



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)



ANNUAL REPORT

2022



廣葯

## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report and confirm that there are no false information, misleading statements or material omissions in this annual report.
- II. The Directors were present at the 27th meeting of the eighth session of the Board, among whom, Mr. Yang Jun, the vice-chairperson, was unable to attend the meeting due to business reason and authorized Ms. Cheng Ning, the vice-chairperson, to attend and exercise the right to vote.
- III. The financial reports of the Group and the Company for the year ended 31 December 2022 were prepared in accordance with the China Accounting Standards for Business Enterprises, which were audited by WUYIGE Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.
- IV. Mr. Li Chuyuan (chairperson of the Board), Ms. Liu Fei (deputy financial officer) and Ms. Wu Chuling (deputy director of the Financial Department) declared that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this annual report.
- V. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

As audited and confirmed by WUYIGE Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB3,966,522,218.54 in 2022. Based on the net profit of the Company of RMB1,756,732,233.08 in 2022, a 10% statutory surplus reserve in the amount of RMB175,673,223.31 is provided, with the addition of the undistributed profit carried over from 2022 in the amount of RMB7,599,583,401.27, and after deducting the cash dividends of 2021 in the amount of RMB1,116,918,381.96, the actual distributable profits at the end of 2022 amounted to RMB8,063,724,029.08.

Based on the actual circumstances of the Company, it is proposed that based on the share capital of 1,625,790,949 shares as at the end of 2022, a cash dividend of RMB7.32 (inclusive of tax) for every 10 shares, amounting to an aggregate of RMB1,190,078,974.67 be distributed. The undistributed portion shall be carried over to the next distribution. There will not be any capitalization of capital reserve for 2022.

The profit distribution plan will be submitted to the 2022 annual general meeting of shareholders for approval.

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

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

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

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## DOCUMENTS AVAILABLE FOR INSPECTION

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

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
PRC or China	the People's Republic of China
Reporting Period/Year /the current year	from 1 January 2022 to 31 December 2022
Group	the Company and its subsidiaries
Board	the board of Directors of the Company
Director	the director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	the supervisor of the Company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company law	Company law of the People's Republic of China
Securities law	Securities law of the People's Republic of China
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Listing Rules of SSE	the Listing Rules of The Shanghai Stock Exchange
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules of The Stock Exchange of Hong Kong Limited
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)

## Definitions

Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
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)
Guangxi Ying Kang	Guangxi Baiyunshan Yingkang Pharmaceutical Company Limited (廣西白雲山盈康藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
WLJ Catering Company	Guangzhou WLJ Catering Management Development Co., Ltd. (廣州王老吉餐飲管理發展有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Cai Zhi Lin Medicine	Guangzhou Cai Zhi Lin Medicine Co., Ltd. (廣州采芝林醫藥有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)

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

## Definitions

Yi Gan	Guangzhou Guangyao Yigan Biological Products Co., Ltd. (廣州廣藥益甘生物製品股份有限公司)
Haima Company	Guangzhou Pharmaceutical Haima Brand Integration and Marketing Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司)
Zhuhai Hengqin Pharmaceutical Industry Park Company	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司)
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學制藥(珠海)有限公司)
Baiyunshan Yihu Company	Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司)
Baiyunshan Jianhu Company	Guangzhou Baiyunshan Jianhu Medical Products Company Limited (廣州白雲山健護醫療用品有限公司)
Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)
Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司)
Baiyunshan Culture Company	Guangzhou Baiyunshan Culture Industry Co., Ltd. (廣州白雲山文化產業有限公司)
Guangyao Group (Macau) Company	Guangyao Group (Macau) International Development Industry Co., Ltd (廣藥集團(澳門)國際發展產業有限公司)
Bai Di Biological	Guangzhou Baiyunshan Bai Di Biological & Pharmaceutical Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)
C.Q. Pharmaceutical Holding	Chongqing Pharmaceutical Holding Company Limited (重慶控股股份有限公司)
GMP	the English abbreviation of Good Manufacturing Practice and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system formulated with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade

DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly
DRGs Payment	payment according to the disease diagnosis related groups
OEM	Original Equipment Manufacturer
OTC	Over the counter.
Drug Registration	the drug supervision and administration department conducts the systematic evaluation of the safety, effectiveness and quality controllability of the drugs proposed for sale in accordance with legal procedures, and approves drug clinical studies, production of drugs or imports of drugs, which include the approval of the content in the evidence documents of applications for changes of drug approval and the appendix
National Essential Drug List	the National Essential Drug List (國家基本藥物目錄) (the 2018 version), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public
National Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (國家基本醫療保險、工傷保險和生育保險藥品目錄) (the 2021 version), being the national standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC
GZ Chan Tou	Guangzhou industrial investment and capital operating Holdings 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)
GP Fund	Guangzhou GP Fund Equity Investment Partnership (Limited Partnership)(廣州廣藥基金股權投資合夥企業(有限合夥))
GP Capital	Guangzhou GP Capital Private Equity Fund Management Co., Ltd.(廣州廣藥資本私募基金管理有限公司)
The Material Assets Reorganization in 2013	the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPLH that was completed in 2013

# Company Profile and Financial Highlights

## 1. COMPANY PROFILE

- (1) Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited  
English Name Abbreviation: GYBYS  
Legal Representative: Li Chuyuan
- (2) Secretary to the Board: Huang Xuezheng  
Securities representative: Huang Ruimei  
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC (8620) 6628 1218/ 6628 1216  
Telephone: (8620) 6628 1229  
Fax: huangxz@gybys.com.cn/ huangrm@gybys.com.cn  
E-mail:
- (3) Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Registered address and office before the change: No  
Postal code: 510130  
Website: <http://www.gybys.com.cn>  
E-mail: [sec@gybys.com.cn](mailto:sec@gybys.com.cn)  
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two, Lippo Center, 89 Queensway, Hong Kong
- (4) Designated newspapers for information disclosure: China: Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報)  
Website designated by the CSRC for publishing the annual report: <http://www.sse.com.cn>  
Website of the HKEX for publishing the annual report: <http://www.hkex.com.hk>  
Place for inspection of the annual report: The Secretariat of the Company
- (5) Stock exchanges, names and codes of the Company's shares: A Shares: SSE  
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN  
H Shares: HKEX  
Stock Code: 0874 Stock Abbreviation: BAIYUNSHAN PH
- (6) Other information:  
First registration date: 1 September 1997  
First place of registration: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Date of registration of change: 31 July 2017  
Place of registration of change: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Unified social credit code: 914401063320680X7  
Auditors and its address: WUYIGE Certified Public Accountants LLP  
Room 1504, No. 1 College International Building, Zhichun Road, Haidian District, Beijing  
whose signatures are given: He Xiaojuan, Xia Ling

# Company Profile and Financial Highlights

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

### (1) Principal financial data

Principal financial data	2022	2021	Year on year increase/ (decrease) (%)	2020	2019	2018
Income from operations (RMB'000)	<b>70,788,155</b>	69,014,052	2.57	61,673,702	64,951,778	42,233,838
Net profit attributable to the shareholders of the Company (RMB'000)	<b>3,966,522</b>	3,719,878	6.63	2,915,245	3,188,885	3,440,980
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	<b>3,319,308</b>	3,306,416	0.39	2,627,691	2,746,248	2,131,485
Net cash flow from operating activities (RMB'000)	<b>6,999,076</b>	5,673,497	23.36	585,185	5,022,367	5,216,888
Total profit (RMB'000)	<b>5,043,244</b>	4,723,071	6.78	3,739,082	4,128,533	4,018,730
Principal financial data	As at 31 December 2022	As at 31 December 2021	Year on year increase/ (decrease) (%)	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Net assets attributable to the shareholders of the Company (RMB'000)	<b>32,065,125</b>	29,062,184	10.33	26,144,843	24,184,797	21,684,909
Total assets (RMB'000)	<b>74,665,299</b>	66,117,790	12.93	59,760,063	56,893,659	51,482,184
Total liabilities (RMB'000)	<b>41,027,441</b>	34,791,121	17.93	31,554,796	30,904,172	28,338,451
Equity attributable to the shareholders of the Company per share (RMB)	<b>19.72</b>	17.88	10.33	16.08	14.88	13.34
Total equity (RMB'000)	<b>1,625,791</b>	1,625,791	–	1,625,791	1,625,791	1,625,791

# Company Profile and Financial Highlights

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

### (2) Principal financial indicators

Principal financial indicators	2022	2021	Year on year increase/ (decrease) (%)	2020	2019	2018
Basic earnings per share (RMB/Share)	<b>2.440</b>	2.288	6.63	1.793	1.961	2.116
Diluted earnings per share (RMB/Share)	<b>2.440</b>	2.288	6.63	1.793	1.961	2.116
Basic earnings per share after deducting non-recurring items (RMB/Share)	<b>2.042</b>	2.034	0.39	1.616	1.689	1.311
Weighted average return on net assets ratio (%)	<b>12.97</b>	13.46	A decrease of 0.49 percentage point	11.55	13.87	16.93
Ratio of weighted average return on net assets after deducting non-operating items (%)	<b>10.85</b>	11.96	A decrease of 1.11 percentage points	10.41	11.94	10.48
Ratio on total equity attributable to shareholders of the Company (%)	<b>12.37</b>	12.80	A decrease of 0.43 percentage point	11.15	13.19	15.87
Ratio on total equity attributable to shareholders of the Company to total assets(%)	<b>42.95</b>	43.96	A decrease of 1.01 percentage points	43.75	42.51	42.12
Gearing ratio (%)	<b>54.95</b>	52.62	An increase of 2.33 percentage points	52.80	54.32	55.05

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

Explanation of accounting data and financial index

Applicable    Not Applicable

# Company Profile and Financial Highlights

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

Applicable Not applicable

### 4. PRINCIPAL FINANCIAL DATA OF 2022 ON QUARTERLY BASIS

	<b>The first quarter (January – March)</b> (RMB'000)	<b>The second quarter (April – June)</b> (RMB'000)	<b>The third quarter (July – September)</b> (RMB'000)	<b>The fourth quarter (October – December)</b> (RMB'000)
Income from operations	20,538,509	16,681,942	17,585,465	15,982,240
Net profit attributable to the shareholders of the Company	1,805,641	784,355	884,371	492,155
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,764,377	535,998	833,660	185,274
Net cash flow from operating activities	918,064	794,151	1,587,256	3,699,606

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

Applicable Not applicable

# Company Profile and Financial Highlights

## 5. NON-RECURRING ITEMS AND THEIR AMOUNTS

Items	Amount in 2022 (RMB'000)	Notes (if applicable)	Amount in 2021 (RMB'000)	Amount in 2020 (RMB'000)
Gain/(Loss) on disposal of non-current assets	15,109		43,112	(1,451)
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	480,552	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income and other income.	331,878	460,063
Gain/(Loss) on changes in fair value arising from trading financial assets, derivatives financial assets, trading financial liabilities and derivatives financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company) as well as the investment gains received from disposal of trading financial assets, derivatives financial assets, trading financial liabilities, derivatives financial liabilities and debt investment	98,077		201,297	(8,469)
Write-off of provision for impairment of accounts receivable and contract assets under individual impairment test	28,151		1,653	2,603
Other non-operating income and expenses excluding the above items	(27,083)		(85,289)	(47,388)
Other profit and loss items that meet the definition of non-recurring	161,777		49,601	(50,216)
Less: Income tax effect	(91,360)		(106,518)	(65,580)
Effect on minority interest	(18,009)		(22,272)	(2,008)
Total	<u>647,214</u>		<u>413,462</u>	<u>287,554</u>

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

Applicable Not applicable

# Company Profile and Financial Highlights

## 6. CHANGES IN SHAREHOLDERS' EQUITY IN 2022 (CONSOLIDATED)

Items	Share capital (RMB'000)	Capital reserve (RMB'000)	Other comprehensive income (RMB'000)	Surplus reserve (RMB'000)	Undistributed profits (RMB'000)	Total shareholders' equity attributable to the parent company (RMB'000)
Opening balance	1,625,791	9,956,953	(17,476)	1,908,714	15,588,202	29,062,184
Additions	–	148,761	4,575	175,673	3,966,524	4,295,533
Deductions	–	–	–	–	1,292,592	1,292,592
Closing balance	1,625,791	10,105,714	(12,901)	2,084,387	18,262,134	32,065,125

## 7. ITEMS RELATED TO FAIR VALUE MEASUREMENT

Items	Balance at the beginning of the Reporting Period (RMB'000)	Balance at the end of the Reporting Period (RMB'000)	Changes during the Reporting Period (RMB'000)	Impact on the profit for the Reporting Period (RMB'000)
Financial assets held for trading	–	56,873	56,873	56,873
Other equity instrument investments	123,422	109,570	(13,852)	8,016
Other non-current financial assets	574,278	1,038,819	464,540	40,184
Total	697,700	1,205,262	507,561	105,073

## 8. OTHERS

Applicable     Not applicable

# Management Discussion and Analysis

## 1. DESCRIPTION AND ANALYSIS OF OPERATION

During the Reporting Period, the Group adhered to the general principle of “seeking progress while maintaining stability”, continued to strengthen the marketing innovation and marketing efforts of each business segment and firmly carried out coordination corporate development, thus achieving a continuous and stable growth in the Group’s operating results during the Reporting Period.

In 2022, the Group recorded an income from operations of RMB70,788,155,000, representing an increase of 2.57% year on year; total profit of RMB5,043,244,000, representing an increase of 6.78% year on year; and net profit attributable to shareholders of the Company of approximately RMB3,966,522,000, representing an increase of 6.63% year on year.

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

### (I) Further cultivating the business, building Diva Brands, continuously enhancing brand awareness and recognition, and solidifying the foundation of the development of Great Southern TCM.

Firstly, around the core varieties, we promoted the continuous growth of large varieties by proactively participating in national and provincial centralized procurement, further cultivating the OTC market and the third terminal, and tapping the potential of the second-tier echelon products, and actively promoted the innovation of the marketing model. Secondly, we seized market opportunities, strengthened product promotion, increased investment, and continued to promote the construction of the Group’s time-honored brand revitalization project and further its development potential, and continuously enhanced the visibility and recognition of the brand and products. During the Reporting Period, the sales revenue of Zi Shen Yu Tai Pill, Cefuroxime Sodium, Xiao Chai Hu Granules, Huo Tuo Zai Zao Pill, Paracetamol Caffeine and Aspirin Powder, Shu Jin Jian Yao Pills, An Gong Niu Huang Pill, Mi Lian Chuan Bei Pi Pa Gao, Ke Te Ling and other products achieved a relatively rapid year-on-year increase.

### (II) Adhering to “one core with multi-elements” and improving the comprehensive strength of the Great Health.

For the core product of the Great Health, Wang Lao Ji herbal tea, we took the “Ji” culture as its entry point and continued to promote the construction of the brand’s youthfulness by developing various customized cans, carrying out public welfare activities such as “Great Workers in the Hot Sun” (烈日英雄) and “Go Home on Ji Time” (讓愛吉時回家), and carrying out multi-scenario and diversified marketing activities. We continuously expanded the catering terminal, ready-to-drink terminal and e-commerce channels to effectively enhance the market coverage and market share. We launched the new “Li Xiao Ji” series, which together with “Ci Ning Ji” series joined hands with “Wang Lao Ji” to form a lucky combination of “Ji Xiang San Bao” (吉祥三寶) to focus on building a sample market and gaining market recognition rapidly. At the same time, the Company seized the mainstream trend of online consumption, increased the promotion efforts on major e-commerce platforms and vigorously expanded its business through e-commerce channels. During the Reporting Period, Guangyao Wanglaoji Guangdong Lychee (Maoming) Industrial Park, the largest lychee beverage production base in China has been completed and put into production, filling the void in domestic lychee processing technology while bringing down the regional and seasonal consumption restrictions for Guangdong lychees.

# Management Discussion and Analysis

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

### (III) Accelerating network expansion, deepening and enlivening the business of the Great Commerce.

During the Reporting Period, the Group seized the opportunity to further promote the linkage between wholesale and retail, to expand the innovative drug distribution business to drive the development of medical institution business and to expand the terminal coverage network. We also vigorously developed the Internet hospital + electronic prescription flow business and continuously explored new customers. At the same time, we vigorously developed e-commerce services and promoted the growth of new businesses such as e-commerce sales, live streaming with goods, B2B and B2C. As at the end of the Reporting Period, the Group had a total of 155 pharmaceutical retail outlets, including 58 “Jian Min” pharmacy chain stores specializing in Chinese and Western medicines and medical devices, 58 GPC Prescription Pharmacy specializing in the retail of prescription drugs, 22 Hainan Guangyao Chenfei Pharmacy chain stores and 17 retail stores of various branches/subsidiaries of pharmaceutical companies. A total of 22 retail pharmacy stores have obtained the qualifications of “dual channel” designated retail pharmacy and have become “dual channel demonstration pharmacies” in many places. The Baiyun Logistics Park project (Phase I) of the GP Corp., the Company’s controlling subsidiary, significantly increased its storage capacity, and the preparatory work for the Phase II project was progressing steadily. GP Corp. successfully won the bid for the procurement qualification of pandemic prevention materials for the International Health Post (Phase I) in 2022, and was awarded as one of the key affiliated enterprises in commerce and logistics in China in 2022.

### (IV) Expanding business increment and enhancing the business of the Great Medical Care.

During the Reporting Period, Baiyunshan Hospital actively strengthened the introduction and cultivation of medical talents, improved infrastructure construction and investment in hardware equipment, optimized the construction of departments and disciplines, added a number of secondary medical specialties such as Chinese medicine, orthopedics, cardiovascular medicine and a children’s health department to enhance the comprehensive strength of the hospital, and was successfully promoted to a Grade III general hospital. With the brands and talents of the Group and Southern Medical University Nan Fang Hospital, Runkang Confinement Company quickly established its brand name through the linkage with gynaecology and obstetrics of Baiyunshan Hospital. In terms of medical devices, the Company obtained two Class II medical device registration certificates and eight Class I medical device certificates, and also undertook the supply of pandemic prevention materials for Guangzhou International Health Post and national, provincial and municipal stockpile, which has continuously enhanced the influence of the Company’s medical device brand.

### (V) Constantly driving improvements in scientific research development and scientific research platform construction, resulting in new breakthroughs and achievements in scientific research works.

In 2022, the innovative Traditional Chinese Medicine (TCM) project for Lingzhi of Baiyunshan Han Fang, a subsidiary of the Company, was awarded the gold medal at Geneva International Exhibition of Inventions; Baiyunshan General Factory, a branch of the Company, obtained IND from the United States Food and Drug Administration (FDA) for conducting clinical trials of its self-developed BYS10 tablet; the research results of Zi Shen Yu Tai Pill of Zhong Yi in relation to Assisted Reproductive Technology medications was published on Obstetrics & Gynecology, an academic authority publication in obstetrics and gynecology in the United States. During the Reporting Period, the Group obtained one national qualification and one provincial platform, respectively, in which the National Engineering Research Center for Pharmaceutical Process Technology and Novel Drug Innovation and Manufacturing of TCM (中藥制藥過程技術與新藥創制國家工程研究中心) constructed by Baiyunshan Han Fang was the only national engineering research center of TCM in Guangdong Province.

# Management Discussion and Analysis

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

### (VI) Stringently implementing quality management to promote constant improvements in quality management.

In 2022, the Company further enhanced the construction of quality and safety production systems while actively promoting its excellent performance-based management model and continuously accelerating the construction of pharmacovigilance system to constantly improve quality management. During the Reporting Period, subsidiaries of the Company were awarded a number of quality awards at various level and of various categories, in which Zhong Yi was awarded the gold medal by the 2022 International Convention on Quality Control Circles (ICQCC), and Guangxi Ying Kang was credited as the 2022 Guangxi Industrial Enterprise Quality Management Benchmark (2022年度廣西工業企業質量管理標桿).

### (VII) Constantly expanding layout of industrial investment to enhance capital operation capabilities.

During the Reporting Period, the Company completed the transaction for acquiring 18.1847% of the equity interest of GP Corp. held by Alliance BMP Limited in cash, and after that the equity interest of GP Corp. held by the Company increased to 90.9237%. The Company subscribed for 99.9% of GP Fund with its own capital of RMB999 million. GP Fund has completed the filing of private equity fund in July 2022. 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, have also completed the filing of private equity fund.

### (VIII) Constantly promoting the initiatives of strengthening enterprise by talents and optimizing talent structure; and constantly deepening professional manager reform to expand pilot sites for the professional manager reform.

### (IX) Constantly strengthening the normalized management of internal control and risk control, launching the integrated and collaborative model of risk review and carrying out 10 special audits for major risks, establishing the "Risk Control 136 Monitoring System (風控136監管系統)", and constructing and improving the compliance management system to further enhance the Group's integrated capability in risk early warning, monitoring, prevention and control.

### (X) The Group maximized its efforts to support the front line of anti-pandemic combat and secure the supply of pharmaceutical medicines and equipment. At the same time, the Group established an end-side supply-securing system through chain drug stores, which has assured the market supply, and the Group constantly provided volunteering and convenience services for communities. Furthermore, the Group stepped up its efforts on progressing village revitalization and endeavored to fulfill social responsibilities, which has exhibited the Group's active willingness to shoulder responsibilities and established a good corporate social image.

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

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

The general trend for the future development of the pharmaceutical industry is clear. The aging of the population, urbanization, increasing health awareness and the growing prevalence of chronic diseases have contributed to the continued growth in the demand for pharmaceuticals, the increase of healthcare expenditure and leading to a continuous expansion of the pharmaceutical and health industry. Benefiting from the successive implementation of the policies relating to the pharmaceutical industry, the superposition effect of such policies, and the emergence of the pharmaceutical industry has rebounded, demonstrating an obvious momentum of high-quality development and positive prospects. The 14th Five-year Plan has further encouraged innovation and research and development of pharmaceutical industry, and put forward to develop production technology of high-quality preparation, improve industrialized technology and promote healthy development of innovative medicine and traditional Chinese medicine industry.

In 2022, the pharmaceutical industry faced a more complex external environment. The revenue and profit of pharmaceutical manufacturers decreased year-on-year. Pharmaceutical industry highly relies on policies. Reform measures such as the adjustment of medical insurance catalogue, the cost control of medicine insurance and centralized volumebased procurement have entered the stage of normalization and institutionalization, which leads to continuous and profound changes of pharmaceutical industry. 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 labor, and the changes in the financing environment of the capital market for innovative medicine, will also bring challenges to the development of enterprises.

# Management Discussion and Analysis

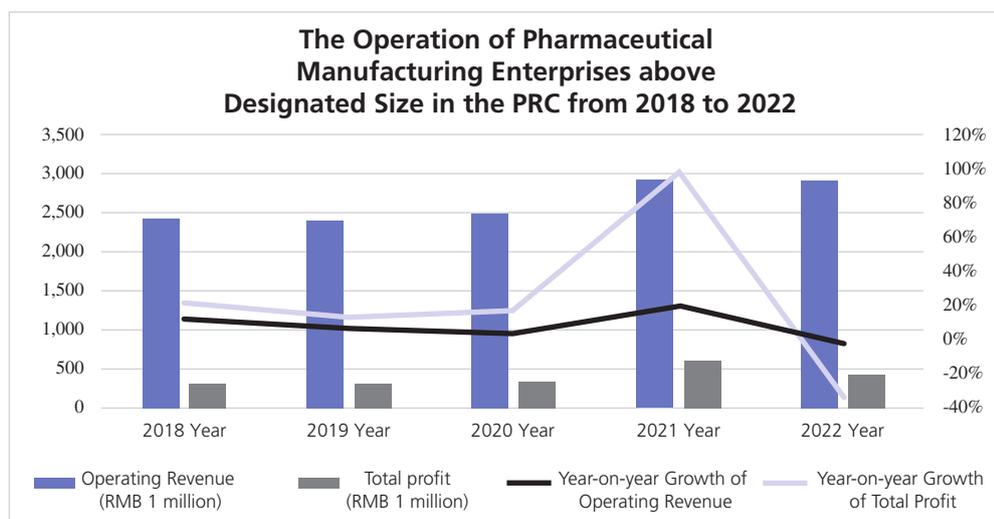
## 2. DESCRIPTION OF THE GROUP'S INDUSTRY SITUATION DURING THE REPORTING PERIOD

(Continued)

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 December 2022, the operating revenue of pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB2,911.14 billion, representing a year-on-year decrease of 1.6%, and the total profit reached RMB428.87 billion, representing a year-on-year decrease of 31.8%. The operating revenue of liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB1,694.7 billion, representing a year-on-year increase of 4.9%, and the total profit reached RMB311.63 billion, representing a year-on-year increase of 17.6%.

The operating revenue, year-on-year growth of operating revenue, the total profit and year-on-year growth of total profit of pharmaceutical manufacturing enterprises from 2018 to 2022 are set out as follows:



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

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

### (1) Main business and Products

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

#### (i) Great Southern TCM (Pharmaceutical manufacturing business)

There are 27 pharmaceutical manufacturing companies and institutions under the Company (including 3 branches, 22 subsidiaries and 2 joint ventures). The above enterprises or institutions engage in the R&D, manufacturing and sales of Chinese patent medicine and Western medicine, chemical raw materials, chemical raw materials intermediates, biological medicine and natural medicine, etc..

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

# Management Discussion and Analysis

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

*(Continued)*

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

#### (ii) Great Health Industry

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

#### (iii) Great Commerce (Pharmaceutical distribution business)

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

#### (iv) Great Medical Care

The Great Medical Care of the Group is at the stage of development and investment expansion. The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicles and used various means, including new establishment, joint venture and co-operation to focus on the development of three areas, namely medical services, TCM health maintenance and modern elderly care, as well as the medical device business. Currently, we have invested/held equity interest in a number of projects including Baiyunshan Hospital, Runkang Confinement Company, Baiyunshan Yihu Company and Baiyunshan Jianhu Company etc..

# Management Discussion and Analysis

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

(Continued)

### (2) Operating model

#### (i) Great Southern TCM

##### 1) Procurement Model

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

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

# Management Discussion and Analysis

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

(Continued)

### (2) Operating model (Continued)

#### (i) Great Southern TCM (Continued)

##### 2) Production Model

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

##### 3) Sales Model

###### ① Self-operation and agency mode

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

###### ② Sales platform

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

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

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

*(Continued)*

### (2) Operating model *(Continued)*

#### (ii) Great Health Industry

##### 1) *Procurement Model*

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

##### 2) *Production Model*

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

##### 3) *Sales Model*

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

# Management Discussion and Analysis

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

*(Continued)*

### (2) Operating model *(Continued)*

#### (iii) Great Commerce

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

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

As at 31 December 2022, the Group had 155 retail chain pharmacy outlets, including 58 "Jian Min" pharmacy outlets which specialized in traditional Chinese medicines, Western medicine, medical apparatus and medical equipment and 58 "GPC Prescription Pharmacy" which specialized in the retail of prescription drugs, 22 chain stores of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd and 17 retail stores of branch/subsidiary of GP Corp..

### (3) Periodic characteristics

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

### (4) The main driving factor of performance

During the Reporting Period, the Group's revenue amounted to RMB70,788,155,000, representing a year-on-year increase of 2.57%. For the fluctuation factors, please refer to the "1. Description and Analysis of Operation" in this section for details.

## 4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

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

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

(iii) The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of the Group has formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs and the selection of planting bases of medicinal herbs nationwide with adaptations to varying local conditions, the Group and its joint ventures have more than 80 GAP herbs bases nationwide and established a centralized procurement platform for raw and auxiliary materials, which effectively ensure the quality and supply of Chinese herbs and control the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has built an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs noble prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.

# Management Discussion and Analysis

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

The Group's core competitiveness capacity is principally demonstrated in the following aspects:  
*(Continued)*

- (iv) The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, cities and autonomous regions across the country, including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.
- (v) The Group has an ever-improving technological innovation system. The Group has continuously strengthening the construction of platforms for many years, improving the scientific research innovation system. As at the date of this report, the Group and its joint ventures have 5 state level research and development institutions, 1 national level corporate technical center, 2 postdoctoral workstations, 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 has research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO<sub>2</sub> extraction, reversal extraction, separation by macroporous adsorption resin, quality control of Chinese medicine by chromatographic fingerprinting, synthesis and technology of cephalosporins antibiotic APIs and core technology in national leading position such as sterile powder production technology and preparation medicine technology.
- (vi) The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has insisted on attracting talents with competitive work environment and remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions. Currently, the Group has a strong high-level talent team with 3 Nobel Laureates, one innovation team from Guangdong province, 27 domestic double invite academicians and Chinese medicine master people, 7 foreign consultants, 4 State Council Special Allowance experts in-service, 30 senior experts and above, and over a hundred of doctors and postdoctorales.

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

# Management Discussion and Analysis

## 5. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD

### (1) Analysis of principal operations

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

Items	The Reporting Period (RMB'000)	The corresponding period of 2021 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2021 (%)
Revenue	70,788,155	69,014,052	2.57
Include: income from principal operations	70,550,190	68,757,954	2.61
Cost of sales	57,510,952	55,780,767	3.10
Include: cost from principal operations	57,452,974	55,721,967	3.11
Selling and distribution expenses	5,875,439	5,954,789	(1.33)
General and administrative expenses	2,218,270	2,032,281	9.15
Research and development expenses	819,454	874,720	(6.32)
Financial expenses	(162,456)	(133,010)	(22.14)
Profit before tax	5,043,244	4,723,071	6.78
Net profit attributable to shareholders of the Company	3,966,522	3,719,878	6.63
Net cash flow from operating activities	6,999,076	5,673,497	23.36
Net cash flow from investing activities	(7,253,188)	(931,569)	(678.60)
Net cash flow from financing activities	45,950	(1,493,979)	103.08
Other income	480,423	309,880	55.04
Investment income	421,175	193,588	117.56
Gains from changes in fair value	(3,591)	196,881	(101.82)
Impairment losses in respect of credit	(45,146)	(109,813)	58.89
Impairment losses in respect of assets	(7,984)	(11,860)	32.68
Non-operating income	18,120	45,307	(60.01)
Non-operating expense	49,276	108,278	(54.49)

# Management Discussion and Analysis

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

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

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

Notes:

- (1) 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 during the Reporting Period, the Company paid RMB1,003 million in cash to acquire minority equities in GP Corp..
- (2) The year-on-year increase in net cash flow from financing activities was attributable to the facts that: ① GP Corp., the Company's subsidiary, issued super short-term commercial paper; ② the Company and its subsidiaries short-term loan increased 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) The year-on-year increase in investment income was attributable to the fact that: ① Baiyunshan Biological was included in the scope of consolidation of the Company during the Reporting Period, and the equity interests previously held was remeasured at their fair values at the acquisition date, resulting in recognized investment gains of RMB162 million; ② the recognized investment gains from large denomination certificates of deposit and other investments purchased by the Company and its subsidiaries increased year-on-year.
- (5) Gains from changes in fair value decrease year-on-year due to the decrease 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) The year-on-year decrease in non-operating income was attributable to a year-on-year decrease in income from government compensations for land requisition and resettlement recognized by the subsidiaries of the Company.
- (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.

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

Applicable     Not applicable

# Management Discussion and Analysis

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

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

#### (ii) Analysis of revenue and cost

1) During the Reporting Period, industry, product, regional and sales model analysis of the operation results

Industries	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2021 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2021 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2021 (percentage point)
Great Southern TCM	10,461,569	(3.04)	5,445,148	(9.77)	47.95	An increase of 3.88 percentage points
Great Health	10,473,094	(3.48)	5,914,955	3.52	43.52	A decrease of 3.82 percentage points
Great Commerce	49,131,493	5.03	45,676,898	4.59	7.03	An increase of 0.39 percentage point
Other	484,034	42.74	415,973	38.34	14.06	An increase of 2.73 percentage points
Total	70,550,190	2.61	57,452,974	3.11	18.56	A decrease of 0.40 percentage point

Types of products	Results of principal operations by products					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2021 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2021 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2021 (percentage point)
Chinese patent medicine	5,616,963	6.59	3,272,869	8.20	41.73	A decrease of 0.87 percentage point
Chemical medicine	4,844,606	(12.23)	2,172,279	(27.83)	55.16	An increase of 9.69 percentage points
Total of Great Southern TCM	10,461,569	(3.04)	5,445,148	(9.77)	47.95	An increase of 3.88 percentage points

# Management Discussion and Analysis

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

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

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

##### 1) *During the Reporting Period, industry, product, regional and sales model analysis of the operation results (Continued)*

Regions	Results of principal operations by regions					
	Income from principal operations	Increase/ (Decrease) over the same period of 2021	Cost of principal operations	Increase/ (Decrease) over the same period of 2021	Profit margin of principal operations	Profit margin of principal operations
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	Increase/(Decrease) over the same period of 2021 (percentage point)
Southern China	55,440,052	4.51	46,782,961	4.25	15.62	An increase of 0.21 percentage point
Eastern China	5,315,640	(8.86)	3,807,227	(4.37)	28.38	A decrease of 3.37 percentage points
Northern China	2,584,211	(14.51)	1,619,889	(15.77)	37.32	An increase of 0.95 percentage point
North-Eastern China	595,387	(3.14)	448,379	(2.81)	24.69	A decrease of 0.26 percentage point
South-Western China	4,613,340	9.31	3,235,355	12.22	29.87	A decrease of 1.82 percentage points
North-Western China	1,973,121	(0.27)	1,532,895	(1.88)	22.31	An increase of 1.27 percentage points
Exports	28,439	(33.59)	26,268	(28.57)	7.64	A decrease of 6.48 percentage points

# Management Discussion and Analysis

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

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

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

- 1) *During the Reporting Period, industry, product, regional and sales model analysis of the operation results (Continued)*

Sales models	Results of principal operations by sales models					
	Income from principal operations	Increase/ (Decrease)	Cost of principal operations	Increase/ (Decrease)	Profit margin of principal operations	
	Income from principal operations	over the same period of 2021	Cost of principal operations	over the same period of 2021	Profit margin of principal operations	Increase/(Decrease) over the same period of 2021
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(percentage point)
Industrial model	20,934,663	(3.26)	11,360,103	(3.31)	45.74	An increase of 0.03 percentage point
Commercial model	49,131,493	5.03	45,676,898	4.59	7.03	An increase of 0.39 percentage point
Other models	484,034	42.74	415,973	38.34	14.06	An increase of 2.73 percentage points

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

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 Baiyunshan Hospital, a subsidiary of the Company and the sales of medical equipments such as epidemic prevention supplies during the Reporting Period.

