related to the performance commitment as the financial assets measured at fair value and the changes of which are included in the current profit and loss in 2021 in combination with the possibility of achievement of the performance of the above five subsidiaries in the whole commitment period, the credit risk and solvency of the performance compensation payer and other factors. As the performance bet is expected to expire within one year, it is reclassified from “Other non-current financial assets” to “Financial assets held for trading” in 2022.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	1,157,313,545.93	1,135,898,000.56
Commercial acceptance notes	108,387,259.37	92,000,881.72
Less: Provision for bad debts	2,471,255.11	5,801,782.63
Total	<u>1,263,229,550.19</u>	<u>1,222,097,099.65</u>

Note: The Company 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 RMB1,230,781 thousand.

(2) Notes receivable pledged at the period end

Item	Amount pledged at the period end
Bank acceptance notes	46,230,809.99
Commercial acceptance notes	–
Total	<u>46,230,809.99</u>

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

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	2,483,645,249.34	590,127,555.65
Commercial acceptance notes	–	2,200,000.00
Total	<u>2,483,645,249.34</u>	<u>592,327,555.65</u>

Notes to the Financial Statements

For January – June 2022

(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 (Continued)

Notes:

- ① Pursuant to provisions of the Negotiable Instruments Law of the People's Republic of China, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted.
- ② The Group believes that the fair value of the continuing involvement is not significant, as the Group has transferred substantially all the risks and awards of the above-mentioned notes receivable which have been endorsed or discounted. The Group does not recognize any assets or liabilities arising from the continuing involvement in book. 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 RMB592,328 thousand, and the short-term borrowings, accounts payable of RMB592,328 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 RMB3,075,973 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 30 June 2022 which shall be matured by 30 June 2023.
- ⑤ For the year from January to June 2022, no profit or loss is recognized at the date of the transfer. The Group did not recognize any current or accumulated income or expenses arising from the continuing involvement of derecognized financial assets.
- ⑥ The above-mentioned notes receivable, which have been endorsed or discounted, occurred roughly balanced in the current period and the distribution is roughly balanced either.

- (4) As on 30 June 2022, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB2,457,395 thousand (31 December 2021: RMB1,754,124 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	24 Apr 2022	24 Jul 2022	12,710,830.00
Customer 2	27 May 2022	27 Aug 2022	9,479,064.28
Customer 3	24 Jun 2022	24 Sep 2022	7,979,144.56
Customer 4	23 Jun 2022	23 Sep 2022	7,268,196.32
Customer 5	11 Apr 2022	11 Jul 2022	7,216,720.00

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(5) As on 30 June 2022 and 31 December 2021, there are no commercial acceptance notes endorsed by the Group but not matured.

(6) As on 30 June 2022, bank acceptance notes discounted by the Group but not matured was RMB616,378 thousand (31 December 2021: RMB375,120 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	12 Jan 2022	12 Jul 2022	25,000,000.00
Customer 2	11 Jan 2022	11 Jul 2022	20,000,000.00
Customer 3	12 Jan 2022	12 Jul 2022	20,000,000.00
Customer 4	11 Jan 2022	11 Jul 2022	19,950,000.00
Customer 5	18 Mar 2022	18 Sep 2022	12,001,417.00

(7) As on 30 June 2022 and 31 December 2021, bank acceptance notes discounted by the Group but not matured was RMB2,200 thousand (31 December 2021: RMB14,500 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	5 Jul 2021	4 Jul 2022	200,000.00
Customer 2	9 Sep 2021	8 Sep 2022	200,000.00
Customer 3	18 Oct 2021	17 Oct 2022	200,000.00
Customer 4	10 Dec 2021	9 Dec 2022	200,000.00
Customer 5	30 Dec 2021	29 Dec 2022	200,000.00

(8) As on 30 December 2022 and 31 December 2021, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

Notes to the Financial Statements

For January – June 2022

(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				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,265,700,805.30	100.00	2,471,255.11	0.20	1,263,229,550.19
Including: portfolio 1	108,387,259.37	8.56	2,471,255.11	2.28	105,916,004.26
portfolio 2	1,157,313,545.93	91.44	-	-	1,157,313,545.93
Total	<u>1,265,700,805.30</u>	<u>100.00</u>	<u>2,471,255.11</u>	<u>0.20</u>	<u>1,263,229,550.19</u>

Cont.

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,227,898,882.28	100.00	5,801,782.63	0.47	1,222,097,099.65
Including: portfolio 1	92,000,881.72	7.49	5,801,782.63	6.31	86,199,099.09
portfolio 2	1,135,898,000.56	92.51	-	-	1,135,898,000.56
Total	<u>1,227,898,882.28</u>	<u>100.00</u>	<u>5,801,782.63</u>	<u>0.47</u>	<u>1,222,097,099.65</u>

Notes to the Financial Statements

For January – June 2022

(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

① The Group had no notes receivable which are subject to separate provision at the end of the period.

② portfolio 1: Notes receivable which are subject to provision by aging portfolio

Item	Closing balance		
	Book balance	Provision for bad debts	Expected credit loss (%)
Within one year	98,381,965.60	983,819.25	1.00
1 To 2 years	7,570,761.38	757,076.14	10.00
2 To 3years	2,434,532.39	730,359.72	30.00
Total	<u>108,387,259.37</u>	<u>2,471,255.11</u>	<u>2.28</u>

③ portfolio 2: Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Closing balance		
	Notes receivable	Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	1,157,313,545.93	–	–
Total	<u>1,157,313,545.93</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(10) Provision for bad debts

Item	Closing balance of last year	Current Movement			Closing balance
		Provision	Return or Recovery	Pay-off or write off	
Provision for bad debts of notes receivable	5,801,782.63	(3,330,527.52)	–	–	2,471,255.11
Total	<u>5,801,782.63</u>	<u>(3,330,527.52)</u>	<u>–</u>	<u>–</u>	<u>2,471,255.11</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	13,966,697,587.02	12,495,057,859.86
1 to 2 years	703,795,920.19	506,794,473.92
2 to 3 years	100,799,795.43	79,224,897.37
3 to 4 years	48,756,149.10	40,944,191.41
4 to 5 years	139,281,146.52	144,582,632.69
Over 5 years	78,604,379.28	70,053,170.53
Total book balance of accounts receivable	<u>15,037,934,977.54</u>	<u>13,336,657,225.78</u>
Less: Provision for bad debts	<u>547,988,409.16</u>	<u>520,120,118.38</u>
Total	<u>14,489,946,568.38</u>	<u>12,816,537,107.40</u>

Notes to the Financial Statements

For January – June 2022

(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				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	287,996,474.57	1.92	269,540,401.84	93.59	18,456,072.73
Accounts receivable subject to provision by portfolio	14,749,938,502.97	98.08	278,448,007.32	1.89	14,471,490,495.65
Including: portfolio 1	14,749,938,502.97	98.08	278,448,007.32	1.89	14,471,490,495.65
Total	<u>15,037,934,977.54</u>	<u>100.00</u>	<u>547,988,409.16</u>	<u>3.64</u>	<u>14,489,946,568.38</u>

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	309,992,537.95	2.32	285,605,302.42	92.13	24,387,235.53
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
Including: portfolio 1	13,026,664,687.83	97.68	234,514,815.96	1.80	12,792,149,871.87
Total	<u>13,336,657,225.78</u>	<u>100.00</u>	<u>520,120,118.38</u>	<u>3.90</u>	<u>12,816,537,107.40</u>

Notes to the Financial Statements

For January – June 2022

(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)

① Accounts receivable subject to separate provision at the end of the period

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ② (g)
Customer 2	43,682,437.96	43,682,437.96	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ②(c)(d)(e)
Customer 3	20,534,003.48	3,985,919.31	19.41	Amount is expected to be unrecoverable fully.
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ②(f)
Customer 5	18,611,963.06	18,611,963.06	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 6	6,359,961.88	4,451,973.32	70.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ①
Customer 7	5,762,294.75	5,762,294.75	100.00	The court has frozen the funds of the customer. Recoverability is expected to be low.
Customer 8	4,130,812.22	4,130,812.22	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 9	4,122,456.00	4,122,456.00	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ②(b)
Customer 10	3,175,887.50	3,175,887.50	100.00	The company has been closed
Others	16,317,242.39	16,317,242.39	100.00	Amount is expected to be unrecoverable
Total	<u>287,996,474.57</u>	<u>269,540,401.84</u>		

Notes to the Financial Statements

For January – June 2022

(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: aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss (%)	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	13,927,441,220.84	139,266,664.56	1.00	12,406,047,484.02	124,039,381.72	1.00
1 to 2 years	673,089,282.77	67,309,142.21	10.00	502,936,689.87	50,293,669.00	10.00
2 to 3 years	99,025,703.93	29,707,711.22	30.00	72,523,163.84	21,756,984.17	30.00
3 to 4 years	14,103,279.63	7,051,639.88	50.00	11,810,207.96	5,905,104.01	50.00
4 to 5 years	5,830,831.81	4,664,665.46	80.00	4,137,325.41	3,309,860.33	80.00
Over 5 years	30,448,183.99	30,448,183.99	100.00	29,209,816.73	29,209,816.73	100.00
Total	<u>14,749,938,502.97</u>	<u>278,448,007.32</u>	-	<u>13,026,664,687.83</u>	<u>234,514,815.96</u>	-

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(3) Provision for bad debts accrued, return or recovered or reversed this period

Category	Closing balance of last year	Current movement			Closing balance
		Provision	Return or recovery	Pay-off or write-off	
Provision for bad debts of accounts receivable	520,120,118.38	45,846,114.96	17,939,939.32	37,884.86	547,988,409.16
Total	520,120,118.38	45,846,114.96	17,939,939.32	37,884.86	547,988,409.16

Including: Significant recovery or return of provision for bad debt in the current period:

Company	Return or recovery	Basis of original provision and its rationality	Reason	Collected by
Customer 1	17,884,476.14	It is expected to be unrecoverable	Reversal of credit and debt offset	-
Total	17,884,476.14	-	-	-

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

Item	Amount written off
Accounts receivable written off	37,884.86

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	235,073,806.88	1.56	2,353,341.70
Customer 2	192,572,135.79	1.28	4,995,286.37
Customer 3	189,121,293.62	1.26	4,318,984.23
Customer 4	181,416,463.74	1.21	1,814,164.64
Customer 5	165,852,037.54	1.10	1,658,520.38
Total	<u>964,035,737.57</u>	<u>6.41</u>	<u>15,140,297.32</u>

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

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
Accounts Receivable Factoring	Sold	<u>41,203,543.86</u>	<u>332,163.84</u>
Total		<u>41,203,543.86</u>	<u>332,163.84</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 current period.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables Financing

(1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	1,230,781,425.69	1,853,746,708.62
Accounts receivable	1,392,479,606.86	1,318,119,252.58
Total	<u>2,623,261,032.55</u>	<u>3,171,865,961.20</u>

(2) Accounts receivables derecognized due to transfer of financial assets in the current period

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
ABS increment base assets	sold	<u>1,382,963,335.39</u>	<u>31,084,968.10</u>
Total		<u>1,382,963,335.39</u>	<u>31,084,968.10</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

For January – June 2022

(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	599,535,436.39	96.71	752,640,089.54	96.59
1 to 2 years	8,728,778.58	1.41	20,739,214.44	2.66
2 to 3 years	7,110,191.24	1.15	36,967.08	0.00
Over 3 years	4,498,818.70	0.73	5,823,555.38	0.75
Total	<u>619,873,224.91</u>	<u>100.00</u>	<u>779,239,826.44</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	155,766,786.81	25.13
Supplier 2	34,262,632.37	5.53
Supplier 3	26,299,039.73	4.24
Supplier 4	22,129,120.68	3.57
Supplier 5	20,051,960.96	3.23
Total	<u>258,509,540.55</u>	<u>41.70</u>

Notes to the Financial Statements

For January – June 2022

(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	–	–
Dividends receivable	343,766,959.00	343,766,959.00
Other receivables	748,911,192.27	834,947,434.77
Total	<u>1,092,678,151.27</u>	<u>1,178,714,393.77</u>

(1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as “HWBYS”)	343,766,959.00	343,766,959.00
Less: Provision for bad debts	–	–
Total	<u>343,766,959.00</u>	<u>343,766,959.00</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	653,883,856.12	745,289,089.76
1 to 2 years	45,414,905.71	42,388,736.52
2 to 3 years	28,585,131.17	27,449,916.42
3 to 4 years	15,783,667.44	18,392,069.80
4 to 5 years	11,416,734.02	11,730,965.96
Over 5 years	33,255,113.82	34,283,553.27
Subtotal	788,339,408.28	879,534,331.73
Less: Provision for bad debts	39,428,216.01	44,586,896.96
Total	748,911,192.27	834,947,434.77

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	513,901,841.22	624,998,607.07
Margin, deposit and down payment	129,063,767.84	125,925,785.15
Advances to employees	45,689,316.44	41,146,466.25
Petty cash	13,042,845.15	6,425,065.14
Receivables due from related parties	8,535,657.78	6,874,005.17
Tax refund for exports	289,049.01	2,537,700.42
Others	77,816,930.84	71,626,702.53
Total	788,339,408.28	879,534,331.73

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Opening balance on 1 Jan 2022	14,583,141.57	–	30,003,755.39	44,586,896.96
Provision at current period	(4,993,662.75)	–	–	(4,993,662.75)
Reversal of bad debt provision at current period	–	–	165,018.20	165,018.20
Pay off at current period	–	–	–	–
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance on 30 June 2022	<u>9,589,478.82</u>	<u>–</u>	<u>29,838,737.19</u>	<u>39,428,216.01</u>

④ Provision for bad debts

Item	Closing balance of last year	Current movement			Closing balance
		Provision	Return of recovery	Pay-off or write-off	
Provision for bad debts of other receivables	44,586,896.96	(4,993,662.75)	165,018.20	–	<u>39,428,216.01</u>
Total	<u>44,586,896.96</u>	<u>(4,993,662.75)</u>	<u>165,018.20</u>	<u>–</u>	<u>39,428,216.01</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

- ⑤ There is no significant return or recovery of bad debt reserves in the current period
- ⑥ There is no written off of other receivables actually in the current period.
- ⑦ *The top five debtors by balances are as follows:*

Company	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
Other receivables 1	Receivables due from external parties	35,118,946.72	Within 1 year	4.45	351,189.47
Other receivables 2	Receivables due from external parties	20,171,250.63	Within 1 year	2.56	–
Other receivables 3	Receivables due from external parties	15,170,868.17	Within 1 year, 2 to 3 years, 3 to 4 years	1.92	204,129.28
Other receivables 4	Receivables due from external parties	12,649,014.16	Within 1 year	1.60	126,490.14
Other receivables 5	Receivables due from external parties	9,230,696.33	Within 1 year, 2 to 3 years	1.17	109,706.96
Total	–	<u>92,340,776.01</u>	–	<u>11.70</u>	<u>791,515.85</u>

- ⑧ The Group had no other receivables related to government grants for this period.
- ⑨ The Group had no other receivables that had been derecognized due to transfer of financial assets for this period.
- ⑩ The Group had no assets or liabilities arising from the transfer other receivable with the continuing involvement for this period.

Notes to the Financial Statements

For January – June 2022

(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		Book balance	Provision for decline in value	
		of inventories	Book value		of inventories	Book value
Raw materials	841,031,483.67	5,606,109.55	835,425,374.12	875,495,219.20	5,659,802.75	869,835,416.45
Turnover materials	206,950,706.19	-	206,950,706.19	172,122,724.02	-	172,122,724.02
Consignment processing material	38,931,385.58	-	38,931,385.58	14,537,013.78	-	14,537,013.78
Work in progress	496,444,586.16	-	496,444,586.16	579,661,002.42	-	579,661,002.42
Commodity stocks	6,676,094,932.33	62,053,031.95	6,614,041,900.38	8,862,926,488.42	61,348,845.10	8,801,577,643.32
Total	<u>8,259,453,093.93</u>	<u>67,659,141.50</u>	<u>8,191,793,952.43</u>	<u>10,504,742,447.84</u>	<u>67,008,647.85</u>	<u>10,437,733,799.99</u>

(2) Provision for decline in value of inventories

Item	Closing balance of last year	Provision	Decrease in this period		Closing balance
			Reversed	Written-off	
Raw materials	5,659,802.75	17,951.42	71,644.62	-	<u>5,606,109.55</u>
Commodity stocks	61,348,845.10	1,630,314.03	926,127.18	-	<u>62,053,031.95</u>
Total	<u>67,008,647.85</u>	<u>1,648,265.45</u>	<u>997,771.80</u>	<u>-</u>	<u>67,659,141.50</u>

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

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

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	109,089,166.67	–
Total	109,089,166.67	–

The important debt investments are as follows:

Item	Closing balance				Closing balance of last year			
	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	Date due	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	Date due
Bank A	50,000,000.00	3.90%	3.90%	2023/3/3	–	–	–	–
Bank A	50,000,000.00	3.90%	3.90%	2023/3/3	–	–	–	–
Total	100,000,000.00	–	–	–	–	–	–	–

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Current Assets

Item	Closing balance	Closing balance of last year
Certificate of deposit	951,473,958.34	–
Balance of outstanding VAT debit	463,723,906.26	651,280,688.19
Input VAT to be certified	36,747,110.17	37,324,937.21
Prepaid income tax	17,695,040.38	14,933,268.31
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Refunds payable		97,027,770.61
Others	28,847,181.33	25,393,349.86
Total	<u>1,499,985,593.87</u>	<u>827,458,411.57</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 June 29, 2020

11. 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	704,555,418.66	–	704,555,418.66	523,572,918.08	–	523,572,918.08
Certificate of deposit held to maturity	106,758,750.02	–	106,758,750.02	107,139,166.67	–	107,139,166.67
Total	<u>811,314,168.68</u>	<u>–</u>	<u>811,314,168.68</u>	<u>630,712,084.75</u>	<u>–</u>	<u>630,712,084.75</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Equity Investment