# Management Discussion and Analysis

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

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

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

#### 2) Analysis of production, sales and inventory

Main products	Production	Sales	Inventory	Production increase/ (decrease) over the same period of 2021 (%)	Sales increase/ (decrease) over the same period of 2021 (%)	Inventory increase/ (decrease) over the same period of 2021 (%)
Sildenafil Citrate Tablet (thousand tablets)	79,696.29	86,829.08	22,712.25	(31.65)	(11.85)	(23.95)
Zi Shen Yu Tai Pill (thousand boxes/thousand bottles)	8,540.22	8,316.23	1,310.76	18.65	20.19	37.02
Cefixime series (thousand tablets/thousand packs/ thousand grains)	207,898.72	229,867.56	4,821.38	(36.70)	(32.92)	(72.66)
Xiao Ke Pill (thousand bottles)	31,187.12	34,439.16	4,124.31	(29.41)	(12.19)	(45.22)
Xiao Chai Hu Granule (thousand packs)	36,990.60	38,437.42	5,672.40	(4.82)	(4.36)	(22.57)
Cefuroxime Sodium for Injection (thousand bottles)	89,099.46	84,300.77	307.39	70.96	65.41	(59.14)
Hua Tuo Zai Zao Pill (thousand boxes)	6,966.64	6,248.72	1,431.54	18.19	12.81	36.79
Amoxicillin series (thousand packs/thousand grains)	1,159,051.64	1,297,070.29	1,376.76	(20.13)	(4.28)	(98.73)
Bao Ji series (thousand boxes/ thousand ampoules)	174,197.77	187,174.67	31,546.17	(13.14)	1.66	(29.56)
Xia Sang Ju Granule (thousand packs)	349,141.85	347,309.28	55,099.60	9.78	7.62	1.58

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

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

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

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

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

1. The reason for a year-on-year decline in production of Sildenafil Citrate Tablet: due to the high stock level of this product in 2021 and the sales situation in 2022, the Company's subsidiary controlled the production, resulting in a decrease in production compared to the previous year.
2. The reason for a year-on-year increase in inventory of Zi Shen Yu Tai Pill: continue to strengthen academic promotion activities and facilitate the marketing of this product during the Reporting Period leading to a growth in both production and sales. In anticipation of an increase in market demand, the Company's subsidiary prepared stocks in advance, resulting in an increase in inventory.
3. The reason for a year-on-year decline in production, sales and inventory of Cefixime series: the sales of the products decreased year on year; meanwhile, the Company's subsidiary controlled the production, resulting in a decline in production and inventory.
4. The reason for a year-on-year decline in inventory of Xiao Ke Pill: sales of this product dropped slightly due to the decline in the number of hospital outpatients and inpatients in 2022. The Company's subsidiary controlled the production, leading to a decrease in inventory.
5. The reason for a year-on-year increase in production and sales, and a year-on-year decline in inventory of Cefuroxime Sodium for Injection: the product won the bid in the fifth round of national centralised procurement. Since the implementation of centralised procurement in October 2021, sales volumes have increased year on year, and production has also risen year on year to meet market demand. As a result, the product turnover accelerated and inventory fell significantly.
6. The reason for a year-on-year increase in inventory of Hua Tuo Zai Zao Pill: the Company's subsidiary further strengthened their market development and promotion efforts and increased production volumes in response to the increased sales demand. In order to meet the market sales demand, inventory increased accordingly.
7. The reason for a year-on-year decrease in inventory of Amoxicillin series: following the adjustment of control policy, the demand for this product was stimulated and inventory declined rapidly.

# Management Discussion and Analysis

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

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

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

#### 3) Performance of major procurement contracts and sales contracts

Applicable  Not applicable

#### 4) Analysis of cost

Industrial	Components	2022		2021		Increase/ (decrease) over the same period of 2021 (%)
		Amount (RMB'000)	% of the proportion of operation cost (%)	Amount (RMB'000)	% of the proportion of operation cost (%)	
Manufacturing business	Raw materials	8,652,130	75.85	9,033,663	76.83	(4.22)
	Fuel	155,225	1.37	139,968	1.19	10.90
	Labor costs	501,879	4.40	386,341	3.29	29.91
	Others	2,095,838	18.38	2,196,901	18.69	(4.60)
Pharmaceutical distribution business	Cost of purchase	45,676,898	100.00	43,672,667	100.00	4.59
Others	Other cost	371,004	100.00	292,427	100.00	26.87

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

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

##### 7) Major suppliers and sales

##### ① Major sales

During the Year, sales by the Group to the top five customers amounted to RMB3,887,991,000 (2021: RMB4,810,902,000), representing approximately 5.52% of the total sales (2021: 7.00%) of the Group. The sales to the largest customer amounted to RMB1,006,698,000 (2021: RMB1,474,432,000), representing 1.43% (2021: 2.14%) of the total sales of the Group. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

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

Applicable    Not applicable

# Management Discussion and Analysis

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

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

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

##### 7) Major suppliers and sales *(Continued)*

###### ① Major sales *(Continued)*

During the Reporting Period, there were new customers among the five largest customers:

No.	Name of customer	The amount of the sales (RMB'000)	Proportion of the total sales of the Group for the Year (%)
1	Customer 1	753,754	1.07
2	Customer 2	738,431	1.05

###### ② Major suppliers

During the Year, purchases by the Group from the top five suppliers amounted to RMB5,862,511,000 (2021: RMB7,769,776,000), representing approximately 8.56% of the total purchases (2021:12.87%) of the Group for the Year. The purchases from the largest supplier amounted to RMB1,371,101,000 (2021: RMB3,050,896,000), representing 2.00% (2021: 5.05%) of the total purchases of the Group for the Year. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

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

Applicable    Not applicable

# Management Discussion and Analysis

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

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

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

##### 7) Major suppliers and sales *(Continued)*

##### ② Major suppliers *(Continued)*

During the Reporting Period there were new suppliers among the five largest suppliers:

No.	Name of supplier	The amount of the purchases (RMB'000)	Proportion of the total purchases of the Group for the Year (%)
1	Supplier 1	1,201,196	1.75
2	Supplier 2	934,837	1.36

Situation of the purchases from the Group's top five suppliers accounted for less than 10% of the total purchase of the Group, while sales from the Group's top five customers accounted for less than 10% of the total sales during the Reporting Period. There is no heavy reliance on a few number of suppliers or customers.

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

# Management Discussion and Analysis

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

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

#### (iii) Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB5,875,439,000 (2021: RMB5,954,789,000), representing a decrease of approximately 1.33% as compared with last year.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,218,270,000 (2021: RMB2,032,281,000), representing an increase of approximately 9.15% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB819,454,000 (2021: RMB874,720,000), representing a decrease of approximately 6.32% as compared with last year.

During the Reporting Period, the Group's financial expenses were approximately RMB-162,456,000 (2021: RMB-133,010,000), representing a decrease of approximately 22.14% as compared with last year.

During the Reporting Period, the Group's income tax expenses were approximately RMB789,874,000 (2021: RMB754,085,000), representing an increase of approximately 4.75% as compared with last year.

#### (iv) Research and development expenses

##### 1) *Research and development expenses*

Applicable  Not applicable

Cost of research and development expenses in the current year (RMB'000)	814,168
Capitalization of research and development expenses in the current year (RMB'000)	250,456
Total research and development expenses (RMB'000)	1,064,624
Ratio of research and development expenses to income from operations (%)	1.50
Ratio of total research and development expenses to net assets (%)	3.16
Ratio of research and development expenses to capitalization (%)	23.53

# Management Discussion and Analysis

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

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

#### (iv) Research and development expenses (Continued)

##### 2) Research and development staff

✓ Applicable     Not applicable

The amount of research and development staff of the Company 491

Proportion of research and development staff of the Company (%) 2

##### Educational level of research and development staff

Categories of educational level Total amount

Doctor degree 44

Master degree 167

Bachelor degree 220

Completion of specialized education 60

Completion of general secondary education & under 0

##### Age structure of research and development staff

Categories of age Total amount

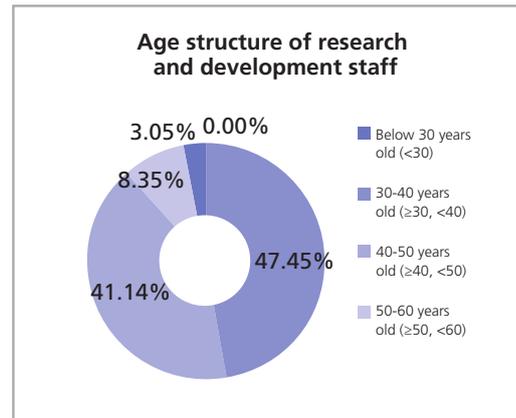
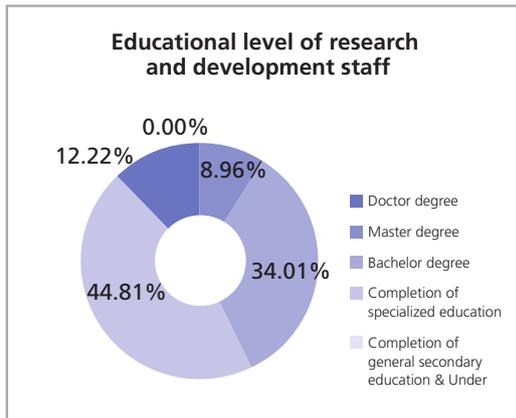
Below 30 years old (<30) 233

30-40 years old (≥30, <40) 202

40-50 years old (≥40, <50) 41

50-60 years old (≥50, <60) 15

60 years old and above 60 0



##### 3) Detailed description

Applicable    ✓ Not applicable

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

Applicable    ✓ Not applicable

# Management Discussion and Analysis

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

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

#### (v) Cash flow

✓ Applicable     Not applicable

Items	The Reporting Period (RMB'000)	The corresponding period of 2021 (RMB'000)	Increase/ (Decrease) as compared with the same period of 2021 (%)	Reasons
Net cash flow from operating activities	6,999,076	5,673,497	23.36	/
Net cash flow from investing activities	(7,253,188)	(931,569)	(678.60)	(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) During the Reporting Period, the Company paid RMB1,003 million in cash to acquire minority equities in GP Corp.
Net cash flow from financing activities	45,950	(1,493,979)	103.08	(1) GP Corp., the Company's controlling subsidiary, issued super short-term financing bonds. (2) The discounted bills of the Company and its subsidiaries saw a year-on-year increase;

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

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

Applicable  Not applicable

### (3) Analysis of financial conditions

#### (i) Liquidity

As at 31 December 2022, the current ratio of the Group was 1.53 (31 December 2021: 1.64), and its quick ratio was 1.24 (31 December 2021: 1.31). Accounts receivable turnover rate was 5.54 times (31 December 2021: 5.93 times), representing a decrease of 6.58% as compared with the corresponding period of 2021. Inventory turnover rate was 5.41 times (31 December 2021: 5.48 times), representing a decrease of 1.34% as compared with the corresponding period of 2021.

#### (ii) Financial resources

As at 31 December 2022, cash and cash equivalents of the Group amounted to RMB20,804,699,000 (31 December 2021: RMB21,013,364,000), of which approximately 99.85% and 0.15% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2022, the Group had bank borrowings of RMB10,675,850,000 (31 December 2021: RMB9,210,851,000), including short-term borrowings of RMB8,538,065,000 (31 December 2021: RMB8,428,008,000), current portion of non-current liabilities of RMB498,582,000 (31 December 2021: RMB30,031,000) and long-term borrowings of RMB1,639,203,000 (31 December 2021: RMB1,639,203,000).

#### (iii) Capital structure

As at 31 December 2022, the Group's current liabilities amounted to RMB37,395,116,000 (31 December 2021: RMB32,253,851,000), representing an increase of 15.94% as compared with the corresponding period of 2021, and its long-term liabilities was RMB3,632,325,000 (31 December 2021: RMB2,537,270,000), with an increase of 43.16% as compared with the corresponding period of 2021. The shareholders' equity attributable to the shareholders of the Company amounted to RMB32,065,125,000 (31 December 2021: RMB29,062,184,000), with an increase of 10.33% as compared with the corresponding period of 2021.

#### (iv) Capital expenditure

The Group expects the capital expenditure for 2023 to be approximately RMB2.677 billion (2022: RMB1.565 billion), which would be mainly applied in the construction of development bases, the construction of production bases and upgrade of equipments, etc. The Group will raise funds to meet the capital requirements of capital expenditure plan by resorting to its internal funds, bank loans, etc.

# Management Discussion and Analysis

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

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

#### (v) Assets and liabilities

Items	As at 31 December 2022 (RMB'000)	% of the total assets (%)	As at 31 December 2021 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2021 (%)	Reasons for changes
Financial assets held for trading	56,873	0.08	–	0.00	100.00	During the Reporting Period, the contingent consideration Performance pledge between GP Corp., a controlling subsidiary of the Company, and its non-controlling shareholders was changed from “other non-current financial assets” to this item for presentation.
Dividends receivable	218,767	0.29	343,767	0.52	(36.36)	During the Reporting Period, the Company received dividends receivable, resulting in a year-on-year decrease in the amount under this item.
Current portion of non-current assets	653,116	0.87	–	0.00	100.00	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.
Other current financial asset	2,262,190	3.03	827,458	1.25	173.39	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.
Debt investment	3,164,499	4.24	630,712	0.95	401.73	The year-on-year increase in the amount of held-to-maturity deposits and large-denomination certificates of deposit of the Company and its subsidiaries.
Other non-current financial assets	1,038,819	1.39	574,278	0.87	80.89	(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 controlling 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

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

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

#### (v) Assets and liabilities *(Continued)*

Items	As at 31 December 2022 (RMB'000)	% of the total assets (%)	As at 31 December 2021 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2021 (%)	Reasons for changes
Construction in progress	2,108,327	2.82	1,564,091	2.37	34.80	The year-on-year increase in the amount of investment by the Company and its subsidiaries in construction in progress.
Development expenditure	240,668	0.32	10,567	0.02	2,177.44	(1) During the Reporting Period, Baiyunshan Biological was included in the scope of consolidation of the Company, and the consideration and the shares of fair values of identifiable assets at the acquisition date were transformed into development expenditure on the same date; (2) there was an year-on-year increase in expenses for the development stage of intangible assets incurred by the Company and its subsidiaries.
Other non-current assets	239,830	0.32	168,481	0.25	42.35	The year-on-year increase in the amount of construction prepayment by the Company and its subsidiaries under the contract.
Contract liabilities	5,644,202	7.56	2,740,338	4.14	105.97	(1) As the Spring Festival came earlier in 2023 than in 2022, WLJ Great Health, a wholly-owned subsidiary of the Company, stocked up and collected accounts receivable mostly in late 2022, resulting in an increase in the balance of advance payments on sales during the Reporting Period; (2) the year-on-year increase in advance payments on sales from other subsidiaries of the Company.

# Management Discussion and Analysis

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

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

#### (v) Assets and liabilities *(Continued)*

Items	As at 31 December 2022 (RMB'000)	% of the total assets (%)	As at 31 December 2021 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2021 (%)	Reasons for changes
Taxes payable	375,711	0.50	233,497	0.35	60.91	There was an increase in the amount of payable corporate income tax and value-added tax of subsidiaries of the Company when compared with the end of last year.
Interest payable	–	0.00	460	0.00	(100.00)	The subsidiaries of the Company paid the interest payable at the beginning of the period.
Current portion of non-current liabilities	706,732	0.95	245,803	0.37	187.52	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 “long-term borrowings” to this item for presentation.
Other current liabilities	1,325,366	1.78	346,060	0.52	282.99	(1) During the Reporting Period, GP Corp., a controlling subsidiary of the Company, issued super short-term commercial paper; (2) there was a year-on-year 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 borrowings	1,639,203	2.20	752,812	1.14	117.74	There was a year-on-year increase in bank borrowings by subsidiaries of the Company.
Minority interest	1,572,733	2.11	2,264,484	3.42	(30.55)	The Company's acquisition of minority equities in GP Corp. during the Reporting Period resulted in a year-on-year decrease in minority interests.

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

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

#### (vi) Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities and foreign investment entities denominated in foreign currencies, and will indirectly cause changes in the Group's revenue or cash flows for a certain period. With the market-oriented reform of exchange rate, the exchange rate between RMB and other convertible currencies fluctuates greatly. The Group will continue to pay attention to the foreign exchange risks that may exist in the process of foreign exchange settlement.

#### (vii) Main cash resources and applications

As at 31 December 2022, cash and cash equivalents of the Group amounted to RMB20,804,699,000 with a decrease of RMB208,665,000 as compared with the beginning of 2022. Net cash flow from operating activities amounted to RMB6,999,076,000 with a year-on-year increase of RMB1,325,579,000.

#### (viii) Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

#### (ix) Charge on the Group's assets

As at 31 December 2022, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, as secured by buildings of fixed assets with the original value amounting to HKD8,893,000 and net value of HKD5,973,000, and by investment properties with the original value amounting to HKD6,843,000 and net value of HKD4,623,000, had obtained the overdraft amounting to HKD300,000, and letter of credit and 90-day credit in the total amount of HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd.. Unexpired letter of credit of USD284,000 in value had also been obtained.

#### (x) Bank loans, overdraft and other borrowings

As at 31 December 2022, the bank loans of the Group amounted to RMB10,675,850,000 (31 December 2021: RMB9,210,851,000), with an of RMB1,464,999,000 as compared with the beginning of 2022. The above bank loans included short-term borrowings of RMB8,538,065,000, long-term borrowings of RMB1,639,203,000 and current portion of non-current liabilities of RMB498,582,000.

#### (xi) Gearing ratio

As at 31 December 2022, the Group's gearing ratio (total liabilities/total assets  $\times$  100%) was 54.95% (31 December 2021: 52.62%).

#### (xii) Material investment

As at 31 December 2022, except for those disclosed in "significant equity investment" of "(5) Investment situation" and "(v) Assets and liabilities" of "(3) Analysis of financial conditions" of "5. Circumstances of the operation during the Reporting Period" in the section headed "III Management Discussion and Analysis" in this 2022 annual report, the Group did not have any other material additional investment.

# Management Discussion and Analysis

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

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

#### (xiii) Overseas assets

Applicable  Not applicable

##### 1) *Asset size*

Among which, overseas assets account for RMB249,980,000, representing 0.33% of total assets.

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

Applicable  Not applicable

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

Applicable  Not applicable

#### (xv) Others

Applicable  Not applicable

### (4) Analysis of industry operation information

Applicable  Not applicable

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

Analysis of the operational information in the pharmaceutical manufacturing industry

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

##### 1) *Basic information of the industry*

Applicable  Not applicable

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

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

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

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

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

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

##### ① Chinese patent medicine

In recent years, China has attached great importance to the development of the traditional Chinese medicine industry. A series of strategies and policies have intensified the policy support and investment for TCM, pointed out development direction for TCM and laid a good foundation for the sustainable development of the pharmaceutical industry, including the 14th Five-year Plan for the Development of Traditional Chinese Medicine 《([十四五]中醫藥發展規劃)》, the 14th Five-year Plan for the Development of Pharmaceutical Industry《[十四五]醫藥工業發展規劃》 the Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030) 《(中醫藥發展戰略規劃綱要 (2016-2030年))》, the Healthy China Outline Plan (2016-2030) 《(健康中國規劃綱要 (2016-2030年))》, the Traditional Chinese Medicine Law of the People's Republic of China 《(中華人民共和國中醫藥法)》, the Opinions on Promoting the Inheritance and Innovative Development of Traditional Chinese Medicine 《(關於促進中醫藥傳承創新發展的意見)》, the Several Policy Measures on Accelerating the Development of Chinese Medicine 《(關於加快中醫藥特色發展的若干政策措施)》 and the Guidance on Medical Insurance Support for the Development of Chinese Medicine Heritage, Innovation 《(關於醫保支持中醫藥傳承創新發展的指導意見)》 and Regulations on the Protection of Traditional Chinese Medicine Varieties (Draft Amendment)《(中藥品種保護條例(修訂草案征求意见稿))》. In addition, Chinese medicine played a great role and attached much attention and received recognition. There will be high-quality development in TCM industry with background that the country strongly support creative development of TCM.

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

# Management Discussion and Analysis

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

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

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

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

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

##### ② Chemical medicine

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

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

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

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

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

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

##### 2) Policies related to the industry

##### A) The changes and impacts of pharmaceutical policies and regulations and the actions to take

- ① The “14th Five-Year Plan” for the Development of the Pharmaceutical Industry (《「十四五」醫藥工業發展規劃》) was issued

On 30 January 2022, nine PRC official departments (including the Ministry of Industry and Information Technology, the National Healthcare Security Administration, the National Medical Products Administration and the National Administration of Traditional Chinese Medicine) jointly issued the “14th Five-Year Plan” for the Development of the Pharmaceutical Industry (hereinafter referred to as the “Plan”). The Plan points out that the pharmaceutical industry in China in 2035 will realise a qualitative leap in its strength. An innovation-driven development pattern will be fully formed, and the number of self-developed pharmaceuticals and “leading” products will increase, becoming an important source of pharmaceutical innovation in the world. The pharmaceutical industry will have outstanding competitive advantages and an upgraded industrial structure, occupying an important position in the global pharmaceutical industry chain. A wide variety of products of high quality will meet the needs of people for health and ensure a healthy China in an all-round way.

*Actions to take: the Group will improve its competitiveness in the industry in accordance with the Plan.*

# Management Discussion and Analysis

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

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

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

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

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

A) The changes and impacts of pharmaceutical policies and regulations and the actions to take *(Continued)*

② Regulations for the Implementation of the Drug Administration Law (Exposure Draft) (《藥品管理法實施條例(征求意见稿)》) were issued

On 9 May 2022, the National Medical Products Administration issued the Regulations for the Implementation of the Drug Administration Law (Exposure Draft), including General Provisions, Drug Research and Registration, Drug Marketing Authorisation Holder, Drug Manufacturing, Drug Distribution, Pharmaceutical Administration in Medical Institutions, Drug Supply Support, Supervision and Administration, etc.. This is the first time the Regulations for the Implementation of the Drug Administration Law have been revised since its promulgation in 2002, facilitating the modernisation of the drug safety supervision and governance system and related governance capacity.

*Actions to take: In accordance with the relevant policy requirements of the Drug Administration Law, the Group keeps on improving the infrastructure construction of an information system covering the four elements of the whole process of pharmacy, i.e. R&D, clinical trials, manufacturing and post-marketing surveillance, further strengthening the automation and intelligence of manufacturing, solidifying the foundation of the infrastructure construction of an information system covering traceability and supervision, and further improving the efficiency of manufacturing and application for registration.*

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

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

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

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

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

##### A) The changes and impacts of pharmaceutical policies and regulations and the actions to take *(Continued)*

##### ③ Measures for the Supervision and Administration of Online Sale of Medicinal Products (《藥品網絡銷售監督管理辦法》) were issued

On 1 September 2022, the State Administration for Market Regulation issued the Measures for the Supervision and Administration of Online Sale of Medicinal Products (hereinafter referred to as the "Measures"). The Measures stipulate the management of online sale of medicinal products, the fulfillment of the obligations of platforms, supervision and inspection measures and legal liabilities. The Measures came into force on 1 December 2022.

*Actions to take: the Group will re-examine its own business behaviour in accordance with the requirements of the Measures, continue to maintain good communication with e-commerce platforms, jointly explore new marketing ideas, and accelerate the integrated development of online and offline, expand the coverage, and promote the steady growth of prescription drug sales.*

##### ④ Special Provisions on the Administration of Registration of Traditional Chinese Medicine (Exposure Draft)\* (《中藥註冊管理專門規定(徵求意見稿)》)

In November 2022, the Department of Comprehensive Affairs of the National Medical Products Administration solicited comments from the public on the Special Provisions on the Administration of Registration of Traditional Chinese Medicine (Exposure Draft) again and stipulated the priorities of traditional Chinese medicine registration, first-in-human experience, clinical trial exemptions, the introduction of real-world research evidence, the amendment of the instructions for use of traditional Chinese medicines and others.

*Actions to take: The Group will revise the instructions for use of traditional Chinese medicines as soon as possible. The Group will also research the safety of Chinese patent medicines in depth, and improve the quality and safety of medicines.*

# Management Discussion and Analysis

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

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

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

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

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

A) The changes and impacts of pharmaceutical policies and regulations and the actions to take *(Continued)*

- ⑤ The Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities by Holders of Marketing Authorisation for Medicinal Products (《藥品上市許可持有人落實藥品質量安全立體責任監督管理規定》) were issued

On 29 December 2022, the National Medical Products Administration officially issued the Provisions on the Supervision and Administration of the Fulfillment of Medicinal Product Quality and Safety Responsibilities by Holders of Marketing Authorisation for Medicinal Products (hereinafter referred to as the “Provisions”), stipulating the requirements for organisation personnel and quality management of holders of marketing authorisation for medicinal products. Qualified persons work with a division of labour with individual responsibility. Persons in charge of quality shall regularly review and analyse manufacturing process management and quality management in light of product risks, research and judge repetitive risks and emerging risks at least quarterly on principle, and evolve corrective and preventive measures, and keep on improving the quality management system.

*Actions to take: The Group will make the fulfillment of medicinal product quality and safety responsibilities by holders of marketing authorisation for medicinal products conform to the standard in accordance with the Provisions in an active way.*

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

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

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

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

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

B) The changes and impacts of medical insurance policies and regulations and the actions to take

- ① The seventh round of China national centralised volume-based procurement was conducted.

Since the implementation of volume-based procurement in 2018, the volume-based procurement has been carried out 7 rounds, and a total of 60 varieties were included in the seventh round of collective procurement, which covered a number of therapeutic field. The overall average price reduction rate is 48%. As compared with the previous five rounds, the price reduction rate has narrowed.

*Actions to take: The Group has actively carried out the consistency evaluation of generic drugs and further improved the manufacturing and management efficiency of generic drugs, effectively reducing production costs and enhancing product competitiveness. The Group has actively participated in the bidding of China state-organised procurement with quantity, continuously increasing the market share of related products. In addition, the Group will give full play to its advantages in drug circulation and actively participate in the national centralised procurement of drugs and distribution services.*

# Management Discussion and Analysis

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

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

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

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

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

B) The changes and impacts of medical insurance policies and regulations and the actions to take *(Continued)*

② The Catalog of Medicines Covered by National Medical Insurance System (《國家醫保目錄》) starts to be adjusted constantly

The adjustments in the Catalog of Medicines Covered by National Medical Insurance System (hereinafter referred to as the “Catalog”) for the year 2022 started in June 2022, and experts finished their review of the Catalog on 16 October 2022. The adjustments in the Catalog for the year 2022 will be completed in the beginning of 2023. A number of new and favourable medicines will be included in the medical insurance system to ensure the majority of insured people sufficient medicines.

*Actions to take: The Group will continue to do a good job in research and development and manufacturing process management, increase investment in research and development, continuously promote the implementation of new drug projects, further reduce costs and increase efficiency in manufacturing, effectively enhancing the competitiveness of products. In addition, the Group will continue to rely on the resource advantages such as Chinese patent medicine brands, adhere to the principle of “emphasising both Chinese and Western medicines”, and do a good job in the coordinated development of chemical medicines, Chinese patent medicines and Chinese herbal medicines.*

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

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

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

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

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

##### C) The changes and impacts of medical policies and actions to take

- ① The Notice by the Office of the National Healthcare Security Administration on Further Improving the Management of Medical Service Prices (《國家醫療保障局辦公室關於進一步做好醫療服務價格管理工作的通知》) was issued

On 19 July 2022, the National Healthcare Security Administration issued the Notice on Further Improving the Management of Medical Service Prices (《關於進一步做好醫療服務價格管理工作的通知》), requiring the strengthening of macro-management and dynamic adjustment of medical service prices, solidly improving the daily management of medical service prices, the importance of supporting for the value of technical labor services be highlighted, new price items be focused on supporting medical technology innovation based on clinical value, improving the compatibility of existing price items with medical technology, and correctly handling the relationship between medical service prices and centralized procurement of medicines so as to improve the medical service prices in an proactive, scientific and normative way.

*Actions to take: The Group will improve the quality control system to ensure high quality and low price, providing services for more patients.*

- ② Further Promoting the Development of the Integrated Eldercare Services with Medical Care

In March 2022, nine PRC official departments including the National Health Commission jointly issued the Notice on Improving the Capability of Integrated Eldercare Services with Medical Care in the Community (《關於開展社區醫養結合能力提升行動的通知》), proposing to improve the service capabilities of integrated medical and elderly care in the community, and promote the integration of medical and elderly care in the grassroots. In July, the National Health Commission and other departments jointly issued the Guiding Opinions on Further Promoting the Development of the Integration of Medical and Elderly Care (《關於進一步推進醫養結合發展的指導意見》), providing important guidelines for promoting the high-quality development of the integration of medical and elderly care.

*Actions to take: Based on the existing advantages, the Group will actively pay attention to the elderly market and make due contributions to the development of the health of the elderly.*

# Management Discussion and Analysis

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

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

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

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

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

##### C) The changes and impacts of medical policies and actions to take *(Continued)*

##### ③ Putting “Focusing on the grassroots” in the First Place

On 12 July 2022, the National Health Commission issued Several Requirements for the Health System to Implement the Party’s Health Policy Focusing on the Grassroots in the New Era (《衛生健康系統貫徹落實以基層為重點的新時代黨的衛生與健康工作方針若干要求》), proposing to put “focusing on the grassroots” in the first place, requiring efforts be made to move the center of work to sink medical resources, to invest more energy, financial resources, and material resources to the grassroots, and to guide better talents, technology, management, and mechanisms to the grassroots.

*Actions to take: The Group will pay close attention to the implementation of “focusing on the grassroots”, adjust the marketing strategy in a timely manner, actively promote the sinking of channels, improving the service level and service ability of grassroots hospitals, and increasing the market penetration rate of products.*

##### D) The changes and impacts of environmental protection policies and its actions to take

On 15 December 2022, the Central Committee of the Communist Party of China and the State Council issued the Strategic Planning Outline for Expanding Domestic Demand (2022-2035) (《擴大內需戰略規劃綱要(2022-2035年)》), which proposed to increase the construction of ecological and environmental protection facilities, comprehensively improving the level of ecological and environmental infrastructure, and building an environmental infrastructure system that integrates sewage, garbage, solid waste, hazardous waste, and medical waste treatment and disposal facilities and monitoring and supervision capabilities, promoting the efficient utilization of resources in an all-round way, and building ecological and environmental protection facilities that promote the improvement of clean energy utilization and reduce carbon dioxide emissions.

*Actions to take: The Group will strictly follow the provisions of relevant laws and regulations, implement the responsibility of the main body of environmental protection, and strengthen the management of environmental assessment of construction projects.*

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable     Not applicable

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

✓ Applicable     Not applicable

Product Name	Therapeutic area	Indications/Functions	Term of invention patent	Classification of drug registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the national essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Sildenafil Citrate Tablet	Drugs for men	The product is indicated for treatment of erectile dysfunction (ED)	From 29 April 2002 to 28 April 2022	Chemical medicine	No	Yes	No	No	No	No
Zi Shen Yu Tai Pill	Drugs used in internal	Kidney-nourishing, spleen- invigorating, primordial Qi- reinforcing, blood-nourishing, miscarriage-preventing and body- strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage)	From 27 August 2004 to 27 August 2024 (quality testing method)	Traditional Chinese Medicine	No	Yes	No	Yes	Yes	No
Cefixime series	Antimicrobial drugs	The product is indicated for bacterial infectious diseases caused by streptococcus (except enterococcus) sensitive to cefixime.	From 16 July 2009 to 15 July 2029	Chemical medicine	No	Yes	No	No	Yes	No
Xiao Ke Pill	Drugs used in internal	Diabetes caused by deficiency of both qi and yin; type-II diabetes	From 31 March 2006 to 31 March 2026	Traditional Chinese medicine	No	Yes	No	Yes	Yes	No
Xiao Chai Hu Granule	Drugs used in internal	Relieving exterior syndrome, dispelling heat and soothing the liver and regulating stomach	From 18 October 2011 to 17 October 2031	Traditional Chinese medicine	No	No	No	No	Yes	No

# Management Discussion and Analysis

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

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

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

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

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

Product Name	Therapeutic area	Indications/Functions	Term of invention patent	Classification of drug registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the national essential medicine list	Whether to be included in the national medical insurance directory	Whether to be included in the provincial medical insurance directory
Cefuroxime Sodium for injection	Antimicrobial drugs	Suitable for the treatment and prevention of infection caused by specific microbial strains in the following diseases: respiratory tract infection, ear, nose and throat infection, urinary tract infection, skin and soft tissue infection, septicemia, meningitis, gonorrhea, bone and joint infection, puerperium and gynecological infection.	From 20 January 2009 to 19 January 2029	Chemical medicine	No	Yes	No	Yes	Yes	No
Hua tuo zai zao Pill	Drugs used in internal	The product is indicated for blood-activating and stasis-eliminating, eliminating phlegm and freeing channels and promoting qi circulation and relieving pain.	No	Traditional Chinese medicine	No	Yes	No	Yes	Yes	No
Amoxicilla series	Antimicrobial drugs	The product is indicated for infection caused by sensitive bacteria Non-β-lactamase-producing strains.	No	Chemical medicine	No	Yes	No	Yes	Yes	No
Bao Ji series	Drugs used in internal	Dispelling heat, dispelling dampness, and used for abdominal pain and diarrhea, choking, sick, digestive upsets, dyspepsia, motion sickness, cold, fever and headache	No	Traditional Chinese medicine	No	No	No	Yes	Yes	No
Xia Sang Ju Granule	Drugs used in internal	Clear liver and eyes, dissipate wind and heat, remove dampness and arthralgia, relieve sore poison. It can be used for heat cold, eye red and headache, dizziness, tinnitus, sore throat, skullcap, etc., and can be used as a cooling drink	From 27 August 2020 to 26 J August 2040	Traditional Chinese medicine	No	No	No	No	No	No

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

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable     Not applicable

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

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

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

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

Number	Product name	Type of product	Indications/Functions	New entrance/ Exclusion
1	Amoxicillia Granule	Western medicine	Amoxicillin is suitable for the following infections caused by sensitive bacteria (strains that do not produce $\beta$ lactamase): Otitis media, sinusitis, pharyngitis, tonsillitis and other upper respiratory tract infections caused by hemolytic streptococcus, streptococcus pneumoniae, staphylococcus or Haemophilus influenzae. Urogenital tract infections caused by Escherichia coli, Proteus mirabilis or Enterococcus faecalis. Skin and soft tissue infections caused by hemolytic streptococcus, staphylococcus or Escherichia coli. Lower respiratory tract infections such as acute bronchitis and pneumonia caused by hemolytic streptococcus, Streptococcus pneumoniae, staphylococcus or Haemophilus influenzae. Acute simple gonorrhoea.	Remarks deleted "Restricted to children and patients with dysphagia".

# Management Discussion and Analysis

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

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

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

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

##### 5) *Situation of the centralized purchase of drugs through bidding*

Applicable    Not applicable

Product name	Bidding price range	Total actual purchases of medical institutions
Zi Shen Yu Tai Pill (5g*6packs)	RMB82.67-RMB84.00	7,061,687 boxes
Xiao Ke Pill (52.5g) Cefuroxime Sodium for injection	RMB31.84-RMB35.00 0.25g: RMB3.67 0.75g: RMB8.5 1.5g: RMB14.45	7,641,126 bottles 88,068,846 bottles (calculated by 0.75g/bottles)

##### 6) *Important medicinal materials involved in major TCM products*

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

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Zi Shen Yu Tai Pill	Zhong Yi	Cuscuta, chao ren, rehmannia, codonopsis pilosula, Macrocephalae Rhizoma, dipsacus root etc.	Purchasing by Invitation to Bid	The purchasing cost of the main varieties such as cuscuta, rehmannia, codonopsis pilosula, dipsacus root increased and the overall cost increased.
Xiao Ke Pill	Zhong Yi	Trichosanthin, corn, schisandra chinensis, rehmannia glutinosa, radix puerariae, etc.	Purchasing by Invitation to Bid	Procurement costs such as rehmannia glutinosa and radix puerariae increased, while the cost of schisandra chinensis decreased, and the overall cost increases.

# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Chai Hu Granule	Guang Hua	Chinese thoroughax root, scutellaria baicalensis, codonopsis pilosula, ginger pinellia etc.	Purchasing by Invitation to Bid	The volume of main materials was purchased by invitation to bid in advance. The increasing market price had little impact on the cost.
Hua Tuo Zai Zao Pill	Qi Xing	Ligusticum chuanxiong, evodiae, angelicae, paeoniae, radix ophiopogonis, angelica sinensis, etc.	Purchasing by Invitation to Bid	The price of ligusticum chuanxiong and paeoniae were stable while the price of radix ophiopogonis and angelica sinensis decreased, and the overall costs were stable.
Bao Ji series	Wang Lao Ji	Gambir Plant, magnolia officinalis, costutoot, Mongolian Snakegourd Root, trichosanthin patchouli, radix pueriae, angelica dahurica, mint, poria cocos, etc.	Purchasing by Invitation to Bid	The price of trichosanthin patchouli, mint, mongolian snakegourd root increased obviously. The overall cost increased.
Xia Sang Ju Granule	Xing Qun	Prunella vulgaris, wild chrysanthemum flower, folium mor, etc.	Purchasing by Invitation to Bid	Supply and demand basically in balance, the market price of prunella vulgaris decreased and the price of wild chrysanthemum flower and folium mor maintained stable, resulting in slight decrease of the cost.
Shu Jin Jian Yao Pill	Chen Li Ji	Cibotii rhizoma, Kadsura coccinea, Philippine flemingia root, etc.	Purchasing by Invitation to Bid	The marker price for cibotii rhizoma decreased and other materials increased slightly or maintained stable, leading to the decline in cost.

# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Er Qi Xing Cha Granule	Wang Lao Ji	Coix seed, ricegrain sprout, unaqria, cicada slough, licorice, lophatherum gracile, hawthorn, etc.	Purchasing by Invitation to Bid	Price of coix seed, ricegrain sprout, unaqria, cicada slough, lophatherum gracile stayed stable while price of hawthorn and licorice increased.
An Gong Niu Huang Pill	Zhong Yi	Breeded bezoar in vitro, Artificial musk, etc.	Breeded bezoar in vitro and Artificial musk are exclusive supplied, and other materials are purchased by bidding and inquiry	The price of bezoar increased while other materials maintained stable, resulting in rise of the cost.
Zhuang Yao Jian Shen Pill	Chen Li Ji	Cibotii rhizoma, kadsura coccinea, Philippine flemingia root, Radix Millettiae Speciosae, etc.	Purchasing by Invitation to Bid	The marker price for cibotii rhizoma and radix millettiae speciosae decreased while other materials increased slightly or maintained stable, leading to the decline in cost.

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

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable     Not applicable

Main therapeutic areas	Product name	Operating income (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Changes of operating income compared with last year (%)	Changes of operating costs compared with last year (%)	Changes of gross profit margin
							compared with last year (%)
Drugs used in internal medicine department	Zi Shen Yu Tai Pill	468,817.49	78,104.94	83.34	11.69	31.69	(2.53)
	Xiao Ke Pill	426,994.82	183,583.09	57.01	(4.37)	4.25	(3.56)
	Xiao Chai Hu Granule	424,012.75	200,258.78	52.77	14.05	3.36	4.89
	Hua Tuo Zai Zao Pill	296,225.23	111,868.01	62.24	31.24	18.43	4.09
	Bao Ji series	260,862.78	134,817.20	48.32	6.53	7.74	(0.58)
Antimicrobial drugs	Cefixime series	439,831.49	339,344.03	22.85	(51.93)	(53.45)	2.51
	Cefuroxime sodium for injection	404,330.31	267,258.77	34.00	75.66	28.62	24.27
Andrology medication	Amoxicillin series	268,041.93	201,280.34	24.91	(6.29)	(8.43)	1.75
	Sildenafil Citrate Tablet	1,052,002.48	91,767.70	91.28	6.43	(18.59)	2.68
Drugs for easing pain, clearing heat, and resisting inflammation, wind- damp and gout suppressants	Paracetamol Caffeine Aspirin Powder series	241,972.97	115,054.18	52.45	25.03	23.28	0.67

Explanation:

✓ Applicable     Not applicable

# Management Discussion and Analysis

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

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

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

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

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

During the Reporting Period, the gross profit margin of the principal operation of the Company was 18.56% among which, the gross profit margin of the Great Southern TCM was 47.95%. The relatively significant difference in gross profit margin between the Great Southern TCM of the Company and the companies in the same industry mentioned below was mainly due to the difference in the products structure and the significant difference in the gross profit margins of principal products.

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

Stock code	Abbreviation	Operation revenue (RMB'000)	Overall gross profit margin (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	12,802,015.55	23.71
600511	China National Medicines Co., Ltd.	46,468,602.84	7.81
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	215,824,259.04	13.23
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	39,005,086.60	48.14
600085	Tongrentang Chinese Medicine	14,603,100.74	47.62

Notes:

A. The above data of relevant companies in the same industry is obtained from their annual reports in 2021.

B. Gross profit margin = (operating income – operating costs)/operating income \* 100%.

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

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

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

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

##### 1) *The overall situation of research and development*

Applicable    Not applicable

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

##### ① Products in research

As at the end of the Reporting Period, the Group had 193 products in research. The main areas included new drug development, generic drug development, generic drug quality consistency evaluation, secondary product development, special medical food and health food development, etc..

# Management Discussion and Analysis

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

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

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

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

##### 1) The overall situation of research and development *(Continued)*

##### ② Science and Technology Awards

During the Reporting Period, the Group obtained 1 international award, 6 national awards and 3 provincial science and technology awards, the details are as follows:

Classification Level	Name f of Winner	Winning Project	Award
International level	Baiyunshan Han Fang	The inheritance and innovation of Ganoderma lucidum	Gold Medal at Geneva International Exhibition of Inventions
State-level	Baiyunshan General Factory	A controlling device and method of setting value for temperature and humidity	The 23rd China Patent Excellence Award
	Wang Lao Ji	A crushing and grinding device for Chinese medicinal materials which is convenient for thorough blanking	The 23rd China Patent Excellence Award
	Wang Lao Ji	Separation and purification of Wang Lao Ji herbal tea's index components	The 23rd China Patent Excellence Award
	Pan Gao Shou	A traditional Chinese medicine composition and preparation method for treating acute bronchitis of children	The 23rd China Patent Excellence Award
Provincial level	Guangxi Ying Kang	A preparation method of Huanggen tablets	The 23rd China Patent Excellence Award
	WLJ Great Health and Wang Lao Ji	A DNA identification method of vermicelli and Xihuang Grass	The 23rd China Patent Excellence Award
	Baiyunshan Han Fang	Key technologies of whole-chain precision analysis and quality control of Lingnan Famous and excellent traditional Chinese medicine and industrialization	Second Prize of Guangdong Province Science and Technology Progress Award
	Xing Qun	The key technology of mulberry resources' medical usage, and the creation and production of great health products	Second Prize of Guangxi Science and Technology Progress Award
	Cai Zhi Lin	Pharmacologic study and application of Polygonum multiflorum on tumor characteristics	Third Prize of Hubei Province Science and Technology Progress Award

##### ③ Patents and intellectual property rights

During the Reporting Period, the Group and its jointly controlled entities had applied for a total of 88 patents, which included 73 invention patents and 15 utility model patents, and obtained 94 granted patents which included 75 invention patents and 19 utility model patents.

# Management Discussion and Analysis

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

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

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

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

##### 2) Basic information of the main research and development projects

Applicable    Not applicable

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Consistency evaluation and research of Cefixime	Cefixime	Quality and efficacy consistency evaluation of generic drugs	The product is indicated for bacterial infectious diseases caused by streptococcus (except enterococcus) such as Pneumococcus, Neisseria gonorrhoeae, Catta Brannhan, Escherichia coli, Klebsiella, Serratia, Proteus and Influenzae, etc	Yes	-	Cefixime capsules and cefixime granule obtained the approval of consistency evaluation; Cefixime tablets is implementing verification and stability retention sample.
Consistency evaluation and research of Cefprozil series preparations	Cefprozil	Quality and efficacy consistency evaluation of generic drugs	Used to treat the following mild and moderate infections caused by sensitive bacteria: 1. upper respiratory tract infection; 2. suppurative streptococcal pharyngitis; 3. amygdalitis	Yes	-	Obtained the approval of consistency evaluation

# Management Discussion and Analysis

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

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

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

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

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

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Clinical study of Zi Shen Yu Tai Pill in vitro fertilization and embryo transfer treatment in elderly women; Pharmacodynamic substance basis identification and clinical study of Zi Shen Yu Tai Pill based on quantitative group effect model; Pharmacology and exploratory clinical study of Zi Shen Yu Tai Pill in the treatment of hypoovarian reserve function; Study on improving the quality standard of Zi Shen Yu Tai Pill	Zi Shen Yu Tai Pill	Classification 2.3 of new TCM	Kidney-nourishing, spleen-Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage) treating chronic hepatitis.	Yes	No	Post-market reevaluation research; development of improved new drugs (new functional indications)
Consistency evaluation and research of Candesartan ester tablets	Candesartan ester tablets	Quality and efficacy consistency evaluation of generic drugs	Essential hypertension	Yes	-	Obtained the approval of consistency evaluation
Preclinical study for drug development in children of Xiao Chai Hu Granule	Xiao Chai Hu Granule	TCM	Inducing sweat to dispel heat, and soothing liver and harmonizing stomach	No	No	Clinical trial application

# Management Discussion and Analysis

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

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

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

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

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

Applicable    Not applicable

During the Reporting Period, the Group obtained 1 medicine registration certificate, 2 notifications of approval for marketing application of medicine, 7 notices of approval for medicine supplementary application, which will further enrich the Company's product varieties, increase the Company's products reserves and promote the competitiveness of products.

Product name	Registry classification	Indication/Major functions
Tenofovir dipifurate fumarate tablets(0.3g)	Category 4 Chemical medicine	Suitable for chronic hepatitis B of adults and children over 12 years old (including); indicated for use in combination with other antiretroviral drugs to treat HIV-1 infection in adults.
Dapoxetine hydrochloride	Raw material medicine	Used for premature ejaculation in patients that over 18 years old
Medium chain triglyceride	Raw material medicine	It is mainly used in parenteral nutrition preparation, enteral nutrition preparation, medicated fat milk injection, special medical formula food, health food, eye drops, animal drugs, etc..
Amoxicillin granule(0.125g)	Quality and efficacy consistency evaluation of generic drug	Used for infections caused by sensitive bacteria ( $\beta$ -lactamase strain): otitis media, sinusitis, pharyngitis, tonsillitis and other upper respiratory tract infections caused by streptococcus hemolyticus, streptococcus pneumoniae, staphylococcus or haemophilus influenzae; urogenital tract infection caused by escherichia coli, proteus mirabilis or enterococcus faecalis; skin and soft tissue infection caused by streptococcus haemolyticus, staphylococcus or escherichia coli; acute bronchitis, pneumonia and other lower respiratory tract infections caused by streptococcus hemolyticus, streptococcus pneumoniae, staphylococcus or haemophilus influenzae; acute simple gonorrhoea.

# Management Discussion and Analysis

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

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

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

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

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

Product name	Registry classification	Indication/Major functions
Cefradine capsules(0.25g) Cefradine capsules(0.125g)	Quality and efficacy consistency evaluation of generic drug	Suitable for infections caused by sensitive bacteria: acute pharyngitis, tonsillitis, otitis media, bronchitis, pneumonia and other respiratory tract infections, urogenital tract infections, skin soft tissue, etc..
Candesartan ester tablets	Quality and efficacy consistency evaluation of generic drug	Used for essential hypertension
Cefprozil granules (0.125g)	Quality and efficacy consistency evaluation of generic drug	It has strong antibacterial activity to streptococcus pneumoniae, streptococcus pyogenes, staphylococcus aureus and other common bacteria. It is mainly used to treat mild and moderate respiratory tract, skin and soft tissue infections caused by sensitive bacteria.
Isoniazid tablets (100mg) Isoniazid tablets (300mg)	Quality and efficacy consistency evaluation of generic drug	Used for all forms of tuberculosis, including tuberculous meningitis and other mycobacterial infections.

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

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

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

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

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

Applicable  Not applicable

##### 5) *Accounting policies for research and development:*

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

##### 6) The investment situation of research and development

Comparison within the same industry

Applicable  Not applicable

Stock code	Abbreviation of companies	Amount of the research and in the same industry (RMB'000)	Research and development investment accounted for the proportion of revenue (%)	Research and development investment accounted for the proportion of net assets (%)	Research and development investment accounted for the proportion of capitalization (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	147,518.10	1.15	3.83	33.75
600511	China National Medicines Co., Ltd.	76,827.90	0.17	0.60	27.43
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	2,503,107.40	9.97	5.07	20.61
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	4,975,000.00	15.52	12.69	22.93
600085	Tongrentang Chinese Medicine	319,725.65	2.19	3.01	0
Average amount of the research and development investment of the same industry during the Reporting Period (RMB'000)					1,604,435.81
Amount of the research and development investment of the Group during the Reporting Period (RMB'000)					1,064,624
Research and development investment accounted for the proportion of revenue of the Group during the Reporting Period (%)					1.50
Research and development investment accounted for the proportion of net assets of the Group during the Reporting Period (%)					3.16
Research and development investment accounted for the proportion of capitalization of the Group during the Reporting Period (%)					23.53

# Management Discussion and Analysis

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

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

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

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

##### 6) *The investment situation of research and development (Continued)*

Notes:

- a. The above data of relevant companies in the same industry is obtained from their annual reports in 2021;
- b. The average R&D investment amount in the industry is the arithmetic average of the five companies in the same industry.

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

Applicable    Not applicable

The reason of the year-on-year growth of 21.10% in R&D investment is mainly due to: (1) during the Reporting Period, Baiyunshan Biological was included in the scope of consolidation of the Company, and the consideration and the shares of fair values of identifiable assets at the acquisition date were transformed into development expenditure on the same date; (2) there was an year-on-year increase in expenses for the development stage of intangible assets incurred by the Company and its subsidiaries.

# Management Discussion and Analysis

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

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

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

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

##### 7) The investment situation of research and development project

Applicable  Not applicable

R&D project	Company	R&D investment amount (RMB'000)	Expense amount of R&D investment (RMB'000)	Capitalized amount of R&D investment (RMB'000)	Ratio of R&D investment to revenue (%)	Change in ratio of amount in the Reporting Period compared with the same period of last year (%)	Presentation of condition
Study on consistency evaluation of Cefixime series preparations	Baiyunshan General Factory	10,036.65	10,036.65	0	0.44	106.98	In 2022, Cefixime tablet 0.1g completed the official BE, and its disperse tablet 0.2g started the official BE; the process verification of cefixime granules, dispersed tablets 0.2g and 50mg has been completed, resulting in large R&D investment.
Pharmacology and exploratory clinical study of Zi Shen Yu Tai Pill in the treatment of hypoovarian reserve function	Zhong Yi	8,524.02	8,524.02	0	0.65	173.78	The project was changed from an exploratory clinical study to a registered clinical study, and the enrolled cases increased, which led to the increase of cost.
Pharmacoeconomic evaluation and non-clinical safety evaluation study of Hua Tuo Zai Zao Pill	Qi Xing	7,957.62	7,957.62	0	2.01	(20.61)	-
Preclinical study on the development of Xiao Chai Hu Granules in children	Guang Hua	3,951.00	3,951.00	0	0.54	(3.66)	-
Research of Qing Kai Ling series	Ming Xing	3,486.26	3,486.26	0	0.67	(38.97)	Process verification was carried out in 2021, resulting in large cost of materials.

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

# Management Discussion and Analysis

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

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

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

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

##### 1) Analysis of the main sales model of the Company

Applicable  Not applicable

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

##### 2) Analysis of sales expenses

Breakdown of sales expenses

Applicable  Not applicable

Items	Amount incurred for the Reporting Period (RMB'000)	Percentage of amount incurred for the Reporting Period in the total sales cost (%)
Employee remuneration	2,974,188	50.62
Sales service fee	1,020,318	17.37
Advertising and promotion fees	960,687	16.35
Freight and miscellaneous charges	302,185	5.14
Depreciation charges	265,939	4.53
Travelling expenses	114,889	1.96
Conference expenses	67,078	1.14
Office expenses	36,959	0.63
Rental expenses	35,743	0.61
Others	97,453	1.66
Total	5,875,439	100.00

# Management Discussion and Analysis

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

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

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

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

##### 2) Analysis of sales expenses *(Continued)*

Comparison within the same industry

Applicable  Not applicable

Stock Code	Stock Abbreviation	Selling and distribution expenses (RMB'000)	Selling and distribution expenses accounted for the proportion of revenue (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	1,327,301.63	10.37
600511	China National Medicines Co., Ltd.	940,478.65	2.02
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	13,318,033.45	6.17
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	9,098,891.84	23.33
600085	Tongrentang Chinese Medicine	2,748,393.78	18.82
The average amount of the sales expenses of the same industry (RMB'000)			5,486,619.87
Total amount of the sales expenses of the Group during the Reporting Period (RMB'000)			5,875,439
Sales expenses accounted for the proportion of revenues of the Group during the Reporting Period (%)			8.30

Notes:

- The above data of relevant companies in the same industry is obtained from their annual reports in 2021;
- The average amount of the sales expenses is the arithmetic average of the five companies in the same industry.

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

Applicable  Not applicable

#### (iv) Others

Applicable  Not applicable

# Management Discussion and Analysis

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

### (5) Investment situation

#### Overall analysis of external equity investment

Applicable  Not applicable

As at the end of the Reporting Period, the external equity investment of the Company amounted to RMB1,584,063,000, with an increase of RMB21,185,000, as compared with last year, mainly due to: the Company confirmed the investment profits of the joint ventures and associates in accordance with the Equity Laws which led to the increase in long-term equity investment.

#### 1) Significant equity investment

Applicable  Not applicable

Name of the company which was invested	Main operations	Whether the object belongs to main business	Methods of investment	Amount of investment (RMB'000)	Proportion of shareholding (%)	Whether consolidated	Subjects in the statement (if applicable)	Capital source	Ventures (if applicable)	Investment period (if any)	Progress as at the end of balance sheet date	Expected income (if any)	Impacts on profit or loss in current period		Announcement date (if any)	Announcement index
													Whether involve in any lawsuit	Whether involve in any lawsuit		
GP Corp.	Pharmaceutical business	Yes	Cash	100,326.06	18.1847	Yes	Long-term equity investment	Self-raised fund	-	-	The trading has been completed and the Company has acquired 18.1847% equity	-	Nil	No	8 August 2022	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Total	-	-	-	100,326.06	-	-	-	-	-	-	-	-	-	-	-	-

# Management Discussion and Analysis

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

### (5) Investment situation *(Continued)*

#### Overall analysis of external equity investment *(Continued)*

#### 2) Significant non-equity investment

Applicable     Not applicable

Name of Investment project	Main Investor	Particulars of Investment Project	Planned Investment Amount (RMB'0000)	Progress of Project Execution
The project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	Chemical & Pharmaceutical Technology Company	Construction of chemical raw medicine production base for production and sales of cefathiamidine, sildenafil citrate and other raw medicine	73,187.91	Civil construction acceptance completed, electromechanical installation basically completed, equipment installation and commissioning in progress.
GYBYS Biological Medicine and Health R&D Sales Headquarters Project	The Company	Establishment of an R&D platform and R&D center for innovative drugs and medical devices, an international pharmaceutical cooperation and exchange center, a technology incubator and dualinnovation base, etc.	109,985.30 (including 40,410,000 at the time of capital increase)	Structural roofing completed, curtain wall and decoration in progress.
Nansha Base (Phase I) Project of Guangzhou WLI Great Health Industry Co., Ltd.	WLI Great Health	Establishment of WLI herbal tea canning production line	74,965.73	Civil construction and electromechanical installation basically completed, equipment installation in progress

# Management Discussion and Analysis

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

### (5) Investment situation (Continued)

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

#### 3) Financial assets evaluated at fair value

✓ Applicable  Not applicable

Classification of assets	Opening balance (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative changes in fair value included in interests (RMB'000)	Impairment accrued in the current period (RMB'000)	Current purchase amount (RMB'000)	Current sale/redeem amount	Other changes (RMB'000)	Closing balance (RMB'000)
Financial assets held for trading	-	3,271	-	-	53,601	-	-	56,873
Other equity instrument investment	123,422	-	(16,111)	-	2,259	-	-	109,570
Other non-current financial assets	574,278	(6,802)	-	218	539,090	-	(67,468)	1,038,819

#### Security investments

✓ Applicable  Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB'000)	Capital source	Book value as at the beginning of the Reporting Period (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative changes in fair value included in interests (RMB'000)	Current purchase amount (RMB'000)	Current sale amount (RMB'000)	Current investment gains and losses (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Accounting subject
A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	Self-raised funds	1,335	(203)	-	-	-	-	1,132	other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical Holding	150,145	Self-raised funds	132,561	(520)	-	-	-	1,690	132,041	other non-current financial assets
Total	/	/	/	/	133,896	(723)	-	-	-	1,690	133,173	/

# Management Discussion and Analysis

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

### (5) Investment situation (Continued)

#### 3) Financial assets evaluated at fair value (Continued)

Private fund investments

Applicable  Not applicable

Derivative investments

Applicable  Not applicable

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

Applicable  Not applicable

### (6) Significant asset and equity sales

Applicable  Not applicable

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

Applicable  Not applicable

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Equity directly held by the Company (%)	Income from principal operations (RMB'000)	Profit from principal operations (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sale of pre-packaging food, dairy products, etc.	900,000.00	100.00	9,348,829	4,043,592	16,071,420	8,201,557	1,448,448
GP Corp.	Pharmaceutical business	Retail of medical treatment apparatus	2,449,305.50	90.92	49,233,291	3,134,947	29,680,311	6,425,676	583,737

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

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

### (8) A structured entity controlled by the Company

Applicable  Not applicable

# Management Discussion and Analysis

## 6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

### (1) Landscape and trend of the industry

Applicable    Not applicable

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

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

### (2) Development strategy and annual work plan for year 2023

Applicable    Not applicable

In 2023, the Group will vigorously focus on the development theme of “improving both effectiveness and efficiency” and continue to develop as a whole in a prudent while progressive manner. The Group strives to promote an effective improvement in quality and a reasonable increase in quantity. The Group will practically progress the following works:

1. Solidifying the foundation for the development of Great Southern TCM. The Company will continue to actively participate in national or inter-provincial alliance pharmaceutical centralized volume-based procurement. At the same time, the Company will actively pursue market opportunities to strongly promote marketing innovation and enhance brand construction, driving the development of OTC market and the third-end market, and also generate more “Diva brands” for different fields by category through separate policies. The Company will further advance the stimulation of the sleep category and accelerate the cultivation of a number of potential categories; will endeavor to develop specialized active pharmaceutical ingredients (APIs) to strengthen its competitiveness; and will continue to advance the construction of Cai Zhi Lin Meizhou Production Facility and Cai Zhi Lin Gansu TCM Technology Industrial Park to produce refined TCM pills that are in compliance with professional pharmaceutical standards.
2. Promoting the innovative development of the Great Health. We will continue to consolidate the leading position of herbal tea and that of product categories, further consolidate the advantageous markets, tap potential markets, shore up undeveloped markets, and vigorously promote product sales through all available channels; continue to jointly promote “Wang Lao Ji”, “Ci Ning Ji (刺檸吉)” and “Li Xiao Ji”, known as “Ji Xiang San Bao (吉祥三寶)”, intensively cultivate the market for new products and actively expand the market for potential products such as lozenges, tortoise herb jelly and coconut juice; continue to explore the brand value of “Ji Culture” and extend its consumption landscape so as to promote product sales.
3. Accelerating the service transformation of the Great Commerce. We will further expand financing channels to improve financing capabilities; strengthen category expansion and channel integration, enhance linkage between purchase and sales, consolidate retail business layout, vigorously expand pharmacies in the proximity of hospitals and DTP pharmacies; deepen B2B digital transformation, refine customer management, keep abreast of market needs, and promote targeted marketing.
4. Striving to create development advantages for Great Medical Care. We will advance the construction of Baiyunshan Hospital, expedite the introduction of talents, and continuously improve the overall strength of the hospital; deepen resources sharing and linkage with the Department of Neonatology and Department of Obstetrics and Gynecology of Baiyunshan Hospital, aiming to optimize and strengthen the brand of “Baiyunshan Runkang” confinement club; explore product lines with focus on the layout of featured products that are closely related to food, clothing, housing and transportation, and those with high-tech elements, and enhance the influence of the Baiyunshan brand in the field of medical devices.

# Management Discussion and Analysis

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

### (2) Development strategy and annual work plan for year 2023 *(Continued)*

5. Improving the efficiency of scientific research and the effectiveness of innovation. Based on the existing R&D platform, we will further enhance R&D innovation system and establish a first-class scientific research platform; continue to promote the consistency evaluation of generic drugs, strengthen cooperation with international and domestic enterprises, laboratories and colleges, and deploy strategic and backup technology R&D projects to expand competitive edge.
6. Improving the construction of quality management system. We will promote the establishment of a refined production management system, enhance the level of automation, digitalization and intelligence of pharmaceutical equipment; improve quality management system, strengthen the management of material suppliers, and continuously promote the establishment of a warning system for pharmacy defectiveness.
7. We will continue to promote the development of the Company with the support of talent, and continue to implement policies on corporate reform, professional manager reform, adopt tenure system for the appointment of senior management and contract management, and further optimize the composition of talent team.
8. Promoting improvement on both efficiency and profitability, while improving internal management efficiency and operational efficiency. We will focus on the weak links in management, promote the improvement of both effectiveness and efficiency; continue to carry out inspection and audit work to strengthen the comprehensive capabilities of the Group's risk warning, monitoring, prevention and control, and promote the high-quality development of the Group

### (3) Potential challenges and risks

Applicable    Not applicable

In the future, high-quality development will still be the main theme of the development of the pharmaceutical industry. With the continuous deepening of the normalization of a series of pharmaceutical reforms such as consistency evaluation and volumebased procurement, innovation transformation, industrial integration, and business model transformation are inevitable. Pharmaceutical companies are facing the pressure of industrial transformation and upgrading. Enterprises with high-cost drugs and less innovation will be eliminated at an accelerated rate, which will force enterprises to further strengthen their innovation and R&D capabilities and launch new products with differentiated advantages, and bring challenges to the development of the Group's traditional business.

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

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

### (3) Potential challenges and risks *(Continued)*

In addition, the pharmaceutical industry is one of the most affected industries by national policies, and it faces many risks such as industrial policy risk, drug/service quality control risk, research and development risk and market risk. With the further reform of the medical and health care system, especially the implementation of policies such as volume-based purchase, adjustment of the health care directory and reform of the medical insurance payment methods, the pharmaceutical market pattern keeps on changing, and the competition in the pharmaceutical industry intensifies. Currently, the production and operation activities will gradually return to normal. The Group will pay attention to the development situation of enterprises, assess and actively respond to the impact of the risk on the Group's financial situation, operating results and other aspects in a sustained way.

### (4) Others

Applicable  Not applicable

## 7. OTHER MATTERS

### (1) Accounts

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement.

The financial condition of the Group as at 31 December 2022 is set out in the consolidated balance sheet.

The cash flows of the Group for the year ended 31 December 2022 are set out in the consolidated cash flow statement.

The cash flows of the Company for the year ended 31 December 2022 are set out in the cash flow statement.

### (2) Financial summary

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

# Management Discussion and Analysis

## 7. OTHER MATTERS *(Continued)*

### (3) Reserves

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

### (4) Distributable reserves

The distributable reserves of the Group as at 31 December 2022 calculated in accordance with the China Accounting Standards for Business Enterprises was RMB8,063,724,000.

### (5) Fixed assets

Details of the movements of fixed assets of the Group for the year ended 31 December 2022 are set out in the section headed “X Financial Reports” in this annual report.

### (6) Ordinary connected transactions

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

### (7) Management contracts

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

### (8) Corporate governance

The Company complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules of HKEX (up to 31 December 2022) (“Corporate Governance Code”) during the Reporting Period except for code provision F.2.2 as disclosed in the section headed “IV Corporate Governance” in this annual report below.

### (9) Tax exemption

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

## 7. OTHER MATTERS *(Continued)*

### (10) Retirement scheme

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

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

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

### (12) Environmental policy

The environmental policy and its performance of the Group were set out in the Social Responsibility Report in 2022 of the Company (full text of the report has been uploaded to the websites of SSE and HKEX).

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

Applicable    Not applicable

# Corporate Governance

## 1. DESCRIPTION OF CORPORATE GOVERNANCE

Applicable Not applicable

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

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

During the Reporting Period, the Company complied with the code provisions under the Corporate Governance Code and Corporate Governance Report (effective to 31 December 2022) as set out in Appendix 14 to the Listing Rules of HKEX, except that Mr. Li Chuyuan, the chairperson of the Company, was unable to attend the first extraordinary general meeting in 2022 due to business reasons which constituted deviation from code provision F.2.2 of the CG Code.

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

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

The review of the business and financial position of the Company for 2022 is set out in the section headed "III. Management Discussion and Analysis" in this annual report.

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

### (1) *(Continued)*

The Board confirmed that it was responsible for risk management and internal control and was responsible for continuously reviewing the effectiveness of the risk management and internal control and overseeing management in the design, implementation and monitoring of the risk management and internal control system. The Audit Committee under the Board monitors the Company's risk management and internal control system to ensure that management has fulfilled its responsibilities to establish an effective system. The Audit Committee convened the 2nd Audit Committee meeting of the Company in 2023 on 17 March 2023 to review and approve the Company's 2022 internal control evaluation report. The Audit Committee (and the Board) are of the view that the internal control and risk management system of the Company is adequate and effective and the Company has complied with the provisions of the CG Code regarding internal control and risk management system, including:

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

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

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

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

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

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

# Corporate Governance

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

### (1) *(Continued)*

#### (v) Internal audit function

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

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

- (i) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 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 by the Board meeting of the Company held on 18 March 2022.
- (ii) 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. For details, please refer to the announcement dated 18 March 2022 and the circular dated 6 April 2022.
- (iii) 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.

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

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

- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

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

- (viii) In order to regulate the Company's guarantee activities, strengthen the management of its guarantee business, effectively prevent risks in relation to the guarantees provided by the Company, and safeguard the safety of its assets, in accordance with the Company Law, the Articles of Association and relevant regulations, the Company amended the relevant provisions of the Guarantee Management System. The aforesaid amendments were disclosed after being reviewed and approved at the 21st meeting of the eighth session of the Board of the Company held on 5 August 2022.
- (ix) In order to ensure the sustainable, stable and healthy development of the Company, further improve the governance structure of the Company, strengthen the scientific decision-making capability of the Board of Directors, and improve the financial accounting of the Company, in accordance with the relevant provisions of the Company Law, the Articles of Association and relevant regulations, the Company amended the relevant provisions of the Implementation Rules of the Audit Committee of the Board of Directors. Such amendments were disclosed after being reviewed and approved at the 22nd meeting of the eighth session of the Board of the Company held on 19 August 2022.
- (x) In order to further regulate the Company's efforts to maintain investor relations, enhance contact and communication with its investors, improve its governance structure, and continuously enhance its image in the capital market, in accordance with the relevant provisions of the Company Law, the Securities Law, the Guidelines on Investor Relations Management for Listed Companies and relevant regulations, the Company amended the relevant provisions of the Investor Relations Management System. Such amendments were disclosed after being reviewed and approved at the 22nd meeting of the eighth session of the Board of the Company held on 19 August 2022.
- (xi) In order to improve the governance structure of the Company, standardize the nomination, selection and assessment procedures of the Directors and senior management of the Company, establish a management system for the nomination, assessment and remuneration of the Directors and senior management, and ensure that the members of the Board of Directors possess the experience and quality of diversity that are relevant to the Company's business, in accordance with the relevant provisions of the Company Law, the Articles of Association and relevant regulations, the Company amended the relevant provisions of the Implementation Rules for the Nomination and Remuneration Committee of the Board. Such amendments were disclosed after being reviewed and approved at the 25th meeting of the eighth session of the Board of the Company held on 28 December 2022.

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

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

(xii) 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 ten 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 followup analysis on trade receivables with risks, organizing review on significant economic contracts and annual risk appraisal.

### (3) Establishment and implementation of insider information management

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

The Company has established satisfactory procedures to deal with insider information and satisfactory measures in relation to internal control. The Company has designated relevant departments to be in charge of the monitoring, management, registration, disclosure and record-keeping of insider information on day-to-day basis. The Supervisory Committee of the Company is responsible for monitoring the implementation of the system regarding the registration and management of the persons in possession of insider information, ensuring that the persons in possession of insider information are aware of their rights, obligations and legal liabilities, urging the relevant persons to strictly comply with the duty of confidentiality. The Supervisory Committee of the Company is determined to eradicate insider dealings.

After self-inspection by the Company, we have not found any violation of the Insiders Registration System as at the end of the Reporting Period.

# Corporate Governance

## 1. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

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

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

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

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

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

Applicable Not applicable

### Peer Competition between Hua Cheng and the Company

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

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

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

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

Rectification measures and follow-up rectification plan: during the Reporting Period, the Company actively communicated and coordinated with relevant parties to explore various appropriate solutions. Hua Cheng is negotiating with related parties on land purchase and storage and relocation. At the same time, it is actively looking for relocation plot in order to confirm the relocation address of the factory as soon as possible. The Company will pay attention to its progress closely and urge GPLH and Hua Cheng to set up relevant work of equity transfer after the relocation.

Impact on the Company: although Hua Cheng is engaged in the production, manufacture and sale of pharmaceutical products, it does not have overlapping or identical products with the Group. Moreover, its operating revenue, net profit and net assets account for a relatively low percentage of the Company and poses insignificant competitive threat for the Company. Therefore, although Hua Cheng forms business competition with the Company, there is no material impact on the Company. In addition, the Company has been strictly following the relevant regulations in determining the value of connected transactions with Hua Cheng, and connected transactions made represent a small proportion. Also, relevant prices are based on market prices, while these transactions are carried out in the normal course of production and business and will not have an adverse impact on the Company’s ability to continue operation.

## 3. SHAREHOLDERS AND GENERAL MEETINGS OF SHAREHOLDERS

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

Shareholders of the Company shall enjoy the following rights according to the Articles of Association:

- (i) to request, convene, chair, attend or appoint proxies to attend general meeting of shareholders and to exercise the right to speak and voting rights in accordance with laws;
- (ii) to receive dividends and other forms of distribution of interest in proportion to their respective shareholdings;
- (iii) to supervise the management of the business operations of the Company and to make recommendations and interrogations;
- (iv) to transfer, give or pledge shares held by them in accordance with laws, administrative regulations of the State and these Articles of Association;
- (v) to enjoy the rights of access, participation and decision on material matters as stipulated by laws, administrative regulations and these Articles of Association;
- (vi) to obtain relevant information in accordance with the provisions of these Articles of Association;
- (vii) upon termination of liquidation of the Company, the right to participate in the distribution of the Company's remaining assets in proportion to their shareholdings.
- (viii) request from shareholders who object to a resolution of a general meeting of shareholders on merger or division of the Company for the Company to acquire their shares;
- (ix) other rights conferred by laws, administrative regulations and these Articles of Association.