	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		
I. Joint ventures									
HMBYS	142,393,350.72	-	-	53,925,473.88	-	-	-	-	196,318,824.60
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	59,121,064.41	-	-	6,048,515.06	-	-	-	-	65,169,579.47
Nuo Cheng	169,917,352.63	-	-	(12,817,494.86)	-	-	-	-	157,099,857.77
Chengdu Hejien	8,805,682.47	-	-	(543,520.82)	-	-	-	-	8,262,161.65
Subtotal	380,237,450.23	-	-	46,612,973.26	-	-	-	-	426,850,423.49
II. Associates									
Jinying Fund Management Co., Ltd	74,378,315.03	-	-	-	-	-	-	-	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,057,613.75	-	-	8,374.29	-	-	-	-	2,065,988.04
Yunnan Hongxiang Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	860,427,644.74	-	-	25,024,500.00	-	(10,790,097.30)	-	-	874,662,047.44
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	87,599,636.99	-	-	(2,319,196.02)	-	-	-	-	85,280,440.97

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Equity Investment (Continued)

Investee	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		
Guangdong Guanggao Jishen Equity Investment Fund Management Co., Ltd.	6,542,008.48	-	-	(147,965.78)	-	-	-	6,394,042.70	-
Guangzhou Guanggao Jizang equity investment partnership (limited partnership)	45,132,108.14	-	-	(1,398,444.35)	-	-	-	43,733,663.79	-
Guangzhou Dufan Health Industry Co., Ltd.	136,838.04	-	-	(37,045.56)	-	-	-	99,792.48	-
Guangzhou Baiyunshan Southern Anti-Tumor Biological Products Co., Ltd. (hereinafter referred as "Southern Anti-Tumor Biological")	42,531,880.91	-	-	(736,683.38)	-	-	-	41,795,197.53	-
Chuangmei Medicines Co., Ltd. (hereinafter referred as "Chuang Mei")	62,043,538.26	-	-	-	-	-	4,719,912.40	66,763,450.66	-
Guangzhou Zhongheng Medical Instruments Industry Development Co., Ltd.	1,791,532.79	-	-	(49,062.78)	-	-	-	1,742,470.01	-
Subtotal	1,182,641,117.13	-	-	24,615,520.68	-	-	(10,790,097.30)	1,201,866,529.91	-
Total	1,562,878,567.36	-	-	71,228,493.93	-	-	(4,719,912.40)	1,628,056,076.40	-

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other Equity Instruments investments

Item	Investment cost	Closing balance of last year	Closing balance	Amount of cumulative profits and losses transferred from other		
				Dividend income recognized in the current period	comprehensive income to retained earnings for this period	Reasons designated as measured at fair value and their changes included in other comprehensive income
Sino-Israel Bio-industry Investment Fund	114,372,497.75	105,295,586.85	107,333,951.17	-	-	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	459,091.00	448,616.43	464,376.91	-	-	Long-term holdings for strategic purposes
Total	<u>132,509,465.26</u>	<u>123,422,079.79</u>	<u>125,476,204.59</u>	<u>-</u>	<u>-</u>	-

14. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for this year	1,008,789,924.35	574,277,570.93
Including: Debt instrument investment	504,000,000.00	4,000,000.00
Equity instrument investments	504,789,924.35	506,809,499.53
Other	-	63,468,071.40
Total	<u>1,008,789,924.35</u>	<u>574,277,570.93</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment Properties

(1) Investment property measured using the cost model

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Opening balance	413,264,602.67	18,344,900.69	10,409,210.17	442,018,713.53
2. Increase	303,073.45	–	501,868.87	804,942.32
(1) Purchase	–	–	501,868.87	501,868.87
(2) Changes in foreign exchange rate	303,073.45	–	–	303,073.45
(3) Other	–	–	–	–
3. Decrease	–	–	–	–
4. Closing balance	413,567,676.12	18,344,900.69	10,911,079.04	442,823,655.85
II. Accumulated depreciation and amortization				
1. Opening balance	217,442,886.77	10,600,078.49	–	228,042,965.26
2. Increase	5,180,187.84	131,456.86	–	5,311,644.70
(1) Provision or amortization	5,031,596.51	131,456.86	–	5,163,053.37
(2) Changes in foreign exchange rate	148,591.33	–	–	148,591.33
3. Decrease	–	–	–	–
4. Closing balance	222,623,074.61	10,731,535.35	–	233,354,609.96
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase	–	–	–	–
3. Decrease	–	–	–	–
4. Closing balance	–	–	–	–
IV. Book value				
1. Closing balance of book value	190,944,601.51	7,613,365.34	10,911,079.04	209,469,045.89
2. Opening balance of book value	195,821,715.90	7,744,822.20	10,409,210.17	213,975,748.27

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment Properties (Continued)

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

Notes:

- ① Depreciation is RMB5,032 thousand for Jan to June 2022 (Jan to June 2021: RMB5,117 thousand). Amortization is RMB131 thousand for Jan to June 2022 (Jan to June 2021: RMB231 thousand).
- ② Increase in original value and accumulated depreciation of investment property due to change in foreign exchange rate is RMB303 thousand and RMB149 thousand respectively for Jan to June 2022 (Jan June 2021: decreased RMB77 thousand and RMB36 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 Group had non conversion of self-use properties or inventory to investment properties for this period (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).

16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	3,504,925,618.72	3,364,559,004.41
Disposal of fixed assets	–	–
Less: Provision for impairment	16,633,069.59	16,967,030.31
Total	<u>3,488,292,549.13</u>	<u>3,347,591,974.10</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed Assets (Continued)

(1) Fixed assets

① Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	3,328,658,085.15	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
2. Increase	143,743,028.70	166,873,820.78	11,221,850.99	8,577,769.46	16,057,162.26	-	346,473,632.19
(1) Purchases	52,757,433.72	38,573,396.27	2,554,825.90	4,367,708.81	6,497,410.44	-	104,750,775.14
(2) Transfer of construction, use assets, development expenditure, investment real estate	90,644,953.63	128,300,424.51	8,667,025.09	4,210,060.65	9,538,237.12	-	241,360,701.00
(3) Changes in foreign exchange rate	340,641.35	-	-	-	21,514.70	-	362,156.05
(4) Other	-	-	-	-	-	-	-
3. Decrease	1,135,654.00	32,781,575.52	4,730,169.01	3,044,452.53	9,040,770.92	-	50,732,621.98
(1) Disposal or scrap	1,135,654.00	32,781,575.52	4,730,169.01	3,044,452.53	9,040,770.92	-	50,732,621.98
(2) Other	-	-	-	-	-	-	-
4. Closing balance	3,471,265,459.85	3,057,026,612.19	124,127,707.45	213,341,723.83	346,278,713.33	57,307,309.32	7,269,347,525.97
II. Accumulated depreciation							
1. Opening 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
2. Increase	67,906,425.68	103,673,953.97	2,639,376.79	8,130,898.33	18,414,858.68	1,684,868.08	202,450,381.53
(1) Provision	67,741,447.36	103,673,953.97	2,639,376.79	8,130,898.33	18,404,803.00	1,684,868.08	202,275,347.53
(2) Changes in foreign exchange rate	164,978.32	-	-	-	10,055.68	-	175,034.00
(3) Other	-	-	-	-	-	-	-
3. Decrease	1,024,519.05	30,223,234.99	4,513,990.23	2,732,223.03	8,582,018.33	-	47,075,985.63
(1) Disposal or scrap	1,024,519.05	30,223,234.99	4,513,990.23	2,732,223.03	8,582,018.33	-	47,075,985.63
(2) Other	-	-	-	-	-	-	-
4. Closing balance	1,524,386,247.02	1,748,200,533.53	81,090,973.62	140,735,562.46	226,285,236.96	43,723,353.66	3,764,421,907.25
III. Provision for impairment							
1. Opening balance	11,767,229.72	3,596,710.32	158,224.47	1,443,365.80	1,500.00	-	16,967,030.31
2. Increase	-	169,645.70	-	12,423.48	-	-	182,069.18
(1) Provision	-	169,645.70	-	12,423.48	-	-	182,069.18
3. Decrease	-	176,940.41	158,224.47	180,865.02	-	-	516,029.90
(1) Disposal or scrap	-	176,940.41	158,224.47	180,865.02	-	-	516,029.90
4. Closing balance	11,767,229.72	3,589,415.61	-	1,274,924.26	1,500.00	-	16,633,069.59
IV. Book value							
1. Closing balance of book value	1,935,111,983.11	1,305,236,663.05	43,036,733.83	71,331,237.11	119,991,976.37	13,583,955.66	3,488,292,549.13
2. Opening 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

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed Assets (Continued)

(1) Fixed assets (Continued)

① Fixed assets (Continued)

Notes:

- ① Decrease in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB362 thousand and RMB175 thousand respectively in 2022 (2021: decreased RMB77 thousand and RMB31 thousand respectively).
- ② Fixed assets depreciation accrued in Jan-June 2022 is RMB202,275 thousand (Jan to June 2021: RMB168,652 thousand), which is comprised of depreciation in operating cost RMB79,498 thousand, depreciation in selling expenses RMB59,524 thousand, depreciation in general and administrative expenses RMB45,722 thousand and depreciation in R&D expenditure RMB17,531 thousand (Jan to June 2021: depreciation in operating cost RMB72,188 thousand, depreciation in selling expenses RMB35,648 thousand, depreciation in General administrative expenses RMB46,121 thousand and depreciation in R&D expenditure RMB14,765 thousand).

(2) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	279,129.64	–	151,483.72	–
Machinery and equipment	1,678,344.15	1,434,498.66	243,845.49	–	–
Total	<u>2,108,957.51</u>	<u>1,713,628.30</u>	<u>243,845.49</u>	<u>151,483.72</u>	<u>–</u>

(3) There is no fixed assets leased out under operating lease in this period

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

Item	Reason for do not have certificate of property right	Estimated time for acquiring certificate of property right
Buildings	28,179,032.76	Not handled yet as necessary procedures were not complete
Total	<u>28,179,032.76</u>	

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed Assets (Continued)

- (5) As on 30 June 2022, 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\$3,683 thousand (Converted into RMB3,150 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$3,496 thousand (Converted into RMB2,990 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 HKD350 thousand, USD166 thousand from the Bank of China (Hong Kong) Co., Ltd.

17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	1,683,811,873.21	1,564,342,855.70
Construction material	–	–
Less: Provision for impairment	251,734.38	251,734.38
Total	<u>1,683,560,138.83</u>	<u>1,564,091,121.32</u>

(1) Construction in progress

① Basic information of the 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	1,683,811,873.21	251,734.38	1,683,560,138.83	1,564,342,855.70	251,734.38	1,564,091,121.32
Total	<u>1,683,811,873.21</u>	<u>251,734.38</u>	<u>1,683,560,138.83</u>	<u>1,564,342,855.70</u>	<u>251,734.38</u>	<u>1,564,091,121.32</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress (Continued)

(2) Changes of significant construction in progress in the current year

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment	Project progress	Source of funds
Construction of Bio-island R&D Headquarters	1,099,853,000.00	247,768,374.27	68,745,772.35	-	-	316,514,146.62	50.27%	55.00%	Self-raised funds, issuing shares
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	731,879,100.00	265,143,618.45	1,690,953.49	-	-	266,834,571.94	55.68%	82.99%	Self-raised funds, issuing shares
Ming Xing relocation improvement	686,400,000.00	198,378,091.38	54,021,144.50	-	-	252,399,235.88	36.77%	36.77%	Self-raised funds, issuing shares
Nansha Base Project	750,000,000.00	162,163,657.06	32,218,753.87	-	-	194,382,410.93	39.08%	39.08%	Self-raised funds, issuing shares
Chinese medicine modernization GMP phase III construction project	287,620,000.00	148,940,511.01	36,524,195.28	48,312,567.01	-	137,152,132.28	64.48%	64.48%	Self-raised funds, issuing shares
Base of Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	400,000,000.00	100,044,432.15	639,184.69	436,072.48	8,968.45	100,238,575.91	54.97%	61.50%	Self-raised funds
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	45,634,624.31	8,150,137.95	-	-	53,784,762.26	46.12%	60.00%	Self-raised funds, issuing shares
Monoclonal antibody project	62,650,000.00	50,341,857.84	2,452,397.59	438,713.80	-	52,355,541.63	84.27%	84.27%	Self-raised funds
Baiyunshan Heji public relocation project (Note 2)	699,529,160.00	30,963,448.85	1,081,838.36	-	-	32,045,287.21	17.88%	17.88%	Self-raised funds, issuing shares
Project of special medical use formula food production line	42,400,000.00	30,232,389.91	1,860,974.40	-	2,236,778.46	29,856,585.85	75.69%	90.00%	Self-raised funds
Lanzhou production base	350,000,000.00	19,790,694.90	775,103.53	-	-	20,565,798.43	16.93%	14.45%	Self-raised funds
Base of Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	67,000,000.00	8,499,112.72	10,081,993.83	-	-	18,581,106.55	30.07%	30.07%	Self-raised funds
Cai Zhi Lin Meizhou TCM Industrialized production and service base	94,698,394.00	76,997,324.38	17,131,573.54	76,252,739.73	-	17,876,158.19	99.40%	99.00%	Self-raised funds

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress (Continued)

(2) Changes of significant construction in progress in the current year (Continued)

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment	Project progress	Source of funds
Strip packaging machine technical transformation project	46,014,613.14	-	16,253,622.08	-	-	16,253,622.08	36.00%	36.00%	Self-raised funds
Baiyun project	527,000,000.00	6,327,338.20	13,784,392.21	4,820,465.00	134,751.00	15,156,514.41	87.74%	87.74%	Self-raised funds
Litchi juice production line and installation project	30,000,000.00	-	13,622,674.92	-	-	13,622,674.92	51.31%	51.31%	Self-raised funds
Extension project R of Hospital service	133,000,000.00	6,025,041.29	7,475,969.48	1,710,708.00	-	11,790,302.77	87.04%	87.04%	Self-raised funds
Technical transformation project of powder injection 5500 intelligent workshop	48,550,000.00	-	11,734,005.40	-	172,584.23	11,561,421.17	24.17%	18.11%	Self-raised funds
Intelligent three-dimensional warehouse project	102,740,000.00	8,609,892.24	269,124.80	-	-	8,879,017.04	9.70%	20.00%	Self-raised funds
Reconstruction and decoration works of building 22-24 self-completed by the General Factory yard	8,808,309.61	2,946,767.27	3,234,836.82	-	-	6,181,604.09	70.18%	90.00%	Self-raised funds
Extension project Y of Hospital service	250,488,000.00	4,494,690.30	212,389.39	-	-	4,707,079.69	28.39%	28.39%	Self-raised funds
Power distribution project	6,000,000.00	4,347,239.34	-	-	-	4,347,239.34	72.45%	90.00%	Self-raised funds
Guangzhou Pharmaceutical EHR project	4,175,000.00	3,861,175.63	-	-	-	3,861,175.63	92.48%	95.00%	Self-raised funds, issuing shares
Total	6,615,614,576.75	1,421,510,281.50	301,961,038.48	131,971,266.02	2,553,082.14	1,588,946,971.82	-	-	-

Note:

- ① Other reductions in construction in progress this period were mainly due to the amount of projects in progress transferred to intangible assets by the Group.
- ② At the end of 2021, the “Zhongluotian Wulonggang AB08070981 block” was changed to the “Baiyunshan Heji public relocation project”, and the budget was increased from RMB159,750,000.00 to RMB699,529,160.00.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress (Continued)

(3) There is no provision for impairment of construction in progress in current period.

(4) 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	

18. Bearer Biological Assets

(1) Cost Measurement Method

Item	Unripe bearer biological assets- Camellia Citrus	Total
I. Original cost		
1. Opening balance	3,678,000.00	3,678,000.00
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	3,678,000.00	3,678,000.00
II. Accumulated depreciation		
1. Opening balance	873,525.00	873,525.00
2. Increase	174,705.00	174,705.00
(1) Provision	174,705.00	174,705.00
3. Decrease	–	–
4. Closing balance	1,048,230.00	1,048,230.00
III. Provision for impairment		
1. Opening balance	–	–
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance of book value	2,629,770.00	2,629,770.00
2. Opening balance of book value	2,804,475.00	2,804,475.00

Note: Bearer biological assets are measured at cost, the crop production increased by RMB0 thousand due to purchase, RMB0 due to breeding (education), and RMB0 due to sale, decreased RMB0 by death, loss, damage and decreased RMB175 thousand due to depreciation.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Opening balance	1,051,948,372.81	249,627,557.28	1,301,575,930.09
2. Increase	129,738,756.97	11.44	129,738,768.41
(1) New lease	129,738,756.97	11.44	129,738,768.41
3. Decrease	55,961,556.21	30,394,254.97	86,355,811.18
(1) Disposal	55,961,556.21	655,995.78	56,617,551.99
(2) Other	–	29,738,259.19	29,738,259.19
4. Closing balance	1,125,725,573.57	219,233,313.75	1,344,958,887.32
II. Accumulated depreciation			
1. Opening balance	439,691,326.90	92,045,063.28	531,736,390.18
2. Increase	104,098,574.55	11,125,461.12	115,224,035.67
(1) Provision	104,098,574.55	11,125,461.12	115,224,035.67
3. Decrease	51,043,389.32	13,217,196.38	64,260,585.70
(1) Disposal	51,043,389.32	344,783.88	51,388,173.20
(2) Other	–	12,872,412.50	12,872,412.50
4. Closing balance	492,746,512.13	89,953,328.02	582,699,840.15
III. Provision for impairment			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Book value			
1. Closing balance of book value	632,979,061.44	129,279,985.73	762,259,047.17
2. Opening balance of book value	<u>612,257,045.91</u>	<u>157,582,494.00</u>	<u>769,839,539.91</u>

Note: The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current year, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note XIII. (1) Lease.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible Assets

(1) Intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non-Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Opening balance	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
2. Increase	25,564.52	-	741,175.00	322,747.07	-	11,184,983.66	12,274,470.25
(1) Purchase	-	-	741,175.00	322,747.07	-	10,217,128.42	11,281,050.49
(2) Internal R&D	-	-	-	-	-	967,855.24	967,855.24
(3) Other	25,564.52	-	-	-	-	-	25,564.52
3. Decrease	-	-	-	-	-	22,394.36	22,394.36
(1) Disposal	-	-	-	-	-	22,394.36	22,394.36
4. Closing balance	1,031,122,692.67	25,675,630.49	65,601,886.53	1,562,317,347.14	127,793,900.00	279,070,932.31	3,091,582,389.14
II. Accumulated amortization							
1. Opening 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
2. Increase	12,575,960.47	637,047.14	2,546,006.32	-	-	19,340,258.18	35,099,272.11
(1) Provision	12,575,960.47	637,047.14	2,546,006.32	-	-	19,340,258.18	35,099,272.11
3. Decrease	-	-	-	-	-	16,625.82	16,625.82
(1) Disposal	-	-	-	-	-	16,625.82	16,625.82
4. Closing balance	228,141,545.93	13,170,598.90	44,227,042.92	32,791,688.44	-	212,654,675.01	530,985,551.20
III. Provision for impairment							
1. Opening balance	-	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	802,981,146.74	12,051,688.55	21,374,843.61	1,528,942,085.70	127,793,900.00	66,416,257.30	2,559,559,921.90
2. Opening balance of book value	<u>815,531,542.69</u>	<u>12,688,735.69</u>	<u>23,179,674.93</u>	<u>1,528,619,338.63</u>	<u>127,793,900.00</u>	<u>74,577,300.36</u>	<u>2,582,390,492.30</u>

Note:

- ① The purchase of intangible assets this year includes the amount transferred from construction in progress.
- ② 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.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Development expenditure

Item	Closing balance of last year	Increase		Decrease			Closing balance
		Internal development expenditure	Others	Confirmed as Intangible assets	Transfer to current P&L	Others	
Capital expenditure	10,567,467.71	7,115,399.35	-	967,855.24	-	1,384,336.30	15,330,675.52
Expense expenditure	-	441,319,390.36	-	-	441,319,390.36	-	-
Total	10,567,467.71	448,434,789.71	-	967,855.24	441,319,390.36	1,384,336.30	15,330,675.52

22. 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	948,224,323.50	-	-	-	-	948,224,323.50

Notes to the Financial Statements

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Goodwill (Continued)

(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
		Provision	Others	Disposal	Others	
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
GP Corp.	118,275,499.68	-	-	-	-	118,275,499.68
Total	118,751,256.60	-	-	-	-	118,751,256.60

23. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	107,297,026.96	25,004,698.50	16,632,007.13	-	115,669,718.33
GMP reconstruction expenses	3,147,648.97	1,447,029.13	753,091.88	-	3,841,586.22
Computer system expenses	1,884,762.07	26,246.22	128,409.51	-	1,782,598.78
ABC Buildings certification service	379,297.04	-	67,432.92	-	311,864.12
Others	19,769,002.42	2,652,398.01	3,745,491.25	-	18,675,909.18
Total	132,477,737.46	29,130,371.86	21,326,432.69	-	140,281,676.63

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For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. 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
Deferred tax assets:				
Other payables	1,411,751,831.63	296,132,302.53	1,385,626,032.46	292,228,979.24
Provision for credit impairment	588,050,359.11	138,975,672.98	582,370,518.10	138,088,804.30
Provisions	755,402,337.10	113,310,350.57	764,339,412.10	114,650,911.82
Deferred income	566,782,397.81	89,297,119.13	566,944,269.39	89,348,027.77
Deductible tax losses	467,804,945.66	81,415,974.72	371,687,857.64	58,862,491.92
Impact on total profit arising from elimination	193,496,441.64	45,624,738.25	181,285,932.26	39,613,657.83
Employee benefits payable	138,591,129.88	25,089,778.36	121,150,636.54	21,097,975.74
Fixed assets depreciation differences between accounting and tax law	56,792,543.94	13,566,562.83	56,963,162.61	13,427,959.30
Provision for decline in value of inventories	62,537,841.06	13,220,303.55	61,034,420.63	12,789,026.36
Other non-current financial assets	25,656,404.85	3,848,460.73	22,854,076.23	3,428,111.44
Provision for impairment of fixed assets	10,827,497.35	1,696,262.05	8,843,401.26	1,424,374.76
Other equity instruments investments	7,188,546.58	1,078,282.00	6,978,296.72	1,046,744.51
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	154,236.38	25,446.33	158,858.14	26,601.77
Intangible assets depreciation differences between accounting and tax law	161,666.67	24,250.00	161,666.67	24,250.00
Others	46,645,989.89	7,533,026.49	48,302,947.54	8,136,743.11
Total	<u>4,332,095,903.93</u>	<u>830,876,290.68</u>	<u>4,178,953,222.66</u>	<u>794,232,420.03</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Deferred tax liabilities:				
Other receivables	713,459,266.00	178,364,816.50	1,032,750,626.67	154,912,594.00
Book value of the appreciated intangible assets and fixed assets in business combination	529,252,380.44	129,372,534.59	552,487,056.54	135,111,342.37
Other non-current financial assets	205,906,075.15	30,885,911.27	205,050,367.00	30,757,555.05
Fixed assets depreciation differences between accounting and tax law	34,890,766.83	5,233,615.02	34,890,766.80	5,233,615.02
Book value of amortization provided for intangible assets appreciation	7,204,120.00	1,080,618.00	7,204,120.00	1,080,618.00
Book value of depreciation provided for fixed assets appreciation	1,495,740.00	224,361.00	1,495,740.00	224,361.00
Other equity instruments investments	5,285.91	792.89	–	–
Others	38,611,571.34	5,791,855.42	29,385,181.91	4,407,897.00
Total	<u>1,530,825,205.67</u>	<u>350,954,504.69</u>	<u>1,863,263,858.92</u>	<u>331,727,982.44</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Item	Closing balance	Closing balance of last year
Deductible temporary difference	10,338,839.01	4,247,754.97
Deductible losses	<u>508,437,450.75</u>	<u>358,919,093.83</u>
Total	<u><u>518,776,289.76</u></u>	<u><u>363,166,848.80</u></u>

(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
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	130,306,708.22	131,421,383.87	–
2027	<u>150,633,032.57</u>	–	–
Total	<u><u>508,437,450.75</u></u>	<u><u>358,919,093.83</u></u>	–

25. Other Non-current Assets

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	196,210,684.91	–	196,210,684.91	151,554,588.24	–	151,554,588.24
Logistics Information management system	14,529,587.33	–	14,529,587.33	12,893,030.73	–	12,893,030.73
Other	<u>5,229,902.32</u>	–	<u>5,229,902.32</u>	<u>4,033,337.70</u>	–	<u>4,033,337.70</u>
Total	<u><u>215,970,174.56</u></u>	<u><u>–</u></u>	<u><u>215,970,174.56</u></u>	<u><u>168,480,956.67</u></u>	<u><u>–</u></u>	<u><u>168,480,956.67</u></u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Pledge borrowings	361,205,505.47	187,427,680.84
Guarantee borrowings	30,040,000.00	102,777,084.97
Credit borrowings	8,451,913,777.83	8,116,220,581.71
Bills Discounted	56,103,237.16	21,582,964.00
Total	<u>8,899,262,520.46</u>	<u>8,428,008,311.52</u>

Note:

- ① 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 30 June 2022, short-term borrowings of RMB30,040 thousand of the Group's guarantee borrowings are guaranteed by original minority shareholders of the sub-subsidiaries.
- ③ As on 30 June 2022, the weighted average annual interest rate of short-term borrowings is 3.4064% (31 December 2021: 3.5186%).

(2) The Group had no overdue short-term borrowings as on 30 June 2022.

27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	2,507,786,612.98	3,419,708,217.35
Commercial acceptance notes	51,784,451.45	26,107,443.95
Total	<u>2,559,571,064.43</u>	<u>3,445,815,661.30</u>

Note: As on 30 June 2022, amount expected to be matured within a year is RMB2,559,571 thousand (31 December 2021: RMB3,445,816 thousand).

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts Payable

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

Item	Closing balance	Closing balance of last year
Within 1 year	10,508,973,410.76	11,003,981,552.80
Over 1 year	322,996,537.03	283,171,316.74
Total	10,831,969,947.79	11,287,152,869.54

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	26,856,167.72	Payment terms not satisfied
Supplier 2	21,366,337.47	Payment terms not satisfied
Supplier 3	13,292,745.27	Payment terms not satisfied
Supplier 4	12,879,943.01	Payment terms not satisfied
Supplier 5	10,687,350.51	Litigation is involved, which has been decided and is in the implementation stage
Total	85,082,543.98	

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	1,185,069,484.04	2,735,677,234.79
Medical payment received in advance	1,733,335.99	4,660,834.50
Total	<u>1,186,802,820.03</u>	<u>2,740,338,069.29</u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	1,150,414,233.84	2,712,640,917.08
Over 1 year	36,388,586.19	27,697,152.21
Total	<u>1,186,802,820.03</u>	<u>2,740,338,069.39</u>

(3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2022 and 31 December 2021.

Notes to the Financial Statements

For January – June 2022

(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	940,865,293.39	2,570,610,457.22	2,574,286,789.48	937,188,961.13
Post-employment benefits-set up a deposit plan	9,110,455.69	260,944,232.10	259,792,492.58	10,262,195.21
Termination benefits	–	1,777,861.52	1,777,861.52	–
Total	<u>949,975,749.08</u>	<u>2,833,332,550.84</u>	<u>2,835,857,143.58</u>	<u>947,451,156.34</u>

(2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	885,829,377.98	2,228,580,629.62	2,229,134,389.34	885,275,618.26
Employee welfare	4,344,019.23	67,163,725.60	67,009,907.10	4,497,837.73
Social Insurance premium	14,167.84	92,719,762.91	92,660,819.10	73,111.65
Including: Medical insurance premium	13,215.82	89,487,087.09	89,430,910.61	69,392.30
Industrial injury insurance premium	952.02	2,925,466.94	2,922,699.61	3,719.35
Maternity insurance premium	–	307,208.88	307,208.88	–
Housing funds	207,017.06	139,988,248.93	138,733,219.52	1,462,046.47
Labor-union expenditure and employee education funds	15,138,323.85	31,494,787.57	33,682,827.96	12,950,283.46
Non-monetary welfare	462,010.07	138,804.87	–	600,814.94
Housing allowance	34,590,869.20	9,027,092.56	11,568,221.30	32,049,740.46
Other short-term benefits	279,508.16	1,497,405.16	1,497,405.16	279,508.16
Total	<u>940,865,293.39</u>	<u>2,570,610,457.22</u>	<u>2,574,286,789.48</u>	<u>937,188,961.13</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee Benefits Payable (Continued)

(3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	53,842.38	190,703,442.78	190,573,256.56	184,028.60
Unemployment insurance premiums	1,904.01	4,758,246.36	4,755,145.08	5,005.29
Enterprise annuity	8,582,008.36	57,210,303.35	55,975,730.98	9,816,580.73
Others	472,700.94	8,272,239.61	8,488,359.96	256,580.59
Total	<u>9,110,455.69</u>	<u>260,944,232.10</u>	<u>259,792,492.58</u>	<u>10,262,195.21</u>

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	–	1,777,861.52	1,777,861.52	–
Total	<u>–</u>	<u>1,777,861.52</u>	<u>1,777,861.52</u>	<u>–</u>

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of June 2022. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in this year.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Tax Payable

Item	Closing balance	Closing balance of last year
Value-added tax	193,891,656.99	41,526,904.77
Enterprise income tax	295,221,952.33	143,410,622.81
Property tax	7,677,713.17	2,689,786.51
Land use tax	2,788,534.85	778,685.55
Individual income tax	4,555,787.87	25,110,287.09
Urban maintenance and construction tax	16,089,671.01	7,146,944.27
Educational surcharge	7,020,441.09	3,326,541.78
Local education surcharge	4,519,484.08	1,787,098.81
Stamp duty	6,192,545.12	7,522,868.67
Others	165,120.75	196,985.21
Total	<u>538,122,907.26</u>	<u>233,496,725.47</u>

32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	–	460,278.35
Dividends payable	205,380,929.35	55,789,451.94
Other payables	4,516,072,694.85	4,520,950,851.30
Total	<u>4,721,453,624.20</u>	<u>4,577,200,581.59</u>

(1) Interest payable

Item	Closing balance	Closing balance of last year
Others	–	460,278.35
Total	<u>–</u>	<u>460,278.35</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other payables (Continued)

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	151,226,502.86	155,202.85
Domestic public shares	938,707.02	778,253.23
Minority shareholders	53,215,674.46	54,855,950.85
BYS Group	45.01	45.01
Total	205,380,929.35	55,789,451.94

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Sales discounts	1,497,152,763.53	1,663,851,740.23
Accounts payable to external entities	995,846,095.67	950,898,923.27
Accrued expenses	975,913,639.23	798,943,984.76
Margin, deposit, and down payment received	560,912,230.74	551,673,100.84
Epidemic prevention supplies turnover fund	223,379,622.32	286,657,842.31
Accruals for fixed assets	133,183,555.36	140,170,703.43
Funds received temporarily from employees	32,736,681.57	19,582,627.09
Current accounts to related parties	19,003,087.71	31,663,451.26
Others	77,945,018.72	77,508,478.11
Total	4,516,072,694.85	4,520,950,851.30

Notes to the Financial Statements

For January – June 2022

(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 Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	345,021,337.30	158,578,345.76
Freight expenses	262,560,343.44	231,900,638.67
Terminal expenses	187,282,569.10	244,821,541.74
Research and development expenditures	58,678,207.33	47,671,943.90
Travel expenses	17,051,694.48	15,528,477.95
Conference expenses	15,296,421.08	17,034,620.80
Rental expenses	12,138,242.61	6,300,658.51
Utilities expenses	9,004,005.77	8,283,724.55
Trademark fee	6,219,318.06	1,999,698.47
Agency fee	3,653,057.68	5,077,033.12
Consulting fee	1,052,472.45	1,225,719.55
Others	57,955,969.93	60,521,581.74
Total	975,913,639.23	798,943,984.76

③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	3,590,855,411.05	3,525,056,242.50
Over 1 year	925,217,283.80	995,894,608.80
Total	4,516,072,694.85	4,520,950,851.30

Notes to the Financial Statements

For January – June 2022

(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)

④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	<u>223,379,622.32</u>	Not to the settlement period
Total	<u><u>223,379,622.32</u></u>	

33. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 35)	<u>30,672,916.66</u>	30,030,833.33
Lease liabilities due within 1 year (Note V. 36)	<u>222,419,908.99</u>	<u>215,772,073.53</u>
Total	<u><u>253,092,825.65</u></u>	<u><u>245,802,906.86</u></u>

34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Short term payable bonds	<u>600,625,000.00</u>	–
Pending output VAT	<u>139,599,480.68</u>	<u>346,060,329.07</u>
Total	<u><u>740,224,480.68</u></u>	<u><u>346,060,329.07</u></u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	1,250,619,536.61	752,812,083.34	
Total	1,250,619,536.61	752,812,083.34	

Note: as on 30 June 2022, the average annual rate of long-term borrowings is 3.1150% (as on 31 December 2021:3.2372%).

(2) The Group had no overdue long-term borrowings as on 30 June 2022.

36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	719,415,155.19	713,469,909.49
Less: Amount due within 1 year (Note V. 33)	222,419,908.99	215,772,073.53
Total	496,995,246.20	497,697,835.96

Notes to the Financial Statements

For January – June 2022

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

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

37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<u>20,396,504.60</u>	<u>20,464,502.00</u>
Total	<u><u>20,396,504.60</u></u>	<u><u>20,464,502.00</u></u>

(1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	17,418,190.77	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	<u>408,887.36</u>	<u>408,887.36</u>
Total	<u><u>20,396,504.60</u></u>	<u><u>20,464,502.00</u></u>

38. Long-term Employee Benefits Payable

(1) Long-term employee benefits payable

Item	Closing balance	Closing balance of last year
Post-employment benefits-provision for long service bonus	<u>304,655.11</u>	<u>304,247.44</u>
Total	<u><u>304,655.11</u></u>	<u><u>304,247.44</u></u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	44,537,272.06	–	286,189.96	44,251,082.10	Note ①
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
Pending litigation	8,937,075.00	–	8,937,075.00	–	Note ②
Total	<u>53,974,538.25</u>	<u>–</u>	<u>9,223,264.96</u>	<u>44,751,273.29</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 The decrease in pending litigation in the current period is the loss to be borne by the subsidiaries of the group after the litigation cases are settled, and the estimated liabilities are carried forward to other payables. please refer to the notes XIII (8) 1 (1) ③.