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

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

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

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

Any shareholder of the Company requesting for inspection of the relevant information as set forth in the preceding paragraph or for obtaining information shall furnish with the Company written document evidencing the class and quantity of shares it holds in the Company and the Company shall comply with such shareholder's request upon verification of its shareholder capacity.

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

Shareholders of different classes of shares are classified as class shareholders. Class shareholders have the rights and obligations pursuant to the provisions of the laws, administrative regulations and these Articles of Association. Variations or abrogation of the rights conferred on a class of shareholders shall be approved by special resolution passed at general meeting and approved by holders of shares of that class at a class meeting convened. The resolutions of the class meeting of shareholders shall be passed only through voting by shareholders having more than two-thirds of equity interest with voting rights and attending such class meeting. With respect to class general meetings, the Company shall send to all registered shareholders of that class written notices of the class meeting in compliance with the requirements on the length of notice in respect of extraordinary general meetings stipulated of the Articles of Association, notifying them the matters to be considered at, and the date and venue of, the class meeting. Those shareholders of the class who wish to attend the meeting shall return the written replies to the Company within the time limit as specified in the notice of meeting.

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

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
The annual general meeting in 2021	26 May 2022	Resolution on amendments to the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited · Annual Report and its summary for year 2021, Report of the Board for year 2021, Report of the supervisory committee of the Company for year 2021, Financial report of the Company for year 2021, Auditors' report of the Company for year 2021, Proposal on profit distribution and dividend payment of the Company for year 2021, Proposal on the financial and operational targets and annual budget of the Company for year 2022, Resolution on the emoluments to be paid to the directors of the Company for year 2022, Resolution on the emoluments to the supervisors of the Company for year 2022, Resolution on the application for the amounts of bank borrowings by Guangzhou Pharmaceuticals Company Limited, a controlled subsidiary of the Company, and the amounts of guarantees to be provided by it to secure the bank loans for some of its subsidiaries, Resolution on the application by the Company for general banking facilities not exceeding RMB4 billion, Resolution on the purchase of the insurance in respect of the liabilities of the directors, supervisors and senior management of the Company, Resolution on amendments to the rules of procedures of the shareholders meetings of the Company, Resolution on amendments to the rules of procedures of the Board of Directors of the Company, Resolution on amendments to the rules of procedures of the Supervisory Committee of the Company, Resolution on amendments to the System of Independent Directors, Resolution on the appointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for year 2022, Resolution on the appointment of WUYIGE Certified Public Accountants LLP as the internal control auditor of the Company for year 2022, Resolution on amendments to the management measures in relation to the proceeds raised of the Company	Passed	Shanghai Securities News (上海證券報), Securities Times (證券時報), (HKEX) China Securities Journal (中國證券報), Securities Daily (證券日報)	27 May 2022 (SSE) 26 May 2022 (HKEX)

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

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
the first extraordinary general meeting in 2022	16 December 2022	Resolution on the application for registration and issuance of medium-term notes of the Company, Resolution on Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), a controlled subsidiary of the Company, to conduct asset-backed securitization of accounts receivable, Resolution on the settlement of partial proceeds invested in projects and permanent replenishment of working capital from the remaining proceeds	Passed	Shanghai Securities News (上海證券報), Securities Times (證券時報), 2022 (HKEX) China Securities Journal (中國證券報), Securities Daily (證券日報)	17 December 2022 (SSE) 16 December 2022 (HKEX)

Extraordinary general meetings requested by preferred shareholders who were reinstated

Applicable     Not applicable

Description of general meetings

Applicable     Not applicable

## 4. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

### Existing Directors, Supervisors and senior management

#### (i) Profile of executive Directors

**Mr. Li Chuyuan**, aged 57, holds an EMBA degree and is a senior economist, a senior engineer of professor grade as well as a member of delegates to the 14th National People's Congress, a member of the 12th CPC Guangzhou Municipal Committee. Mr. Li is entitled to the special allowances granted by the State Council. He received the "National Model Workers Award", and was awarded the 2022 Person of China's Pharmaceutical Economy (2022中國醫藥經濟年度人物) and was selected for the "List of Chinese Good Fellows (中國好人榜)", was awarded the "Top Ten Economic Figures of China", the person of "China Double Embrace", "Guangdong Top 10 Innovative Persons", "Guangdong Top 10 Most Influential Persons in Economy" and "Guangzhou Top 10 Outstanding Youth". He is the representative of Guangzhou Communist Party, Guangzhou Outstanding Management Expert. Since Mr. Li began his career in July 1988, Mr. Li had successively served as the Deputy Director of operation department of Baiyunshan General Factory, Deputy General Manager, Deputy Secretary of the Communist Party and Chairperson of Baiyunshan, director and Secretary of the Communist Party of Guangzhou Baiyunshan Chinese Medicine Factory, the General Manager, Vice Chairperson and Secretary of the Communist Party of HWBYS, General Manager, Vice Chairperson, Deputy Secretary of the Communist Party of GPHL, the Vice Chairperson of the Company and the Vice Chairperson of the GP Corp. Mr. Li has served as the Vice Chairperson of the Company since 28 June 2010 and the Chairperson of the Company since 8 August 2013, and now is the Secretary of the Communist Party and Chairperson of GPHL, Secretary of the Communist Party and Chairperson of the Company, Vice Chairperson of HWBYS and Director of GP Corp. Mr. Li has extensive experience in the fields of corporate management and marketing.

**Mr. Yang Jun**, aged 54, holds a master degree in business administration and an economist title. Mr. Yang began his career in July 1992 and served successively as secretary of the board of directors, director, deputy secretary of the party committee, secretary of the discipline inspection commission and convenor of the board of supervisors of Baiyunshan; secretary of the party committee and director of Jing Xiu Tang; deputy secretary of the party committee and standing deputy general manager of Guangzhou International Group Co., Ltd; chairperson of Guangzhou Rubber Enterprises Group Co., Ltd; deputy secretary of the party committee, standing deputy general manager, labor union chairperson, and staff director of Vanlead Group Co., Ltd; deputy secretary of the party committee and director of Guangzhou Public Transport Group Co., Ltd; secretary of the party committee of Guangzhou First Bus Co., Ltd. Mr. Yang has been a director of the Company since January 2020 and has been the vice chairperson since June 2020. Mr. Yang is currently the deputy secretary of the party committee, vice chairperson, general manager of GPHL, and the chairperson of Guangyao Group (Macau) Company and the chairperson of Tian Xin. Mr. Yang has rich experience in party construction and innovation and enterprise management.

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

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

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

**Ms. Cheng Ning**, aged 57, completed tertiary education and is an accountant. Ms. Cheng possesses several professional qualifications, including PRC certified public accountant and PRC certified tax consultant. Ms. Cheng began her career in August 1986 and had been an officer of the finance department of Baiyunshan General Factory, the deputy head of the finance department of Guangzhou Baiyunshan Bao De Pharmaceutical Factory (廣州白雲山寶得藥廠), the head of the finance department of Guangzhou Baiyunshan Veterinary Medicine Factory (廣州白雲山獸藥廠), the head of the settlements division of the operations department, head of the accounts and payments division of the settlements centre, deputy head of the finance department and a member and secretary of the supervisory committee of Baiyunshan, the acting manager and manager of the financial resources department and the head of the finance department of Guangzhou Baiyunshan Enterprise Group Co., Ltd. (廣州白雲山企業集團有限公司), the deputy head and the head of the finance department of GPL, a director of each of Zhong Yi, Cai Zhi Lin, Qi Xing, Guangxi Yingkang, WLJ Investment, Wang Lao Ji Catering and GP Corp. and the chairperson of the supervisory committee of WLJ Great Health. Ms. Cheng has been a Director since 19 September 2012, the vice chairperson of the Company since 3 June 2019, and is also currently the standing deputy general manager and a member of the party committee of GPL, a member of the party committee of the Company, the convenor of the board of directors of Guangyao Baiyunshan Hong Kong Company and a director of Guangyao (Macau) Company, the chairperson of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司), Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司) and the chairperson of GP Capital. Ms. Cheng has extensive experience in finance management and internal control management.

**Ms. Liu Juyan**, aged 58, completed postgraduate education and holds a doctorate degree in medicine and is a senior engineer of professor grade. She is also an expert who enjoys special allowances from the State Council. Ms. Liu was awarded the "March 8th Flag Bearer" of China. She was an "Outstanding City Management Expert" of Guangzhou and also was a Guangzhou "121" reserved talent. Ms. Liu began her career in July 1990 and had been the chairperson and general manager of Baiyunshan Han Fang, the head of the technology and quality department of GPL, the chairperson of Yi Gan, the chairperson of the Guangyao General Institute and the chairperson of Baiyunshan Biological. Ms. Liu has been a Director of the Company since January 2014. Ms. Liu is currently the deputy general manager and the chief engineer of GPL. She also serves as the chief technical officer of the Company, the vice chairperson of Baiyunshan Biological, a director of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司), director of Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司) and director of Guangyao General Institute. Ms. Liu has extensive experience in scientific research and development, technological research and quality management.

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

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

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

**Mr. Zhang Chunbo**, aged 46, holds a master degree of EMBA, is a Senior Economist (Technology Entrepreneur) and a druggist and received the award of “National Model Workers”. Mr. Zhang graduated from the China Pharmaceutical University in July 2000 and began his career in the same year. In December 2010, he obtained a master degree of EMBA from the Lingnan (University) College of the Sun Yat-Sen University. He had served as the vice manager of the second zone, the assistant to the manager of sales department, the deputy general manager of sales department, the manager of sales department, the vice director of marketing department of HWBYS, the deputy general manager, standing deputy general manager, general manager and chairperson of Zhong Yi, and general manager and chairperson of Qi Xing. Mr. Zhang has been as the deputy general manager of the Company between January 2015 and August 2021, and a Director of the Company since 28 June 2019, and is currently a member of the party committee and the deputy general manager of GPHL, a member of the party committee of the Company, the chairperson and the secretary of the party committee of each of Zhong Yi and Qi Xing, the Director of each of Tian Xin, Baiyunshan Pharmaceutical Marketing, Haima Company and GP Corp. Mr. Zhang has extensive experiences in corporate management and marketing.

**Mr. Wu Changhai**, aged 57, holds an EMBA degree, is a Senior Economist (Technology Entrepreneur). Mr. Wu began his career in August 1989 and had been the Deputy General Manager of Guangxi Ying Kang, the Deputy General Manager, General Manager, director, Chairperson and Secretary of the Communist Party of Zhong Yi, the Chairperson of Qi Xing, the chairperson of Xing Qun, chairperson, a member of the party committee and a director of WLJ Great Health, chairperson of WLJ Ya’an, chairperson of Wang Lao Ji Great Health Industry (Mei Zhou) Co., Ltd., director and general manager of GPC and the Standing deputy general manager of the Company. Mr. Wu has served as a director of the Company since 28 June 2010, and is currently a member of the party committee and the deputy general manager of GPHL, a member of the party committee and a Director of the Company, the chairperson and general manager of Medical Instrument Investment Company, a director of Baiyunshan Medical and Healthcare Industry Company a director of Baiyunshan Hospital, a director of Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd (廣州白雲山中醫院有限公司) and a director of Baiyunshan Tibetan-style Health Preservation Castle in Nyingchi of Tibet Management Co., Ltd. (西藏林芝白雲山藏式養生古堡管理有限公司). Mr. Wu has extensive experience in the operation and management, marketing and scientific research, development of listed companies and pharmaceuticals, food and beverage, healthcare, and medical devices businesses.

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

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

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

**Mr. Li Hong**, aged 56, obtained a master degree of EMBA from the Lingnan (University) College of the Sun Yat-Sen University. Mr. Li is a senior economist (science and technological entrepreneur) and holds the titles of engineer and senior political work engineer. Mr. Li is a specially appointed committee member of the 11th Chinese People's Political Consultative Conference of Guangdong Province. Mr. Li started his career in July 1990. He had served as a director and the chairperson of the board of Guangzhou Baiyunshan Qiao Guang Pharmaceutical Co., Ltd., a director and the general manager of Tian Xin, a general manager, chairperson and secretary of the party committee of Ming Xing, a director of Baiyunshan and an assistant to the general manager of GPHL. Mr. Li has been a member of the party committee, a director and general manager of the Company since 22 June 2018, a director of Haima Company, a director of Ming Xing, a director of Guangyao Baiyunshan Hong Kong Company, the chairperson of Baxter Qiao Guang, the vice chairperson of Guangyao Group (Macau) Company, the director and general manager of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司) and Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司). Mr. Li has rich experience in business administration and marketing.

#### (ii) Independent non-executive Directors

**Mr. Wong Hin Wing**, aged 60, holds a master's degree in executive business administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Chartered Governance Institute. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. Mr. Wong was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region. He is an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the SSE and H shares listed on the HKEX), Jiangxi Bank Co., Ltd. (a public company with H shares listed on the HKEX), Zhaoke Ophthalmology Limited (a public company listed on the HKEX) and Kingmaker Footwear Holdings Limited (a public company listed on the HKEX). He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal as well as Accounting and Financial Reporting Review Tribunal, a member of the Construction Industry Council, the Betting and Lotteries Commission and the Medical Council of Hong Kong as well as a board member of Ocean Park Corporation. He is the managing partner and responsible officer of Hermitage Capital HK Limited, a private equity firm licensed under the Securities and Futures Ordinance. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years, after which he co-founded Silk Road International Capital Limited (a licensed corporation formerly known as Legend Capital Partners Inc.) and led the company as the executive director and responsible officer for twenty three years. Mr. Wong has been an independent non-executive director of the Company since 23 June 2017. Overall, he has over three decades of solid experience in corporate management and governance, investment management and advisory, accounting and finance.

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

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

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

**Ms. Wang Weihong**, aged 60, completed postgraduate education and holds a master degree in management. Ms. Wang is a professor in management, a Counsellor of the Counsellors' office of the People's Government of Guangdong Province, a member of each of the ninth, tenth and eleventh session of the Chinese People's Political Consultative Conference of Guangdong Province and a member of the twelfth session of the Counsellor Consultative Committee of the Chinese People's Political Consultative Conference. Ms. Wang graduated from the Hunan Institute of Economics and Finance (currently known as the Hunan University). She began her career in July 1986 and had successively been lecturer of the Department of Trade and Economics and the director of the Teaching and Research Office of the Hunan Institute of Finance and Economics, and an associate professor of the Department of Marketing and Sale of the Business Faculty of the Hunan University. Since 1999, Ms. Wang has been the head of the Market and Enterprises Research Center of the Business College and a professor of the Guangdong University of Foreign Studies. In recent years, Ms. Wang has become a committee member of the Guangdong Provincial Business Administration Teaching and Guidance Committee, an evaluation expert of the Association of the Social and Scientific Sectors of Guangdong (廣東省社會科學界聯合會) and an evaluation expert of the Guangdong Association of Science and Technology's Science and Technology Progress Award. Ms. Wang is also a standing director of the China Marketing Association, the deputy secretary general of China Business Administration Association of University (中國高校商務管理研究會), and a standing director of China Marketing Association of University (中國高校市場學研究會). Ms. Wang has been an independent non-executive director of the Company since 23 June 2017 and has extensive experience in strategy management, science and technology innovation management, marketing management and brand planning and operation.

**Mr. Chen Yajin**, aged 60, holds a doctorate degree, and is a professor and chief physician. Mr. Chen is the vice-officer of the Biliary Surgery Expert Committee of the Capacity Building and Continuing Education Committee of the National Health Commission of the PRC, officer of the Hepatobiliary and Pancreatic ERAS Expert Committee of the Chinese Branch of the International Hepato-Pancreato-Biliary Association, officer of the Hepatobiliary Surgery Branch of Guangdong Medical Doctor Association, a standing committee member of the Bile Duct Expert Committee of the Surgery Branch of Chinese Medical Doctor Association, the vice-officer of the Digestive Oncology Branch of Chinese Research Hospital Association, a member of the Biliary Surgery Group of the Surgery Branch of Chinese Medical Association, a member and the vice-officer of the China Branch of Asian-Pacific Laparoscopic Hepatectomy Promotion Committee, and a standing committee member of the International Laparoscopic Liver Society (ILLS). Mr. Chen began his career in July 1986, and successively held various positions such as the director of hepatobiliary surgery department and deputy officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University and has been an independent non-executive director of the Company since 29 June 2020. Mr. Chen is currently the director of hepatobiliary surgery department of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University. Mr. Chen has extensive experience in scientific research and development and technical research.

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

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

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

**Mr. Huang Min**, aged 59, holds a postgraduate degree and a doctorate degree in pharmacology, and is a professor (Grade II). Mr. Huang is a member of the Pharmacopoeia Commission of the PRC, the vice-officer of the Drug Metabolism Expert Committee, a standing committee member of Guangdong Provincial Association for Science and Technology and the president of Guangdong Provincial Assessment & Accreditation Federation of Technology. Mr. Huang began his career in June 1983, and successively held various positions such as a lecturer and an associate professor of the Department of Clinical Pharmacology of Zhongshan Medical University, and executive vice-dean and dean of School of Pharmaceutical Sciences of Sun Yat-Sen University. Mr. Huang has been an independent non-executive director of the Company since 29 June 2020 and is currently a professor and the director of the Institute of Clinical Pharmacology of Sun Yat-sen University. Mr. Huang has extensive experience in the teaching, scientific research and scientific and technological development in the field of pharmacy.

For details of the membership information of the Board committees on which the independent non-executive directors serve, please refer to “12. Committees of the Board” in this section. For details of the terms of the independent non-executive directors of the Company, please refer to “2. Changes in Interests and Emoluments” in this section.

#### (iii) Supervisors

**Mr. Cai Ruiyu**, aged 55, holds an EMBA degree, accountant and the financial economist title. Mr. Cai began to work in July 1988, and successively served as the financial supervisor of Guangzhou Baiyunshan Traditional Chinese Medicine Factory; the chief financial officer, the manager of the production dispatching office, and the deputy manager of the production technology department of Bozhou branch factory; assistant to the general manager, party committee member and deputy general manager of HWBYS; vice director of the organization department, HR department and unified front work department of the Company and as a member of the commission for discipline inspection, the director of the organization department of party Committee, HR department and unified front work department of GPLH. Mr. Cai served as a Supervisor of the Company since September 2019 and chairperson of the Board of Supervisors of the Company since January 2020. Mr. Cai currently serves as a member of the commission for discipline inspection as the director of the organization department of party Commission, HR department and unified front work department. Mr. Cai has been engaged in the management of finance, production and operation, administration and personnel, party affairs and administration for more than 30 years, boasting rich experience in party construction innovation, administrative management, operation management and management of cadres and talents.

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

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

#### (iii) Supervisors *(Continued)*

**Mr. Cheng Jinyuan**, aged 50, has a master degree of EMBA. Mr. Cheng started his career in December 1991. He served successively as a cashier of the retired cadre office of the National Defense University; accountant of the Administration of the General Office of the Central Military Commissions, provincial manager of HWBYS; deputy director of sales department of Guang Hua, director of discipline inspection office of GPLH, director of the inspection office of the party committee and employee supervisor of GPLH, and director of discipline inspection office of the Company. Mr. Cheng has been a Supervisor of the Company since January 2020. Mr. Cheng currently serves as the head of the audit department, director of the risk control office, the head of the audit department and director of the risk control office of the Company. Mr. Cheng has rich experience in discipline inspection, financial management and marketing.

**Mr. Jian Huidong**, aged 50, holds a bachelor degree and senior corporate cultural division title. Mr. Jian began to work in July 1994, is the supervisor of the Company since 3 June 2021, and currently serves as vice chairperson of labor union of GPLH, the Company and headquarter of GPLH respectively. Mr. Jian has been engaged in the work of labor union for many years and has rich experience in employee services, protection of employee rights and interests, and targeted poverty alleviation.

#### (iv) Senior management

**Mr. Huang Haiwen**, aged 42, graduated from the finance profession Peking University with a bachelor degree. Mr. Huang Haiwen started his career in July 2004. He served successively as Shanxi OTC manager of Guangzhou Baiyunshan Traditional Chinese Medicine Factory, manager of Shandong marketing center for Eastern China, deputy director of marketing and general manager of sales department for Jilu Region, and general manager of Shandong marketing center of HWBYS; head and deputy general manager of operating division of Guangxi Ying King; head and vice manager of operating division of Baiyunshan General Factory and deputy general manager of Baiyunshan Pharmaceutical Marketing. Mr. Huang has been a deputy general manager of the Company since July 2019 and currently serves as the chairperson of Baiyunshan Pharmaceutical Marketing, manager, a member of management committee of Baiyunshan General Factory, a director of Jing Xiu Tang and a director of Chemical & Pharmaceutical Technology Company. Mr. Huang has rich experience in marketing management and market operation.

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

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

#### (iv) Senior management *(Continued)*

**Ms. Zheng Haoshan**, aged 47, holds a master degree in management and is a senior economist. She was awarded the “March 8th Flag Bearer” of Guangzhou. Ms. Zheng Haoshan graduated from South China University of Technology in July 1998 and started her career in the same year. She served successively as the deputy director of the business administration department, the deputy director of the marketing department, the deputy director and director of the business administration, technology and quality department of Baiyunshan, and the deputy director of the business administration department of GPL. Ms. Zheng has been a deputy general manager of the Company since July 2019 and currently serves as the head of business administration department of the Company; director of GP Corp., director of Ming Xing, director of Zhong Yi, director of Baiyunshan Hanfang, director of Qi Xing and director of Baiyunshan Pharmaceutical Marketing. Ms. Zheng has rich experience in enterprise management, resource integration and operation analysis.

**Mr. Zheng Jianxiong**, aged 53, is the holder of a master’s degree in business administration and economist title. Mr. Zheng commenced working in July 1993 and served successively as the director of the Shanghai office, and deputy director of sales department of Guangzhou Pharmaceutical Company; the director of overseas sales department, director of purchasing department, director of purchasing center, deputy director of marketing department and deputy general manager of GP Corp; the deputy general manager of Cai Zhi Lin and the chairperson of Guangzhou Cai Zhi Lin Pharmacy. Mr. Zheng has been a deputy general manager of the Company since August 2020 and is the secretary of the party committee and chairperson of our GP Corp, a director of Cai Zhi Lin, a director of Baiyunshan Medical Equipment Investment, a chairperson of Baiyunshan Yi Xin Tang and a director of Guangzhou Zhongcheng Medical Equipment Industry Development Co., Ltd. (廣州眾成醫療器械產業發展有限公司). Mr. Zheng has extensive experience in business management and marketing.

**Ms. Huang Xuezheng**, aged 49, holds a master degree of arts. She is an economist, as a member of director representative of the third council of China Association for Public Companies and a member of the 15th session of the People’s Congress of Liwan District, Guangzhou City. Ms. Huang started her career in July 1999 and joined the Company in September 2003. She had served as the deputy officer of the Secretariat to the Board of the Company, the head of the secretariat and representative of securities affairs. She has served as the secretary to the Board of the Company since 26 April 2017 and is currently the Company secretary of the Company, the head of the Secretariat to the Board and a director of Golden Eagle Fund.

During the reporting period, there has been no change of the directors, supervisors and senior management.

## 5. CHANGES IN INTERESTS AND EMOLUMENTS

### (1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2022)

During the Year, the total amounts of remuneration received by the Directors, Supervisors and the senior management from the Group, the shareholder(s) of the Company and other connected entities were RMB20,011,020.

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period Note ① (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period Note ② (RMB'000)
<b>1. Interest (A shares) and emoluments of the current Directors, Supervisors and senior management of the Company</b>											
Li Chuyuan	Chairperson	Male	57	2010-06-28	Note ①	0	0	0	N/A	/	1,699.43
Yang Jun	Vice chairperson	Male	54	2020-01-13	Note ①	0	0	0	N/A	/	1,645.76
Cheng Ning	Vice chairperson	Female	57	2012-09-19	Note ①	0	0	0	N/A	/	1,537.18
Liu Juyan	Executive Director	Female	58	2014-01-28	Note ①	0	0	0	N/A	/	1,522.95
Zhang Chunbo	Executive Director	Male	46	2015-01-12	Note ①	0	0	0	N/A	300.62	1,093.12
Wu Changhai	Executive Director	Male	57	2010-06-28	Note ①	0	0	0	N/A	380.31	1,122.62
Li Hong	Executive Director	Male	56	2018-06-22	Note ①	0	0	0	N/A	1,501.84	/
Wong Hin Wing	General manager Independent non-executive Director	Male	60	2017-06-23	Note ①	0	0	0	N/A	120.00	/
Wang Weihong	Independent non-executive Director	Female	60	2017-06-23	Note ①	0	0	0	N/A	120.00	/
Chen Yajin	Independent non-executive Director	Male	60	2020-06-29	Note ①	0	0	0	N/A	120.00	/
Huang Min	Independent non-executive Director	Male	59	2020-06-29	Note ①	0	0	0	N/A	120.00	/
Cai Ruiyu	Chairperson of the board of Supervisors	Male	55	2019-09-24	Note ①	0	0	0	N/A	1,371.71	/
Cheng Jinyuan	Supervisor	Male	50	2020-01-13	Note ①	0	0	0	N/A	898.98	/
Jian Huidong	Supervisor	Male	50	2021-06-03	Note ①	0	0	0	N/A	/	899.52
Huang Haiwen	Deputy general manager	Male	42	2019-07-12	Note ①	0	0	0	N/A	1,416.28	/
Zheng Haoshan	Deputy general manager	Female	47	2019-07-12	Note ①	0	0	0	N/A	1,349.70	/
Zheng Jianxiang	Deputy general manager	Male	53	2020-08-28	Note ①	2,300	2,300	0	Note ④	1,607.93	/
Huang Xuezheng	Secretary to the Board	Female	49	2017-04-26	Note ①	0	0	0	N/A	1,183.07	/

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

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period (RMB'000)
-	-	-	-	-	-	-	-	-	-	-	-

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

### (1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2022) *(Continued)*

Notes:

- ① The term of office of members of the 8th session of the Board Committee commenced from 29 June 2020 up to the date on which the members of the new session of the Board Committee are elected.

Among members of the 8th session of the Supervisory Committee, the term of office of Mr. Cai Ruiyu and Mr. Cheng Jinyuan commenced from 29 June 2020 up to the date on which the members of the new session of the Supervisory Committee are elected, and the term of office of Mr. Jian Huidong commenced from 3 June 2021 up to the date on which the members of the new session of the Supervisory Committee are elected.

Except for Mr. Zheng Jianxiong whose term of office commenced from 28 August 2020 until members of the new session of the Board of Directors are elected, the term of office of the members of senior management commenced from 29 June 2020 up to the date on which the members of the new session of the Board are elected.

- ② The emoluments of Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan and Mr. Jian Huidong for the Year were received from the Company's shareholder, which included the basic salary, bonus, allowance, subsidy, staff welfare benefits, insurance premiums, statutory surplus reserve, and annuity for 2022, settlement of annual salary for the previous year as well as incentive income for the term of office etc.. The emoluments of Mr. Zhang Chunbo and Mr. Wu Changhai for the Year were received from the Company's shareholder, the salaries they received from the Company were the salaries paid for their work for the Company in 2021.

- ③ The emoluments of Mr. Li Hong, Mr. Cai Ruiyu, Mr. Cheng Jinyuan, Mr. Huang Haiwen, Ms. Zheng Haoshan, Mr. Zheng Jianxiong and Ms. Huang Xuezhen for the Year were received from the Company, which included without limitation the basic salary, staff welfare benefits, insurance premiums, statutory surplus reserve, annuity for 2022, settlement of annual salary for the previous year as well as incentive income for the term of office etc..

The emoluments of Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin, Mr. Huang Min were received from the Company.

- ④ Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

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

As at 31 December 2022, none of the Directors, Supervisors and chief executives of the Company had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX.

# Corporate Governance

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

Position in shareholder's company:

Applicable Not applicable

Name	Company	Position(s) held in the shareholder's company	Commencement date of term of office	Ending date of term of office
Li Chuyuan	GPHL	Secretary of the party committee	June 2013	/
Yang Jun	GPHL	Chairperson	July 2013	/
		Deputy secretary of the party committee	October 2019	/
Cheng Ning	GPHL	Vice chairperson	October 2019	/
		General manager	October 2019	/
		Standing deputy general manager	March 2019	/
Liu Juyan	GPHL	Deputy general manager	January 2011	/
		Chief engineer	August 2005	/
Zhang Chunbo	GPHL	Deputy general manager	August 2021	/
Wu Changhai	GPHL	Deputy general manager	August 2021	/
Jian Huidong	GPHL	Vice chairperson of labour union	October 2014	/

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

Applicable Not applicable

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

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

During the reporting period, there has no directors, supervisors or officers of the Company were appointed or resigned.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of change in information of Directors after the publication of the interim report of the Company for the six months ended 30 June 2022 are as follows:

<b>Name of director</b>	<b>Detail of change</b>
Li Chuyuan	Elected as a member of delegates to the 14th National People's Congress in February 2023; awarded the 2022 Person of the Year of China's Pharmaceutical Economy in February 2023.
Zhang Chunbo	Appointed as a director of GP Corp. in November 2022 ; ceased to be a member of Management Committee of Baiyunshan General Factory in July 2022.
Wu Changhai	Appointed as a director of Baiyunshan Hospital in September 2019 ; appointed as a director of Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co.,Ltd in March 2021.
Li Hong	Appointed as a director of Guangyao Baiyunshan Hong Kong Company and Baiyunshan Yi Xin Tang in May 2018 ; appointed as a director of Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd in July 2017.
Wong Hin Wing	Appointed as a board member of Hong Kong Ocean Park Corporation in July 2022 ; appointed as an independent non-executive director of Kingmaker Footwear Holdings Limited in January 2023 ; ceased to be an independent non-executive director of CRCC High-Tech Equipment Corporation Limited in October 2022 ; ceased to be an independent non-executive director of Wine's Link International Holdings Limited in March 2023.
Huang Min	Ceased to be the honored officer of the Clinical Pharmacology Expert Committee of Chinese Pharmacological Society in December 2021.
Cai Ruiyu	Appointed as the member of the discipline inspection commission of GPLH and the Company in January 2022.
Cheng Jinyuan	Appointed as the member of the discipline inspection commission of GPLH in January 2022.

## 9. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

## 10. PERMITTED INDEMNITY

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

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

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

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

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

Applicable Not applicable

## 13. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted the Model Code in Appendix 10 to the Listing Rules of HKEX and "Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management" as stipulated by the Company as the code and criteria for securities transactions by Directors and Supervisors of the Company. After making specific inquiry on all the Directors and Supervisors, the Company confirmed that its Directors and Supervisors had fully complied with the standards relating to directors' and supervisors' dealing in securities as set out in the above code and criteria during the Reporting Period. The Company has not been informed of any non-compliance by directors and supervisors with Model Code.

## 14. BOARD OF DIRECTORS

### (1) Composition

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

The current Board is the 8th session of the Board of the Company since its establishment, consisting of 11 directors, including Mr. Li Chuyuan (chairperson), Mr. Yang Jun (vice chairperson), Ms. Cheng Ning (vice chairperson), Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai and Mr. Li Hong as executive Directors, and Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yanjin and Mr. Huang Min as independent non-executive directors. Their term of office is from 29 June 2020 until members of new session of the Board are elected.

The Board shall exercise the following powers:

- (A) convention of general meetings of shareholders, and report to the general meetings;
- (B) implementation of the resolutions of the general meeting;
- (C) formulation of the business plan and investment scheme of the Company;
- (D) formulation of the annual financial budget and financial accounting policy of the Company;
- (E) formulation of the profit distribution policy and loss recovery policy of the Company;
- (F) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company or other securities of the Company and proposals for listing;
- (G) drafting of the policies of material corporate acquisition, if the repurchase is made under the circumstances specified in these Article of Association, or the merger, separation, dissolution, liquidation and change of corporate form of the Company;
- (H) making decision on the establishment of internal management system in the Company;
- (I) making decisions on the employment or dismissal of the managers, secretary of the Board and other senior management personnel of the Company, and making decisions on their remuneration, rewards and punishments; on the basis of nomination, making decisions on the employment or dismissal of the assistant managers, person in charge of finance and other senior management personnel of the Company; making decision on their remuneration, rewards and punishments;
- (J) formulation of the basic management system of the Company;
- (K) formulation of the proposal on amendments to the Articles of Association
- (L) making decision on a single external guarantee where the items guaranteed satisfying the conditions of the Company involves an amount of more than 10% (or 10%) of the latest audited net assets;

## 14. BOARD OF DIRECTORS *(Continued)*

### (1) Composition *(Continued)*

- (M) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, external donations, within the scope of authorization by the general meeting of shareholders;
- (N) management of disclosure of information of the Company;
- (O) proposal to the general meeting of shareholders on employment or replacement of accounting firm responsible for auditing for the Company;
- (P) receiving the work report of the managers of the Company and checking the work of the managers;
- (Q) pass resolutions regarding the repurchase of the shares of the Company by the Company under the circumstances prescribed in (3), (5) and (6) of Article 30 of these Articles of Association;
- (R) other powers granted by the Articles of Association and the general meetings of shareholders.

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

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

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

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

## 14. BOARD OF DIRECTORS *(Continued)*

### (1) Composition *(Continued)*

During the Reporting Period, the Directors of the Company participated in the sustainable professional development in order to update their relevant knowledge and skills and ensure they are able to make informed contributions to the Board of the Company. The Company regularly arranges every Director to participate in the professional trainings organized by the CSRC and the stock exchanges on which the Company is listed, and certificates of qualification for training or certificate recognized by the relevant authorities were obtained. The Company secretary of the Company also participates in the relevant professional trainings of not less than 15 hours each year. All Directors had provided the secretary of the Board with records on their trainings during the Reporting Period. The Company encourages all Directors to attend the relevant training courses and bears the relevant expenses. Details of training on directors and secretary of the Company in 2022 are as follows:

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

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

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

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

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

## 14. BOARD OF DIRECTORS (Continued)

### (2) Board Meetings

In 2022, there were 7 Board meetings held to discuss the periodic reports, the appointment as the auditor and the internal control auditor of the Company for year 2022, the application for registration and issuance of medium-term notes of the Company and revise a part of the internal management system. The Board meetings had effective discussion and can make decisions which are serious and cautions.

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

Directors	Whether an independent director	Number of meetings that should have attended	Participation of Directors at Board meetings				Attendance of Directors at general meetings		
			Number of meetings participated in person	Number of meetings participated by way of communication (Notes)	Number of meetings participated by appointing a representative	Number of absence	Failure to participate in two meetings in person consecutively	Number of general meetings that should have attended	Number of general meetings attended
Li Chuyuan	No	7	7	4	0	0	No	2	1
Yang Jun	No	7	6	3	1	0	No	2	2
Cheng Ning	No	7	7	3	0	0	No	2	2
Liu Juyan	No	7	7	3	0	0	No	2	1
Zhang Chunbo	No	7	7	4	0	0	No	2	2
Wu Changhai	No	7	7	5	0	0	No	2	2
Li Hong	No	7	7	3	0	0	No	2	2
Wong Hin Wing	Yes	7	7	7	0	0	No	2	2
Wang Weihong	Yes	7	7	4	0	0	No	2	2
Chen Yajin	Yes	7	7	4	0	0	No	2	2
Huang Min	Yes	7	7	4	0	0	No	2	2

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

## 14. BOARD OF DIRECTORS *(Continued)*

### (2) Board Meetings *(Continued)*

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

Applicable Not applicable

Number of Board meetings held during the year	7
Including: Number of on-site meetings	0
Number of meetings by way of communication	3
Number of on-site meetings of combined with participation by communication	4

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

Applicable Not applicable

### (3) Independent non-executive Directors

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

During the Reporting Period, the Board of the Company carefully reviews the validity of the Articles of Association, "Rules of Procedures of the Board", "Independent Directors System" and "The Annual Reporting System of Independent Directors" to ensure the independent views and opinions are available to the Board. The independent non-executive Directors of the Company expressed their independent views on the relevant transactions made during the Reporting Period and discharged their duties as independent non-executive Directors seriously.

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

## 14. BOARD OF DIRECTORS *(Continued)*

### (3) Independent non-executive Directors *(Continued)*

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

Pursuant to the “Notice on preparation of the 2022 Annual Report in an ordering manner by Listed Companies” issued by SSE on 10 February 2023, the independent non-executive Directors studied the relevant requirements set out in the Notice seriously. The Company reported to the independent non-executive Directors on production and operation issues and the progress of major events, and submitted an action plan in relation to the preparation of the 2022 annual report and auditing work and relevant information. After completion of the preliminary auditing work by the Company’s accountants, the independent non-executive Directors communicated with the auditors on issues related to the auditing process.

### (4) Loan or guarantee granted to Directors

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

### (5) Directors’ responsibility in preparing the financial statements

The Directors acknowledge that it is their responsibilities to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the loss and cash flows position of the Group for the Year and which are in compliance with statutory requirements and other regulatory requirements. As at 31 December 2022, the Board was not aware of any material misstatement or uncertainties that might cast doubt on the Group’s financial position or ability to continue as a going concern. The Board endeavors to ensure a balanced, clear and understandable assessment of the Group’s performance, position and prospects in financial reporting. The statement of the auditors regarding their reporting responsibility for the financial statements is set out in the Financial Reports on pages 185 to 390 of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

## 15. COMMITTEES OF THE BOARD

### (1) Audit Committee

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

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

During the Reporting Period, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, code of practice of the Audit Committee of the Board, the Corporate Governance Code and other relevant regulations. In 2022, the Audit Committee held 6 meetings and each of the members of the committee attended all the meetings, in which the members reviewed the 2021 Annual Report, 2022 Interim Report and financial reports of the Group as well as the recommendations on management issued by auditors and the respective response by the Company's management; reviewed the connected transactions of the Group; reviewed the Company's internal audit risk control report for 2021 and audit risk control work plan for 2022; review the Company's quarterly reports for the first and third quarters of 2022; review the report on inspection of the use of proceeds for the whole year of 2021 and half year of 2022; review the proposal for the Company's participation in the establishment of an equity investment fund and related party transactions as well as the estimated number of day-to-day related party transactions in 2023; advised the Company on major events of the Company or reminded the management of relevant risks and reviewed the effectiveness of internal audit risk management and internal review function; advised the Board regarding the change of auditing firm.

Major tasks accomplished by the Audit Committee in 2022 included:

#### 1) Work regarding the change of accounting firm

During the Reporting Period, the Company engaged WUYIGE Certified Public Accountants LLP as the auditor for annual financial report and internal control of the Company for the year 2022. Upon verification, the Audit Committee believes that WUYIGE Certified Public Accountants LLP satisfies the requirements for an auditor as stipulated in the Securities Law, and possesses the qualifications and competence to provide audit services to listed companies. WUYIGE Certified Public Accountants LLP did not violate the requirements for Independence under the Code of Ethics for Chinese Certified Public Accountants, and possesses sufficient independence, integrity and ability to protect our investors, and thus satisfies the requirements of the Company for its annual financial audit and internal control audit work for 2022.

## 15. COMMITTEES OF THE BOARD *(Continued)*

### (1) **Audit Committee** *(Continued)*

#### 2) **Supervision and evaluation of the work of external auditors**

The members of the Audit Committee communicated with the Company's auditor for the 2021 annual financial statements, WUYIGE Certified Public Accountants LLP, regarding among other matters, the scope and plan of the audit and seriously urged the auditor to conduct the audit with due diligence. The Audit Committee believes that the auditor has carried out the audit work for the Company in the year of 2021 with cautious, independent and objective standards, and managed to abide to their professional ethics, followed the auditing regulations closely, fulfilled their auditing responsibilities and submitted the auditors' report in time.

#### 3) **Supervision and evaluation of the internal audit work**

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

#### 4) **Supervision and evaluation of the effectiveness of internal control**

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

#### 5) **The audit on the related party/connected transactions**

During the Reporting Period, the Audit Committee reviewed the necessity and reasonableness of the Company's related party transactions, kept an close eye on the compliance of the pricing model, consideration and disclosure of the related party transactions with the relevant rules, reviewed one by one the issues in relation to the related party transactions of the Company, and believed that the pricing of the transactions was fair and reasonable, and was not aware of any related party/connected transactions which were harmful to the interests of the Company and its shareholders as a whole.

Work relating to the annual audit for 2022 and the preparation of the annual report is as follows:

The Audit Committee actively coordinated with the Company in respect of the audit for 2022 and the preparation of the annual report for 2022 in accordance with code of practice of the Audit Committee of the Board and the Rules on the Annual Report of the Audit Committee, including:

- 1) The Committee negotiated with the auditors of the Company and the Company's Finance Department regarding the time line for audit and the relevant arrangements and set out the "Action plan for the Preparation of 2022 Annual Report" and reviewed the audit plan submitted by the auditors.

## 15. COMMITTEES OF THE BOARD *(Continued)*

### (1) Audit Committee *(Continued)*

- 2) On 3 March 2023, the Audit Committee reviewed the draft of the financial reports prepared by the Company and issued written recommendations thereon.
- 3) After the auditors' completion of the preliminary auditing work, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed that the 2022 financial reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.
- 4) On 17 March 2023, the Audit Committee convened the second meeting in 2023 and considered and passed the 2022 Annual Report and its summary, the Company's 2022 Financial Report and relevant proposals. At the same time, the Audit Committee finalized its evaluation of the audit work of the auditors and believed that the auditors had carried out the audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, adhering to the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors' report on time, as well as issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

### (2) Strategic Development and Investment Committee

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

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

During the Reporting Period, the strategic development and investment committee had held 9 meetings and all the members attended each meeting.

## 15. COMMITTEES OF THE BOARD *(Continued)*

### (3) Nomination and Remuneration Committee

In February 2002, the Company established the Remuneration Committee, which was renamed as Nomination and Remuneration Committee as approved at the fourth Board meeting of the fourth session of the Board. Its principal responsibilities are to review and make recommendations on the election standards and procedures for directors, general managers and other senior management; to identify suitably qualified candidates of directors and senior management, examine them and make recommendations; to make recommendations to the Board on the issuer's policy and structure for all remuneration of directors and senior management; to guide the Company to construct a reasonable remuneration standard and system; to monitor the implementation of the remuneration system of the Company; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules of HKEX etc..

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

During the Reporting Period, the Nomination and Remuneration Committee held two meetings to review the proposals on the emoluments of Directors, Supervisors and senior management of the Company for year 2021, the proposals for the emoluments of the Directors of the Company for year 2022, proposal on the fulfillment for emoluments of the Company's senior management for year 2022 and proposal on Amending the Relevant of "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited rules of procedures for the the Nomination and Remuneration Committee of the Board of directors". All of the committee members had attended the meetings.

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

The Nomination and Remuneration Committee has adopted a nomination procedure for the selection of candidates of directors, which will refer to Policy of the Company and consider candidates' skills, experience, professional knowledge, personal integrity and the Company's needs and other relevant statutory requirements.

## 15. COMMITTEES OF THE BOARD *(Continued)*

### (4) Budget Committee

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

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

During the Reporting Period, the Budget Committee held one meeting to review the proposals on business objectives and annual budget plan for the year 2022 and the proposals for the budget plan for the year 2022. All of the committee members had attended the meetings.

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

## 16. SUPERVISORY COMMITTEE

- (1) During the Reporting Period, the Supervisory Committee monitored the procedures for convening shareholders' general meetings and Board meetings and the resolutions proposed to be considered thereat, as well as the implementation by the Board of the resolutions passed at the shareholders' general meetings, and has no dissenting view on any reports and proposals submitted by the Board at shareholders' general meetings. The Supervisory Committee considered that during the Reporting Period the operations conducted by the Company were in compliance with the Companies Law, the Securities Law, the respective listing rules governing the securities exchanges in the PRC and in Hong Kong, the Articles of Association and other relevant laws and regulations, and the Company has implemented the resolutions of the shareholders' general meetings of the Company diligently, continued to enhance the internal management and internal control systems of the Company, and has established a good internal management system. The Company's Directors and senior management have properly discharged their duties and have not committed any acts in breach of the laws and regulations, the Articles of Association, nor have they engaged in any acts jeopardising the Company's interest or shareholder's interests.
- (2) During the Reporting Period, the Supervisory Committee held 7 meetings, all Supervisors had attended the meetings.
- (3) The Supervisory Committee has carefully reviewed the financial statements and other financial information of the Company during the Reporting Period, and considered that the Company's financial statements were fairly presented, the auditing and financial management were in line with the relevant regulations, and had not discovered any issues. The auditors issued their standard and unqualified auditor's reports after auditing the accounts of the Group and the Company for year 2022, which reflected an objective, true and fair view of the financial status and the operations results of the Company.

# Corporate Governance

## 16. SUPERVISORY COMMITTEE (Continued)

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

## 17. EMPLOYEES OF THE COMPANY AND THE MAJOR SUBSIDIARIES

### (1) Situation of the employees

Numbers of the employees of the parent Company	2,059
Numbers of the employees of the major subsidiaries	22,190
<b>Total number of employees</b>	<b>24,249</b>
Retired employees of the Company and major subsidiaries whose expenses were assumed by the Company and major subsidiaries	10,381
Gross payroll of the Group	RMB3.805 billion
<b>Sex Ratio</b>	
Male	61.06%
Female	38.94%
<b>Composition</b>	
Category constitution	<b>Number of constitute staff</b>
Production staff	4,419
Sales personnel	11,137
Technical staff	3,248
Finance staff	616
Administrative staff	4,829
<b>Total</b>	<b>24,249</b>
<b>Educational Level</b>	
	<b>Number</b>
Postgraduate	678
Undergraduate	8,194
University college	7,176
Secondary and below	8,201
<b>Total</b>	<b>24,249</b>

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

### (2) Remuneration policy

Applicable Not applicable

The remuneration of the employees of the Group includes salaries, subsidies, bonuses, enterprise annuities and other fringe benefits such as five social insurances and one housing fund, and supplementary medical insurance. The Group, in accordance with the relevant laws and regulations, paid different rates of remuneration to different employees, depending on their performance, qualification, position and other factors. Meanwhile, the Group provides professional and management channels for the career development of employees, as a breakthrough to the predicament in talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employees with care such as staff shuttles, apartments for talents, and various interest groups. The group adheres to equal employment, attaches importance to the integration of diverse cultures, respects all enterprises with different background, fairly treats employees of different nationalities, races, religious beliefs, genders and ages, and resolutely opposes to any form of discrimination.

### (3) Training plan

Applicable Not applicable

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

### (4) Labour Outsourcing

Applicable Not applicable

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

### (1) Formulation of cash distribution policy and its implementation

Applicable  Not applicable

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

During the Reporting Period, having considered factors such as profit, cash flow, investment, funding needs and shareholders' returns planning, etc., in conjunction with the relevant provisions of the Articles of Association relating to profit distribution, the management of the Company submitted the proposal in relation to the profit distribution and dividend payment for 2021 to the Board. After the proposal on profit distribution and dividend payment for 2021 was approved by the Board and the Supervisory Committee unanimously, and after the independent non-executive Directors expressed their opinions, it was submitted to the annual general meeting of shareholders of the Company of 2021 for consideration and was approved. The dividends had been distributed by the end of July 2022.

### (2) Explanation of cash distribution policy

Applicable  Not applicable

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

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

Distribution year	Distribution for every 10 shares (inclusive of tax) (RMB)	Amount of profit distribution in cash (inclusive of tax) (RMB)	Net profit attributable to the shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	Proportion of payout distribution in the net profit attributable to the shareholders of the Company as showed in the consolidated financial statements (%)
2022	7.32	1,190,078,974.67	3,966,522,218.54	30.00
2021	6.87	1,116,918,381.96	3,719,877,680.46	30.03
2020	5.38	874,675,530.56	2,915,244,576.05	30.00

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

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

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

Applicable Not applicable

- (5) **Profit distribution and increase in share capital from capital reserve during the Reporting Period**

Applicable Not applicable

Number of bonus shares to be distributed for every 10 shares (shares)	0
Distribution for every 10 shares (RMB) (inclusive of tax)	7.32
Number of shares to be transferred into share capital for every 10 shares (shares)	0
Amount of profit distribution in cash (RMB) (inclusive of tax)	1,190,078,974.67
Net profit attributable to the ordinary shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	3,966,522,218.54
Proportion of net profit attributable to the ordinary shareholders of the Company as showed in the consolidated financial statements (%)	30.00
Amount of repurchase of shares in cash included in profit distribution in cash (RMB)	0
Total amount of profit distribution (RMB) (inclusive of tax)	1,190,078,974.67
Proportion of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated financial statements (%)	30.00

The independent non-executive Directors of the Company have expressed their views on the profit distribution scheme, which is subject to the approval at the annual general meeting of the Company in 2022. The annual general meeting of the Company in 2022 will be convened by a combination of onsite open vote and online voting, thereby ensuring that there are opportunities for minority shareholders to fully express their opinions and appeals and that their legitimate rights and interests are fully protected.

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

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

Applicable Not applicable

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

#### Equity incentive

Applicable Not applicable

#### Others

Applicable Not applicable

#### Employee stock ownership plan

Applicable Not applicable

#### Other incentives

Applicable Not applicable

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

Applicable Not applicable

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

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

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

Applicable Not applicable

The Company has always attached importance to the construction of internal control system, and constantly improve the internal control system. During the Reporting Period, the Company added and revised more than 40 systems, including audit, discipline inspection commission, party construction, personnel, informatization, procurement, finance and etc., and the subordinate enterprises added more than 1,000 systems, which further improved the process of internal control system, strengthened internal supervision and risk control. The Company organizes its subsidiaries to carry out self-evaluation of internal control to evaluate the design and implementation of the internal control system, which ensures the effective operation of the internal control system.

### Explanation of significant imperfections in internal control during the Reporting Period

Applicable Not applicable

## 21. MANAGEMENT AND CONTROL ON SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

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

## 22. AUDIT REPORT ON THE INTERNAL CONTROL

- (1) The assessment opinion of the audit firm: WUYIGE Certified Public Accountants LLP considered that as at 31 December 2022, the Group has maintained effective internal control in its financial reporting in all material aspects pursuant to the "Guidelines for Internal Control Standards" and relevant regulations.
- (2) WUYIGE Certified Public Accountants LLP has verified and evaluated the Group's internal control for the Year (full version is available on the website of the SSE).

Whether to disclose the audit report on internal control: Yes

Form of audit report on the internal control: Unqualified opinion

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

For details of the rectification of the peer competition between the Company and Hua Cheng, a subsidiary of GPLH, please refer to “Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts, measures, the progress of solutions and plans of material changes in business and operations which substantially compete with the Company” set out in the section headed “Corporate Governance”. The other problems in the self-check have been rectified.

## 24. OTHERS

### (1) Significant Relationships with Our Employees, Customers, Suppliers and Others

The Group offers various remuneration and benefit packages to its employees in line with industry norms based on, among others, their performance, abilities and positions. In addition, the Group chooses its suppliers with due prudence and has a comprehensive supplier management system in place to ensure the superior quality of its products delivered to the customers, as an effort to protect their rights and interests. During the Reporting Period, the Group enjoyed an agreeable and stable business relationship with both its suppliers and customers. Meanwhile, the Group attaches remarkable importance to the issues concerning environmental protection and public welfare, and strives to promote the sustainable and healthy development of the Company together with its stakeholders during the economic exchanges with them.

### (2) Information disclosure and management of relationship with investors

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

The Company believes that effective communication with its shareholders is essential to foster investor relations and to enhance investors’ understanding of the Group’s business performance and strategies. The Company endeavours to maintain an ongoing dialogue with its shareholders, particularly through its annual general meetings, other general meetings and results presentations. The Company maintains a website at <http://www.gyby.com.cn> for public access to information and updates on the business development and operations, financial information and other information of the Company.

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS

Whether build relevant system of environmental protection  
Environmental protection cost during the Reporting Period(RMB'0000) Yes  
1,100

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

Applicable  Not applicable

#### (i) Drainage information

Applicable  Not applicable

As the change of the standards set by Guangzhou City for key pollutant discharge units, part of the Company's subsidiaries were included as key pollutant discharge units in 2022. As at the end of the Report Period, Chemical Pharmaceutical Factory, He Ji Gong(factory in Liwan district) and Baiyunshan General Factory, being branches of the Company, and Baiyunshan Han Fang, Xing Qun, Bai Di Biological, Ming Xing, Tian Xin, Guang Hua, WLJ Ya'an Company and Weiling, being the subsidiaries of the Company, were among the key pollutants discharging units. The key items of waste emissions being monitored are waste gas and wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Interval	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District,	4.00	"Integrated Emission Standard for Air Pollutants", ≤50	0.16	-	None
	Nitrogen oxides	Interval	1	Guangzhou City, Guangdong Province, the PRC	100.70	"Integrated Emission Standard for Air Pollutants", ≤200	4.01	-	None
	Particulate matter (smoke dust)	Interval	5		0.92	"Integrated Emission Standard for Air Pollutants", ≤30	0.02	-	None
	Total VOCs	Interval	6		3.97	"Integrated Emission Standard of Air Pollutants", ≤120	0.19	-	None
	COD	Discharge after treatment	1		138.64	"Integrated Wastewater Discharge Standard (III-class criteria)" ≤500	13.80	-	None
He Ji Gong(factory in Liwan district)	COD	Discharge after treatment	1	No. 49 Liwan Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	46.25	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.28	-	None
Baiyunshan General Factory	Chemical oxygen demand	Interval	1	No. 88 Yunxiang Road, Tonghe Street, Baiyun District,	11.12	DB44/26-2001	2.29	-	None
	Total nitrogen	Interval	1	Guangzhou City, Guangdong	7.30	DB44/26-2001	1.51	-	None
	Ammonia nitrogen	Interval	1	Province, the PRC	0.22	DB44/26-2001	0.05	-	None
	Total phosphorus	Interval	1		0.12	DB44/26-2001	0.02	-	None

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

#### (i) Drainage information *(Continued)*

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Baiyunshan Han Fang	Sulfur dioxide	Discharge after treatment	1	No.8 Hot spring Avenue, Conghua District, Guangzhou City, Guangdong Province, the PRC	2.60	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤100	0.02	-	None
	Nitrogen oxide	Discharge after treatment	1		124.20	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤200	0.88	-	None
	Particulate matter (smoke dust)	Discharge after treatment	3		3.40	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤200	0.09	-	None
	Total VOCs	Discharge after treatment	9		1.43	"Emission Standard for Air Pollutants of Pharmaceutical Industry" (GB37823-2019) ≤150	2.96	-	None
	COD	Discharge after treatment	1		97.75	"Wastewater Discharge Limits" (DB44/26-2001) ≤500	7.95	-	None
	Ammonia nitrogen	Discharge after treatment	1		9.23	"Wastewater Discharge Limits" (DB44/26-2001) ≤500	0.12	-	None
Xing Qun	COD	Discharge after treatment	1	No. 162 Nanzhou Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	166.83	"Water quality standard for sewage discharged into urban sewers GB/T 31962-015"	0.01	-	None
	Ammonia nitrogen	Discharge after treatment	1		2.74	"Water quality standard for sewage discharged into urban sewers GB/T 31962-015"	0.002	-	None
Bai Di Biological	COD	Discharge after treatment	1	No.1 Wanbao North Street, Panyu District, Guangzhou City, Guangdong Province, the PRC	24.23	"Waste Water Discharge Standard of Medical Institution" 250mg/l	0.43	569.35	None
	NH3-N	Discharge after treatment	1		0.94	"Waste Water Discharge Standard of Medical Institution"(no limits for concentration)	0.02	102.48	None
Ming Xing	COD	Discharge after treatment	1	No.48 Industry Avenue North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	46.00	"Integrated Wastewater Discharge Standard (III-class criteria)" 500mg/l	2.23	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.84	"Integrated Wastewater Discharge Standard (III-class criteria)" 450mg/l	0.04	-	None
Tian Xin	COD	Discharge after treatment	1	No.808 Bingjiang East Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	12.50	"Integrated Wastewater Discharge Standard (III-class criteria)"	2.52	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.05	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.01	-	None

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

#### (i) Drainage information *(Continued)*

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Guang Hua	COD	Discharge after treatment	1	No.1 Nanshi Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	54.50	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.29	-	None
WLJ Ya'an Company	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)"	0.45	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province, the PRC	65.80	"Integrated Wastewater Discharge Standard (III-class criteria)"	2.10	4.60	None

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

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

✓ Applicable     Not applicable

The Company's branches and subsidiaries carried out various pollution preventive facilities and measures to ensure that the emission of exhaust gas did not exceed the permitted limit and strictly observed the relevant requirements under the "Integrated Emission Standard for Air Pollutants" and "Integrated Wastewater Discharge Standard (III-class criteria)". Details of the pollution preventive facilities and measures undertaken by the enterprises and their implementations (waste gas) are as follows:

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Chemical Pharmaceutical Factory	Sewage treatment facility tail gas treatment system DA008(6#)	2018.02	Odor, VOCs	Washing + biofilter	3,895
	202 production waste gas treatment facility DA010 (7#)	2007.10	Particulate matter, VOCs	Bag-type dust collecting + lye spray+ activated carbon adsorption	3,672
	205 cephalosporin sterile APIs production waste gas treatment facility DA004(5#)	2009.06	VOCs	Condensation + absorber recovery	360
	203 oral APIs production waste gas treatment facility DA003(9#)	2014.10	VOCs, sulfuric acid mist	Condensation + lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01	VOCs, Hydrochloride	Lye spray + photo catalytic oxidation	2,579
	205 oral cephalosporin APIs production dust and waste gas treatment facility DA002 (10#)	2016.01	Particulate matter	Cellulose filter cylinder filtration	5,350
	203 oral raw medicine production dust and waste gas treatment facility DA009 (8#)	2014.10	Particulate matter	Cellulose filter cylinder filtration	4,870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007(2#)	2009.06	Particulate matter	Cellulose filter cylinder filtration	7,205
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11	VOCs	Dichloromethane: water spray + L2 T-HPs resin adsorption method Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	3,000; 2,200
	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	AO Process	40

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
He Ji Gong (factory in Liwan district)	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Contact biochemistry	25
Baiyunshan General Factory	West District Sewage Station	2000.08	COD, total nitrogen, ammonia nitrogen, Total phosphorus	AO Process	1,200
Baiyunshan Han Fang	5th plant VOCs process organic waste gas treatment facilities (TA001)	2020.11	Benzene, VOCs, Total non-methane hydrocarbons	Condensation recover+ lye spray+ UV photolysis+activated carbon adsorption	6,000
	5th plant VOCs process organic waste gas treatment facilities (TA002)	2020.11	Benzene, VOCs, Total non-methane hydrocarbons	Condensation recover+ lye spray+ UV+activated carbon adsorption	12,000
	11th plant VOCs process organic waste gas treatment facilities (TA003)	2020.07	Particulate matter, VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	2,000
	11th plant VOCs process organic waste gas treatment facilities (TA004)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	6,700
	2nd plant VOCs process organic waste gas treatment facilities (TA005)	2020.11	Particulate matter, VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	5,000
	1st plant VOCs process organic waste gas treatment facilities (TA006)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	5,000
	1st and 3rd plant VOCs process organic waste gas treatment facilities (TA007)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	8,500
	2nd plant VOCs process organic waste gas treatment facilities (TA008)	2020.11	VOCs, Total non-methane hydrocarbons	Condensation recover+ water spray	7,000
	Experiment plant VOCs process organic waste gas treatment facilities (TA009)	2020.11	VOCs, Total non-methane hydrocarbons	Lye spray + UV photolysis	12,000
	Waste water treatment system and waste gas treatment facilities (TA010)	2017.10	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000
	Waste water treatment system and waste gas treatment facilities (TA011)	2021.05	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000
	Sewage Treatment Station	2005.09	pH value, total phosphorus (measured in P), suspended solids, Ammonia nitrogen (NH <sub>3</sub> -N), 5-day BOD, chemical oxygen demand, total nitrogen (measured in N), total organic carbon, acute toxicity, total cyanide, animal and plant oil, chroma	Second order anaerobic + third order aerobic + third order precipitation	360

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

#### (ii) Construction and operation of pollution prevention and control facilities *(Continued)*

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Xing Qun	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Biochemical treatment process	20
Bai Di Biological	Sewage Treatment Station	2005.09	COD, ammonia nitrogen	Aerobic biological method	120
Ming Xing	Sewage Treatment Station DW001	1995.12	COD, ammonia nitrogen	AO Process	400 (ton/day)
	Laboratory waste gas treatment tower DA002	2020.09	Laboratory gas	Medicine + spray	22,500
	Sewage Treatment Station and waste gas treatment tower DA003	2014.08	Stench	Biological method + spray	1,000
	Air purification tower DA004	2015.09	Hydrolyzed odor	Biological method + spray	2,600
	Air purification tower DA005	2016.12	VOCs	Biological method + spray	10,000
	Air purification tower DA006	2019.06	VOCs, stench	Biological method + spray	24,000
Tian Xin	Sewage Treatment Station Discharge Port TW001	2002.03	COD, ammonia nitrogen	SBR Process (interval)	800
Guang Hua	Sewage Treatment Station	2015.09	COD	AO Process	8.33
WLI Ya'an Company	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	AO Process	40
Weiling	Sewage Treatment Station	2016.06	COD, ammonia nitrogen	AO Process	40

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

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

Applicable  Not applicable

The designing, construction and trial run of plants, new projects and reconstruction and expansion projects of each key sewage-discharging entity of the Company went through the environmental impact assessment and the environmental protection completion inspection in strict compliance with relevant laws and regulations. Environmental protection facilities for supporting construction were 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 waste water, waste air and noise and standardized management of hazardous waste.

#### (iv) Environmental emergency response plan

Applicable  Not applicable

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

#### (v) Environmental self-monitoring program

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

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

Applicable  Not applicable

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

#### (i) Receiving administrative penalties due to environmental problems

Applicable  Not applicable

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

Applicable  Not applicable

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

#### (iii) Reasons for environmental information which were undisclosed

Applicable  Not applicable

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

Applicable  Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Company strictly controls the treatment and discharge of various pollutants through emission reduction from the source, green production in the intermediate process, and pollution prevention at the end. It not only meets discharge standards but also strives to minimize emissions. For example, the waste water discharged into the municipal pipeline is only required to meet the third-level discharge standard according to the law. The Company's subsidiaries strive to meet the first-level discharge standard through technical upgrading and strict management. In addition, it establishes nationwide planting bases of medicinal herbs with adaptations to varying local conditions, carries out standard plantation of Chinese medicinal herbs and conducts researches on planting technology on medicinal herbs, quality seedlings and quality traceability on Chinese medicinal herbs to promote biodiversity conservation. The Company actively advocates the concept of environmental protection, contributes to the green development of the whole society, and strives to promote the development of green economy, low-carbon economy and circular economy.

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS *(Continued)*

### (4) Measures taken to reduce carbon emissions and their effects during the Reporting Period

Whether take any measures to reduce carbon emissions	Yes
Equivalent of reduced carbon dioxide emissions(tons)	–
Type of reducing carbon emissions methods(e.g. using clean energy to generate electricity, using carbon reduction technologies in the production process, and developing and producing new products that contribute to carbon reduction)	The Company uses clean energy as combustion medium for boilers, which are brand boiler equipment with high heat efficiency. For the use of power energy, it proactively purchases power saving equipment and adopts LED lights for lighting and energy-saving electrical machinery. For power distribution equipment, it adopts capacitance compensation and provides power factors. Meanwhile, it proactively promotes the use of degradable and recyclable packaging materials in the production process.

Specific explanation

Applicable  Not applicable

During the Reporting Period, as the increase in product output, process changes and the expansion of statistical scope, the greenhouse gas emission statistics have increased. The Company has organized and guided its subsidiaries to carry out carbon verification work, actively using clean energy and reducing greenhouse gas emissions.

## 2. WORK ON SOCIAL RESPONSIBILITIES

### (1) Whether to disclose social responsibility report, sustainable development report or ESG report separately

Applicable  Not applicable

The Company has complied with the requirements of the Notice on Proper Preparation of the 2022 Annual Report by Listed Companies issued by the SSE, the rules of Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Appendix 27 of the Listing Rules of the HKEX, and prepared the 2022 Social Responsibilities Report (environmental quality, professional health and safety, environmental protection and social participation, which was published on the websites of the SSE and the HKEX on the same day on which this annual report was published.

# Environmental and Social Responsibility

## 2. WORK ON SOCIAL RESPONSIBILITIES *(Continued)*

### (2) Situation of social responsibility report

Applicable    Not applicable

#### External donation/ Public welfare projects

	Amount/Content	Explanations
Total amount (RMB'0000)	2,611.56	/
Include: cash (RMB'0000)	1,046.74	/
Value of goods and materials (RMB'0000)	1,564.82	Mainly included drugs, epidemic prevention materials, etc
Number of people benefited (persons)	/	/

Specific explanation

Applicable    Not applicable

## 3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION

Applicable    Not applicable

#### Poverty-alleviation and rural revitalization projects

	Amount/Content	Explanations
Total amount(RMB'0000)	442.64	/
Include: cash (RMB'0000)	194.25	/
Value of goods and materials (RMB'0000)	248.39	Mainly included consumption for poverty alleviation and donations of epidemic prevention materials
Number of people benefited (persons)	/	/
Form of poverty-alleviation (e.g. industry poverty-alleviation, employment poverty-alleviation, education poverty-alleviation and etc..)	Poverty alleviation by industry, education, and consumption, rural governance, and safeguard of people's livelihood	/

## 3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION *(Continued)*

Specific explanation

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 conditions.
3. Eleven projects in three towns and eight villages in Sandu County, Qiannan Prefecture, Guizhou Province, have been confirmed under collaboration between the eastern and western regions through pairing up with assistance funds of 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 revitalize the lychee industry in Guangdong.
5. Carrying out poverty alleviation through consumption and education, rural governance, and safeguard of people's wellbeing, and continue to promote, solidify and expand the results of alleviating poverty.

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS

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

✓ Applicable     Not applicable

#### (i) Independence of listed company

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (ii) Avoiding competition

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

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (iii) Regulating connected transactions

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (iv) Undertakings related to properties with legal defects

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

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (v) Undertakings related to trademarks

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>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 trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the licensing agreement and its supplemental agreement were held invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption to purchase the "Wang Lao Ji" trademarks as set out in the licensing agreement.</li> <li>2. On the basis of the original undertaking letter, GPLH has further made the promise as follows: After all of the legal disputes regarding the trademarks of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the then effective laws and regulations and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by GPLH after the execution day (inclusive of the date of execution) for the "Supplementary Agreement to the Agreement of Trademark Custody". The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities business and as confirmed in the asset appraisal report verified by the State-owned assets authority.</li> </ol>

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Valid period for performance	N/A
Whether timely and strictly performed	<p>In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to "two years since the effective date of the judgment on the law case of red can decoration", due to the disputes of red can decoration.</p> <p>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.</p>
Compliance or not	Yes
Remarks	On 16 August 2017, the Supreme People's Court of the PRC announced the judgment on the case of "disputes over red can decoration", and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company's wholly-owned subsidiary, received the relevant civil judgment of the Supreme People's Court of the PRC on the case of "dispute over red can decoration" (For details, please refer to the Announcement of the Final Judgement on the case of "dispute over WangLaoJi Red Can Decoration" of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH's undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer "Wang Lao Ji" series trademarks to the Company had been satisfied.

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

##### Item

##### Content

On 18 August 2021, the resolution on postponement in fulfilling performance guarantee by the controlling shareholder and signing of supplemental agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPLH. As affected by COVID-19, 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.

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.

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

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

Reached    Not reached    Not applicable

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

Applicable    Not applicable

#### (i) Basic information

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

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (ii) Performance commitment

According to the Implementation Guidelines on Related Transactions of Listed Companies on the Shanghai Stock Exchange, “if the listed company evaluates the assets to be purchased using the valuation methods such as cash flow discount method, hypothesis development method and other valuation methods based on the expectation of future earnings and takes them as the pricing basis, it shall disclose the difference between the actual profit of the relevant assets and the profit forecast in the annual report for three consecutive years after the completion of the related transaction, together with the special audit opinion issued by the accounting firm. The Company shall enter into a clear and feasible compensation agreement with its associates for the fact that the actual earnings of the relevant assets fall short of the profit forecast.” According to the Performance Compensation Agreement signed by the Company and GPLH on 27 December 2018, after the completion of this transaction, the Company shall, upon the expiration of each fiscal year of the performance commitment period, engage an accounting firm with securities and futures qualification and recognized by all parties to issue a special audit report on the realization of the promised net profit of trademark licensing of the trademark related products assessed with income method, audit and recognize the licensing annual net income of trademark licensing during the period of performance commitment of the trademark related products assessed with income method. According to the Performance Compensation Agreement, after the issuance of the special audit report in last year of the performance commitment period (i.e., 2021), GPLH is not required to compensate the Company if the total amount of the cumulative actual net income from the relevant trademark licensing as at the end of the performance commitment period is not less than the promised cumulative net income from the trademark licensing for the three years. At the end of the performance commitment period, if the cumulative actual net income from trademark licensing fails to reach the promised cumulative net income from the trademark licensing for the three years, GPLH shall make cash compensation to the Company. In the evaluation report issued by Allied Appraisal Consultancy Company Limited on 27 December 2018, the audited estimated net income of the trademark licensing in 2019, 2020 and 2021, evaluated with the income method, is not less than RMB152.87 million, RMB162.65 million and RMB171.45 million, respectively.

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

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (ii) Performance commitment *(Continued)*

According to the Special Audit Report on the Realization of Profit Forecast for Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. issued by BDO China Shu Lun Pan Certified Public Accountants LLP, the realization of the net income of “Wang Lao Ji” series trademark assets in 2022 is as follows:

Item	Actual amount (RMB'0000)	Estimated amount (RMB'0000)	Difference (RMB'0000)	Completion rate (%)
Net income of trademark assets	16,138	17,145	-1,007	94.13

The net income of “Wang Lao Ji” series trademark assets recorded RMB161.38 million, representing the completion rate of 94.13%.