40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	826,859,462.22	774,912,449.50	655,964,473.81	945,807,437.91	Government funding
Total	<u>826,859,462.22</u>	<u>774,912,449.50</u>	<u>655,964,473.81</u>	<u>945,807,437.91</u>	

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Deferred income (Continued)

Projects involving government subsidies:

Item	Closing balance of last year	Current increase in grants	Amount recognized into non-operating income	Amount recognized into other income	Amount offset costs	Appropriation to cooperators	Other decrease	Closing balance	Asset related /Income related
Government grants related to assets	354,933,916.42	362,434,595.22	55,987.32	8,626,637.57	-	15,700.00	-	708,670,186.75	
Including:									
Technology funds granted by the government	67,467,549.12	723,500.00	-	3,260,460.54	-	15,700.00	-	64,914,888.58	Asset related
Compensation for relocation	22,852,408.83	361,711,095.22	36,498.78	-	-	-	-	384,527,005.27	Asset related
Special project funds for environmental protection	1,068,433.39	-	-	87,711.64	-	-	-	980,721.75	Asset related
Construction funds for innovation platform and laboratory	11,006,590.36	-	-	96,390.90	-	-	-	10,910,199.46	Asset related
Land support funds granted by the government	65,594,843.92	-	-	972,165.24	-	-	-	64,622,678.68	Asset related
Support funds for industrial development	162,164,282.24	-	-	3,156,035.57	-	-	-	159,008,246.67	Asset related
Other	24,779,808.56	-	19,488.54	1,053,873.68	-	-	-	23,706,446.34	Asset related
Government grants related to income	471,925,545.80	411,342,854.28	-	270,544,493.13	23,083.71	12,280,000.00	363,283,572.08	237,137,251.16	
Including:									
Technology funds granted by the government	88,063,761.57	60,319,162.06	-	11,063,709.81	-	280,000.00	63,176.86	136,976,036.96	Income related
Medical industrial research project funds	577,320.22	-	-	-	-	-	-	577,320.22	Income related
Special fund for innovative enterprises	1,522,132.32	8,486,700.00	-	5,429,347.07	-	-	1,509,300.00	3,070,185.25	Income related
Compensation for relocation	361,711,095.22	-	-	-	-	-	361,711,095.22	-	Income related
Support funds for industrial development	10,488,194.10	162,483,542.20	-	162,483,542.20	-	-	-	10,488,194.10	Income related
Others	9,563,042.37	180,053,450.02	-	91,567,894.05	23,083.71	12,000,000.00	-	86,025,514.63	Income related
Total	826,859,462.22	773,777,449.50	55,987.32	279,171,130.70	23,083.71	12,295,700.00	363,283,572.08	945,807,437.91	

Notes to the Financial Statements

For January – June 2022

(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 in Southern Anti-tumor Biological Products Co., Ltd. (Note)	50,225,000.00	50,225,000.00
Pending output VAT	3,771,954.48	3,204,349.59
Less: Part due within 1 year	—	—
Total	<u>53,996,954.48</u>	<u>53,429,349.59</u>

Note: Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Share capital

Item	Closing balance of last year	Changes in the current period(+ · -)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Restricted shares	-	-	-	-	-	-	-
Shares held by state-owned companies	-	-	-	-	-	-	-
Shares held by other domestic investors	-	-	-	-	-	-	-
Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	-	-	-	-	-	-	-
Unrestricted shares	-	-	-	-	-	-	-
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	-	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	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00
Total shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Capital Surplus

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	908,683,748.00	51,343.64	–	908,735,091.64
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>9,956,953,383.38</u>	<u>51,343.64</u>	<u>–</u>	<u>9,957,004,727.02</u>

Note: Guanghua pharmaceutical, a non-wholly-owned subsidiary of the Group, acquired minority shareholders' equity with RMB0 in the current period, resulting in a profit of RMB51,343.64 at the level of consolidated statements, which is treated as an equity transaction and included in the capital reserve.

Notes to the Financial Statements

For January – June 2022

(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 period					Closing balance	
		Current amount before tax	Less: profit or loss transferred from comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	Less: Income tax expense	Attributable to the parent company, net of tax		Attributable to minority shareholders, net of tax
I. Other comprehensive income that will not be reclassified to profit or loss	57,027.63	(204,963.94)	-	-	(30,744.59)	(174,219.35)	-	(117,191.72)
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	(1,391,154.18)	(204,963.94)	-	-	(30,744.59)	(174,219.35)	-	(1,565,373.53)
II. Other comprehensive income that may be reclassified into profit or loss	(17,533,384.51)	3,728,331.69	-	-	(996,267.27)	5,539,376.22	(814,777.26)	(11,994,008.29)
Including: Other comprehensive income that may be reclassified to profit or loss under equity method	29,136.57	-	-	-	-	-	-	29,136.57
Difference arising from the translation of foreign currency financial statements	(12,312,946.85)	7,713,400.76	-	-	-	7,713,400.76	-	(4,599,546.09)
Change in fair value of investments in other debt instruments	(12,986,686.03)	(5,108,358.96)	-	-	(1,277,089.74)	(2,786,826.92)	(1,044,442.30)	(15,773,512.95)
Provision for credit impairment of other debt investments	7,737,111.80	1,123,289.89	-	-	280,822.47	612,802.38	229,665.04	8,349,914.18
Total other comprehensive income	(17,476,356.88)	3,523,367.75	-	-	(1,027,011.86)	5,365,156.87	(814,777.26)	(12,111,200.01)

Notes to the Financial Statements

For January – June 2022

(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	1,789,788,132.04	–	–	1,789,788,132.04
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
Total	<u>1,908,713,749.53</u>	<u>–</u>	<u>–</u>	<u>1,908,713,749.53</u>

46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	15,588,202,733.48	12,931,411,564.72
Adjustments to opening balance of undistributed profits at the current period (Add: +; Less:-)	–	–
Undistributed profits at the beginning of current year after adjustments	15,588,202,733.48	12,931,411,564.72
Add: Net profit attributable to shareholders of the parent company for the current period	2,589,996,058.70	3,719,877,680.46
Less: Appropriation of statutory surplus reserve	–	188,410,981.14
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	1,116,918,381.96	874,675,530.56
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	<u>17,061,280,410.22</u>	<u>15,588,202,733.48</u>

Note: According to the resolution of the 2021 annual general meeting held on 26 May 2022, the Company shall issue cash dividends to all shareholders at RMB0.687 per share (tax included), RMB1,116,918,381.96 in total, based on the 1,625,790,949 outstanding shares at the year-end of 2021.

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	37,083,607,401.14	29,490,095,477.77	36,007,774,756.86	28,569,535,197.67
Other businesses	136,843,148.54	25,283,302.18	120,802,393.23	28,239,210.85
Total	<u>37,220,450,549.68</u>	<u>29,515,378,779.95</u>	<u>36,128,577,150.09</u>	<u>28,597,774,408.52</u>

(2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	5,955,015,783.54	3,071,546,277.89	6,057,911,813.23	3,343,425,949.31
Great Health	6,521,431,455.41	3,552,050,097.45	6,604,146,860.64	3,420,228,091.16
Great Commerce	24,355,439,503.70	22,656,978,679.97	23,205,337,053.25	21,688,581,961.31
Others	251,720,658.49	209,520,422.46	140,379,029.74	117,299,195.89
Total	<u>37,083,607,401.14</u>	<u>29,490,095,477.77</u>	<u>36,007,774,756.86</u>	<u>28,569,535,197.67</u>

(3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	28,215,675,394.96	23,558,837,703.59	27,187,186,246.12	22,648,103,246.47
Eastern China Area	3,139,817,776.98	2,171,750,879.10	3,330,610,257.29	2,223,647,581.63
Northern China Area	1,511,544,200.08	899,695,942.91	1,608,497,835.66	1,014,813,579.20
Northeast Area	308,731,567.41	217,622,025.60	307,770,546.20	226,618,748.86
Southwest Area	2,858,334,806.27	1,879,382,740.77	2,486,263,480.98	1,611,129,897.64
Northwest Area	1,040,917,646.25	755,932,230.82	1,076,579,274.57	835,810,922.19
Export	8,586,009.19	6,873,954.98	10,867,116.04	9,411,221.68
Total	<u>37,083,607,401.14</u>	<u>29,490,095,477.77</u>	<u>36,007,774,756.86</u>	<u>28,569,535,197.67</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Operating Income and Operating Costs (Continued)

- (4) Total sales to the top five customers are RMB2,011,799 thousand (Jan to June 2021: RMB2,779,126 thousand), accounting for 5.43% of the Group's primary operating income for the current period. (Jan to June 2021: 7.71%)

Customer	Income	Proportion to total income (%)
Customer 1	462,378,075.48	1.25
Customer 2	420,502,462.96	1.13
Customer 3	404,278,165.94	1.09
Customer 4	384,920,309.14	1.04
Customer 5	339,719,509.44	0.92
Total	<u>2,011,798,522.97</u>	<u>5.43</u>

- (5) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
E-commerce platform and store service fee	69,244,941.66	–	38,783,771.27	191,241.60
Leases of assets	21,132,243.34	6,820,362.18	26,256,523.84	8,853,421.54
Consulting fee	14,692,514.13	1,214,971.83	7,738,689.64	–
Property management fee	6,176,785.93	2,383,519.93	6,200,671.38	1,180,038.48
Sales of materials	3,796,665.03	2,332,220.76	3,777,169.06	3,766,273.29
Technical service income	3,431,145.39	544,272.37	8,082,128.06	1,252,384.13
Collection of utility on behalf of others	1,689,853.87	3,767,023.46	2,230,050.48	4,654,085.79
Trademark fee income	1,087,562.84	–	1,138,259.66	–
Service income	726,496.77	2,478,463.94	1,911,455.07	786,584.07
Income from franchise store management fee	703,773.59	99,557.08	8,866,981.05	2,429,813.26
Others	14,161,165.99	5,642,910.63	15,816,693.72	5,125,368.69
Total	<u>136,843,148.54</u>	<u>25,283,302.18</u>	<u>120,802,393.23</u>	<u>28,239,210.85</u>

Notes to the Financial Statements

For January – June 2022

(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	71,282,045.77	72,296,131.05
Education surcharge	30,579,069.08	31,228,138.20
Stamp duty	23,261,877.58	22,652,548.89
Local education surcharge	20,385,734.99	20,804,279.69
House property tax	11,363,963.44	12,380,412.36
Land use tax	2,473,309.71	2,805,738.26
Vehicle and vessel use tax	86,338.59	98,918.55
Others	173,425.80	81,746.50
	<hr/>	<hr/>
Total	159,605,764.96	162,347,913.50

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	1,540,739,482.71	1,442,170,770.70
Advertising and promotion fees	647,120,065.68	686,854,948.53
Sales and service fees	533,324,170.90	440,345,063.67
Freight and miscellaneous charges	169,291,648.79	151,357,921.81
Depreciation expenses	129,180,843.58	119,543,068.79
Traveling expenses	51,081,963.63	60,212,646.30
Conference expenses	23,347,962.93	27,332,801.52
Office expenses	20,486,234.59	13,457,457.12
Rental expenses	14,579,443.69	18,669,743.99
Others	56,796,244.57	40,414,812.37
	<hr/>	<hr/>
Total	3,185,948,061.06	3,000,359,234.80

Notes to the Financial Statements

For January – June 2022

(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	716,143,130.08	661,767,793.45
Depreciation expenses	77,118,398.87	79,652,919.30
Amortization	52,058,126.51	44,857,350.99
Office expenses	33,264,762.15	30,427,586.30
Agency fees	28,012,620.94	7,419,393.84
Repairing expenses	24,937,130.05	21,681,304.80
Trademark license fees	14,083,123.17	8,815,608.93
Utilities	10,282,925.83	8,551,990.78
Consulting	7,896,003.13	4,487,195.46
Freight and miscellaneous charges	6,421,441.68	6,409,173.18
Rental expenses	5,446,908.04	4,401,659.32
Traveling expenses	5,436,383.93	7,991,873.31
Insurance premium	2,540,003.24	2,419,158.36
Conference expenses	1,931,272.46	2,164,401.74
Others	82,392,282.27	78,983,641.40
Total	<u>1,067,964,512.35</u>	<u>970,031,051.16</u>

51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	160,280,484.84	144,527,384.11
Raw materials	100,291,080.11	88,758,382.82
Special research and development	69,672,325.73	65,257,515.89
Trial production expenses	38,183,733.83	19,499,611.62
Depreciation expenses	17,580,295.52	14,765,121.16
Clinical trial expenses	9,471,046.44	8,192,995.01
Technique research expenses	6,227,692.99	11,339,091.19
Amortization cost	2,743,590.40	2,495,856.29
Others	36,869,140.50	31,060,730.31
Total	<u>441,319,390.36</u>	<u>385,896,688.40</u>

Notes to the Financial Statements

For January – June 2022

(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	207,955,559.92	203,792,083.36
Including: Interest expenses related to lease	16,653,851.82	18,459,026.15
Less: interest revenue	354,817,498.21	286,009,185.72
Exchange gains/(losses)	2,206,076.51	(533,503.23)
Service change of finance institutions	13,299,133.45	8,176,010.77
Others	1,923,223.94	1,039,991.37
Total	<u>(129,433,504.39)</u>	<u>(73,534,603.45)</u>

53. Other Income

Item	Current period	Prior period
Government grants	319,246,813.47	78,151,305.15
Total	<u>319,246,813.47</u>	<u>78,151,305.15</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Other Income (Continued)

Government subsidies included in other income

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period	Asset related/ income related
Technology funds granted by the government	3,260,460.54	3,554,211.31	3,260,460.54	Asset related
Special project fund for environmental protection	87,711.64	47,411.64	87,711.64	Asset related
Construction funds for innovation platform and laboratory	96,390.90	660,460.62	96,390.90	Asset related
Government land support funds	972,165.24	–	972,165.24	Asset related
Support funds for industrial development	3,156,035.57	1,025,842.71	3,156,035.57	Asset related
Others	1,053,873.68	529,385.68	1,053,873.68	Asset related
Subtotal	8,626,637.57	5,817,311.96	8,626,637.57	/
Technology funds granted by the government	34,906,639.01	24,321,135.36	34,906,639.01	Income related
Special fund for innovative enterprises	5,429,347.07	12,183,167.76	5,429,347.07	Income related
Support funds for industrial	162,483,542.20	–	162,483,542.20	Income related
Others	107,800,647.62	35,829,690.07	107,800,647.62	Income related
Subtotal	310,620,175.90	72,333,993.19	310,620,175.90	/
Total	319,246,813.47	78,151,305.15	319,246,813.47	/

Notes to the Financial Statements

For January – June 2022

(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	66,721,169.39	128,698,641.73
Investment income from disposal of long-term equity investment	–	39,531.93
Investment income during the holding period of other non-current financial assets	1,703,323.45	37,634.48
Interest income from finance products and structured deposits	18,016,279.91	9,879,413.84
Others	(31,084,968.10)	(1,056,731.60)
Total	<u>55,355,804.65</u>	<u>137,598,490.38</u>

55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Trading financial assets	1,067,343.44	–
Other non-current financial assets	(2,019,575.18)	(6,219,324.42)
Total	<u>(952,231.74)</u>	<u>(6,219,324.42)</u>

56. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	3,330,527.52	(2,936,344.05)
Loss on bad debts of accounts receivable	(27,906,175.64)	(24,789,826.72)
Loss on bad debts of receivables financing	(1,123,289.89)	(8,933,739.20)
Loss on bad debts of other receivables	5,158,680.95	(316,590.82)
Total	<u>(20,540,257.06)</u>	<u>(36,976,500.79)</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	(1,157,274.29)	(13,152,332.97)
Fixed asset impairment loss	(182,069.18)	–
Total	<u>(1,339,343.47)</u>	<u>(13,152,332.97)</u>

58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Gains on disposal of non-current assets	554,973.05	123,987.72	554,973.05
Including: Gains from disposal of fixed assets	446,972.47	91,915.82	446,972.47
Gains from disposal of right-of-use assets	108,000.58	32,071.90	108,000.58
Total	<u>554,973.05</u>	<u>123,987.72</u>	<u>554,973.05</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 current period
Proceed from damage and scrapping of non-current assets	502,844.12	95,517.90	502,844.12
Government grant	566,255.45	4,390,466.90	566,255.45
Penalty income	225,245.64	387,928.40	225,245.64
Income from sale of scrap	3,597,498.39	2,264,390.63	3,597,498.39
Debt forgiveness	1,243,535.75	293,362.04	1,243,535.75
Compensation income	1,289,112.43	1,246,452.47	1,289,112.43
Remuneration of expatriates	884,264.15	1,374,896.65	884,264.15
Others	1,300,374.82	1,689,737.29	1,300,374.82
Total	9,609,130.75	11,742,752.28	9,609,130.75

(2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	36,498.78	36,498.78	Asset related
Others	19,488.54	19,488.54	Asset related
Subtotal	55,987.32	55,987.32	/
Demolition compensation	474,884.13	1,489,048.89	Income related
Others	35,384.00	2,845,430.69	Income related
Subtotal	510,268.13	4,334,479.58	/
Total	566,255.45	4,390,466.90	/

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Non-operating expenses

Item	Current period	Amount recognized into non-recurring profit or loss in	
		Prior period	the current period
Losses on damage and scrapping of non-current assets	1,935,592.33	853,818.23	1,935,592.33
Public welfare donation expenditure	5,993,713.52	1,059,815.59	5,993,713.52
Penalty and overdue fines	387,115.07	157,071.07	387,115.07
Reward of family planning	–	51,164.60	–
Abnormal loss	–	2,681,178.82	–
Inventory loss	15,757.75	431.38	15,757.75
Withdrawal based on judgment	–	8,062,500.00	–
Payback of obtained export tax refund	–	54,574,150.67	–
Others	1,037,616.03	256,994.68	1,037,616.03
Total	9,369,794.70	67,697,125.04	9,369,794.70

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	599,691,171.36	536,522,981.12
Deferred tax expenses	(16,390,337.21)	3,247,883.89
Total	583,300,834.15	539,770,865.01

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

Item	Current period
Total profit	3,332,232,640.34
Income tax expenses calculated at statutory/applicable rates	499,834,896.04
Tax effect of different rates applicable to subsidiaries	43,941,992.15
Adjustment effect of income tax of prior period	17,591,901.74
Tax effect of non-taxable income	(9,073,511.97)
Tax effect of costs, expenses and losses not deductible for tax purposes	2,101,947.89
Tax effect of use of deductible loss of previously unrecognized DTA	–
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	49,894,322.99
Tax effect of R&D expenditure deduction	(20,990,714.69)
Income tax expenses	583,300,834.15

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Earnings per share (EPS)

(1) Basic EPS

① Weighted average basic EPS

Item	For the 6 months ended 30 June 2022	For the 6 months ended 30 June 2021
Net consolidated profit attributable to ordinary shareholders of the parent company	2,589,996,058.70	2,502,380,845.33
The number of weighted average outstanding ordinary shares at the year end	1,625,790,949.00	1,625,790,949.00
Weighted average basic EPS	1.593	1.539

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

Item	For the 6 months ended 30 June 2022	For the 6 months ended 30 June 2021
Net consolidated profit attributable to ordinary shareholders of the parent company	2,589,996,058.70	2,502,380,845.33
The number of outstanding ordinary shares as at the year end	1,625,790,949.00	1,625,790,949.00
EPS based on the number of shares as at the year end	1.593	1.539

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Earnings per share (EPS) (Continued)

(2) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the year from January to June 2022, the Company had no dilutive potential ordinary share (for January to June of year 2021: NIL). The diluted EPS is equal to basic EPS.