2022 is the last year of the performance commitment period. The annual and cumulative forecast profit and realized profit for each year of the performance commitment period are as follows:

Years	Estimated amount (RMB'0000)	Actual amount (RMB'0000)	Completion rate (%)
2019	15,287	16,172	105.79
2021	16,265	16,783	103.18
2022	17,145	16,137	94.13
Total	48,697	49,092	100.81

As at the end of the term of performance commitment, the accumulated net income of trademark license from trademark assets purchased by the Company reached the accumulated net income of trademark license for three-year performance commitment, which did not reach situations where performance compensation is not covered.

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

✓ Applicable     Not applicable

(Unit: RMB'000)

Name of shareholders or related parties	Relationships	Occupation time	Reasons remuneration	Balance at the beginning of the period	New occupied amount during the Reporting Period	Total repaid amount during the Reporting Period	Balance at the end of the period	Balance as at the date of disclosure of annual report	Expected repayment method	Expected repayment amount	Expected repayment time
HWBYS	Joint venture	In one year, 1-2 years	Dividends	343,767	-	125,000	218,767	218,767	Cash	218,767	-
Proportion of total amount at the end of the Reporting Period to the latest audited net assets											0.65%
Decision-making process of controlling shareholders or other related parties for non-operational occupied funds											-
Reasons for the occupation of non-operational funds by new controlling shareholders and other related parties, the investigation of responsible persons and the explanation of the measures proposed and taken by the Board of Directors											-
Reasons, the investigation of responsible persons and explanation of the measures proposed and taken by the Board of Directors for failure to repay the occupied non-operational funds as planned											-
Audit opinions of certified public accountants on occupation of funds (if any)											-
Reasons for inconsistency between non-operational funds occupied by controlling shareholders and other related parties disclosed in the annual report and special audit opinions (if any)											-

Note: As of 31 December 2021, the total dividend that HWBYS should pay to the Company was RMB343,766,959. Since HWBYS has been building Chinese patent medicine intelligent manufacturing and warehousing logistics platform project with its own funds and has a large investment fund, HWBYS repaid part of the dividend to the Company of RMB125 million during the Reporting Period.

# Major Events

## 3. VIOLATION OF GUARANTEE

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

### (3) Communication with former accounting firm

Applicable  Not applicable

### (4) Others

Applicable  Not applicable

## 6. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS

	Original appointment	Current appointment
Name of the domestic Certified Public Accountants	BDO China Shu Lun Pan Certified Public Accountants LLP	WUYIGE Certified Public Accountant LLP
Total remuneration of the domestic Certified Public Accountants (RMB'000)	2,580	2,860
Term of office of the domestic Certified Public Accountants	1	1
Name of the certified public accountants of the domestic Certified Public Accountants	Zhang Ning and Zhang Xi	He Xiaojuan and Xia Ling
Term of office of the certified public accountants of the domestic Certified Public Accountants	1	1
	<b>Name</b>	<b>Remuneration (RMB'000)</b>
Internal control audit Certified Public Accountants	WUYIGE Certified Public Accountant LLP	400

During the Reporting Period, the auditor did not provide material non-audit services to the Company and the Company did not offer any material payment to the auditor for non-audit services.

### Explanatory notes on the appointment and dismissal of auditors

Applicable  Not applicable

As considered and approved at the 2nd meeting of the Audit Committee in 2022, the 20th meeting of the eighth session of the Board and the 16th meeting of the eighth session of the Supervisory Committee, the Company approved the proposed renewal of appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2022. The said matter was approved at the annual general meeting of shareholders of the Company in 2021 convened on 26 May 2022. BDO China Shu Lun Pan Certified Public Accountants LLP would not service as the financial auditors and the internal control auditors of the Company, which had become effective since the general meeting of shareholders in 2021 on 26 May 2022.

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

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

Applicable  Not applicable

# Major Events

## 7. RISK OF FACING SUSPENSION OF LISTING

### (1) Reasons leading to the suspension of listing

Applicable  Not applicable

### (2) The response measures intended to be taken

Applicable  Not applicable

### (3) The situation and reasons for facing desisting

Applicable  Not applicable

## 8. MATTERS RELEVANT TO WINDING UP AND SCHEME OF ARRANGEMENT

Applicable  Not applicable

## 9. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Company had been engaged in significant litigation or arbitration during the Year.

The Company had not been engaged in any significant litigation or arbitration during the Year.

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

Applicable  Not applicable

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

Applicable  Not applicable

### (3) Other explanations

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 12. CONNECTED TRANSACTIONS

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Purchase commodity	Medicinal materials or medicine	Market price	4,805	0.02	Cash
HWBYS	Joint Venture	Purchase commodity	Medicinal materials or medicine	Market price	262,805	0.87	Cash
Baxter Qiao Guang	Joint Venture	Purchase commodity	Medicinal materials or medicine	Market price	93,763	0.31	Cash
Baiyunshan Yi Xin Tang	Joint Venture	Purchase commodity	Medicinal materials or medicine	Market price	133	0.00	Cash
Pharmaceutical Import & Export	Controlled by same parent company	Purchase commodity	Medicinal materials or medicine	Market price	1,325	0.00	Cash
<b>Subtotal</b>					<b>362,831</b>		
HWBYS	Joint Venture	Receive service	Exhibition services	Market price	14,555	1.52	Cash
GPHL	Parent company	Receive service	Exhibition services	Market price	85	0.01	Cash
Hua Cheng	Controlled by same parent company	Receive service	Exhibition services	Market price	17	0.00	Cash

# Major Events

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baiyunshan Yi Xin Tang	Joint Venture	Receive service	Exhibition services	Market price	21	0.00	Cash
<b>Subtotal</b>					<b>14,678</b>		
GPHL	Parent company	Receive service	Research and development services	Market price	21	0.00	Cash
<b>Subtotal</b>					<b>21</b>		
<b>Total</b>					<b>377,530</b>		
Hua Cheng	Controlled by same parent company	Sale commodity	Medicinal materials or medicine	Market price	100,789	0.14	Cash
Guangyao Group (Macau) Company	Controlled by same parent company	Sale commodity	Medicinal materials or medicine	Market price	114	0.00	Cash
HWBYS	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	131,426	0.19	Cash
Baxter Qiao Guang	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	377	0.00	Cash
GPHL	Parent company	Sale commodity	Medicinal materials or medicine	Market price	58	0.00	Cash
Baiyunshan Biological	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	10	0.00	Cash
Baiyunshan Yi Xin Tang Joint Venture	Joint Venture	Sale commodity	Medicinal materials or medicine	Market price	70,176	0.10	Cash
<b>Subtotal</b>					<b>302,950</b>		

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
GPHL	Parent company	Provide services	Advertising Agency Service	Market price	1,387	2.63	Cash
Hua Cheng	Controlled by same parent company	Provide services	Advertising Agency Service	Market price	9,622	18.26	Cash
HWBYS	Joint Venture	Provide services	Advertising Agency Service	Market price	36,662	69.58	Cash
Baxter Qiao Guang	Joint Venture	Provide services	Advertising Agency Service	Market price	9	0.02	Cash
Baiyunshan Culture Company	Controlled by same parent company	Provide services	Advertising Agency Service	Market price	9	0.02	Cash
Hua Cheng	Controlled by same parent company	Provide services	Manufacturing consignment	Market price	20,986	9.73	Cash
HWBYS	Joint Venture	Provide services	Manufacturing consignment	Market price	13,217	6.13	Cash
Hua Cheng	Controlled by same parent company	Provide services	Research and development services	Market price	247	0.03	Cash
HWBYS	Joint Venture	Provide services	Research and development services	Market price	440	0.05	Cash
HWBYS	Joint Venture	Provide services	Other services	Market price	628	0.07	Cash
Baiyunshan Biological	Joint Venture	Provide services	Other services	Market price	915	0.10	Cash
Baxter Qiao Guang	Joint Venture	Provide services	Other services	Market price	5,515	0.57	Cash
Guangyao Group (Macau) Company	Controlled by same parent company	Provide services	Other services	Market price	6	0.00	Cash
GPHL	Parent company	Provide services	Other services	Market price	4	0.00	Cash

# Major Events

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Hua Cheng	Controlled by same parent company	Provide services	Other services	Market price	704	0.00	Cash
Baiyunshan Culture Company	Controlled by same parent company	Provide services	Other services	Market price	5	0.00	Cash
<b>Subtotal</b>					<b>90,356</b>		
Hua Cheng	Controlled by same parent company	Provide patent, trademark and other right of use	Right of trademark	Negotiated price	682	37.03	Cash
HWBYS	Joint Venture	Provide patent, trademark and other right of use	Right of trademark	Negotiated price	846	45.93	Cash
HWBYS	Joint Venture	Other	Assets of the rented	Negotiated price	5,900	1.93	Cash
GPHL	Parent company	Other	Assets of the rented	Negotiated price	9,541	2.22	Cash
<b>Subtotal</b>					<b>16,969</b>		
GPHL	Parent company	Other	Assets of the rented	Negotiated price	421	1.67	Cash
Baiyunshan Culture Company	Controlled by same parent company	Other	Assets of the rented	Negotiated price	28	0.11	Cash
Baxter Qiao Guang	Joint Venture	Other	Assets of the rented	Negotiated price	1,780	7.08	Cash
Baiyunshan Biological	Joint Venture	Other	Assets of the rented	Negotiated price	2,158	8.58	Cash
<b>Subtotal</b>					<b>4,387</b>		
<b>Total</b>					<b>414,662</b>		

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

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Applicable  Not applicable

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

	<b>2022</b> (RMB'000)
<b>Ultimate holding company</b>	
Rental expenditure	9,541
Rental income	421
Rendering of services (advertising agency and other services)	1,391
Receiving of services (exhibition services and research and development services)	106
Sale of finished goods and raw materials	58
Total	11,517
<b>Ultimate holding company and its subsidiaries</b>	
Rental expenditure	9,541
Rental income	449
Licensing fee for trademarks of "Baiyunshan"	682
Sale of finished goods and raw materials	100,961
Purchase of finished goods and raw materials	6,130
Rendering of services (advertising agency, research and development and other services)	11,984
Consigned processing service fee	20,986
Receiving of services (exhibition services and research and development services)	123
Total	150,856

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

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

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

Items	Announcement/ approval date	Cap/Approved amount for the Year (RMB'000)
<b>Ultimate holding company and its subsidiaries</b>		
Rental expenditure	24 December 2021	19,000
Rental income	24 December 2021	1,000
Licensing fee for trademarks of "Baiyunshan"	24 December 2021	5,000
Sale of finished goods and raw materials	24 December 2021	250,000
Purchase of finished goods and raw materials	24 December 2021	87,000
Labor services (advertising agency, research and development and other services)	24 December 2021	43,000
Consigned processing service fee	24 December 2021	50,000
Total	24 December 2021	455,000

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

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

On 24 December 2021, the Group, GPL and its subsidiaries entered into an agreement namely Daily Connected Transactions Agreement (“Agreement”), in relation to the purchase, sale, provision of labour services (advertising agency and research and development services), manufacturing consignment, provision of use for trademarks right, asset renting and etc. for a term of 2 years from 1 January 2022 to 31 December 2023. GPL and its subsidiaries are connected persons of the Company. Details of the Agreement and the transactions contemplated thereunder have been disclosed in the announcement of the Company dated 24 December 2021.

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

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

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Applicable  Not applicable

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

Applicable  Not applicable

On 5 August 2022, the Company held the 21st meeting of the eighth session of the Board and the 17th meeting of the eighth session of the Supervisory Committee, and considered and approved the proposal of cash purchase of 18.1847% equity interests held by Alliance BMP Limited of GP Corp. The Company purchases the 18.1847% equity interests held by Alliance BMP Limited of GP Corp., a subsidiary of the Company, for approximately RMB1,003,260,600 in cash. On the same day, the Company, Alliance BMP Limited and GP Corp. entered into the agreement of "Contract for Transfer of 18.1847% equity interests of Guangzhou Pharmaceuticals Company Limited for Alliance BMP Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceuticals Company Limited (the "Transfer Contract"). As Alliance BMP Limited held 18.1847% of the registered capital of GP Corp., the Company's subsidiary, it is a major shareholder of the Company's subsidiary. In accordance with Listing Rules of HKEX, Alliance BMP Limited was a related person of the Company.

On 15 December 2022, the Company paid the amount of transaction to the counter party in accordance with the Transfer Contract, so as to acquire 18.1847% of equity interests of GP Corp. As a result, the Company holds 90.9237% of equity interests of GP Corp.. For details, please refer to the Company's announcements dated 8 August 2022 and 17 December 2022 respectively published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and the website of the SSE and HKEX.

- (iii) Events not disclosed in temporary announcements

Applicable  Not applicable

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

Applicable  Not applicable

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

## 12. CONNECTED TRANSACTIONS (Continued)

### (3) Material related party transactions on joint external investment

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

Applicable  Not applicable

#### Summary of events

#### Index for query

On 18 March 2022, the proposal Connected Transaction: Participation in the Establishment of Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) was considered and approved at the 19th meeting of the eighth session of the Board of the Company and the 15th meeting of the eighth session of the Supervisory Committee of the Company. The Company, as a limited partner, agreed to contribute RMB999 million to participate in the establishment of GP Fund, and to enter into the partnership agreement of Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) with GP Capital. GP Capital, the manager of GP Fund, is the controlling subsidiary of GPHL, which is the controlled shareholder of the Company and holds 80% interests of GP Fund. GP Capital, as the manager and GP of the fund, subscribe RMB1 million, and Ms. Cheng Ning, the vice chairperson of the Company, appointed as the chairperson of GP Capital. As a result, the investment constitutes a related party and connected transaction.

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

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

Applicable  Not applicable

On 18 March 2022, the Company corporated with GP Capital to set up GP Fund with total scale of RMB1 billion, of which the Company will contribute RMB999 million to subscribe the share of GP Fund. GP Capital is a related party to the Company. The investment constitutes a related party transaction. For details, please refer to the announcement dated 18 March 2022 disclosed on the websites of the SSE and the HKEX.

GP Fund completed the business registration and obtained the business license on 20 June 2022, and completed the filing procedures in the Asset Management Association of China on 15 July 2022.

- (iii) Events undisclosed in temporary announcements

Applicable  Not applicable

## 12. CONNECTED TRANSACTIONS *(Continued)*

### (4) Credit claims and liabilities between related parties

- (i) Events disclosed in temporary announcements and with no progress or change in subsequent implementation  
 Applicable  Not applicable
- (ii) Events disclosed in temporary announcements but with progress or change in subsequent implementation  
 Applicable  Not applicable
- (iii) Events undisclosed in temporary announcements  
 Applicable  Not applicable

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

- Applicable  Not applicable

### (6) Others

- Applicable  Not applicable

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

No.	Approval body	Subject matter	Status
1	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.	Completed
2	6th meeting of the Strategic Development and Investment Committee in 2022	The Company's controlling subsidiary, Guangxi Ying Kang, will set up a wholly-owned company named Guangxi Baiyunshan Zhuangying Health Industry Co, Ltd, with registered capital of RMB20 million.	In progress.

Except for those disclosed in 1) significant equity investment" of "(5) Investment situation" and "(v) Assets and liabilities" of "(3) Analysis of financial conditions" of "5. Circumstances of the Operation during the Reporting Period" in the section headed "III Management Discussion and Analysis" in this annual report, the Group did not engage in any material acquisitions or disposal of assets and equity interests.

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

## 14. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

### (2) Guarantees

✓ Applicable     Not applicable

(Unit: RMB'000)

External guarantees of the Company (excluding guarantees to subsidiaries)													
Guarantor	The relationship between the guarantor and the listed company party	Secured party	Amount guaranteed	Date of guarantee (date of agreement)	Guarantee commencement date	Guarantee maturity date	Collateral type	Whether the guarantee has been performed and discharged	Whether the guarantee is overdue	Amount of guarantee overdue	Whether counter guarantee is provided	Whether guarantee is for the benefit of related parties	Connected relationship
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total amount of guarantee provided during the Reporting Period (excluding guarantee provided to its subsidiaries)													-
Total balance of guarantee at the end of the Reporting Period (A) (excluding guarantee provided to its subsidiaries)													-
Guarantee provided by the Group for the benefit of its subsidiaries													
Total amount of guarantee provided for the benefit of subsidiaries during the Reporting Period (RMB'000)													150,000
Total balance of guarantee provided for the benefit of subsidiaries at the end of the Reporting Period (B) (RMB'000)													150,000
Total amount of the external guarantees of the Company (including guarantees for subsidiaries)													
Total amount of guarantee (A+B) (RMB'000)													150,000
The proportion of the total amount of guarantees to the Company's net assets (%)													0.45
Including:													
Amount of guarantee provided for the benefit of shareholders, actual controller and their related parties (C)													-
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio of over 70% (D)													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													-
Description of guarantee													-

# Major Events

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

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

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

1) *Overview of the entrusted wealth management products*

Applicable  Not applicable

Category	Source of funds (RMB'000)	Amount (RMB'000)	Amount not yet matured (RMB'000)	Amount not received after maturity (%)
Bank wealth management products	Fund of the Group	13,500	–	–

Other

Applicable  Not applicable

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

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

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

##### 2) Individual entrusted wealth management products

✓ Applicable     Not applicable

Trustee	Type of entrusted wealth management product	Amount of entrusted wealth management (RMB'000)	Commencement date of entrusted wealth management	Ending date of entrusted wealth management	Capital source	Usage of funds	Method for determination of returns	Annualized return rate (%)	Estimated returns (RMB'000) (if any)	Actual gains or losses (RMB'000)	Actual recovery	Legal procedures involved or not	Any entrusted wealth management plan in the future	Impairment provision (if any)
Guangzhou Branch, Everbright Bank	Sunshine Green Organization Camp	1,500	18 May 2020	31 March 2022	Self-owned funds	First, bonds, deposits and other highly liquid assets, including but not limited to all kinds of bonds, deposits, money market funds and other money market trading tools; Second, creditor's rights assets, including but not limited to creditor's rights trust plans, direct investment in financial plans, etc. Third, other assets or asset portfolios, including but not limited to the specific client asset management plan of the fund management company. At the same time, due to the liquidity needs, the product can carry out financing business such as certificate of deposit pledge and bond repurchase.	Floating income	3.50	-	75	Due	Yes	Yes	-
The first branch of ICBC	Legal person "Tim Li Bao" net value financial products	2,000	24 December 2020	31 March 2022	Self-owned funds	Same as above	Floating income	3.50	-	62	Due	Yes	Yes	-
The first branch of ICBC	Legal person "Tim Li Bao" net value financial products	10,000	31 July 2021	31 March 2022	Self-owned funds	Same as above	Floating income	3.50	-	308	Due	Yes	Yes	-

Others

Applicable     Not applicable

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

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

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

3) *Provision for impairment of entrusted wealth management*

Applicable  Not applicable

(ii) The Company's entrusted loans

1) *Overview of the entrusted loans*

Applicable  Not applicable

Others

Applicable  Not applicable

2) *One-off entrusted loans*

Applicable  Not applicable

Others applicable

Applicable  Not applicable

3) *Provision for impairment of entrusted loans*

Applicable  Not applicable

(iii) Others

Applicable  Not applicable

### (4) Others material contracts

Applicable  Not applicable

15. AS AT THE END OF THE REPORTING PERIOD, THE EXPENSES ON CONSTRUCTION AND EQUIPMENT IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB1,459,872,000 AND THE RENTAL EXPENSES IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB753,993,000.

16. ACCORDING TO THE REQUIREMENTS OF RULE 23 OF APPENDIX 16 TO THE LISTING RULES OF HKEX, THE COMPANY DID NOT HAVE ANY PROPERTIES OF DEVELOPMENT AND/OR SALE, OR INVESTMENT, WHOSE ASSETS RATIO, CONSIDERATION RATIO, PROFITS RATIO AND REVENUE RATIO EXCEEDED 5% DURING THE REPORTING PERIOD.

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

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

The Company used the proceeds of RMB664.9861 million in 2022. As at 31 December 2022, the aggregate proceeds invested amounted to RMB6,886.4496 million and the aggregate proceeds invested (after the deduction of bank charges and addition of accrued interest income) amounted to RMB1,570.8561 million. The details are as follows:

No.	Name of projects	Proposed investment amount (RMB'0000)	Amount invested as at 31 December 2022 (RMB'0000)	Difference between the accumulated amount invested and the total amount committed for investment as at the end of the Year (RMB'0000)	Date of the projects becoming ready for intended use
1	The construction project of the Great Southern TCM research and development platform	99,757.10	71,868.67	(27,888.43)	31 December 2025 <small>(note a e)</small>
2	The construction project of the Great Southern TCM production base (phase 1)	64,391.67	38,671.34	(25,720.33)	31 January 2021 <small>(note b)</small>
Including	Ming Xing relocation improvement project	60,000.00	34,279.67	(25,720.33)	31 January 2024 <small>(note d)</small>
	He Ji Gong relocation improvement project	4,391.67	4,391.67	0	Change in the intended use <small>(note d)</small>
3	The project for acquiring the "Wang Lao Ji" series trademarks held by GPL (the controlling shareholder of the Company)	108,000.00	108,000.00	0	Change in the intended use <small>(note c)</small>
4	The project for establishment of channels and brands	200,000.00	203,395.67	3,395.67	N/A
5	The project for establishment of information platform	2,774.99	2,774.99	0	31 December 2020 <small>(note b)</small> , change in the intended use of the portion of the Company <small>(note d)</small>
6	The project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	48,901.37	26,888.59	(22,012.78)	<small>(note d)</small>
7	The project for Nansha base Phase I of WLJ Health	38,400.00	10,138.66	(28,261.34)	<small>(note e)</small>
8	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	11,842.90	3,801.84	(8,041.06)	<small>(note e)</small>
9	Replenishment of liquidity	222,049.70	223,105.20	1,055.50	N/A
	<b>Total</b>	<b>796,117.73</b>	<b>688,644.96</b>	<b>(107,472.77)</b>	-

## Major Events

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

Notes:

- a. The Company's 24th meeting of the eighth session of the Board and the 20th meeting of the eighth session of the Supervisory Committee passed the resolution on postponing the implementation date of the construction project of the Great Southern TCM research and development base to 31 December 2025. For details, please refer to the announcement of the Company dated 23 November 2022 and the circular of the Company dated 25 November 2022 on the websites of SSE and HKEX.
- b. The Company's 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the Supervisory Committee passed the resolution on postponing the implementation dates of the construction project of the Great Southern TCM production base (phase 1) and the project for establishment of an information platform to 31 January 2021 and 31 December 2020, respectively. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and 4 January 2019 and the circular of the Company dated 31 January 2019 on the websites of the SSE and the HKEX.
- c. The Company's 18th meeting of the seventh session of the Board, the 12th meeting of the seventh session of the Supervisory Committee and the first EGM in 2019 passed the resolution on changing the use of RMB1,000 million and RMB80 million out of the proceeds for the extension project of modern medical logistics services and for the project for the establishment of the information platform respectively to the acquisition of the "Wang Lao Ji" series trademarks held by GPL, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018, 4 January 2019 and 28 March 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- d. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of Ming Xin's relocation improvement project of the construction project of the Great Southern TCM production base (phase 1) to 31 January 2024, and changed the use of RMB104.725 million (the actual amount is based on the balance of designated are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the special account on the day when the proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. For details, please refer to the announcement dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites SSE and HKEX for details.
- e. With the approval of the 14th meeting of the eighth session of the Board, the 10th meeting of the eighth session of the Supervisory Committee and the first extraordinary General Meeting of shareholders in 2021, the Company has changed the use of RMB118.429 million for the project for the construction project of the Great Southern TCM research and development platform to the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I, and changed the use of RMB384 million for the project for the construction project of the Great Southern TCM research and development platform to the project for Nansha base Phase I of WLJ Health. The rest of RMB318.8288 million would be used in the original project. For details, please refer to the announcement dated 2 August 2021, the circular dated 17 August 2021 and the announcement dated 30 September 2021 published by the Company on the websites SSE and HKEX.

Save for the above, as at 31 December 2022, the use of the proceeds through the non-public offering of A shares above was in line with the intended use of the proceeds as disclosed previously.

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

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

**19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS**

Applicable  Not applicable

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

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The resolution on the capital injection and enlargement of GP Corp. was considered and approved by the third meeting of the eighth session of the Board on 6 August 2020. The resolution on the initial public offering of foreign shares (H shares) by GP HK1\_5039752\_1 2 Code Riders Corp. by way of overseas listing and a series of resolutions related to the listing proposals were considered and approved by the sixth meeting of the eighth session of the Board on 30 September 2020. GP Corp. solicited qualified investors by way of a public tender process via the Guangzhou Enterprises Mergers and Acquisition Services from 12 October 2020 to 4 December 2020. According to the delisting, comprehensive agreement and competitive negotiation of the Public Tender via the Guangzhou Enterprises Mergers and Acquisition Services, the capital injection of GP Corp. eventually solicited one strategic investor and five ordinary investors which, thereby created 222,305,500 new shares by way of capital injection and enlargement. On 30 December 2020, GP Corp. completed the business registration for the changes related to the said capital injection and enlargement. On 9 March 2021, GP Corp. submitted the application materials for initial public offering of overseas listed foreign capital shares (H shares) and listing on the main board of HKEX to China Securities Regulatory Commission, and was accepted on 17 March 2021. On 31 March 2021, GP Corp. submitted a listing application (Form A1) to apply for listing and trading on the main board of HKEX. On 2 July 2021, GP Corp. received the reply on the Approval of Guangzhou Pharmaceutical Co., Ltd. to Issue Overseas Listed Foreign Capital Stocks issued by China Securities Regulatory Commission. For details, please refer to the announcements of the Company dated 29 April 2020, 6 August 2020, 30 September 2020, 31 December 2020, 18 March 2021, 31 March 2021 and 4 July 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

Since the issuance of spin-off plan for GP Corp., the board, management team of the Company and GP Corp. and relevant agents have advanced each project jointly. In view of the expiry of the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Guangzhou Pharmaceuticals Co., Ltd. (issued by the China Securities Regulatory Commission) on 23 June 2022 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. determine 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.

## 19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS (Continued)

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

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

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

As at 31 December 2022, the book value of accounts receivable of GP Corp. amounted to RMB3.493 billion, the received purchase value of GP Corp. amounted to RMB3.446 billion. For details, please refer to the announcements of the Company dated 28 October 2022 published on the websites of the SSE and the HKEX.

- (iii) On 22 November 2022, the Company held the 24th meeting of the eighth session of the Board, at which the Resolution on Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), a controlled subsidiary of the Company, to conduct asset-backed securitization of accounts receivable was considered and approved, and it agreed GP Corp. to conduct asset-backed securitization of accounts receivable and approved Industrial Securities Asset Management Co., Ltd. (the "Industrial Securities Asset Management") to establish the "Accounts Receivable Asset-backed Special Scheme". The above-mentioned resolution was considered and approved at the first extraordinary general meeting of shareholders in 2022 held by the Company on 16 December 2022. For details, please refer to the announcement of the Company dated 22 November 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.

# Changes in Share Capital and Shareholders

## 1. CHANGES IN SHARE CAPITAL

### (1) Changes in share capital

#### (i) Changes in share capital

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

#### (ii) Explanation of change in share capital

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

### (2) Changes in restricted shares

Applicable Not applicable

## 2. SECURITIES ISSUANCE AND LISTING

### (1) Securities issuance during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

### (3) Existing employee stocks

Applicable Not applicable

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS

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

As at 31 December 2022, there were 97,343 shareholders in total, of which 97,292 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

As at 28 February 2023, there were 99,332 shareholders in total, of which 99,281 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

### (2) As at 31 December 2022, the top ten shareholders of the Company are set out as follows

Shareholders	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital) (%)	Number of shares subject to selling restrictions (share)	Number of shares pledged Marked or locked (share)	Nature of Shareholders
GPHL	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	68,000	219,769,290	13.52	0	0	Others
GZ Chengfa	0	73,313,783	4.51	0	0	Others
China Securities Finance Corporation Limited	0	47,277,962	2.91	0	0	Others
GZ Chan Tou	(12,826,238)	42,722,562	2.63	0	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	(3,100,179)	32,082,342	1.97	0	0	Others
Huaxia AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Others
Boshi AMC-Agricultural Bank-Boshi China Securities Financial Asset Management Plan	0	8,662,836	0.53	0	0	Others
Dacheng AMC-Agricultural Bank- Dacheng China Securities Financial Asset Management Plan	0	8,657,836	0.53	0	0	Others

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS (Continued)

### (2) As at 31 December 2022, the top ten shareholders of the Company are set out as follows (Continued)

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

Shareholders	Number of shares without selling restrictions (share)	Class of shares	The number of shares (share)
GPHL	732,305,103	Domestic shares	732,305,103
HKSCC Nominees Limited	219,769,290	H shares	219,769,290
GZ Chengfa	73,313,783	Domestic shares	73,313,783
China Securities Finance Corporation Limited	47,277,962	Domestic shares	47,277,962
GZ Chan Tou	42,722,562	Domestic shares	42,722,562
Hong Kong Securities Clearing Company Limited	32,082,342	Domestic shares	32,082,342
Huaxia AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Domestic shares	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	Domestic shares	8,680,636
Boshi AMC-Agricultural Bank-Boshi China Securities Financial Asset Management Plan	8,662,836	Domestic shares	8,662,836
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	8,657,836	Domestic shares	8,657,836

Description of the special repurchase account among the top ten shareholders Not applicable

Description of the above shareholders' entrusted voting rights, entrusted voting rights, and waiver of voting rights Not applicable

Explanation on the connection or person acting in concert among the above shareholders (1) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients;  
(2) The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Rules Governing the Disclosure of Changes in Shareholders' Shareholding in Listed Companies"

Explanation on Preferred shareholders with their voting rights restored and the number of shares they hold Not applicable

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

Applicable Not applicable

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS (Continued)

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

Applicable  Not applicable

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

As at 31 December 2022, the interests and short positions held by the persons (not being the Directors, Supervisors or senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

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

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS *(Continued)*

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

Notes:

1. According to the notice of corporate substantial shareholders filed by Citigroup Inc.:
  - (1) Interests in 13,357 long position 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 Finance Products Inc. ("Citigroup Financial"). Citigroup Financial was wholly-owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings"). 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 960 long position H shares and in 960 short position 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 22,102,646 long position H shares in the Company were held by Citibank, N.A., which was wholly-owned by Citicorp LLC. Citicorp LLC was wholly-owned by Citigroup Inc.. Therefore, Citicorp LLC and Citigroup Inc. were deemed to be interested in the shares held by Citibank, N.A. under the SFO.
2. In which 10,000 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 holds 100% of general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund respectively. Therefore, LSV ASSET MANAGEMENT was deemed to be interested in the shares held by LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 31 December 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

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

### (1) Controlling shareholder

#### (i) Legal person

Applicable Not applicable

Name of shareholder Guangzhou Pharmaceutical Holdings Limited

Legal representative Li Chuyuan

Date of establishment 7 August 1996

Business scope To invest in and manage State-owned assets, to sell and manufacture pharmaceutical intermediates, Chinese and Western medicine, Chinese raw medicine, bio-tech products, medical apparatus, pharmaceutical equipment, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise; to undertake medicine related import and export affairs and to develop real estate.

Shareholding information of other domestic and overseas listed companies during the Reporting Period Not applicable

#### (ii) Natural person

Applicable Not applicable

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

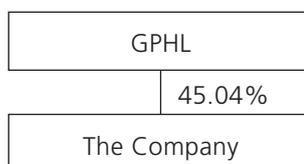
Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable



# Changes in Share Capital and Shareholders

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

### (2) Beneficial owner(s)

(i) Legal person

Applicable Not applicable

As at the end of the Reporting Period, the controlling shareholder of the Company was GPLH, and the actual controller was Guangzhou Municipal People's Government.

(ii) Natural person

Applicable Not applicable

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

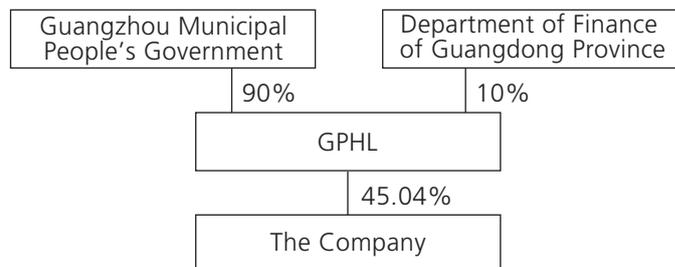
Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

## Changes in Share Capital and Shareholders

### 6. OTHER SHAREHOLDERS HOLDING 10% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

As at the end of the Reporting Period and saved as disclosed above, the Company had no other shareholders holding 10% or more of the Company's total issued shares.

### 7. NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES HAD REPURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD.

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

### 9. PUBLIC FLOAT

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

### 10. PRE-EMPTIVE RIGHTS

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

### 11. DESCRIPTION ON RESTRICTIONS ON SHARES

Applicable Not applicable

### 12. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

## Relevant Information on Preferred Shares

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



## Relevant Information of Company's Bonds

THE COMPANY DID NOT HAVE ANY BONDS DURING THE REPORTING PERIOD.

To the Shareholders of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.,

## 1. OPINION

We have audited the financial statements of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereafter, the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2022, the consolidated and the Company's income statements, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and present fairly the consolidated and the Company's financial position as at 31 December 2022 and the consolidated and the Company's financial performance and cash flows for the year then ended.

## 2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with China Code of Ethics for Certified Public Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## 3. KEY AUDIT MATTERS *(Continued)*

### (1) Revenue recognition

#### ① Matters Description

As stated in the Note "V. (47) Operating Income and Operating Costs" of the financial statements, the Company's 2022 operating income is RMB70,788,155,068.45, of which the main business income is RMB70,550,190,409.59, accounting for 99.66% of the total operating income. Due to the significant amount of main business income and key performance indicators, there is an inherent risk that management may manipulate the timing of revenue recognition in order to achieve specific goals or expectations. Therefore, we consider revenue recognition as a key audit matter.

#### ② How our audit addressed the key audit matter

- (a) Understand and evaluate the design of internal control related to revenue recognition, and test the effectiveness of related internal control;
- (b) Review whether the revenue recognition policy meets the requirements of corporate accounting standards and is consistently applied;
- (c) Select a sample of the income transactions recorded this year, check the invoices, sales contracts, warehouse receipts, and customer receipt records, and evaluate whether the relevant revenue confirmation meets the company's accounting policy for revenue recognition;
- (d) Select a sample of the income transactions recorded this year and execute an independent letter of verification procedure to confirm the authenticity of the income;
- (e) Querying the industrial and commercial registration information of the main customers through public channels to ensure that the main customers are operating normally and the business scope is consistent with the nature of the company's downstream customers;
- (f) Implementation of analysis procedures for operating income, including analysis of annual and monthly income of major products, changes in major customers and sales prices, changes in gross profit margin of major products, and determination of changes in revenue and gross profit margin for the current year;
- (g) For the income transactions recorded before and after the balance sheet date, select a sample, check the delivery order, customer receipt records and other supporting documents to evaluate whether the income is recorded in the appropriate accounting period.