63. Items in the Cash Flow Statement

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

Item	Current period	Prior period
Cash received from other operating activities		
Government grant	452,652,305.18	138,121,713.58
Interest income	354,817,498.21	286,009,185.72
Other operating income	136,843,148.54	120,802,393.23
Non-operating income	7,397,085.15	6,937,166.21
Deposit received and other items	42,979,629.65	488,580,272.20
Total	994,689,666.73	1,040,450,730.94
Cash paid for other operating activities		
Cash paid for selling and distribution expenses	1,131,651,902.31	1,164,964,538.58
Cash paid for general and administrative expenses	470,020,458.31	400,680,829.95
Financial expenses—bank charges	13,299,133.45	8,176,010.77
Others	88,935,186.87	329,541,401.00
Total	1,703,906,680.94	1,903,362,780.30

Notes to the Financial Statements

For January – June 2022

(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)

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

Item	Current period	Prior period
Cash received from other investing activities		
Interest received	14,007.36	35,532.03
Other	–	92,365.96
	<hr/>	<hr/>
Total	14,007.36	127,897.99
	<hr/> <hr/>	<hr/> <hr/>

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

Item	Current period	Prior period
Cash received from other financing activities		
Return of deposit for notes	1,733,216,152.23	1,587,802,938.05
Issuance of ultra-short-term financing bonds	599,910,000.00	–
Other	1,380,391.03	–
	<hr/>	<hr/>
Total	2,334,506,543.26	1,587,802,938.05
	<hr/> <hr/>	<hr/> <hr/>
Cash paid to other financing activities		
Deposit for notes paid	1,327,924,991.92	1,352,876,363.25
Lease payment	135,774,382.98	138,304,540.01
	<hr/>	<hr/>
Other	1,283,586.20	6,495,552.00
	<hr/>	<hr/>
Total	1,464,982,961.10	1,497,676,455.26
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Notes to the Financial Statements

For January – June 2022

(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

Item	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,748,931,806.19	2,649,502,844.46
Add: Provision for assets impairment	1,339,343.47	13,152,332.97
Impairment loss in respect of credit	20,540,257.06	36,976,500.79
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	202,275,347.53	174,762,104.66
Depreciation of right-of-use assets	115,224,035.67	122,204,770.27
Amortization of intangible assets	35,099,272.12	30,554,760.96
Amortization of long-term prepaid expenses	21,326,432.69	18,769,546.25
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(554,973.05)	(123,987.72)
Losses on scrapping of fixed assets ("-" refers to income)	1,432,748.21	758,300.33
Loss on changes in fair value ("-" refers to income)	952,231.74	6,219,324.42
Financial expenses ("-" refers to income)	207,955,559.92	203,792,083.36
Investment losses ("-" refers to income)	(55,355,804.65)	(137,598,490.38)
Decrease in deferred tax assets ("-" refers to income)	(36,643,870.65)	(12,687,248.92)
Increase in deferred tax liabilities ("-" refers to income)	19,226,522.25	15,935,132.53
Decrease in inventories ("-" refers to income)	2,245,289,353.91	1,592,466,831.65
Decrease of operating receivables ("-" refers to income)	(976,912,429.01)	(1,656,192,130.88)
Increase of operating payables ("-" refers to income)	(2,837,911,395.53)	(874,083,059.37)
Others	-	-
Net cash flow from operating activities	<u>1,712,214,437.86</u>	<u>2,184,409,615.38</u>

Notes to the Financial Statements

For January – June 2022

(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)

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

Item	Current period	Prior period
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	–	–
Convertible company bonds due within one year	–	–
Fixed assets held under finance leases	–	–
Factoring financing payable	2,230,105,191.23	2,485,097,761.52
3. Net changes in cash and cash equivalents		
Cash at the end of period	21,194,890,180.85	20,969,067,260.28
Less: Cash at the beginning of year	21,013,364,042.22	17,765,132,774.10
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	<u>181,526,138.63</u>	<u>3,203,934,486.18</u>

Notes to the Financial Statements

For January – June 2022

(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 current period

Item	Current period
Equity transfer	<u>1,900,000.00</u>
Total	<u><u>1,900,000.00</u></u>

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

Nil

(4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	21,194,890,180.85	21,013,364,042.22
Including: Cash on hand	599,288.88	679,188.73
Bank deposits that are readily available for payment	21,134,259,164.53	20,945,367,227.97
Other cash that are readily available for payment	60,031,727.44	67,317,625.52
II. Cash equivalents		
Including: Debt investment maturing within three months	-	-
III. Closing balance of cash and cash equivalents	21,194,890,180.85	21,013,364,042.22
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2022

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Assets with Restriction on Ownership or Use Right

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	1,353,838 thousand	The Group's restricted monetary funds is 1,353,838 thousand, deposit of notes payable is RMB795,812 thousand, cash deposit of credit of RMB50,795 thousand, term deposit/certificate of deposit of RMB450,000 thousand, L/C deposit of RMB55,735 thousand, housing fund is RMB929 thousand, frozen account funds of RMB547 thousand, others RMB20 thousand.
Accounts receivable	1,060,846 thousand	The Group's total credit of RMB627,000 thousand and short-term borrowings are derived from accounts receivable of RMB1,060,846 thousand as pledge.
Notes receivable	638,558 thousand	The Group's notes receivable endorsed but not yet due is RMB585,609. Notes receivable pledged is RMB46,231 thousand. Notes receivable discounted but not yet expire is RMB6,718 thousand.
Fixed assets	3,150 thousand	The Group's buildings with the original costs of HKD8,893 thousand and the net book value of HKD3,683thousand(Converted into RMB3,150 thousand), and investment property with the original costs of HKD6,843 thousand and the net value of HKD3,496 thousand(Converted into RMB2,990 thousand) pledged as collateral, and obtained a credit line with a limit of HKD300 thousand, the letter of credit and the total amount of 90-day credits of HKD100,000 thousand, and an issued but unexpired letter of credit of HKD350 thousand, USD166 thousand from the Bank of China (Hong Kong) Co., Ltd.
Investment properties	2,990 thousand	
Total	<u>3,059,382 thousand</u>	

Notes to the Financial Statements

For January – June 2022

(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			
Including: USD	16,422,695.71	6.7114	110,219,279.99
HKD	6,932,168.58	0.8552	5,928,321.25
Euro	53,784.32	7.0084	376,942.03
AUD	1,040.02	4.6145	4,799.17
JPY	34.00	0.0491	1.67
Accounts receivable			
Including: USD	518,793.01	6.7114	3,481,827.41
HKD	15,817,176.39	0.8552	13,526,691.08
Other receivables			
Including: USD	80,000.00	6.7114	536,912.00
HKD	747,803.42	0.8552	639,514.01
Accounts payable			
Including: USD	2,461,680.74	6.7114	16,521,324.12
EUR	103,500.00	7.0084	725,369.40
HKD	33,196,624.45	0.8552	28,389,421.26
Shor-term borrowings			
Including: HKD	33,463,328.59	0.8552	28,617,503.98
Other payables			
Including: HKD	219,459.06	0.8552	187,679.19

Notes to the Financial Statements

For January – June 2022

(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 year

Nil

2. Business combination under the common control during the year

Nil

3. Counter purchase in the period

Nil

4. Disposal of subsidiaries

Nil

5. Equity of subsidiaries sold in the period

Nil

Notes to the Financial Statements

For January – June 2022

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

VI. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

6. Other reasons for changes in the scope of consolidation

The reasons for the addition of 5 companies in scope of consolidation comparing to the prior year are as follows:

- (1) In February 2022, Guangzhou Baiyunshan Hanfang Modern Pharmaceutical Co., Ltd., a holding subsidiary of the Company, established Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd., with a registered capital of RMB6,000 thousand.
- (2) In March 2022, Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd., a wholly-owned subsidiary of the Company, established Guangzhou Baiyunshan 157 hospital Co., Ltd., with a registered capital of RMB100 thousand.
- (3) In March 2022, Guangzhou Pharmaceutical Research Institute Co., Ltd., a wholly-owned subsidiary of the Company, established Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd., with a registered capital of RMB1,000 thousand.
- (4) In May 2022, Guangzhou Pharmaceutical Co., Ltd., a holding subsidiary of the Company, established Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd., with a registered capital of RMB4,000 thousand.
- (5) In June 2022, Guangzhou Baiyunshan Jingxiutang Pharmaceutical Co., Ltd., a holding subsidiary of the Company, established Jingxiutang (Ningbo) Health Industry Development Co., Ltd., with a registered capital of RMB500 thousand.

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Equity in subsidiaries

① Composition of Enterprises Group

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Pharmaceutical manufacturing	77,168.90	88.99	–	Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	–	88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Pharmaceutical manufacturing	217,410.00	100.00	–	Establishment or Investment
Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Guangzhou	Guangzhou	Science and technology promotion application service	5,000.00	–	100.00	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Pharmaceutical manufacturing	112,845.42	100.00	–	Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Trading	15,000.00	–	44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Pharmaceutical manufacturing	252,564.30	98.02	1.98	Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical manufacturing	2,000.00	–	100.00	Establishment or Investment
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Tibet	Tibet	Pharmaceutical manufacturing	6,000.00	–	100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	82,416.70	100.00	–	Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	–	100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Pharmaceutical manufacturing	86,230.00	88.40	–	Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	–	45.08	Establishment or Investment
Guangzhou Baiyunshan Jiujiugong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	3,000.00	–	45.08	Establishment or Investment
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Ningbo	Ningbo	Commercial services	500.00	–	88.40	Establishment or Investment

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Pan Gao Shou	Guangzhou	Guangzhou	Pharmaceutical manufacturing	65,440.00	87.77	–	Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	14,000.00	–	87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Pharmaceutical manufacturing	204,756.88	96.09	–	Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Trading	1,000.00	–	96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Wholesale and retail	1,000.00	–	96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Trading	10,000.00	–	96.09	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Pharmaceutical trading	2,449,305.50	72.74	–	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	86,000.00	–	72.74	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	37,000.00	–	72.74	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	50,000.00	–	72.74	Business combination not under common control

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Pharmaceutical trading	30,100.00	–	37.82	Business combination not under common control
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Pharmaceutical trading	6,000.00	–	37.10	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	552,000.00	–	72.74	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	123,000.00	–	72.74	Business combination not under common control
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	13,500.00	–	72.74	Business combination not under common control
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Pharmaceutical trading	90,000.00	–	72.74	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Pharmaceutical trading	85,000.00	–	72.74	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Pharmaceutical trading	156,000.00	–	72.74	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Wholesale and retail	20,000.00	–	72.74	Business combination not under common control

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Pharmaceutical trading	87,500.00	-	72.74	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Pharmaceutical trading	14,000.00	-	72.74	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Pharmaceutical trading	80,000.00	-	72.74	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Pharmaceutical trading	50,000.00	-	72.74	Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Pharmaceutical trading	50,000.00	-	50.92	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	5,000.00	-	72.74	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Pharmaceutical trading	HKD300.00	-	72.74	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Pharmaceutical trading	13,210.00	-	72.74	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Pharmaceutical trading	57,000.00	-	72.74	Business combination not under common control

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	60,000.00	-	72.74	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Service	60,000.00	-	72.74	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Pharmaceutical trading	6,000.00	-	72.74	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Wholesale and retail	7,000.00	-	72.74	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Wholesale and retail	6,450.00	-	72.74	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Wholesale and retail	8,000.00	-	72.74	Business combination not under common control
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Trading	4,000.00	-	72.74	Establishment or Investment
Guangzhou Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Pharmaceutical trading	2,940.00	-	72.74	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	6,680.00	-	72.74	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Pharmaceutical trading	112,809.88	100.00	-	Establishment or Investment
Meizhou Guanyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Pharmaceutical trading	2,000.00	-	60.00	Establishment or Investment

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	20,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Guangzhou	Guangzhou	Wholesale	5,000.00	–	97.27	Establishment or Investment
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Pharmaceutical trading	3,000.00	–	60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Pharmaceutical trading	1,000.00	–	80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Pharmaceutical manufacturing	10,000.00	–	100.00	Establishment or Investment
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Pharmaceutical trading	50,000.00	–	100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Health and social work	10,000.00	–	51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Pharmaceutical manufacturing	200,250.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Trading	10,000.00	–	51.00	Establishment or Investment
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Pharmaceutical trading	2,000.00	–	54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Food manufacturing	900,000.00	100.00	–	Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Food manufacturing	50,000.00	–	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	10,000.00	–	100.00	Establishment or Investment

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Trading	5,000.00	-	100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Food manufacturing	50,000.00	-	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Trading	10,000.00	-	100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Trading	50,000.00	-	100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd	Qiannan	Qiannan	Commercial services	1,000.00	-	100.00	Establishment or Investment
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Food manufacturing	50,000.00	-	100.00	Establishment or Investment
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	50,000.00	-	100.00	Establishment or Investment
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Food manufacturing	10,000.00	-	100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Pharmaceutical manufacturing	31,884.50	51.00	-	Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Pharmaceutical manufacturing	55,000.00	60.00	-	Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Commercial services	111,600.00	100.00	-	Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Health services	50,000.00	-	100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Medical	40,816.00	-	51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Service	10,000.00	-	51.00	Establishment or Investment

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Guangzhou	Guangzhou	Medical	20,000.00	–	51.00	Establishment or Investment
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Guangzhou	Guangzhou	Medical	100.00	–	100.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Pharmaceutical manufacturing	126,480.00	100.00	–	Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Commercial services	10,000.00	100.00	–	Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Commercial services	20,000.00	–	80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Pharmaceutical manufacturing	45,693.00	82.49	–	Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Technical Service Industry	800.00	–	100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Pharmaceutical manufacturing	55,285.00	84.48	–	Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Food manufacturing	10,000.00	–	84.48	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	46,091.90	100.00	–	Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Manufacturing	100.00	–	100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Pharmaceutical manufacturing	11,790.00	100.00	–	Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Pharmaceutical trading	2,000.00	51.00	–	Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Food manufacturing	50,000.00	–	60.00	Establishment or Investment

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For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Food manufacturing	35,000.00	-	60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Pharmaceutical trading	HKD132,500.00	100.00	-	Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Pharmaceutical trading	MOP1,000.00	-	99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Wholesale and retail	100,000.00	-	100.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	593,470.00	100.00	-	Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Pharmaceutical manufacturing	100,000.00	-	51.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	537,500.00	-	100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Advertising	20,000.00	100.00	-	Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Pharmaceutical trading	40,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Service	1,000.00	-	100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Medical research	80,000.00	100.00	-	Business combination under common control
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Guangzhou	Guangzhou	Technical Service Industry	1,000.00	-	100.00	Establishment or Investment
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Commercial services	10,000.00	100.00	-	Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Commercial services	5,000.00	-	60.00	Establishment or Investment

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For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
					Direct	Indirect	
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	2,000.00	–	51.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100,000.00	100.00	–	Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Leasing and commercial services	10,000.00	100.00	–	Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Leasing and commercial services	9,000.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Commercial services	500,000.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Wholesale	70,000.00	100.00	–	Establishment or Investment

Note: 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.

② Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividend paid to minority shareholders in the current period	Closing balance of minority shareholders' equity
GP Corp.	27.26%	80,814,399.43	–	1,670,680,516.14

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

(1) Equity in subsidiaries (Continued)

③ Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	<u>26,726,686,772.28</u>	<u>2,272,551,904.49</u>	<u>28,999,238,676.77</u>	<u>21,763,676,597.28</u>	<u>1,135,745,668.29</u>	<u>22,899,422,265.57</u>

Subsidiary	Closing balance of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	<u>25,322,381,755.06</u>	<u>2,369,995,661.53</u>	<u>27,692,377,416.59</u>	<u>21,215,171,609.67</u>	<u>669,669,433.93</u>	<u>21,884,841,043.60</u>

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	<u>24,487,568,144.80</u>	<u>295,268,840.01</u>	<u>285,694,917.00</u>	<u>(1,164,670,723.87)</u>

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

Notes to the Financial Statements

For January – June 2022

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

VII. EQUITY IN OTHER ENTITIES *(Continued)*

(2) Summary for financial information of insignificant associates and joint ventures

① Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Opening balance/ Prior period
Joint ventures:		
Total book balance of investments	426,850,423.49	380,237,450.23
Calculated by rate of interests held:		
– Net profit	46,690,727.69	89,477,241.19
– Other comprehensive income	–	–
– Total comprehensive income	46,690,727.69	89,477,241.19
Associates:		
Total book balance of investments	1,201,186,452.91	1,182,641,117.13
Calculated by rate of interests held:		
– Net profit	30,375,696.33	4,426,398.28
– Other comprehensive income	–	–
– Total comprehensive income	30,375,696.33	4,426,398.28

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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For January – June 2022

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's operating activities are subject to various financial risks: market risk (mainly foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management plan addresses the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 30 June 2022, 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	116,529,344.11	132,950,140.25
Accounts receivable	17,008,518.48	8,478,790.45
Other receivables	1,176,426.01	1,088,770.35
Total financial assets in foreign currency	134,714,288.60	142,517,701.05
Short-term borrowings	28,617,503.98	19,616,329.58
Accounts payable	45,636,114.78	59,010,163.96
Other payables	187,679.19	1,168,074.70
Total financial liabilities in foreign currency	74,441,297.95	79,794,568.24

Notes to the Financial Statements

For January – June 2022

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Market risk *(Continued)*

(1) Foreign exchange risk *(Continued)*

Note: The financial department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.

As on 30 June 2022, 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 RMB4,520 thousand (As on 31 December 2021: approximately RMB4,704 thousand).

(2) Interest rate risk

As on 30 June 2022, the Group's long-term interest-bearing debt balance was RMB1,250,620 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB1,339 thousand (As on 31 December 2021: RMB2,652 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	131,093,720.03	133,896,048.65
Total	131,093,720.03	133,896,048.65

As on 30 June 2022, 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 RMB11,143 thousand (As on 31 December 2021: net profit will increase or decrease by RMB11,381 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

Notes to the Financial Statements

For January – June 2022

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

Notes to the Financial Statements

For January – June 2022

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

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

3. Liquidity risk (Continued)

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				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	9,021,252,294.85	-	-	-	-	9,021,252,294.85
Notes payable	2,559,571,064.43	-	-	-	-	2,559,571,064.43
Accounts payable	10,831,969,947.79	-	-	-	-	10,831,969,947.79
Other payables	4,721,453,624.20	-	-	-	-	4,721,453,624.20
Current portion of non-current liabilities	261,906,018.21	-	-	-	-	261,906,018.21
Long-term borrowings	39,283,405.87	760,323,405.87	528,516,920.88	-	-	1,328,123,732.61
Lease liability	-	143,176,628.07	213,920,346.44	223,488,118.96	-	580,585,093.47
Long-term payables	-	-	-	20,396,504.60	-	20,396,504.60
Subtotal	<u>27,435,436,355.35</u>	<u>903,500,033.94</u>	<u>742,437,267.31</u>	<u>243,884,623.56</u>	-	<u>29,325,258,280.16</u>

(Cont.)

Item	Closing balance of last year				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	8,502,654,807.03	-	-	-	-	8,502,654,807.03
Notes payable	3,445,815,661.30	-	-	-	-	3,445,815,661.30
Accounts payable	11,287,152,869.54	-	-	-	-	11,287,152,869.54
Other payables	4,577,200,581.59	-	-	-	-	4,577,200,581.59
Current portion of non-current liabilities	254,944,889.76	-	-	-	-	254,944,889.76
Long-term borrowings	24,521,791.69	550,211,145.86	229,159,687.50	-	-	803,892,625.05
Lease liability	-	147,438,932.17	212,944,519.97	232,234,542.27	-	592,617,994.41
Long-term payables	-	-	-	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>

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

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	The first hierarchy	The second hierarchy	The third hierarchy	Total
I. Continuous measurement at fair value				
A. Financial assets held for trading	-	-	50,668,596.07	50,668,596.07
1. Financial assets designated at FVTPL	-	-	50,668,596.07	50,668,596.07
(1) Others	-	-	50,668,596.07	50,668,596.07
B. Receivable financing	-	-	2,623,261,032.55	2,623,261,032.55
C. Other equity instrument investments	-	-	125,476,204.59	125,476,204.59
D. Other non-current financial assets	131,093,720.06	504,000,000.00	373,696,204.29	1,008,789,924.35
1. Financial assets measured at FVTPL	131,093,720.06	504,000,000.00	373,696,204.29	1,008,789,924.35
(1) Debt instrument investments	-	504,000,000.00	-	504,000,000.00
(2) Equity instrument investments	131,093,720.06	-	373,696,204.29	504,789,924.35
Total assets continuously measured at fair value	131,093,720.06	504,000,000.00	3,173,102,037.50	3,808,195,757.56

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For January – June 2022

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

IX. DISCLOSURE OF FAIR VALUE (Continued)

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.

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 method	Significant unobservable input
Receivable financing	2,623,261,032.55	Discounted Cash Flow Method	Discount rate of risk adjustment

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, the period of expected return, expected return period and weighted average cost of capital, 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 30 June 2022.

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. (2), 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.

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

IX. DISCLOSURE OF FAIR VALUE (Continued)

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

Item	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	
A. Financial assets held for trading	-	49,601,252.63	-	1,067,343.44	-	-	-	50,668,596.07
1. Financial assets designated at FVTPL	-	49,601,252.63	-	1,067,343.44	-	-	-	50,668,596.07
(1) Others	-	49,601,252.63	-	1,067,343.44	-	-	-	50,668,596.07
B. Receivable financing	3,171,865,961.20	-	-	(14,540,104.41)	(12,765,230.68)	1,332,447,115.06	1,853,746,708.62	2,623,261,032.55
C. Other equity instrument investments	123,422,079.79	-	-	-	(204,963.94)	2,259,088.75	-	125,476,204.60
D. Other non-current financial assets	422,514,703.51	-	49,601,252.63	782,753.41	-	-	-	373,696,204.29
Including:	422,514,703.51	-	49,601,252.63	782,753.41	-	-	-	373,696,204.29
(1) Equity instrument investments	372,913,450.88	-	-	782,753.41	-	-	-	373,696,204.29
(2) Others	49,601,252.63	-	49,601,252.63	-	-	-	-	-
Total	3,717,802,744.50	49,601,252.63	49,601,252.63	(12,690,007.56)	(12,970,194.62)	1,334,706,203.81	1,853,746,708.62	3,173,102,037.51

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information of the Parent Company

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

Note: The ultimate control party of the Group is State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government, 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 current year 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
Yunnan Yi Xin Tang	Associates
Chuang Mei	Associates
Southern Anti-tumor Biological	Associates

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY 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
Guangzhou Pharmaceutical Import & Export Co., Ltd. (hereinafter referred to as "Pharmaceutical Import & Export")	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture of the parent company

Notes to the Financial Statements

For January – June 2022

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

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

5. Related Party Transactions

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods:							
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	112,289,260.99	0.37	131,859,951.26	0.48
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	55,921,972.33	0.18	55,534,509.96	0.20
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	13,369,498.62	0.04	-	-
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	4,766,502.91	0.02	4,917,739.36	0.02
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	3,032,322.11	0.01	-	-
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	2,386,178.13	0.01	10,792,068.44	0.04
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	283,684.06	0.00	-	-
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	53,370.15	0.00	97,953.63	-
Subtotal				<u>192,102,789.30</u>	<u>-</u>	<u>203,202,222.65</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Receiving of services:							
HWBYS	Acceptance of service	Publicity fee	Market price	5,650,564.81	0.87	5,135,875.06	1.13
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	115,895.28	0.02	461,603.77	0.07
GPHL	Acceptance of service	Publicity fee	Market price	84,969.00	0.01	-	-
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	21,118.87	0.00	-	-
Hua Cheng	Acceptance of service	Publicity fee	Market price	17,073.00	0.00	-	-
Pharmaceutical Import & Export	Acceptance of service	Publicity fee	Market price	144.00	0.00	-	-
Subtotal				<u>5,889,764.96</u>	<u>-</u>	<u>5,597,478.83</u>	<u>-</u>
Total				<u>197,992,554.26</u>	<u>-</u>	<u>208,799,701.48</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Sales of good: Chuang Mei	Sales of good	Medicinal material or medicine	Market price	263,016,842.67	0.71	222,254,762.64	0.62
HWBYS	Sales of good	Medicinal material or medicine	Market price	74,675,108.02	0.20	96,650,549.20	0.27
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	66,162,495.12	0.18	73,194,362.29	0.20
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	53,092,708.38	0.14	44,442,759.69	0.12
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	49,280,545.04	0.13	–	–
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	22,428,738.26	0.06	10,990,565.69	0.03
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	4,783,173.32	0.01	89,956.59	–
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	167,576.23	0.00	211,592.92	–
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	67,245.00	0.00	–	–
Nuo Cheng	Sales of good	Medicinal material or medicine	Market price	5,935.94	0.00	17,167.86	0.00
GPHL	Sales of good	Medicinal material or medicine	Market price	–	–	35,479.64	0.00
Subtotal				533,680,367.98	–	447,887,196.52	–

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Rendering of services	Advertising agency service	Market price	32,185,133.71	79.74	19,114,143.09	70.74
Hua Cheng	Rendering of services	Advertising agency service	Market price	6,547,720.77	16.22	5,768,205.71	21.35
GPHL	Rendering of services	Advertising agency service	Market price	992,656.05	2.46	237,566.79	0.88
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	8,844.34	0.02	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	3,773.58	0.01	-	-
Subtotal				<u>39,738,128.45</u>	<u>-</u>	<u>25,119,915.59</u>	<u>-</u>
Hua Cheng	Rendering of services	Consigned processing	Market price	13,175,962.89	10.19	13,814,455.17	11.28
HWBYS	Rendering of services	Consigned processing	Market price	5,748,098.92	4.45	3,257,532.72	2.66
Subtotal				<u>18,924,061.81</u>	<u>-</u>	<u>17,071,987.89</u>	<u>-</u>
HWBYS	Collecting trademark fee	Right to use trademark	Market price	603,977.41	55.53	419,984.16	36.90
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	185,797.23	17.08	192,826.13	16.94
Subtotal				<u>789,774.64</u>	<u>-</u>	<u>612,810.29</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2022

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

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

5. Related Party Transactions *(Continued)*

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services *(Continued)*

Related party	Type	Content	Pricing policy and decision making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Hua Cheng	Rendering of services	Research and development services	Market price	359,150.95	2.75	-	-
HWBYS	Rendering of services	Research and development services	Market price	311,541.53	2.38	-	-
Subtotal				<u>670,692.48</u>	<u>-</u>	<u>-</u>	<u>-</u>
Baxter Qiao Guang	Rendering of services	Other	Market price	2,738,278.71	0.01	1,801,885.30	0.01
Nuo Cheng	Rendering of services	Other	Market price	593,505.64	-	1,968,615.94	0.01
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	373,539.47	-	-	-
HWBYS	Rendering of services	Other	Market price	297,421.93	-	166,769.37	0.01
Chengdu Hejian	Rendering of services	Other	Market price	42,122.91	-	-	-
Southern Anti-tumor Biological	Rendering of services	Other	Market price	16,415.10	-	-	-
Subtotal				<u>4,061,283.76</u>	<u>-</u>	<u>3,937,270.61</u>	<u>-</u>
Total				<u>597,864,309.12</u>	<u>-</u>	<u>494,629,180.90</u>	<u>-</u>

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

Notes to the Financial Statements

For January – June 2022

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

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

5. Related Party Transactions *(Continued)*

(3) Related leases

① *The Group as the lessor*

Unit: Thousand Yuan Currency: RMB

Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Venue for working	214	220
Other companies under the same parent company	Venue for working	28	–
Joint Venture Associates	Warehouse, Plant Office building	3,399	3,062
		182	

Notes to the Financial Statements

For January – June 2022

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

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

5. Related Party Transactions *(Continued)*

(3) Related leases *(Continued)*

② The Group as the lessee

Unit: Thousand Yuan Currency: RMB

Lessor	Types of leased assets	Lease costs for simplified short-term leases and low value asset leases		Rent paid	
		Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
Controlling shareholder	Venue for working, Warehouse	4,334	4,125	1,320	485
Joint Venture	Venue for working, Warehouse, shops	-	-	2,681	2,141

(cont.)

Interest expense of lease liabilities undertaken		Increased right-of-use assets	
Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
105	161	-	-
332	96	15,861	-

(4) The Group had no guarantee for related parties for the current period.

Notes to the Financial Statements

For January – June 2022

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

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

5. Related Party Transactions *(Continued)*

- (5) The Group had no borrowing or lending between related parties for the current period.
- (6) The Group had no transfer of asset and debt restructuring for the current period.

(7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,696 thousand for January to June 2022 (January to June 2021: RMB2,334 thousand). The Group's key management personnel of current year include 11 persons, such as director, general manager, vice general manager, and secretary to the Board of Director (January to June 2021: 11 persons). Among them, 7 received their salaries from the Company (January to June 2021: 7 persons).

(8) Other related party transactions

① License Agreement

The Company shall receive a total of RMB604 thousand (January to June 2021: RMB420 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Hehuang Great Health for January to June 2022.

The Company should receive license fee of "Bai yun shan" amounted to RMB186 thousand from Hua Cheng for January to June of 2022 (January to June 2021: RMB193 thousand).

Notes to the Financial Statements

For January – June 2022

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

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

6. Receivables and Payables of Related Parties

(1) Receivables

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable:				
Chuang Mei	16,497,298.29	–	4,573,355.40	–
Total	16,497,298.29	–	4,573,355.40	–
Accounts receivable financing:				
Chuang Mei	68,760,876.68	–	105,665,655.78	–
Yi Xin Tang	6,232,445.47	–	4,605,971.87	–
Hua Cheng	636,915.52	–	–	–
Total	<u>75,630,237.67</u>	<u>–</u>	<u>110,271,627.65</u>	<u>–</u>
Accounts receivable:				
Chuang Mei	60,883,577.13	612,345.77	51,337,880.84	513,378.81
Hua Cheng	31,469,483.68	314,694.82	22,597,780.94	231,928.22
HWBYS	29,446,983.73	294,469.84	30,560,978.03	305,609.79
Yi Xin Tang	23,114,661.75	239,966.71	22,432,685.03	234,542.47
Baiyunshan Yi Xin Tang	9,173,412.55	96,103.81	1,026,585.46	10,265.86
Baxter Qiao Guang	744,656.42	7,446.56	896,188.66	8,961.89
GPHL	18,165.50	181.66	136,734.00	1,367.34
Chengdu Hejian	1,563,145.11	15,631.45	437,159.82	4,371.60
GPHL (Macao)				
International Development Industry Co., Ltd.	321,639.90	3,216.40	1,856,986.50	18,569.87
Kang Mei	21,027,292.18	209,169.24	5,087,494.72	36,159.03
Total	<u>177,763,017.95</u>	<u>1,793,226.26</u>	<u>136,370,474.00</u>	<u>1,365,154.87</u>

Notes to the Financial Statements

For January – June 2022

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

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:				
HWBYS	6,621,168.40	-	26,571,218.51	-
Hua Cheng	1,404,571.51	-	867,491.97	-
GPHL	39,115.00	-	-	-
Kang Mei	2,400.00	-	3,051.78	-
Pharmaceutical Import & Export	5,152.76	-	891.45	-
Total	8,072,407.67	-	27,442,653.71	-
Dividends receivable:				
HWBYS	343,766,959.00	-	343,766,959.00	-
Nuo Cheng	-	-	-	-
Total	343,766,959.00	-	343,766,959.00	-
Other receivables:				
HWBYS	5,262,729.57	-	3,758,419.21	-
Hua Cheng	1,892,922.01	-	1,902,442.55	-
GPHL	437,220.00	-	419,953.74	-
Nuo Cheng	612,636.51	-	387,828.19	-
Baxter Qiao Guang	284,911.01	-	399,388.01	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	45,238.68	-	-	-
Pharmaceutical Import & Export	-	-	5,973.47	-
Total	8,535,657.78	-	6,874,005.17	-

Notes to the Financial Statements

For January – June 2022

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

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

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

(2) Payables

Item	Closing Balance	Closing balance of last year
Notes payable:		
Pharmaceutical Import & Export	–	157,646,920.60
HWBYS	54,268,136.11	74,117,360.04
Baxter Qiao Guang	–	6,511,394.00
Chuang Mei	–	4,027,824.00
Hua Cheng	367,560.00	220,800.00
	<hr/>	<hr/>
Total	54,635,696.11	242,524,298.64
	<hr/> <hr/>	<hr/> <hr/>
Accounts payable:		
Kang Mei	29,213,060.20	29,547,024.33
HWBYS	4,928,502.00	17,476,861.46
Baxter Qiao Guang	12,252,656.46	10,489,322.90
Chuang Mei	2,536,262.84	6,690,871.84
Pharmaceutical Import & Export	800,695.95	6,569,216.49
Hua Cheng	127,724.42	435,966.48
Baiyunshan Yi Xin Tang	81,036.26	157,934.41
Yi Xin Tang	13,655,323.22	–
Chengdu Hejian	304,332.44	–
	<hr/>	<hr/>
Total	63,899,593.79	71,367,197.91
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For January – June 2022

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

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

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

(2) Payables *(Continued)*

Item	Closing Balance	Closing balance of last year
Contract liabilities:		
Chuang Mei	19,824,492.78	51,297,522.85
Kang Mei	38,190,136.06	15,723,291.81
HWBYS	4,537,627.81	5,440,334.50
Baiyunshan Yi Xin Tang	28,729.92	491,645.46
GPHL (Macao) International Development Industry Co., Ltd.	397,967.00	465,212.00
Pharmaceutical Import & Export	181,571.92	180,443.60
Guangzhou Dufen Health Industry Co., Ltd.	32,898.26	32,898.26
Hua Cheng	–	5,575.22
Yi Xin Tang	15.35	15.40
	<hr/> 63,193,439.10 <hr/>	<hr/> 73,636,939.10 <hr/>
Total		
Other payables:		
GPHL	17,368,164.79	17,535,367.82
Pharmaceutical Import & Export	382,200.84	13,030,404.44
HWBYS	4,508,436.31	2,322,200.00
Baxter Qiao Guang	855,600.00	855,600.00
Chuang Mei	20,000.00	20,000.00
Baiyunshan Yi Xin Tang	248,640.98	–
	<hr/> 23,383,042.92 <hr/>	<hr/> 33,763,572.26 <hr/>
Total		

Notes to the Financial Statements

For January – June 2022

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

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

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

(2) Payables *(Continued)*

Item	Closing Balance	Closing balance of last year
Other current liabilities:		
Chuang Mei	2,577,018.10	6,668,677.95
Kang Mei	4,922,073.99	1,986,839.80
HWBYS	365,075.39	470,656.52
Baiyunshan Yi Xin Tang	3,727.43	63,913.92
Pharmaceutical Import & Export	146.68	6,201.03
Guangzhou Dufen Health Industry Co., Ltd.	4,276.78	4,276.78
Hua Cheng	–	724.78
Yi Xin Tang	1.99	0.09
	<hr/>	<hr/>
Total	<u>7,872,320.35</u>	<u>9,201,290.87</u>
Other non-current liabilities:		
HWBYS	71,764.02	71,764.00
Kang Mei	40,910.46	57,112.83
Pharmaceutical Import & Export	23,457.67	17,256.64
Baiyunshan Yi Xin Tang	7.45	–
Chuang Mei	165.97	–
	<hr/>	<hr/>
Total	<u>136,305.57</u>	<u>146,133.47</u>

Notes to the Financial Statements

For January – June 2022

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

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	1,731,804,838.17	1,150,100,556.38
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	<u>1,731,804,838.17</u>	<u>1,150,100,556.38</u>

(2) As on 30 June 2022, the Group has no unrecognized commitment related to investment in joint ventures.