### 3. KEY AUDIT MATTERS *(Continued)*

#### (2) Goodwill impairment test

##### ① Matters Description

On May 31, 2018, the Company acquired a 30% equity interest in Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp") forming a goodwill of RMB932 million. As of December 31, 2022, an impairment provision of RMB118 million has been made. Since the goodwill of Guangzhou Pharmaceutical Co., Ltd. has a significant impact on the financial statements, and during the goodwill impairment test, it involves significant judgments on important parameters, such as revenue growth rate, gross profit margin, discount rate, etc., we identify the impairment of goodwill as a key audit matter.

##### ② How our audit addressed the key audit matter

- (a) Understand, evaluate and test the Company's key internal controls related to goodwill impairment testing;
- (b) For the goodwill formed by business combinations not under the same control, understand the completion of the performance forecast of the acquired company;
- (c) Discuss with management the method of goodwill impairment testing, including the asset group or combination of asset groups related to goodwill, the future income forecast of each asset group or combination of asset groups, and the reasonable assumptions of discounted cash flows Judgment and evaluation of the profitability of each asset group or asset group portfolio;
- (d) Evaluate the competence, professional quality and objectivity of external valuation experts engaged by management;
- (e) Discuss with external valuation experts engaged by management to understand whether the key assumptions used in the impairment test are reasonable;
- (f) With the assistance of internal valuation experts, evaluate the rationality of the value types and valuation methods of asset evaluation reports issued by external valuation experts, as well as valuation parameters such as discount rates.

## 4. OTHER INFORMATION

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. is responsible for the other information. The other information comprises the information included in the 2022 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "the Management") is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 6. AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## 6. AUDITOR'S RESPONSIBILITY *(Continued)*

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain adequate and appropriate audit evidence on the financial information of entities or business activities of the company to express an opinion on it. We are responsible for guiding, supervising and executing group audits. We take full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**WUYIGE Certified Public Accountants LLP**  
(Special General Partnership)

CICPA:  
**He Xiaojuan**

Beijing•China

CICPA:  
**Xia Ling**

17 March 2023

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Current assets:</b>			
Cash at bank and on hand	V.1	22,499,552,770.75	22,376,927,861.43
Financial assets held for trading	V.2	56,872,680.00	–
Derivative financial assets		–	–
Notes receivable	V.3	1,127,351,252.18	1,222,097,099.65
Accounts receivable	V.4	14,857,591,768.49	12,816,537,107.40
Accounts receivable financing	V.5	3,182,767,002.04	3,171,865,961.20
Advances to suppliers	V.6	836,054,949.33	779,239,826.44
Other receivables	V.7	917,243,401.47	1,178,714,393.77
Including: Interest receivable			
Dividends receivable	V.7	218,766,959.00	343,766,959.00
Inventories	V.8	10,671,572,518.76	10,437,733,799.99
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets	V.9	653,115,558.10	–
Other current assets	V.10	2,262,189,612.17	827,458,411.57
<b>Total current assets</b>		<b>57,064,311,513.29</b>	<b>52,810,574,461.45</b>
<b>Non-current assets:</b>			
Debt investment	V.11	3,164,498,751.59	630,712,084.75
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment	V.12	1,584,063,326.22	1,562,878,567.36
Other equity instrument investment	V.13	109,569,842.38	123,422,079.79
Other non-current financial assets	V.14	1,038,818,757.16	574,277,570.93
Investment properties	V.15	206,705,464.62	213,975,748.27
Fixed assets	V.16	3,709,183,725.56	3,347,591,974.10
Construction in progress	V.17	2,108,326,591.35	1,564,091,121.32
Bearer biological assets	V.18	2,455,065.00	2,804,475.00
Oil and gas assets			
Right-of-use assets	V.19	750,159,146.25	769,839,539.91
Intangible assets	V.20	2,585,098,403.38	2,582,390,492.30
Development expenditure	V.21	240,668,063.93	10,567,467.71
Goodwill	V.22	829,473,066.90	829,473,066.90
Long-term prepaid expenses	V.23	166,798,201.40	132,477,737.46
Deferred tax assets	V.24	865,338,772.26	794,232,420.03
Other non-current assets	V.25	239,830,085.45	168,480,956.67
<b>Total non-current assets</b>		<b>17,600,987,263.45</b>	<b>13,307,215,302.50</b>
<b>Total Assets</b>		<b>74,665,298,776.74</b>	<b>66,117,789,763.95</b>

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings	V.26	<b>8,538,065,161.82</b>	8,428,008,311.52
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable	V.27	<b>3,760,482,808.87</b>	3,445,815,661.30
Accounts payable	V.28	<b>11,200,347,828.21</b>	11,287,152,869.54
Advances from customers		–	–
Contract liabilities	V.29	<b>5,644,201,576.24</b>	2,740,338,069.29
Employee benefits payable	V.30	<b>1,009,349,656.60</b>	949,975,749.08
Taxes payable	V.31	<b>375,710,536.16</b>	233,496,725.47
Other payables	V.32	<b>4,834,860,628.52</b>	4,577,200,581.59
Including: Interest payable	V.32	–	460,278.35
Dividends payable	V.32	<b>54,681,191.50</b>	55,789,451.94
Liabilities held for sales		–	–
Current portion of non-current liabilities	V.33	<b>706,731,706.03</b>	245,802,906.86
Other current liabilities	V.34	<b>1,325,366,108.82</b>	346,060,329.07
<b>Total current liabilities</b>		<b><u>37,395,116,011.27</u></b>	<b><u>32,253,851,203.72</u></b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V.35	<b>1,639,203,064.38</b>	752,812,083.34
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V.36	<b>545,843,252.45</b>	497,697,835.96
Long-term payables	V.37	<b>20,396,504.60</b>	20,464,502.00
Long-term employee benefits payable	V.38	<b>318,220.83</b>	304,247.44
Provisions	V.39	<b>47,783,187.15</b>	53,974,538.25
Deferred income	V.40	<b>930,926,291.01</b>	826,859,462.22
Deferred tax liabilities	V.24	<b>394,588,189.23</b>	331,727,982.44
Other non-current liabilities	V.41	<b>53,265,976.60</b>	53,429,349.59
<b>Total non-current liabilities</b>		<b><u>3,632,324,686.25</u></b>	<b><u>2,537,270,001.24</u></b>
<b>Total Liabilities</b>		<b><u>41,027,440,697.52</u></b>	<b><u>34,791,121,204.96</u></b>

# Consolidated Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Shareholders' equity:</b>			
Share capital	V.42	<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus	V.43	<b>10,105,714,430.90</b>	9,956,953,383.38
Less: Treasury shares		–	–
Other comprehensive income	V.44	<b>(12,900,928.58)</b>	(17,476,356.88)
Special reserve		–	–
Surplus reserve	V.45	<b>2,084,386,972.83</b>	1,908,713,749.53
Undistributed profits	V.46	<b>18,262,133,346.76</b>	15,588,202,733.48
<b>Total equity attributable to shareholders of the parent company</b>		<b>32,065,124,770.91</b>	29,062,184,458.51
<b>Minority interest</b>		<b>1,572,733,308.31</b>	2,264,484,100.48
<b>Total Shareholders' Equity</b>		<b>33,637,858,079.22</b>	31,326,668,558.99
<b>Total Liabilities and Shareholders' Equity</b>		<b>74,665,298,776.74</b>	66,117,789,763.95

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Current assets:</b>			
Cash at bank and on hand		<b>5,383,835,840.29</b>	8,991,577,533.57
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		<b>383,960,482.81</b>	603,537,592.78
Accounts receivable	XIV.1	<b>110,342,009.47</b>	116,916,915.21
Accounts receivable financing		<b>400,430,516.35</b>	484,779,528.24
Advances to suppliers		<b>25,142,631.80</b>	28,967,445.79
Other receivables	XIV.2	<b>694,151,804.66</b>	761,938,917.95
Including: Interest receivable			
Dividends receivable	XIV.2	<b>381,821,857.43</b>	506,821,857.43
Inventories		<b>453,541,870.41</b>	510,031,189.16
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		<b>653,115,558.10</b>	–
Other current assets		<b>1,252,199,926.87</b>	288,682,032.73
<b>Total current assets</b>		<b>9,356,720,640.76</b>	<b>11,786,431,155.43</b>
<b>Non-current assets:</b>			
Debt investments		<b>2,664,048,188.99</b>	630,712,084.75
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XIV.3	<b>12,416,592,333.76</b>	10,692,296,313.26
Other equity instrument investments		<b>109,569,842.38</b>	123,422,079.79
Other non-current financial assets		<b>948,618,737.07</b>	505,481,080.39
Investment properties		<b>180,144,976.22</b>	188,683,134.87
Fixed assets		<b>451,915,223.45</b>	460,623,906.17
Construction in progress		<b>483,668,937.68</b>	307,099,279.34
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		<b>14,273,444.83</b>	9,625,266.13
Intangible assets		<b>1,785,870,534.48</b>	1,785,222,494.55
Development expenditure		<b>6,135,559.73</b>	5,039,438.12
Goodwill		–	–
Long-term prepaid expenses		<b>7,285,114.19</b>	6,652,382.79
Deferred tax assets		<b>180,714,236.05</b>	139,999,052.08
Other non-current assets		<b>121,431,926.78</b>	97,433,596.00
<b>Total non-current assets</b>		<b>19,370,269,055.61</b>	<b>14,952,290,108.24</b>
<b>Total Assets</b>		<b>28,726,989,696.37</b>	<b>26,738,721,263.67</b>

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings		276,411,860.00	351,000,000.00
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		410,593,055.43	596,450,947.87
Advances from customers		–	–
Contract liabilities		357,386,911.37	247,569,894.61
Employee benefits payable		117,591,605.78	85,854,490.97
Taxes payable		125,630,045.49	39,739,006.55
Other payables		5,000,908,693.82	3,762,368,113.81
Including: Interest payable		–	–
Dividends payable		1,093,954.89	933,501.09
Liabilities held for sales		–	–
Current portion of non-current liabilities		305,654,210.33	7,351,754.77
Other current liabilities		48,054,862.21	34,323,017.43
<b>Total current liabilities</b>		<b>6,642,231,244.43</b>	<b>5,124,657,226.01</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		–	297,550,000.00
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities		8,038,030.87	3,996,738.36
Long-term payables		7,802,224.39	7,802,224.39
Long-term employee benefits payable		–	–
Provisions		759,731,949.19	620,150,567.19
Deferred income		56,380,333.95	69,064,504.53
Deferred tax liabilities		46,900,429.23	35,981,971.76
Other non-current liabilities		340,642.90	72,413.91
<b>Total non-current liabilities</b>		<b>879,193,610.53</b>	<b>1,034,618,420.14</b>
<b>Total Liabilities</b>		<b>7,521,424,854.96</b>	<b>6,159,275,646.15</b>

# Parent Company's Balance Sheet

31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2022	31 December 2021
<b>Shareholders' equity:</b>			
Share capital		<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus		<b>9,819,327,969.93</b>	9,819,327,969.93
Less: Treasury shares		–	–
Other comprehensive income		<b>(15,056,644.84)</b>	(1,362,017.61)
Special reserve		–	–
Surplus reserve		<b>1,711,778,538.24</b>	1,536,105,314.93
Undistributed profits		<b>8,063,724,029.08</b>	7,599,583,401.27
<b>Total Shareholders' Equity</b>		<b><u>21,205,564,841.41</u></b>	<u>20,579,445,617.52</u>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>28,726,989,696.37</u></b>	<u>26,738,721,263.67</u>

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Income Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	V.47	<b>70,788,155,068.45</b>	69,014,052,347.03
Less: Operating costs	V.47	<b>57,510,951,745.55</b>	55,780,767,281.43
Taxes and surcharges	V.48	<b>297,662,003.76</b>	297,832,860.98
Selling and distribution expenses	V.49	<b>5,875,439,169.65</b>	5,954,789,157.10
General and administrative expenses	V.50	<b>2,218,269,994.06</b>	2,032,281,499.65
R&D expenses	V.51	<b>819,454,349.98</b>	874,719,981.67
Financial expenses	V.52	<b>(162,455,524.14)</b>	(133,010,089.99)
Including: Interest expense	V.52	<b>434,408,023.62</b>	417,830,623.16
Interest income	V.52	<b>626,789,186.37</b>	563,866,705.19
Add: Other income	V.53	<b>480,422,865.61</b>	309,880,132.62
Investment income ("-" for loss)	V.54	<b>421,174,647.06</b>	193,587,591.55
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.54	<b>136,587,586.49</b>	122,949,900.42
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(4,837,495.52)</b>	–
Gains on hedging of net exposure ("-" for loss)		–	–
Gains from changes in fair value ("-" for loss)	V.55	<b>(3,590,915.95)</b>	196,881,039.74
Impairment losses in respect of credit ("-" for loss)	V.56	<b>(45,146,385.09)</b>	(109,813,405.46)
Impairment losses in respect of assets ("-" for loss)	V.57	<b>(7,983,747.94)</b>	(11,859,521.84)
Gains on disposal of assets ("-" for loss)	V.58	<b>689,816.02</b>	694,506.95
<b>II. Operating profit ("-" for loss)</b>		<b>5,074,399,609.30</b>	4,786,041,999.75
Add: Non-operating income	V.59	<b>18,120,146.41</b>	45,307,440.45
Less: Non-operating expenses	V.60	<b>49,275,684.47</b>	108,278,496.71
<b>III. Total profit ("-" for loss)</b>		<b>5,043,244,071.24</b>	4,723,070,943.49
Less: Income tax expenses	V.61	<b>789,873,737.26</b>	754,085,224.52

# Consolidated Income Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>IV. Net profit ("-" for net loss)</b>		<b><u>4,253,370,333.98</u></b>	<b><u>3,968,985,718.97</u></b>
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		<b>4,253,370,333.98</b>	3,968,985,718.97
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)		<b>3,966,522,218.54</b>	3,719,877,680.46
2. Minority interest ("-" for loss)		<b>286,848,115.44</b>	249,108,038.51
<b>V. Other comprehensive income, net of tax</b>		<b>5,775,602.17</b>	127,599.28
Other comprehensive income, net of tax attributable to the parent company's shareholders	V.44	<b>4,575,428.30</b>	197,141.82
(I) Other comprehensive income that will not be reclassified to profit or loss	V.44	<b>(13,694,627.23)</b>	5,997,492.35
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	<b>(13,694,627.23)</b>	5,997,492.35
4. Change in fair value of the company's own credit risk		-	-
(II) Other comprehensive income that may be reclassified into profit or loss	V.44	<b>18,270,055.53</b>	(5,800,350.53)
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	<b>2,550,507.82</b>	(3,320,886.12)
3. The amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit loss of other debt investments	V.44	<b>651,848.91</b>	3,135,329.66
5. Cash flow hedge reserve		-	-
6. Difference arising from the translation of foreign currency financial statements	V.44	<b>15,067,698.80</b>	(5,614,794.07)
7. Others		-	-
Other comprehensive income, net of tax attributable to minority shareholders	V.44	<b>1,200,173.87</b>	(69,542.54)
<b>VI. Total comprehensive income</b>		<b><u>4,259,145,936.15</u></b>	<b><u>3,969,113,318.25</u></b>
1. Total comprehensive income attributable to shareholders of the parent company		<b>3,971,097,646.84</b>	3,720,074,822.28
2. Total comprehensive income attributable to minority shareholders		<b>288,048,289.31</b>	249,038,495.97
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share	V.62	<b>2.440</b>	2.288
2. Diluted earnings per share	V.62	<b>2.440</b>	2.288

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Income Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	XIV.4	<b>3,404,816,381.67</b>	4,139,691,177.75
Less: Operating costs	XIV.4	<b>1,222,837,896.12</b>	1,809,648,111.26
Taxes and surcharges		<b>39,969,356.35</b>	38,578,904.25
Selling and distribution expenses		<b>625,728,605.18</b>	632,039,413.11
General and administrative expenses		<b>393,076,988.60</b>	376,751,291.49
R&D expenses		<b>239,584,533.77</b>	273,748,501.45
Financial expenses		<b>(157,478,384.35)</b>	(218,434,608.08)
Including: Interest expense		<b>18,162,822.81</b>	21,945,716.96
Interest income		<b>176,110,039.41</b>	241,928,454.23
Add: Other income		<b>66,615,475.66</b>	17,045,632.25
Investment income ("-" for loss)	XIV.5	<b>822,775,560.99</b>	685,325,808.41
Including: Share of profit or loss of associates and joint ventures	XIV.5	<b>149,779,794.31</b>	192,651,655.32
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(6,211,310.05)</b>	-
Gains on hedging of net exposure ("-" for loss)		<b>(6,862,343.32)</b>	147,270,318.82
Gains from changes in fair value ("-" for loss)		<b>(118,918.82)</b>	612,701.93
Impairment losses in respect of credit		<b>6,117,199.69</b>	(4,725,859.51)
Impairment losses in respect of assets		<b>319,676.89</b>	62,552.04
Gains on disposal of assets ("-" for loss)		<b>1,929,944,037.09</b>	2,072,950,718.21
<b>II. Operating profit ("-" for loss)</b>		<b>2,300,444.91</b>	18,296,564.99
Add: Non-operating income		<b>23,545,987.38</b>	9,042,528.41
Less: Non-operating expenses		<b>1,908,698,494.62</b>	2,082,204,754.79
<b>III. Total profit ("-" for loss)</b>		<b>151,966,261.54</b>	198,094,943.44
Less: Income tax expenses		<b>1,756,732,233.08</b>	1,884,109,811.35
<b>IV. Net profit ("-" for net loss)</b>		<b>1,756,732,233.08</b>	1,884,109,811.35
1. Net profit from continuing operations ("-" for loss)		<b>1,756,732,233.08</b>	1,884,109,811.35
2. Net profit from discontinued operation ("-" for loss)			

# Parent Company's Income Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>V. Other comprehensive income, net of tax</b>		<b>(13,694,627.23)</b>	5,997,492.35
(1) Other comprehensive income that will not be reclassified to profit or loss		<b>(13,694,627.23)</b>	5,997,492.35
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		<b>(13,694,627.23)</b>	5,997,492.35
4. Change in fair value of the company's own credit risk		-	-
(2) 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		-	-
<b>VI. Total comprehensive income</b>		<b><u>1,743,037,605.85</u></b>	<u>1,890,107,303.70</u>
<b>VII. Earnings per share (EPS):</b>			
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**

# Consolidated Cash Flow Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Cash flow from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		71,970,022,365.52	67,860,021,518.02
Receipts of taxes refunds		61,657,364.36	22,760,738.59
Other cash receipts relating to operating activities	V.63	1,570,593,499.93	1,898,203,159.91
<b>Subtotal of cash inflow from operating activities</b>		<b>73,602,273,229.81</b>	<b>69,780,985,416.52</b>
Cash payments for goods purchased and services received		55,115,480,034.30	51,994,027,989.72
Cash payments to and on behalf of employees		5,605,753,108.08	5,304,932,872.57
Payments of all types of taxes		2,820,987,080.83	2,896,111,387.90
Other cash payments relating to operating activities	V.63	3,060,976,823.86	3,912,416,411.96
<b>Subtotal of cash outflow from operating activities</b>		<b>66,603,197,047.07</b>	<b>64,107,488,662.15</b>
<b>Net cash flow from operating activities</b>		<b>6,999,076,182.74</b>	<b>5,673,496,754.37</b>
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		684,674,286.30	444,950,705.24
Cash receipts from returns on investments		214,786,072.46	242,550,262.69
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,494,651.48	6,613,590.80
Net cash receipts from the disposals of subsidiaries and other business units		32,567,053.37	–
Other cash receipts relating to investing activities	V.63	149,605,504.15	223,335.60
<b>Subtotal of cash inflow from investment activities</b>		<b>1,050,560,514.39</b>	<b>726,904,947.70</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,383,873,616.56	1,254,917,256.11
Cash payments to acquire investments		6,917,974,698.54	402,162,500.00
Net cash payments for acquisitions of subsidiaries and other business units		1,900,000.00	1,394,013.57
Other cash payments relating to investing activities		–	–
<b>Subtotal of cash outflow from investment activities</b>		<b>8,303,748,315.10</b>	<b>1,658,473,769.68</b>
<b>Net cash flow from investing activities</b>		<b>(7,253,187,800.71)</b>	<b>(931,568,821.98)</b>

# Consolidated Cash Flow Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise		<b>32,650,000.00</b>	10,090,000.00
Including: cash receipts from minorities making investment in subsidiaries		<b>32,650,000.00</b>	10,090,000.00
Cash receipts from borrowing		<b>9,695,998,054.04</b>	8,826,175,084.79
Other cash receipts relating to financing activities	V.63	<b>3,748,509,386.46</b>	3,064,902,899.69
<b>Subtotal of cash inflow from financing activities</b>		<b>13,477,157,440.50</b>	11,901,167,984.48
Cash repayments of amounts borrowed		<b>8,150,603,270.35</b>	8,657,267,209.78
Cash payments for distribution of dividends, profits or interest expenses		<b>1,546,212,238.71</b>	1,325,963,962.68
Including: payments for distribution of dividends or profit to minorities of subsidiaries		<b>55,670,746.31</b>	59,907,309.79
Other cash payments relating to financing activities	V.63	<b>3,734,392,086.96</b>	3,411,916,305.06
<b>Subtotal of cash outflow from financing activities</b>		<b>13,431,207,596.02</b>	13,395,147,477.52
<b>Net cash flow from financing activities</b>		<b>45,949,844.48</b>	(1,493,979,493.04)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(503,256.09)</b>	282,828.77
<b>V. Net increase in cash and cash equivalents</b>	V.64	<b>(208,665,029.58)</b>	3,248,231,268.12
Add: opening balance of cash and cash equivalents	V.64	<b>21,013,364,042.22</b>	17,765,132,774.10
<b>VI. Closing balance of cash and cash equivalents</b>	V.64	<b>20,804,699,012.64</b>	21,013,364,042.22

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Cash Flow Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Cash flow arising from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		2,337,183,702.87	3,045,991,087.77
Receipts of taxes refunds		517,320.24	–
Other cash receipts relating to operating activities		599,571,397.25	869,057,487.00
<b>Subtotal of cash inflow from operating activities</b>		<b>2,937,272,420.36</b>	<b>3,915,048,574.77</b>
Cash payments for goods purchased and services received		366,269,925.03	1,543,477,818.64
Cash payments to and on behalf of employees		510,319,461.75	498,930,331.40
Payments of all types of taxes		357,999,252.13	380,327,079.18
Other cash payments relating to operating activities		326,264,580.51	218,001,945.53
<b>Subtotal of cash outflow from operating activities</b>		<b>1,560,853,219.42</b>	<b>2,640,737,174.75</b>
<b>Net cash flow from operating activities</b>		<b>1,376,419,200.94</b>	<b>1,274,311,400.02</b>
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		99,274,286.30	154,349,127.25
Cash receipts from returns on investments		2,101,640,273.28	1,819,635,260.69
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		83,900.48	5,233,760.65
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities		8,355,168.47	536,877,917.50
<b>Subtotal of cash inflow from investment activities</b>		<b>2,209,353,628.53</b>	<b>2,516,096,066.09</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		265,143,858.75	223,588,056.99
Cash payments to acquire investments		5,715,139,698.54	641,080,500.00
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities		–	372,000,000.00
<b>Subtotal of cash outflow from investment activities</b>		<b>5,980,283,557.29</b>	<b>1,236,668,556.99</b>
<b>Net cash flow from investing activities</b>		<b>(3,770,929,928.76)</b>	<b>1,279,427,509.10</b>

# Parent Company's Cash Flow Statement

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowing		<b>284,990,735.05</b>	351,000,000.00
Other cash receipts relating to financing activities		<u>–</u>	<u>626,356.26</u>
<b>Subtotal of cash inflow from financing activities</b>		<b><u>284,990,735.05</u></b>	<u>351,626,356.26</u>
Cash repayments of amounts borrowed		<b>351,000,000.00</b>	300,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		<b>1,138,079,650.89</b>	897,109,058.02
Other cash payments relating to financing activities		<b><u>9,675,099.22</u></b>	<u>7,231,615.77</u>
<b>Subtotal of cash outflow from financing activities</b>		<b><u>1,498,754,750.11</u></b>	<u>1,204,340,673.79</u>
<b>Net cash flow from financing activities</b>		<b><u>(1,213,764,015.06)</u></b>	<u>(852,714,317.53)</u>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b><u>33,049.60</u></b>	<u>(11,280.49)</u>
<b>V. Net increase in cash and cash equivalents</b>		<b><u>(3,608,241,693.28)</u></b>	<u>1,701,013,311.10</u>
Add: opening balance of cash and cash equivalents		<b><u>8,991,462,127.17</u></b>	<u>7,290,448,816.07</u>
<b>VI. Closing balance of cash and cash equivalents</b>		<b><u>5,383,220,433.89</u></b>	<u>8,991,462,127.17</u>

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Changes in Equity

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Current period										Total Shareholders' Equity		
	Equity attributable to this Shareholders of Parent Company												
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Less: Comprehensive Income	Other	Special reserve	Surplus Reserve		Undistributed profits	Subtotal
I. Balance at 31 December 2021	1,625,790,949.00	-	-	-	9,956,953,383.38	-	(17,476,396.88)	-	1,908,713,749.53	15,588,202,733.48	29,062,104,658.51	2,264,484,100.48	31,326,868,558.99
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2022	1,625,790,949.00	-	-	-	9,956,953,383.38	-	(17,476,396.88)	-	1,908,713,749.53	15,588,202,733.48	29,062,104,658.51	2,264,484,100.48	31,326,868,558.99
III. Increase/(decrease) in the current year ("+" for losses)	-	-	-	-	148,761,007.52	-	4,574,483.30	-	175,673,223.30	2,673,990,612.28	3,002,940,312.40	(691,750,792.17)	2,311,189,520.23
(1) Total comprehensive income	-	-	-	-	-	-	4,574,483.30	-	-	3,965,522,216.54	3,971,097,646.04	288,048,283.31	4,259,145,956.15
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	(923,141,860.49)	(923,141,860.49)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	(923,141,860.49)	(923,141,860.49)
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	175,673,223.30	(1,292,591,665.26)	(1,116,918,381.96)	(56,605,871.35)	(1,173,524,259.31)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	175,673,223.30	(175,673,223.30)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,116,918,381.96)	(1,116,918,381.96)	(56,605,871.35)	(1,173,524,259.31)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	(51,343.64)	(51,343.64)
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	-	-	-	-	-	-	-	-	-	-	-	(51,343.64)	(51,343.64)
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	148,761,007.52	-	-	-	-	-	148,761,007.52	-	148,761,007.52
IV. Balance at 31 December 2022	1,625,790,949.00	-	-	-	10,165,714,490.90	-	(12,900,928.58)	-	2,084,386,972.83	18,262,133,346.76	32,065,024,770.91	1,572,733,308.31	33,637,858,079.22

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Changes in Equity

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Prior period							Total Shareholders' Equity					
	Equity attributable to the Shareholders of Parent Company												
	Other equity instruments				Other Comprehensive Income		Subtotal	Minority Equity	Total Shareholders' Equity				
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares				Income	Special reserve	Surplus Reserve	Undistributed profits
<b>I. Balance at 31 December 2020</b>	1,625,790,949.00	-	-	-	9,885,011,185.13	-	(17,673,488.70)	-	1,720,302,788.39	12,951,411,564.72	26,144,842,868.54	2,060,423,645.65	28,205,266,614.19
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2021</b>	1,625,790,949.00	-	-	-	9,885,011,185.13	-	(17,673,488.70)	-	1,720,302,788.39	12,951,411,564.72	26,144,842,868.54	2,060,423,645.65	28,205,266,614.19
<b>III. Increase (decrease) in the current year ("+" for losses)</b>													
(1) Total comprehensive income	-	-	-	-	71,942,198.25	-	197,141.82	-	188,410,981.14	2,656,791,168.76	2,917,341,483.97	204,060,454.83	3,121,401,944.80
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	197,141.82	-	-	3,719,877,688.46	3,720,074,822.28	249,038,495.97	3,969,113,318.25
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	13,090,000.00	13,090,000.00
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	13,090,000.00	13,090,000.00
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	188,410,981.14	(1,063,065,511.70)	(874,675,530.56)	(58,068,041.14)	(932,743,571.70)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	188,410,981.14	(188,410,981.14)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)	(58,068,041.14)	(932,743,571.70)
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	-	-	-	-	71,942,198.25	-	-	-	-	-	71,942,198.25	-	71,942,198.25
<b>IV. Balance at 31 December 2021</b>	1,625,790,949.00	-	-	-	9,956,953,383.38	-	(17,476,346.88)	-	1,908,713,749.53	15,588,202,733.48	29,062,184,458.51	2,264,484,100.48	31,326,668,558.99

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Statement of Changes in Equity

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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	7,599,583,401.27	20,579,445,617.52
Add: 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	7,599,583,401.27	20,579,445,617.52
III. Increase/(decrease) in the current year	-	-	-	-	-	-	(13,694,627.23)	-	175,673,223.31	464,140,627.81	626,119,223.89
(1) Total comprehensive income	-	-	-	-	-	-	(13,694,627.23)	-	-	1,756,732,233.08	1,743,037,605.85
(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	-	-	-	-	-	-	-	-	175,673,223.31	(1,292,591,605.27)	(1,116,918,381.96)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	175,673,223.31	(175,673,223.31)	-
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 share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2022	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(15,056,644.84)	-	1,711,778,538.24	8,063,724,029.08	21,205,564,841.41

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Parent Company's Statement of Changes in Equity

January to December 2022

(All amounts in Renminbi yuan unless otherwise stated)

Item	Other equity instruments							Prior period					Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits			
<b>I. Balance at 31 December 2020</b>	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	-	-	-	-	-	-	-	-	-	-	-		
<b>II. Balance at 1 January 2021</b>	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		
<b>III. Increase/(decrease) in the current year</b>													
(1) Total comprehensive income	-	-	-	-	(847,525.96)	-	5,997,492.35	-	188,410,981.14	821,023,299.65	1,014,584,247.18		
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	5,997,492.35	-	-	1,884,109,811.35	1,890,107,303.70		
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-		
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-		
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-		
4. Others	-	-	-	-	-	-	-	-	-	-	-		
(3) Profit distribution	-	-	-	-	-	-	-	-	188,410,981.14	(1,063,086,511.70)	(874,675,530.56)		
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	188,410,981.14	(188,410,981.14)	-		
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(874,675,530.56)	(874,675,530.56)		
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	-	-	-	-	(847,525.96)	-	-	-	-	-	(847,525.96)		
<b>IV. Balance at 31 December 2021</b>	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(1,362,017.61)	-	1,536,105,314.93	7,599,583,401.27	20,579,445,617.52		

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Li Fei**

Head of accounting department:  
**Wu Chuling**

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION

### 1. Company overview

According to the Circular Tigaiheng [1997] No.139 issued by the State Commission for Restructuring the Economic Systems, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "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 Tigaiheng [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 Company 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 Company were issued and the Company was listed on Shanghai Stock Exchange on 6 February 2001. The stock abbreviation is "GZ Phar.", and the stock code was 600332.

The Company executed and completed a material asset restructuring transaction in 2013, which includes: (1) The Company 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 Company 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 Company'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 Company 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 Company's general capital is 1,291,079,250 shares.

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION (Continued)

### 1. Company overview (Continued)

The main CPM products of manufacturing enterprises include: Zi Shen Yu Tai Pills (“滋腎育胎丸”), Xiao Chai Hu Granules (“小柴胡顆粒”), Xiao Ke Pill (“消渴丸”), 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 manufacturing enterprises are cefixime series, sildenafil citrate, acafol powder series, amoxicillin, cefuroxime sodium, 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 Company’s Board on 17 March 2023.

### 2. Scope of consolidation

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

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

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhgou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou 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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

<b>Name of subsidiary</b>	<b>Control</b>
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
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
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
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Heilongjiang Pharmaceutical 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
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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

<b>Name of subsidiary</b>	<b>Control</b>
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Biological Products Co., Ltd. (hereinafter referred to as "Baiyunshan Biological")	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

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation (Continued)

<b>Name of subsidiary</b>	<b>Control</b>
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as "Guangyao Baiyunshan Hong Kong Company")	Direct holding
Guangzhou Baiyunshan Macao Co., Ltd.	Indirect holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

<b>Name of subsidiary</b>	<b>Control</b>
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 Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Direct holding
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Direct holding

## II. BASIS OF PREPARATION

### 1. Basis of Preparation

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

### 2. Going Concern

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

### 1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company's financial position as of 31 December 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 statements is from 1 January 2021 to 31 December 2022.

### 3. Operating Cycle

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

### 4. Functional Currency

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

### 5. Business Combination

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

#### (1) Business combination under common control

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 5. Business Combination *(Continued)*

#### (1) Business combination under common control *(Continued)*

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

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

#### (2) Business combination not under common control

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 5. Business Combination *(Continued)*

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 6. Preparation Method for Consolidated Financial Statements

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

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

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

#### (2) The method for preparation of consolidated financial statements

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

### 8. Recognition Criteria for Cash and Cash Equivalents

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

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

#### (1) Methods for Translation of Foreign Currency Transactions

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

### 10. Financial Instruments

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

#### (1) Classification, recognition and measurement of financial assets

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 10. Financial Instruments *(Continued)*

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

##### ① *Financial assets measured at amortized cost*

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 10. Financial Instruments *(Continued)*

#### (2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

##### ② *Other financial liabilities*

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 10. Financial Instruments *(Continued)*

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 10. Financial Instruments *(Continued)*

#### (4) Derecognition of financial liabilities

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

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

#### (5) Offsetting of financial assets and liabilities

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

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

### 10. Financial Instruments *(Continued)*

#### (7) Equity instruments

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

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

### 11. Determination of expected credit losses and accounting treatment

The financial asset that the Company needs to confirm the impairment loss are financial assets measured at amortized cost, debt instrument investment measured at fair value and recognized in other comprehensive income and the leasing receivables, mainly includes notes receivables, accounts receivables, other receivables, creditor's rights investment, other creditor's rights investment, long-term receivables, etc. In addition, for the 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

#### (4) Accounting treatment of the impairment of financial assets

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

- ② *Receivables and 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:

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

The basis for the portfolio as follows:

Other receivables portfolio 1: Aging portfolio

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

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: deposit portfolio

Portfolio (aging portfolio): expected credit loss rate:

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

### 12. Inventories

#### (1) Category of inventories

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 12. Inventories *(Continued)*

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

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

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

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

- (4) The perpetual inventory system is adopted
- (5) Amortization method for low value consumables

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

### 13. Assets Held for Sale and Disposal Company

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

### 14. Long-term Equity Investments

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

#### (1) Recognition of Investment Cost

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

##### ③ *Minority Equity Purchase*

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

##### ④ *Disposal of Long-term Equity Investment*

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 15. Investment Property

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

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

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

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

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

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

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

### 16. Fixed Assets

#### (1) Recognition Criteria of Fixed Assets

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 16. Fixed Assets *(Continued)*

#### (2) Depreciation Method of Fixed Assets

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

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

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

#### (3) Impairment Testing and Accounting Treatment

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

#### (4) Others

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 17. Construction in Progress

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

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

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

### 18. Borrowing Costs

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 19. Biological assets

#### Bearer biological assets

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 20 Intangible Assets

#### (1) Intangible Assets

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

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

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

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

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

The Company owns the trademarks of Baiyunshan, Dashen products and series of Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, Jianzhiqiao, Guo Ying, Jian Min, 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.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 20 Intangible Assets *(Continued)*

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

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

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

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

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

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

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

### 21. Long-term Asset Impairment

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

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

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

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

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

### 22. Long-Term Prepaid Expenses

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

### 23. 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.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 24. Employee Benefits

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

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

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs. In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs. The Company's Hong Kong company, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, provides mandatory provident fund contributions to eligible Hong Kong employees in accordance with the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong. The cost settlement of all plans is deducted from the income statement for the relevant period. The planned assets are held independently by independently managed funds and managed separately from the assets of the Company. At the same time, according to the *Employment Ordinance* of Hong Kong, for an employee who is eligible to receive a long service payment at the time of termination of employment, such payment shall be made when the employment is terminated. The Guangzhou Pharmaceutical Baiyunshan Hong Kong Company has made provision for long-term service payments that are expected to be paid in the future. The provision is calculated based on the estimation of the best service wages might be earned by the employee for rendering of services to the Company as of the settlement date.