(3) Other commitments

① *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	2,290,626,150.26	1,582,093,876.06
Commitments on external investments	–	–
Total	<u>2,290,626,150.26</u>	<u>1,582,093,876.06</u>

② *Fulfillment of commitments for the prior year*

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2022.

Notes to the Financial Statements

For January – June 2022

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

XI. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies

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

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical Science and Technology Company and other units signed the “Agreement”, stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan Pharmaceutical General Factory, Baiyunshan Technology Company, It is determined that Baiyunshan Pharmaceutical General Factory is a production unit, and Baiyunshan Science and Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan Science and Technology Company obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan Pharmaceutical General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (“ Baiyunshan Chemical Pharmaceutical Factory” obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark “Jin Ge” registered by Baiyunshan Pharmaceutical General Factory was approved as the drug product name, and the “Jin Ge” trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Baiyunshan Technology Co., Ltd. in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan Pharmaceutical General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge’s rights and interests, between the shareholders of the two sides, Baiyunshan Technology Co., Ltd. and Baiyunshan Pharmaceutical General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge’s sales. Jin Ge has achieved good sales performance since its listing.

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 Jin 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.

Notes to the Financial Statements

For January – June 2022

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

XI. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies *(Continued)*

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

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan science and Technology Co., Ltd., requesting the judgment to confirm the distribution proportion of the gross profit of Jin Ge pharmaceutical sales. As of the reporting date, the lawsuit has not been heard in public and no judgment has been made.

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

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

XII. EVENTS AFTER THE BALANCE SHEET DATE

In May 2018, the Company acquired 30% of the equity of the pharmaceutical company held by ALLIANCE BMP Co., Ltd. (hereinafter referred to as "ALLIANCE BMP"), and granted a sale equity to ALLIANCE BMP. On May 31, 2021, the Company signed the supplementary contract among Alliance BMP, Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. and Guangzhou Pharmaceutical Co., Ltd. on the transfer contract of 30% equity of Guangzhou Pharmaceutical Co., Ltd. with ALLIANCE BMP Co., Ltd., and extended the exercise period of the sold equity for 6 months. On November 30, 2021, the Company received a written notice from ALLIANCE BMP that it decided to exercise the sale rights. On August 5, 2022, the 21st Meeting of the 8th board of directors of the Company deliberated and approved the proposal on the proposed purchase of 18.1847% of the shares of Guangzhou Pharmaceutical Co., Ltd. held by ALLIANCE BMP Limited in cash. The Company purchased 18.1847% of the shares of Guangzhou Pharmaceutical Co., Ltd. held by ALLIANCE BMP with cash of about RMB1,003,260.60 thousand. On the same day, the Company signed the contract for the transfer of 18.1847% shares of Guangzhou Pharmaceutical Co., Ltd. with ALLIANCE BMP limited, Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. and Guangzhou Pharmaceutical Co., Ltd. with ALLIANCE BMP limited and Pharmaceutical Co., Ltd. After the completion of this transaction, the Company will hold 90.9237% of the shares of the pharmaceutical company. As of the reporting date, this transaction has not been completed.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS

1. Lease

(1) Rental information

① *operating lease*

Item	Amount
① Income situation	
Rental income	29,717,242.00
Revenue related to variable lease payments not included in lease receipts	–
② Undiscounted lease receipts to be received each year for five consecutive fiscal years after the balance sheet date	–
The First year	16,587,189.94
The Second year	19,942,774.57
The Third year	18,351,685.58
The Fourth year	16,431,342.56
The Fifth year	9,098,366.41
③ Total undiscounted lease payments to be received for the remaining years	<u>9,282,758.31</u>

(2) Lease situation

① *Tenant Information Disclosure*

Item	Amount
Short-term lease expenses included in the current profit and loss	14,024,737.21
Lease fees for low-value assets	1,807,479.65
Variable lease payments not included in lease liability measurement	3,839,122.43
Income from sublease of right-of-use assets	357,524.62
Total lease-related cash outflows	<u>144,959,996.38</u>

Note: Information about the right-of-use asset can be found in Note V. (19), and interest expenses on lease liabilities can be found in Note V. (52).

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

2. Debt restructuring

Nil

3. Asset replacement

(1) Non-monetary asset exchange

Nil

(2) Other 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 apparatus and instruments.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(1) Recognition Basis and Accounting Policies for Reporting Segments (Continued)

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.

(2) Reporting financial Information of Segments

① The segment information for the 6 months ended 30 June 2022 and as of 30 June 2022 is as follows:

Item	Great				Offset between segments	Total
	Southern TCM	Great Health	Great Commerce	Other		
External revenue	5,992,779,202.02	6,531,891,316.23	24,443,088,185.38	252,691,846.05	-	37,220,450,549.68
Inter-segment revenue	2,348,866,077.02	42,814,258.07	2,671,336,571.82	210,165,303.22	(5,273,182,210.13)	-
Interest income	(63,432,933.66)	(211,811,539.05)	(19,891,663.98)	(59,681,361.52)	-	(354,817,498.21)
Interest expenses	11,250,612.94	964,644.66	192,692,739.08	8,203,175.25	(5,155,612.01)	207,955,559.92
Income from investments in associates and joint ventures	(13,591,223.80)	-	1,866,373.07	78,286,529.53	159,490.59	66,721,169.39
Impairment losses in respect of credit	(973,192.04)	(4,336.62)	(21,899,244.84)	(2,009,297.20)	4,345,813.64	(20,540,257.06)
Impairment losses in respect of assets	5,390,627.88	-	(2,939,674.97)	(92,941.04)	(3,697,355.35)	(1,339,343.47)
Depreciation and amortization expenses	131,516,897.23	27,347,323.28	202,344,329.83	26,500,663.26	(8,621,072.23)	379,088,141.37
Total profit	1,102,462,461.87	1,573,915,877.04	313,822,120.02	402,506,737.68	(60,474,556.27)	3,332,232,640.34
Total assets	16,274,140,339.12	12,000,608,736.10	32,284,793,084.25	24,846,653,103.91	(18,605,621,231.49)	66,800,574,031.89
Total liabilities	8,224,159,977.38	3,463,768,096.83	25,693,347,406.95	5,343,025,230.51	(8,882,523,251.94)	33,841,777,459.73
Long-term equity investment in associates and joint ventures	198,994,847.78	-	75,025,612.31	1,354,016,416.31	-	1,628,036,876.40
Increase in other non-current assets excluding long-term equity investment	281,205,107.37	68,575,654.44	206,188,515.05	98,917,451.98	-	654,886,728.84

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial information of Segments (Continued)

- ② The segment information for the 6 months ended 31 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	6,117,496,800.40	6,616,486,472.85	23,253,969,386.17	140,624,490.67	-	36,128,577,150.09
Inter-segment revenue	176,702,979.33	26,116,223.96	3,686,015,041.65	194,570,528.84	(4,083,404,773.78)	-
Interest income	(76,110,714.01)	(148,592,289.63)	(19,777,130.56)	(41,529,051.52)	-	(286,009,185.72)
Interest expenses	11,199,834.85	1,284,838.60	190,052,033.50	8,369,808.38	(7,114,431.97)	203,792,083.36
Income from investments in associates and joint ventures	(3,334,045.94)	-	1,938,843.58	130,015,178.61	78,665.48	128,698,641.73
Impairment losses in respect of credit	(143,584.94)	(18,360.68)	(33,048,021.51)	(2,701,799.50)	(1,064,734.16)	(36,976,500.79)
Impairment losses in respect of assets	(9,252,633.48)	-	(665,759.33)	382.66	(3,234,322.82)	(13,152,332.97)
Depreciation and amortization expenses	134,674,438.81	24,922,779.77	175,331,188.05	19,376,153.39	(8,335,172.90)	345,969,387.12
Total profit	1,114,487,179.77	1,487,882,213.38	354,167,761.95	317,198,593.48	(84,462,039.11)	3,189,273,709.47
Total assets	15,723,325,882.46	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

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ③ The Group's total revenue from external customers in the PRC and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
PRC	37,211,864,540.49	36,117,710,034.05
Other countries/regions	8,586,009.19	10,867,116.04
Total	<u>37,220,450,549.68</u>	<u>36,128,577,150.09</u>

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	11,522,244,993.75	11,171,339,196.89
Other countries/regions	12,617,949.18	13,231,950.11
Total	<u>11,534,862,942.93</u>	<u>11,184,571,147.00</u>

7. Other significant transactions and events that affect investor decisions

No

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters

(1) Litigations of the Group

① *Litigations of the Group Subsidiary I*

Litigant Plaintiff: Guangdong Guangsheng Nonferrous Metal Group Co., Ltd. ("Guangsheng Metal")

Defendant: Guangdong Huazi Investment Co., Ltd.,
GuangDong Tianding Energy, Subsidiary I, Zheng Weimin,
Zheng Baomin

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.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

① *Litigations of the Group Subsidiary I (Continued)*

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.

The main content of the court decision On August 9, 2022, the final judgment of the second instance was made. The second trial decision rejected the appeal and upheld the original judgment, that is, subsidiary I was not required to bear the supplementary liquidation liability.

The legal responsibilities for the Company or its subsidiaries As of the reporting date, after the final judgment of the second instance, Subsidiary I has no legal liability.

The impact on the Company's operation and finance As of the reporting date, the management of subsidiary I, in combination with the judgment, confirmed that the lawsuit did not cause subsidiary I to have current obligations that need to be performed, may lead to outflow of economic benefits and can be reliably measured.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

② *Litigations to one 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> <p>On March 15, 2022, Yuexiu District People's court ruled that a subsidiary of the Group won the lawsuit. The other defendants, Guangdong Huazi Investment Co., Ltd. and Guangdong Tianding Energy Co., Ltd., returned the loan principal and paid the fund occupation fee to the plaintiff Guangsheng Energy. Other claims of the plaintiff Guangsheng Energy were rejected.</p> <p>On April 1, 2022, Guangsheng Energy filed a civil complaint with Guangzhou intermediate people's court.</p>
The main content of the court decision	On July 22, 2022, the court rejected Guangsheng Energy's appeal and upheld the original judgment. This judgment is final.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the final judgment, a Subsidiary of the Group is not required to bear legal liabilities.
The impact on the Company's operation and finance	As of the reporting date, the management of the Subsidiary confirmed that the lawsuit did not cause any loss in combination with the judgment of the lawsuit.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

③ Litigations to the Group Subsidiary F

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 January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

③ *Litigations to the Group Subsidiary F (Continued)*

On January 26, 2022, Subsidiary F received the appeal letter sent by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. electronically, requesting that subsidiary F pay service fee of RMB18,069,450.00 and interest (the interest is calculated according to the quoted interest rate of the loan market published by the national interbank lending center, from the date of filing to the date of actual performance). The second trial of this case was held in Guangzhou intermediate people's court for the first time on March 31, 2022 and for the second time on May 6. On July 4, 2022, the Guangzhou intermediate people's court made a judgment of second instance: it upheld the original judgment and rejected the appeals of both parties. At present, Subsidiary F plans to submit a retrial application.

The main content of the court decision The judgment of the second instance upheld the original judgment, that is, Subsidiary F paid the service fee of RMB8,937,075.00 to Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd.

The legal responsibilities for the Company or its subsidiaries As of the reporting date, according to the judgment of the second instance, Subsidiary F shall bear the legal liability of paying service fee of RMB8,937,075.00.

The impact on the Company's operation and finance The above cases are all multiple lawsuits filed by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. on the same event for different reasons. The management of Subsidiary F evaluated the case and confirmed other payables of RMB8,937,075.00 in accordance with the second instance judgment.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

④ Litigations to the Group Subsidiary G

- (a) Litigation matters related to Sancai Shiqi Pharmaceutical Co., Ltd. (“Sancai Shiqi”)

Litigant	Plaintiff: Sancai Shiqi Defendant: Subsidiary G
Case facts	On April 11, 2022, G subsidiary received the lawsuit materials filed by Sancai Shiqi against its default in payment of goods, involving an amount of RMB2,148,400.72 and relevant interests. The case is scheduled to open on 16 May. Subsidiary G applied for jurisdiction objection on April 20, 2022, and the court of first instance issued a ruling on May 30, 2022 and transferred it to the people’s Court of Liwan District. On July 22, 2022, Subsidiary G received the appeal of Sancai Shiqi against the ruling of jurisdiction. It is now pending a ruling in the second instance.
The main content of the court decision	Not yet judged
The legal responsibilities for the Company or its subsidiaries	The case is still under trial, and whether the defendant Subsidiary G needs to bear legal liability has yet to be decided by the court.
The impact on the Company’s operation and finance	As of the reporting date, the management of Subsidiary G has evaluated the case situation, and it is estimated that the possibility of loss caused by this lawsuit is relatively small.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

④ *Litigations to the Group Subsidiary G (Continued)*

(b) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd

Litigant Plaintiff: Beijing Da'en Shengge Trading Co., Ltd. (one minority shareholder of Subsidiary G)

Defendant: Subsidiary G

Case facts On February 8, 2022, Beijing Da'en Shengge Trading Co., Ltd. (the minority shareholder of Subsidiary G) believed that subsidiary g abused its position as a major shareholder to infringe its rights and interests. The case involved an amount of RMB23,401,515.90 and related interests. The court session was held on April 27, 2022, and the judgment is pending.

The main content of the court decision Not yet judged

The legal responsibilities for the Company or its subsidiaries The case is still under trial, and whether the defendant Subsidiary G needs to bear legal liability has yet to be decided by the court.

The impact on the Company's operation and finance As of the reporting date, the management of Subsidiary G has evaluated the case situation and said that it is impossible to estimate the judgment result, so it has not recognized the estimated liabilities for the possible compensation amount.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(2) Matters sued to the Group and its Subsidiaries

① Litigation involving the Group Subsidiary I

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 Subsidiary I, 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. The case was opened on March 31, 2022. On April 6, 2022, the court made a first instance judgment, in which it was decided that Ruipusheng company should bear the repayment liability and Jiang Zichao should bear the joint and several liability. At present, the defendant has filed an appeal and is awaiting the judgment of the second trial.
The legal responsibilities for the Company or its subsidiaries	Subsidiary I, as the plaintiff, actively claims its rights through legal proceedings and requires the defendant to pay the arrears and liquidated damages, which does not involve the legal liabilities that the company or its subsidiaries should bear.
The impact on the Company’s operation and finance	As of the reporting date, the management estimated that it was difficult to recover the accounts receivable. Based on the principle of prudence, 70% provision bad debt were withdrawn for the accounts receivable.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G*

(a) Litigation involving Guangxi New Era

Litigant

Plaintiff: Subsidiary G

Defendant: Guangxi New Era Pharmaceutical Co., Ltd.
("Guangxi New Era")

Case facts

In July 2020, Subsidiary G filed a complaint with the People's Court of Liwan District, Guangzhou City, and filed a lawsuit against Guangxi New Era. At the same time, it submitted an application for property preservation and applied for the sealing up the 30% of equity and bank accounts of Guangxi New Era.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

(a) Litigation involving Guangxi New Era *(Continued)*

The main content of the court decision	On July 28, 2020, Subsidiary G received a civil ruling and a notice of property preservation issued by the People's Court of Liwan District, Guangzhou City, and successfully seized the equity and bank accounts held by Guangxi New Era. The first-instance with case number (2020) Yue 0103 Min Chu No. 6790, requiring Guangxi New Era Pharmaceutical Co., Ltd. to pay RMB18,049,400.00 for the goods and 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, 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. On April 19, 2022, Subsidiary G submitted an online filing application with case serial number of 44010020220000307929. On April 20, 2022, Subsidiary G submitted an application for sealing up (sealing up the bank account assets of Guangxi New Era Pharmaceutical Co., Ltd.) to the judge of first instance. On July 5, 2022, the company applied to the court to transfer the money from the sealed account to Subsidiary G. In addition, the court will determine the appraisal company to evaluate the seized equity by shaking the beads.
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Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G (Continued)*

(a) Litigation involving Guangxi New Era *(Continued)*

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as the plaintiff, actively asserts its rights through legal proceedings and requires the defendant to pay the 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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(b) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)
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	Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd. Liang Hongfen
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Case facts	On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122,456.00.
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Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

- (b) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen *(Continued)*

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. On April 13, 2022, Sub-subsidiary K submitted a retrial application to the Supreme Court. On June 2, 2022, a notice was received from the bankruptcy administrator of Guangdong Kanglang Pharmaceutical Co., Ltd. requesting Sub-subsidiary K to perform its debts, with an amount of RMB729,284.93. On June 6, 2022, Sub-subsidiary K replied that the other party did not provide relevant evidence, so Sub-subsidiary K did not recognize it and declared the creditor's rights of Sub-subsidiary K against it.
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

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(2) Matters sued to the Group and its Subsidiaries (Continued)

② Matters sued of the Group Subsidiary G (Continued)

(c) 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. On April 21, 2022, the court made a judgment of first instance. It is decided to pay the principal of the goods, and the liquidated damages shall be calculated at the annual interest rate of 5.775% from the date of drug receipt to the date of actual payment. On June 13, 2022, the court accepted the application for compulsory execution of Sub-subsidiary K and filed the case.
The main content of the court decision	On April 21, 2022, the civil judgment (2021) Yue 0104 min Chu No. 45289 was received, in which the defendant Kang Ai Duo was ordered to pay RMB10,140,622.28 and relevant interest to the plaintiff Sub-subsidiary K.
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 for the Company 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 waited for the freezing of Kang Ai Duo of RMB203,388.99. 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

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

(d) 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 case was filed online on October 18, 2021 and on-site on October 19, 2021. The court session of the case was held on December 7, 2021. On December 14, 2021, the ruling on property preservation and the notice of property preservation were received, and the amount of seizure was RMB0. The first instance judgment was made on April 11, 2022, and Sub-subsidiary O applied for execution on May 27, 2022.
The main content of the court decision	On April 11, 2022, the civil judgment (2021) Yue 0103 min Chu No. 13423 was received, which ordered the defendant Kang Ai Duo to pay the Sub-subsidiary O RMB43,387,761.37 for the goods and relevant interests.
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 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 January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G (Continued)*

(e) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant Plaintiff: Sub-subsidiary N (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. (“Kang Ai Duo”)

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.

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.

On April 29, 2022, the civil judgment issued by Baiyun District People’s court, which ruled that the defendant Kang Ai Duo should pay the plaintiff Sub-subsidiary N RMB7,479,432.44 and the interest.

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.

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%.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(2) Matters sued to the Group and its Subsidiaries (Continued)

② Matters sued of the Group Subsidiary G (Continued)

- (f) 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 was filed on December 27, 2021. The defendant raised a jurisdictional objection, and the court ruled in the first instance to reject the jurisdictional objection. On April 22, 2022, the defendant filed an appeal against jurisdiction. On July 6, 2022, the court of second instance received the ruling on the objection to the jurisdiction of the original ruling. Therefore, the court accepting the case is still the first people’s Court of Zhongshan City.
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.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G (Continued)*

- (f) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Succhi Pharmaceutical(Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.. *(Continued)*

The impact on the Company's operation and finance	As of the reporting date, based on the business situation between the company and the defendant, the management estimated that the direct economic loss of the case was RMB19,432,662.47 after deducting the payment for goods and other payables of Zhongshan Pharmaceutical received by Subsidiary G from the unpaid commercial bills of Zhongshan Pharmaceutical. Based on the principle of prudence, the provision bad debt reserves have been withdrawn in full and individually.
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- (g) 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.
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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.
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	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).
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Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Succhi Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

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 Yatai bill case opened on May 5, 2022 and is pending judgment. The Yatai sales contract case was heard on August 2, 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%.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G (Continued)*

- (h) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd.
Case facts	On February 21, 2022, Subsidiary G sued Guangzhou Caishen Custom clothing supply chain management Co., Ltd. and Guangzhou Feite Network Technology Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The amount involved in the case was RMB12,236,700.00 and relevant interests.
The main content of the court decision	The case was opened on June 24, 2022 and is pending judgment.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

- (i) Litigation involving Guangzhou Weini Technology Development Co., Ltd.

Litigant	Plaintiff: Subsidiary G Defendant: Guangzhou Weini Technology Development Co., Ltd.
Case facts	On February 21, 2022, Subsidiary G sued Guangzhou Weini Technology Development Co., Ltd. for return and refund on the ground that the goods supplied by the supplier had quality problems. The case involved RMB3,026,703.50 and relevant interests
The main content of the court decision	As of the reporting date, the case is pending judgment.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② *Matters sued of the Group Subsidiary G (Continued)*

- (j) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Litigant Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.

Case facts On March 23, 2022, Sub-subsidiary P (its parent company is Subsidiary G) sued Shanxi Zhongyou Health Pharmaceutical Co., Ltd. and Feng Dexiang for default in payment of goods. The case involved an amount of RMB10,153,332.62 and related liquidated damages.

The main content of the court decision As of the reporting date, the case is pending judgment.

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary P, 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 management of Sub-subsidiary P has assessed the case situation and estimated that the risk of additional losses is low.

Notes to the Financial Statements

For January – June 2022

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

XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

(2) Matters sued to the Group and its Subsidiaries *(Continued)*

② Matters sued of the Group Subsidiary G *(Continued)*

- (k) Litigation involving Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches

Litigant Plaintiff: Sub-subsidiary P (its parent company is Subsidiary G)

Defendant: Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches.

Case facts On April 27, 2022, Sub-subsidiary P (the parent company is Subsidiary G) sued Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches for payment in arrears, involving a total amount of RMB8,711,006.53 and related interests.

The main content of the court decision As of the reporting date, the case is pending judgment.

The legal responsibilities for the Company or its subsidiaries Sub-subsidiary P, 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 management of Sub-subsidiary P has assessed the case situation and estimated that the risk of additional losses is low.

(2) No other significant matters

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

① The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	134,321,157.30	117,132,960.73
1 to 2 years	275,716.04	1,213,112.00
2 to 3 years	–	–
3 to 4 years	–	–
4 to 5 years	–	–
Over 5 years	4,252,743.52	4,252,743.52
Total book balance of accounts receivable	138,849,616.86	122,598,816.25
Less: Provision for bad debts	5,858,271.82	5,681,901.04
Total book value of accounts receivable	132,991,345.04	116,916,915.21

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

② Accounts receivable disclosed by category

Category	Closing balance				Book Value Amount
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.88	2,615,454.16	100.00	-
Accounts receivable subject to provision by portfolio	136,234,162.70	98.12	3,242,817.66	2.38	132,991,345.04
Including: portfolio 1	136,234,162.70	98.12	3,242,817.66	2.38	132,991,345.04
Total	<u>138,849,616.86</u>	<u>100.00</u>	<u>5,858,271.82</u>	<u>-</u>	<u>132,991,345.04</u>

(Cont.)

Category	Closing balance of last year				Book Value Amount
	Book balance		Provision for bad debts		
	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
Accounts receivable subject to provision by portfolio	118,731,078.01	96.85	3,066,446.88	2.58	115,664,631.13
Including: portfolio 1	118,731,078.01	96.85	3,066,446.88	2.58	115,664,631.13
Total	<u>122,598,816.25</u>	<u>100.00</u>	<u>5,681,901.04</u>	<u>-</u>	<u>116,916,915.21</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

② Accounts receivable disclosed by category (Continued)

(1) Accounts receivable subject to separate provision at the period end

Name	Accounts receivable	Provision for bad debts	Expected credit loss ratio (%)	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00	Customer bankruptcy. Amount is expected to be unrecoverable.
Customer 2	470,000.00	470,000.00	100.00	Amount is expected to be unrecoverable.
Customer 3	315,508.74	315,508.74	100.00	Amount is expected to be unrecoverable.
Customer 4	260,827.92	260,827.92	100.00	Part of amount is expected to be unrecoverable.
Customer 5	69,117.50	69,117.50	100.00	Amount is expected to be unrecoverable.
Total	<u>2,615,454.16</u>	<u>2,615,454.16</u>	<u>-</u>	

(2) Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	134,321,157.30	1,343,211.57	1.00	116,832,960.73	1,168,329.60	1.00
1 to 2 years	14,888.12	1,488.81	10.00	-	-	-
2 to 3 years	-	-	-	-	-	-
3 to 4 years	-	-	-	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	1,898,117.28	1,898,117.28	100.00	1,898,117.28	1,898,117.28	100.00
Total	<u>136,234,162.70</u>	<u>3,242,817.66</u>	<u>-</u>	<u>118,731,078.01</u>	<u>3,066,446.88</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

② Accounts receivable disclosed by category (Continued)

③ Provision for bad debts accrued, recovered or reversed in the period

Category	Current change amount	Closing balance of last year			Closing balance
		Provision	Recovered or reversed	Resold or written-off	
Provision for accounts receivable bad debts	5,681,901.04	176,370.78	–	–	5,858,271.82
Total	<u>5,681,901.04</u>	<u>176,370.78</u>	<u>–</u>	<u>–</u>	<u>5,858,271.82</u>

④ There is no accounts receivables written off in the current period.

⑤ The top five customers by closing balance of accounts receivable:

Name	Closing balance	Proportion of total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	99,999,049.45	72.02	999,990.49
Customer 2	10,040,000.00	7.23	100,400.00
Customer 3	3,760,000.00	2.71	37,600.00
Customer 4	3,000,000.00	2.16	30,000.00
Customer 5	<u>3,000,000.00</u>	<u>2.16</u>	<u>30,000.00</u>
Total	<u>119,799,049.45</u>	<u>86.28</u>	<u>1,197,990.49</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

- ⑥ The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.
- ⑦ The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable for the current period.

2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	506,821,857.43	506,821,857.43
Other receivables	287,393,445.81	255,117,060.52
Total	<u>794,215,303.24</u>	<u>761,938,917.95</u>

(1) Dividends receivable

① Dividends receivable are as follows:

Item	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
HWBYS	343,766,959.00	343,766,959.00
Total	<u>506,821,857.43</u>	<u>506,821,857.43</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	168,313,737.28	57.00	129,576,929.51	49.30
1 to 2 years	8,410,816.68	2.85	3,143,148.94	1.20
2 to 3 years	26,676,176.07	9.03	29,116,113.87	11.08
3 to 4 years	145,693.26	0.05	92,701,892.73	35.27
4 to 5 years	83,708,939.23	28.35	242,226.22	0.09
Over 5 years	8,053,899.76	2.73	8,056,912.98	3.07
Subtotal	<u>295,309,262.28</u>	<u>100.00</u>	<u>262,837,224.25</u>	<u>100.00</u>
Less: provision	<u>7,915,816.47</u>	–	<u>7,720,163.73</u>	–
Total	<u>287,393,445.81</u>	–	<u>255,117,060.52</u>	–

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	232,013,737.43	186,960,755.57
Rental, margins, deposit, advances to employees	5,489,384.79	3,904,895.49
Others	57,806,140.06	71,971,573.19
Total	295,309,262.28	262,837,224.25

③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Balance on 2022.01.01	1,248,441.22	–	6,471,722.51	7,720,163.73
Provision at current period	275,652.74	–	–	275,652.74
Recovery at current period	–	–	80,000.00	80,000.00
Pay-off at current period	–	–	–	–
Write-off at current period	–	–	–	–
Other changes	–	–	–	–
Balance on 2022.06.30	<u>1,524,093.96</u>	<u>–</u>	<u>6,391,722.51</u>	<u>7,915,816.47</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

- ④ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Current change amount	Closing balance of last year			Closing balance
		Provision	Recovered or reversed	Pay-off or written-off	
Provision for bad debts of other receivables	7,720,163.73	275,652.74	80,000.00	–	7,915,816.47
Total	<u>7,720,163.73</u>	<u>275,652.74</u>	<u>80,000.00</u>	<u>–</u>	<u>7,915,816.47</u>

- ⑤ There is no other receivables written off for this period.

- 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	147,201,785.31	Within 1 year, 2 to 3 years, 4 to 5 years	49.85	–
Other receivables 2	Receivables due from related parties	39,925,715.32	Within 1 year	13.52	–
Other receivables 3	Receivables due from related parties	17,900,382.95	Within 1 year	6.06	–
Other receivables 4	Receivables due from related parties	11,537,271.64	Within 1 year	3.91	–
Other receivables 5	Receivables due from related parties	3,449,277.20	Within 1 year, 1 to 2 years, 2 to 3 years	1.17	–
Total		<u>220,014,432.42</u>		<u>74.51</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

3. Long-term Equity Investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	9,926,104,978.59	171,000,000.00	9,755,104,978.59	9,584,156,978.59	171,000,000.00	9,413,156,978.59
Investment in joint ventures and associates	1,346,684,829.68	-	1,346,684,829.68	1,279,139,334.67	-	1,279,139,334.67
Total	<u>11,272,789,808.27</u>	<u>171,000,000.00</u>	<u>11,101,789,808.27</u>	<u>10,863,296,313.26</u>	<u>171,000,000.00</u>	<u>10,692,296,313.26</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Xing Qun	125,322,300.00	-	-	125,322,300.00	-	-
Zhong Yi	324,320,391.34	-	-	324,320,391.34	-	-
Chen Li Ji	142,310,800.00	-	-	142,310,800.00	-	-
Guangzhou Han Fang	255,517,109.58	-	-	255,517,109.58	-	55,000,000.00
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	126,775,500.00	-	-	126,775,500.00	-	-
Jing Xiu Tang	101,489,800.00	-	-	101,489,800.00	-	-
Pan Gao Shou	144,298,200.00	-	-	144,298,200.00	-	-
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	235,183,900.00	-	-	235,183,900.00	-	69,000,000.00
Guangzhou Bai Di	197,795,812.38	35,000,000.00	-	232,795,812.38	-	47,000,000.00
Wang Lao Ji Great Health	2,100,000,000.00	100,000,000.00	-	2,200,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
Yi Gan	37,500,000.00	-	-	37,500,000.00	-	-
BYS M&H Industry	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	78,948,000.00	-	297,329,794.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-
Pharmaceutical Technological	1,020,000.00	-	-	1,020,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd.	593,470,000.00	100,000,000.00	-	693,470,000.00	-	-

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries (Continued)

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	113,000,000.00	18,000,000.00	-	131,000,000.00	-	-
Medical Instruments investment	25,000,000.00	-	-	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.	9,000,000.00	10,000,000.00	-	19,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-
Total	<u>9,584,156,978.59</u>	<u>341,948,000.00</u>	<u>-</u>	<u>9,926,104,978.59</u>	<u>-</u>	<u>171,000,000.00</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Closing balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	The current period			Closing balance	Closing balance of provision for impairment
						Changes in other equity	Declaration of the payment of cash dividends or profits	Provision for impairment		
I. Joint ventures										
HMBYS	137,840,949.70	-	-	47,148,973.93	-	-	-	-	184,989,923.63	-
Baker Qiao Guang	59,112,014.70	-	-	6,044,574.24	-	-	-	-	65,156,588.94	-
Subtotal	196,952,964.40	-	-	53,193,548.17	-	-	-	-	250,146,512.57	-
II. Associates										
Golden Eagle Asset Management Co., Ltd. Guangzhou Baiyunshan	74,378,315.03	-	-	4,271,044.26	-	-	-	-	78,649,359.29	-
Weyi Medical Investment Management Co., Ltd. Yi Xin Tang	2,057,613.75	-	-	8,374.29	-	-	-	-	2,065,988.04	-
Baiyunshan Yi Xin Tang	860,427,644.74	-	-	25,024,500.00	-	(10,790,097.30)	-	-	874,662,047.44	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd. Guangzhou Hanchao	87,599,636.99	-	-	(2,319,196.02)	-	-	-	-	85,280,440.97	-
Chinese Medical Technology Co., Ltd. Guangzhou Guangyao	6,542,008.48	-	-	(147,965.78)	-	-	-	-	6,394,042.70	-
JinZang equity investment partnership (limited partnership)	6,049,043.14	-	-	(296,288.26)	-	-	-	-	5,752,774.88	-
Subtotal	45,132,108.14	-	-	(1,398,444.35)	-	-	-	-	43,733,663.79	-
	1,082,186,370.27	-	-	25,142,044.14	-	(10,790,097.30)	-	-	1,096,538,317.11	-
Total	1,279,139,334.67	-	-	78,335,592.31	-	(10,790,097.30)	-	-	1,346,684,829.68	-

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	2,017,146,496.94	767,529,644.14	2,326,047,916.56	1,141,505,198.50
Other businesses	210,826,200.09	16,954,257.26	214,785,586.02	14,841,412.94
Total	<u>2,227,972,697.03</u>	<u>784,483,901.40</u>	<u>2,540,833,502.58</u>	<u>1,156,346,611.44</u>

(2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	2,017,146,496.94	767,529,644.14	2,326,047,916.56	1,141,505,198.50
Total	<u>2,017,146,496.94</u>	<u>767,529,644.14</u>	<u>2,326,047,916.56</u>	<u>1,141,505,198.50</u>

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,574,919,299.09	473,632,905.84	1,488,688,726.55	516,252,571.41
Eastern China Area	194,316,274.90	147,007,957.38	405,292,719.42	319,987,962.79
Northern China Area	90,078,699.95	58,439,343.45	218,401,596.82	157,460,426.69
Northeast Area	6,230,464.44	3,158,334.90	20,122,991.70	16,025,238.76
Southwest Area	131,066,931.52	71,074,127.82	157,477,769.18	100,934,251.37
Northwest Area	20,534,827.04	14,216,974.75	36,064,112.89	30,844,747.48
Total	<u>2,017,146,496.94</u>	<u>767,529,644.14</u>	<u>2,326,047,916.56</u>	<u>1,141,505,198.50</u>

Notes to the Financial Statements

For January – June 2022

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

XIV, NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating Income and Operating Costs (Continued)

- (4) Information of the top five customers as per sales: the total sales to the top five customers are RMB106,466 thousand, which account for 5.28% of the Company's main business income for the year.

Customer	Main business income	Proportion of total income (%)
Customer 1	25,143,620.95	1.25
Customer 2	23,536,835.60	1.17
Customer 3	21,213,756.33	1.05
Customer 4	19,058,123.92	0.94
Customer 5	17,513,274.33	0.87
Total	<u>106,465,611.13</u>	<u>5.28</u>

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	117,598,102.54	–
Investment Income from long-term equity investments under equity method	78,335,592.31	128,947,186.46
Investment Income from disposal of long-term equity investments	–	–
Dividend income from the holding other equity instruments	–	–
Investment income from the holding other non-current financial assets	1,689,501.45	22,430.28
Investment income during the holding period of other equity instruments	–	–
Interest income from financial products and structured deposits	18,555,125.58	12,382,894.99
Investment income from disposal of trading financial assets	–	–
Investment Income from disposal of other non-current financial assets	–	–
Total	<u>216,178,321.88</u>	<u>141,352,511.73</u>

Notes to the Financial Statements

For January – June 2022

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

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit and Loss for the Current year

Item	Amount	Note
1. Profit or loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	(871,031.93)	–
2. 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	319,785,568.92	–
3. Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	19,057,467.52	–
4. Reverse of provision for impairment of receivables under individual impairment test	18,011,678.32	–
5. Other non-operating income and expenses except for the above-mentioned items	1,126,585.58	–
6. Other non-recurring profit and loss items recognized by the China Securities Regulatory Commission	–	–
7. Other profit and loss items that meet the definition of non-recurring gains and losses	–	–
8. Amount of income tax influence	61,623,340.24	–
9. Amount of minority equity impact	5,865,978.69	–
Total	<u>289,620,949.48</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2022

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

XV. SUPPLEMENTARY INFORMATION (Continued)

2. Return on Equity and Earnings Per Share

Profits for the current 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	8.53	9.13	1.593	1.539	1.593	1.539
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	<u>7.58</u>	<u>9.11</u>	<u>1.415</u>	<u>1.535</u>	<u>1.415</u>	<u>1.535</u>

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd

19.08.2022