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

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

### 25. Provisions

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

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

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement shall be recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the book value of the provision.

### 26. Revenue

If the following conditions are met by the contract between the Company and the customer, revenue is recognized when the customer obtains control over relevant products: (a) the parties to the contract have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred have been specified in the contract; (c) the entity can identify the payment terms for the goods or services to be transferred; (d) the contract has commercial substance, such as the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract; and (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At the starting date of contract, the Company recognizes individual performance obligations in the contract, and allocates transaction price into each individual performance obligation based on the relevant proportion of the price of good promised in each individual performance obligation when selling separately. The influence of factors such as variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and customer consideration payables are taken into consideration when determining the transaction price.

For each individual performance obligations in the contract, the transaction price shall be recognized into revenue based on performance progress of each individual performance obligation within relevant performance period when one of the following conditions is met: (a) Customer can obtain and consume the economic benefit from the performance of the company at the same time the company performs the contractual obligations; (b) Customer has control over the work in progress when the company performs the contractual obligations; (c) The goods produced from the company's performance of contractual obligations have irreplaceable application. And the company are entitled to receive payments for the accumulated completed portion of the whole contract. Methods of measuring progress include output methods and input methods. When progress cannot be reliably measured, if the cost incurred is expected to be compensated, the amount of cost incurred shall be recognized as revenue until the progress can be reliably measured.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 26. Revenue *(Continued)*

If none of the above-mentioned conditions are met, the portion of transaction price allocated to the individual performance obligation shall be recognized as revenue when the customer obtains the control over relevant goods. When judging whether the customer has obtained the right to control the goods, the enterprise shall consider the following indications: (a) The enterprise is entitled to charge for the goods at present, that is, the customer is obliged to pay for the goods at present; (b) The enterprise has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods; (c) The enterprise has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods; (d) The enterprise has transferred the major risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the major risks and rewards of the ownership of the goods; (e) The customer has accepted the goods; (f) Other indications showing that the customer has obtained the right to control the goods.

#### (1) Sale of goods

Revenue from the sale of goods shall be recognized when the Company has transferred the control of goods to the customer.

#### (2) Rendering of services

As the Company performs the contract, the customer obtains and consumes the benefits brought by the Company's performance, the Company regards it as an obligation performed within a certain period of time, and recognizes revenue according to the progress of the contract.

### 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 27. Government Grants *(Continued)*

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The assets-related government grants shall reduce assets-related book value or shall be recognized as deferred income. For those recognized as deferred income, charged into current profit or loss on stages using reasonable and systemic methods during its assets-related useful lives (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income).

The income-related government grants for compensation to the related expenses or loss of the Company in the subsequent periods shall be recognized as deferred income and current profit or loss during the recognition of related expenses or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss; those for compensation to the related expenses or loss incurred of the Company shall be recognized as current profit or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The government subsidies that contain both the portion pertinent to assets and the portion pertinent to income shall be subject to accounting treatment respectively according to different portions; and those that are difficult to be distinguished shall be classified as the government subsidies pertinent to income related as a whole.

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenses.

If it is necessary to refund any government subsidy which has been recognized, and there is deferred income, the book balance of the deferred income shall be offset, and the excessive part shall be included in the current profits and losses, or if the book value of relevant assets is offset against when the government subsidy is initially recognized, the book value of the assets shall be adjusted. Under any other circumstance, it shall be directly included in the current profits and losses.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 28. Deferred Tax Assets/Deferred Tax Liabilities

#### (1) Current Income Tax

On the balance sheet date, the current tax liabilities (or assets) incurred in the current year or prior years shall be measured in light of the expected payable (refundable) amount of income taxes according to the tax law. The taxable income of enterprises, the basis of the measurement of the current tax, shall be measured according to the adjusted accounting profit before tax for current year by tax law.

#### (2) Deferred tax assets and deferred tax liabilities

As for the temporary difference arising from the difference between the book value of some asset or liability and its tax base and the difference between the book value of an item that has not been recognized as an asset or liability with its tax base determined in light of the tax law and its tax base, it is allowed to recognize it as the deferred income tax assets or the deferred income tax liabilities by balance sheet liability method.

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. Besides, deferred tax liabilities will not be recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Company can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Except the above-mentioned cases, the deferred tax liabilities generated from other all taxable temporary difference are recognized by the Company.

Related to the initial recognition of the assets or liabilities arising from the following transactions that is not business combination and the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected at the time of transaction, the deductible temporary differences are not allowed to recognize relevant deferred tax assets. As for the deductible temporary differences related to the investments in a subsidiary, associated enterprises and joint enterprises, corresponding deferred tax asset shall not be recognized if the temporary differences are unlikely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences. Except the above-mentioned cases, the Company shall recognize the deferred tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain, and which can be deducted from the deductible temporary difference.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred tax assets and deferred tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

The book value of deferred tax assets shall be reexamined at the balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 28. Deferred Tax Assets/Deferred Tax Liabilities *(Continued)*

#### (3) Tax expenses

Tax expenses include current tax and deferred tax.

Except that other comprehensive income is recognized, the current tax and deferred income tax related to the transactions or events directly recorded in the other comprehensive income or shareholders' equity and the book value of goodwill is adjusted due to the deferred income tax arising from business combination, other current taxes and deferred income tax expenses or incomes are recorded in the profit or loss for the period.

#### (4) Offset of Income Tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

### 29. Lease

A lease is a contract in which the company transfers or acquires the right to control the use of one or more identified assets within a certain period in exchange for or payment of consideration.

#### (1) Accounting Treatments of Operating Leases for Lessees

On the beginning date of the lease term, the company recognizes the right 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”).

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 29. Lease *(Continued)*

#### (1) Accounting Treatments of Operating Leases for Lessees *(Continued)*

The initial measurement of the lease liability is based on the present value of the outstanding lease payment at the beginning of the lease term. The amount of lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① If the lease incentive exists in the fixed payment amount and the actual fixed payment amount, the amount related to the lease incentive shall be deducted; ② variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio at the beginning of the lease period; ③ the exercise price of the option, provided that the company reasonably determines that it will exercise the option; ④ the payment required to exercise the option to terminate the lease, provided that the term of the lease reflects that the company will exercise the option to terminate the lease; ⑤ according to the company's guarantee residual value is expected to pay. The company calculates the interest expense of the leasing liability during the lease term according to the fixed periodic interest rate and includes it into the current profit and loss.

The company shall record the variable lease payment not included in the measurement of lease liabilities into the current profit and loss when it actually occurs.

For short-term lease and low-value asset lease, the company chooses to simplify the process and record the profits and losses of the current period in accordance with the straight-line method during the lease period.

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances.

If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly.

If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

#### (2) The company records the leasing business as the lessor

##### ① *leasing classification*

On the lease commencement date, the company divides the lease into finance lease and operating lease based on the essence of the transaction. Finance lease refers to the lease that transfers virtually all the risks and rewards related to the ownership of the leased assets. The term "operating lease" refers to any lease other than finance lease.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 29. Lease *(Continued)*

#### (2) The company records the leasing business as the lessor *(Continued)*

##### ② *operating lease*

The company adopts the straight-line method to recognize the rental income for each period of the lease term. The initial direct expenses related to the operating lease are capitalized at the time of occurrence and are recorded into the profits and losses of the current period in accordance with the same basic stages as recognized rental income during the whole lease period. The variable lease payment amount acquired related to the operating lease and not included in the lease receipt shall be recorded into the current profit and loss when actually incurred.

##### ③ *financial lease*

On the commencement date of the lease term, the company shall confirm the receivables of the finance lease and terminate the confirmation of the finance lease assets. The finance lease receivables are initially measured by the sum of the present value discounted by the embedded interest rate of the lease, which is the unsecured residual value and the unreceived lease receipt at the beginning of the lease term. The amount of lease payment includes: a. fixed amount of payment and substantial fixed amount of payment to be paid by the lessee. If there is A lease incentive, the amount related to the lease incentive will be deducted; B. Variable lease payments, subject to an index or ratio, determined at the time of initial measurement based on the index or ratio at the date of commencement of the lease period; C. The exercise price of the option, provided that it is reasonably determined that lessee will exercise the option; D. The amount payable by the lessee to exercise the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; E. Residual value of security provided to lessor by lessee, parties related to lessee and an independent third party capable of performing its security obligations.

The variable lease payment acquired by the company, which is not included in the measurement of net lease investment, shall be recorded into the current profit and loss when actually incurred.

### 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".

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 31. Changes in Significant Accounting Policies and Accounting Estimates

#### Changes in important accounting policies

##### (1) *Interpretation No. 15 of Accounting Standards for Business Enterprises*

The Ministry of Finance issued the “Interpretation No. 15 of Accounting Standards for Business Enterprises” (hereinafter referred to as “Interpretation No. 15”) on December 30, 2021. It regulates the accounting treatment of external sales of products or by-products produced before the fixed assets reach the intended usable state or during the research and development process and the judgment of loss contracts.

- ① Accounting treatment for external sales of products or by-products produced before the fixed assets reach the intended usable state or during the research and development process.

Interpretation No. 15 stipulates that when an enterprise sells products or by-products produced before the fixed assets reach the intended usable state or during the research and development process, it shall follow the “Accounting Standards for Business Enterprises No. 14 – Revenue”, “Accounting Standards for Business Enterprises No. 1 – Inventory” and other provisions, the income and costs related to the trial operation sales shall be accounted for separately and included in the current profit and loss, and the net amount after the trial operation sales related income offsets the cost shall not be used to offset the cost of fixed assets or R & D expenditures. At the same time, the enterprise shall separately disclose relevant information such as the amount of income and costs related to trial operation sales, specific items presented, and important accounting estimates used when determining trial operation sales related costs in the notes. This regulation came into effect on January 1, 2022, and the Company started to implement it from the date of the regulation. This change in accounting policy has no significant impact on the Company’s financial statements.

##### (1) *Interpretation No. 15 of Accounting Standards for Business Enterprises (Continued)*

- ② *Judgment on loss contracts*

Interpretation No. 15 stipulates that the “cost of performing the contract” considered by an enterprise when judging whether a contract constitutes a loss contract shall include the incremental cost of performing the contract and the apportioned amount of other costs directly related to the performance of the contract. This regulation came into effect on January 1, 2022. The Company started implementing it on the stipulated date, and the change in accounting policy has no impact on the company’s financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 31. Changes in Significant Accounting Policies and Accounting Estimates *(Continued)*

#### Changes in important accounting policies *(Continued)*

##### (2) *Interpretation No. 16 of Accounting Standards for Business Enterprises*

The Ministry of Finance issued the "Interpretation No. 16 of Accounting Standards for Business Enterprises" (hereinafter referred to as "Interpretation No. 16") on November 30, 2022. It regulates the accounting treatment of the income tax impact of dividends related to financial instruments classified as equity instruments by the issuer, and the accounting treatment of the company's modification of cash-settled share-based payments to equity-settled share-based payments.

##### ① *Accounting treatment for the income tax impact of dividends related to financial instruments classified as equity instruments by the issuer*

Interpretation No. 16 stipulates that for financial instruments such as perpetual bonds classified as equity instruments, enterprises should recognize the income tax impact related to dividends when confirming dividends payable. For the distributed profit comes from the transaction or event that generated profit or loss in the past, the income tax effect of the dividend should be included in the current profit and loss; For the profit distributed from the transactions or events previously recognized in the owner's equity, the income tax effect of the dividend should be included in the owner's equity item. This regulation shall come into effect on the date of announcement. The Company started to implement it from the stipulated date, and the change of accounting policy has no significant impact on the Company's financial statements.

##### ② *Accounting treatment for the modification of cash-settled share-based payment by an enterprise to equity-settled share-based payment*

Interpretation No. 16 stipulates that if an enterprise modifies the terms and conditions of a cash-settled share-based payment agreement to make it an equity-settled share-based payment, on the date of modification, the enterprise shall measure the equity-settled share-based payment according to the fair value of the equity instrument granted on the day, include the services obtained in the capital reserve, and at the same time derecognize the liabilities of the cash-settled share-based payment recognized on the date of modification, the difference between the two is included in the current profit and loss. If the waiting period is extended or shortened due to the revision, the enterprise shall perform the above accounting treatment according to the revised waiting period (without considering the relevant accounting treatment provisions of adverse revisions). The Company started to implement it from the stipulated date, and the change of accounting policy has no significant impact on the Company's financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates

In the application of the accounting policies, due to the intrinsic uncertainty of business operations, the Company needs to judge, estimate, and make assumptions on the book value of report item which cannot be reliably measured. These judgments, estimations, and assumptions are made based on the Company management's historical experiences, and with references of other related factors. These judgments, estimations and assumptions can have impact on the reported amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. It is probable that the actual results arising from the uncertainty of these estimates are different from the current estimates of the Company's management, and then lead to significant adjustments to the book value of assets or liabilities influenced in future.

The Company performs periodic revision on the above determinations, estimations, and assumptions on the basis of constant operation. When a change in accounting estimation is just influencing the current term, its influenced amount is recognized in the current term. When a change is influencing not only the current term but also the future terms, its influenced amount is recognized in the current term and also the future terms.

The following are the critical judgments that the Company has made in the process of judging, evaluating and assuming as at balance sheet date:

#### (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.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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.

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### 32. Significant Accounting Judgments and Estimates *(Continued)*

#### (6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

#### (7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

#### (8) Income Taxes

During regular business activities of the Company, there are uncertainties in final taxation disposal and calculation for some transactions. Whether some projects can list approval needed from taxation authorities before tax. If the final recognition result of these taxation matters is different from the initially estimated amount, such difference will influence the income tax and deferred income tax of current year during final recognition.

#### (9) Provisions

Based on the contract terms, existing knowledge and historical experience, the Company estimates and makes provision for product quality assurance, estimated contract losses, and penalty for delay in delivery. In the event that such contingent events have formed a current obligation and the performance of such current obligations is likely to result in the outflow of economic benefits from the Company, the Company recognizes the contingent liabilities as the provisions according to the best estimate of the expenditure required to perform the relevant current obligations. The recognition and measurement of Provisions is mainly dependent on management's judgment. In the process of making judgments, the Company needs to assess factors such as risks, uncertainties and time value of money related to such contingent events.

Among them, the Company will provide provisions for after-sales warranty to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit and loss of the future year.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## IV. TAXES

### 1. Main Tax Types and Tax Rate

Types of tax	Tax basis	Specified tax rate
Value added tax ("VAT")	Taxable income	(1) Sales of goods: 13%, 9% (2) Services etc.: 6%, 5%, 3%
Consumption tax	Taxable income	10%
Urban maintenance and construction tax	Actual payment of turnover tax	7%
Education surcharge	Actual payment of turnover tax	3%
Local education surcharge	Actual payment of turnover tax	2%
Corporate income tax	Taxable profit	Please refer the details below.

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, 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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), WLJ Great Health (No. GR202244003684), Tian Xin (No. GR202044001663), Guang Hua (No. GR202144001816), Ming Xing (No. GR202044000339), Guangyao General Institute (No. GR GR202144002939), Guangxi Ying Kang (No. GR202145001254).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd. and 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 the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	<b>1,037,872.77</b>	679,188.73
Cash at bank	<b>20,710,292,430.48</b>	20,945,367,227.97
Other currency balance(note)	<b>1,788,222,467.50</b>	1,430,881,444.73
Total	<b>22,499,552,770.75</b>	22,376,927,861.43
Including: Total amount of cash kept in foreign countries	<b>111,627,660.26</b>	129,090,989.43

Notes:

Other currency balance RMB1,788,222 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 31 December 2022, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,694,854 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	<b>1,519,436,125.06</b>	1,201,347,571.10
Guarantee deposits	<b>72,410,170.86</b>	50,235,314.29
Term deposit · Certificate of deposit	<b>59,168,204.95</b>	61,370,700.00
Deposit for Letters of credit	<b>42,329,142.20</b>	49,626,368.00
Housing funds	<b>932,296.12</b>	928,865.82
Frozen account funds	<b>547,000.00</b>	47,000.00
Other	<b>30,818.92</b>	8,000.00
Total	<b>1,694,853,758.11</b>	1,363,563,819.21

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Transactional financial assets

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	<b>56,872,680.00</b>	–
Including: Debt instrument investment	<b>4,000,000.00</b>	–
Other (note)	<b>52,872,680.00</b>	–
Total	<b>56,872,680.00</b>	–

Note: The main others are mainly performance compensation of RMB52,872,680.00. 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.

### 3. Notes Receivable

#### (1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	<b>1,048,485,178.04</b>	1,135,898,000.56
Commercial acceptance notes	<b>79,996,148.27</b>	92,000,881.72
Less: Bad debt reserves	<b>1,130,074.13</b>	5,801,782.63
Total	<b>1,127,351,252.18</b>	1,222,097,099.65

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 RMB1,876,840 thousand.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (2) Notes receivable pledged at the period end

Item	Amount pledged at the period end
Bank acceptance notes	40,301,643.31
Commercial acceptance notes	—
Total	<u>40,301,643.31</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	<b>3,071,210,104.55</b>	294,627,397.64
Commercial acceptance notes	—	200,000.00
Total	<b><u>3,071,210,104.55</u></b>	<u>294,827,397.64</u>

Notes:

- ① Pursuant to provisions of the *Negotiable Instruments Law of the People's Republic of China*, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted.
- ② The Group believes that the fair value of the continuing involvement is not significant, as the Group has transferred substantially all the risks and awards of the above-mentioned notes receivable which have been endorsed or discounted. The Group does not recognize any assets or liabilities arising from the continuing involvement in book. 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 RMB294,827 thousand, and the short-term borrowings, accounts payable of RMB294,827 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 RMB3,366,038 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 31 December 2022 which shall be matured by 31 December 2023.
- ⑤ For the year from January to December 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.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

- (4) As on 31 December 2022, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB2,146,033 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	26 Oct 2022	26 Apr 2023	15,000,000.00
Customer 2	20 Dec 2022	20 Jun 2023	11,617,284.00
Customer 3	14 Dec 2022	14 Mar 2023	10,741,978.60
Customer 4	25 Nov 2022	25 Feb 2023	9,481,528.99
Customer 5	27 Dec 2022	27 Mar 2023	9,351,463.94

- (5) As on 31 December 2022 and 31 December 2021, there are no commercial acceptance notes endorsed by the Group but not matured.

- (6) As on 31 December 2022, bank acceptance notes discounted by the Group but not matured was RMB1,219,804 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	25 Nov 2022	28 Apr 2023	20,648,741.06
Customer 2	28 Oct 2022	28 Mar 2023	19,267,753.74
Customer 3	26 Aug 2022	26 Jan 2023	15,957,536.20
Customer 4	28 Sept 2022	28 Feb 2023	15,900,904.14
Customer 5	26 Oct 2022	26 Apr 2023	15,000,000.00

- (7) As on 31 December 2022 and 31 December 2021, bank acceptance notes discounted by the Group but not matured was RMB200 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	28 Jan 2022	27 Jan 2023	200,000.00

- (8) As on 31 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,128,481,326.31	100.00	1,130,074.13	0.10	1,127,351,252.18
Including: portfolio 1	79,996,148.27	7.09	1,130,074.13	1.41	78,866,074.14
portfolio 2	1,048,485,178.04	92.91	-	-	1,048,485,178.04
Total	1,128,481,326.31	100.00	1,130,074.13	0.10	1,127,351,252.18

Cont.

Category	Book balance		Closing balance of last year Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,227,898,882.28	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	1,227,898,882.28	100.00	5,801,782.63	0.47	1,222,097,099.65

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

① 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	Book balance	Closing balance Provision for bad debts	Expected credit loss (%)
Within one year	77,157,236.35	771,572.36	1.00
1 To 2 years	2,465,859.03	246,585.90	10.00
2 To 3years	373,052.89	111,915.87	30.00
Total	<u>79,996,148.27</u>	<u>1,130,074.13</u>	<u>1.41</u>

③ Portfolio 2: Notes receivable which are subject to provision by financial asset portfolio with extremely low credit risk

Item	Notes receivable	Closing balance Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	<u>1,048,485,178.04</u>	—	—
Total	<u>1,048,485,178.04</u>	—	—

#### (10) Provision for bad debts.

Item	Closing balance of last year	Provision	Current Movement Return or Recovery	Pay-off or write off	Closing balance
Provision for bad debts of notes receivable	<u>5,801,782.63</u>	<u>(4,671,708.50)</u>	—	—	<u>1,130,074.13</u>
Total	<u>5,801,782.63</u>	<u>(4,671,708.50)</u>	—	—	<u>1,130,074.13</u>

#### (11) No Notes receivable actually written off during this year.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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	<b>14,264,525,699.18</b>	12,495,057,859.86
1 to 2 years	<b>775,311,306.02</b>	506,794,473.92
2 to 3 years	<b>113,372,003.93</b>	79,224,897.37
3 to 4 years	<b>30,258,600.43</b>	40,944,191.41
4 to 5 years	<b>36,224,266.27</b>	144,582,632.69
Over 5 years	<b>212,044,861.90</b>	70,053,170.53
Subtotal	<b>15,431,736,737.73</b>	13,336,657,225.78
Less: Provision for bad debts	<b>574,144,969.24</b>	520,120,118.38
Total	<b>14,857,591,768.49</b>	12,816,537,107.40

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts	Expected credit loss (%)	
Accounts receivable subject to separate provision	307,608,004.47	1.99	283,480,882.04	92.16	24,127,122.43
Accounts receivable subject to provision by portfolio	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Including: portfolio 1	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Total	<b>15,431,736,737.73</b>	<b>100.00</b>	<b>574,144,969.24</b>	<b>3.72</b>	<b>14,857,591,768.49</b>

Category	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Provision for bad debts	Expected credit loss (%)	
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	<b>13,336,657,225.78</b>	<b>100.00</b>	<b>520,120,118.38</b>	<b>3.90</b>	<b>12,816,537,107.40</b>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

##### ① Accounts receivable subject to separate provision 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 (11). 1. (2) ②(g)
Customer 2	30,098,366.56	30,098,366.56	100.00	Litigation is involved. Please refer to Note XIII (11). 1. (2) ②(c)(d)(e)
Customer 3	27,434,949.88	3,943,763.64	14.37	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 (11). 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	10,182,695.97	10,182,695.97	100.00	Litigation is involved. Please refer to Note XIII (11). 1. (2) ②(j)
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved. Please refer to Note XIII (8). 1. (2) ②(k)
Customer 8	6,359,761.88	5,723,825.69	90.00	Litigation is involved. Please refer to Note XIII (11). 1. (2) ①
Customer 9	5,762,294.75	5,762,294.75	100.00	The company's funds were frozen by the court and amount is expected to be unrecoverable.
Customer 10	4,130,812.22	4,130,812.22	100.00	Litigation is involved, which has been decided and is in the implementation stage
Others	31,194,529.54	31,194,529.54	100.00	Amount is expected to be unrecoverable.
Total	<u>307,608,004.47</u>	<u>283,480,882.04</u>	<u>-</u>	

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

##### ② Accounts receivable subject to provision by portfolio

##### Portfolio 1: 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	14,235,527,815.83	142,273,905.59	1.00	12,406,047,484.02	124,039,381.72	1.00
1 to 2 years	733,542,289.17	73,354,229.01	10.00	502,936,689.87	50,293,669.00	10.00
2 to 3 years	96,433,350.23	28,929,965.08	30.00	72,523,163.84	21,756,984.17	30.00
3 to 4 years	22,867,120.65	11,433,560.43	50.00	11,810,207.96	5,905,104.01	50.00
4 to 5 years	5,428,651.44	4,342,921.15	80.00	4,137,325.41	3,309,860.33	80.00
Over 5 years	30,329,505.94	30,329,505.94	100.00	29,209,816.73	29,209,816.73	100.00
Total	15,124,128,733.26	290,664,087.20	-	13,026,664,687.83	234,514,815.96	-

#### (3) Provision for bad debts accrued, return or recovered or reversed this period

Category	Closing balance of last year	Current movement			Other decrease	Closing balance
		Provision	Return or recovery	Pay-off or write-off		
Provision for bad debts of accounts receivable	520,120,118.38	82,547,219.11	27,998,277.67	536,386.58	(12,296.00)	574,144,969.24
Total	520,120,118.38	82,547,219.11	27,998,277.67	536,386.58	(12,296.00)	574,144,969.24

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	27,927,990.17	It is expected to be unrecoverable	Reversal of credit and debt offset	Cash and discount
Total	27,927,990.17	-	-	-

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (4) Accounts receivable written off in the current period:

Item	Amount written off
Accounts receivable written off	536,386.58

Including: Significant written-off in the current period:

Name	Nature of accounts receivable	Written-off amount	Reason for written-off	Procedure for written-off	Whether it is caused by connected transactions
Customer 1	Payment for goods	396,278.61	The other party closed the business and liquidated and has been canceled	Approved by the management	No
Total	-	<u>396,278.61</u>	-	-	-

#### (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	241,665,504.96	1.57	2,416,930.75
Customer 2	211,354,646.52	1.37	2,113,546.47
Customer 3	206,471,355.37	1.34	2,064,713.55
Customer 4	191,673,774.45	1.24	12,240,358.09
Customer 5	190,318,832.14	1.23	1,903,188.32
Total	<u>1,041,484,113.44</u>	<u>6.75</u>	<u>20,738,737.18</u>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

- (6) Accounts receivables derecognized due to transfer of financial assets in the current period.

Items	Transfer method of financial assets	Accounts receivables derecognized	Profit or loss from the derecognition
Accounts Receivable Factoring	Sold	<u>256,608,672.22</u>	<u>6,447,738.57</u>
Total	–	<u>256,608,672.22</u>	<u>6,447,738.57</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 (such as securitization, factoring, etc.) with the continuing involvement for the current period.

### 5. Receivables Financing

- (1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	<u>1,876,840,270.36</u>	<u>1,853,746,708.62</u>
Accounts receivable	<u>1,305,926,731.68</u>	<u>1,318,119,252.58</u>
Total	<u>3,182,767,002.04</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>2,825,766,916.53</u>	31,831,046.57
Total	–	<u>2,825,766,916.53</u>	31,831,046.57

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Receivables Financing (Continued)

- (2) Accounts receivables derecognized due to transfer of financial assets in the current period. (Continued)

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 Financial assets held for trading of the financial statements based on its maturity date.

### 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	<b>748,897,952.75</b>	<b>89.58</b>	752,640,089.54	96.59
1 to 2 years	<b>79,538,846.05</b>	<b>9.51</b>	20,739,214.44	2.66
2 to 3 years	<b>6,136,395.61</b>	<b>0.73</b>	36,967.08	0.00
Over 3 years	<b>1,481,754.92</b>	<b>0.18</b>	5,823,555.38	0.75
Total	<b>836,054,949.33</b>	<b>100.00</b>	779,239,826.44	100.00

- (2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	<b>107,141,612.13</b>	<b>12.82</b>
Supplier 2	<b>25,302,952.20</b>	<b>3.03</b>
Supplier 3	<b>22,104,360.00</b>	<b>2.64</b>
Supplier 4	<b>21,800,824.96</b>	<b>2.61</b>
Supplier 5	<b>21,006,974.38</b>	<b>2.51</b>
Total	<b>197,356,723.67</b>	<b>23.61</b>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable		
Dividends receivable	<b>218,766,959.00</b>	343,766,959.00
Other receivables	<b>698,476,442.47</b>	834,947,434.77
Total	<b>917,243,401.47</b>	1,178,714,393.77

#### (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")	<b>218,766,959.00</b>	343,766,959.00
Less: Provision for bad debts		
Total	<b>218,766,959.00</b>	343,766,959.00

#### (2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>575,916,441.72</b>	745,289,089.76
1 to 2 years	<b>79,440,583.73</b>	42,388,736.52
2 to 3 years	<b>18,256,037.13</b>	27,449,916.42
3 to 4 years	<b>11,968,369.08</b>	18,392,069.80
4 to 5 years	<b>12,103,308.08</b>	11,730,965.96
Over 5 years	<b>39,449,523.13</b>	34,283,553.27
Subtotal	<b>737,134,262.87</b>	879,534,331.73
Less: Provision for bad debts	<b>38,657,820.40</b>	44,586,896.96
Total	<b>698,476,442.47</b>	834,947,434.77

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### ② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	517,849,656.05	624,998,607.07
Margin, deposit and down payment	140,279,126.78	125,925,785.15
Advances to employees	25,242,645.68	41,146,466.25
Receivables due from related parties	10,019,571.89	6,874,005.17
Petty cash	3,305,911.82	6,425,065.14
Tax refund for exports	221,357.30	2,537,700.42
Others	40,215,993.35	71,626,702.53
Total	<b>737,134,262.87</b>	<b>879,534,331.73</b>

##### ③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Opening balance on 1 Jan 2022	14,583,141.57		30,003,755.39	44,586,896.96
Provision at current period	(6,188,735.05)	-	415,292.49	(5,773,442.56)
Reversal of bad debt provision at current period			152,269.00	152,269.00
Pay off at current period	-	-	-	-
Written off at current period	3,365.00	-	-	3,365.00
Other changes	-	-	-	-
Ending balance on 31 December 2022	<u>8,391,041.52</u>	<u>-</u>	<u>30,266,778.88</u>	<u>38,657,820.40</u>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### ④ Provision for bad debts

Item	Closing balance of last year	Current movement			Other decrease	Closing balance
		Provision	Return of recovery	Pay-off or write-off		
Provision for bad debts of other receivables	44,586,896.96	(5,773,442.56)	152,269.00	3,365.00		<b>38,657,820.40</b>
合計	44,586,896.96	(5,773,442.56)	152,269.00	3,365.00		<b>38,657,820.40</b>

⑤ There is no significant return or recovery of bad debt reserves in the current period.

⑥ Written off of other receivables actually in the current period.

Item	Written-off amount
Written-off of other receivables	3,365.00

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	Purchase rebates receivable from suppliers	35,217,433.90	Within 1 year	4.78	352,174.34
Other receivables 2	Purchase rebates receivable from suppliers	20,619,974.00	Within 1 year	2.80	206,199.74
Other receivables 3	Purchase rebates receivable from suppliers	16,375,442.40	Within 1 year	2.22	163,754.43
Other receivables 4	Purchase rebates receivable from suppliers	15,172,442.87	Within 1 year, 3 to 4 years, 4-5 years	2.06	619,919.10
Other receivables 5	Purchase rebates receivable from suppliers	13,337,289.00	Within 1 year	1.81	133,372.89
Total	—	<u>100,722,582.17</u>	—	<u>13.67</u>	<u>1,475,420.50</u>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

- 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 (such as securitization, factoring, etc.) with the continuing involvement for this period.

### 8. Inventories

#### (1) Disclosure of inventories by categories is as follows:

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories	Book value	Book balance	Provision for decline in value of inventories	Book value
Raw materials	884,088,494.23	8,614,452.16	875,474,042.07	875,495,219.20	5,659,802.75	869,835,416.45
Turnover materials	244,925,818.68	2,287,090.96	242,638,727.72	172,122,724.02	-	172,122,724.02
Consignment processing material	33,865,870.92	-	33,865,870.92	14,537,013.78	-	14,537,013.78
Work in progress	650,654,541.25	-	650,654,541.25	579,661,002.42	-	579,661,002.42
Commodity stocks	8,933,428,991.77	64,489,654.97	8,868,939,336.80	8,862,926,488.42	61,348,845.10	8,801,577,643.32
Total	<u>10,746,963,716.85</u>	<u>75,391,198.09</u>	<u>10,671,572,518.76</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	Increase in this period		Decrease in this period		Closing balance
		Provision	Others	Reversed or Written-off	Return of recovery	
Raw materials	5,659,802.75	2,986,381.94	696,309.66	728,042.19	-	8,614,452.16
Commodity stocks	61,348,845.10	11,279,993.68	-	7,938,430.50	200,753.31	64,489,654.97
Turnover materials	-	995,421.00	3,094,106.40	1,802,436.44	-	2,287,090.96
Consignment processing material	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-
Total	<u>67,008,647.85</u>	<u>15,261,796.62</u>	<u>3,790,416.06</u>	<u>10,468,909.13</u>	<u>200,753.31</u>	<u>75,391,198.09</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 the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## 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 one year	<b>542,076,391.43</b>	—
Other Non-current assets due within one year	<b>111,039,166.67</b>	—
Total	<b>653,115,558.10</b>	—

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
Large denomination Certificate of deposit	160,000,000.00	3.65%	3.65%	2023/9/11	—	—	—	—
Large denomination Certificate of deposit	160,000,000.00	3.65%	3.65%	2023/9/11	—	—	—	—
Large denomination Certificate of deposit	100,000,000.00	3.65%	3.65%	2023/9/10	—	—	—	—
Large denomination Certificate of deposit	80,000,000.00	3.65%	3.65%	2023/9/11	—	—	—	—
Total	<b>500,000,000.00</b>	—	—	—	—	—	—	—

### 10. Other Current Assets

Item	Closing balance	Closing balance of last year
Large denomination Certificate of deposit	<b>1,574,937,430.76</b>	—
Balance of outstanding VAT debit	<b>490,102,881.85</b>	651,280,688.19
Prepaid income tax	<b>79,536,048.73</b>	14,933,268.31
Input VAT to be certified	<b>74,049,235.84</b>	37,324,937.21
Undisposed assets for whole relocation (Note)	<b>1,498,397.39</b>	1,498,397.39
Refunds payable	<b>3,266,283.84</b>	97,027,770.61
Others	<b>38,799,333.76</b>	25,393,349.86
Total	<b>2,262,189,612.17</b>	827,458,411.57

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on June 29, 2020.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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
Large-denomination Certificate of deposit held to maturity	1,728,853,366.70	-	1,728,853,366.70	107,139,166.67	-	107,139,166.67
Fixed deposit held to maturity	1,435,645,384.89	-	1,435,645,384.89	523,572,918.08	-	523,572,918.08
Total	3,164,498,751.59	-	3,164,498,751.59	630,712,084.75	-	630,712,084.75

### 12. Long-term Equity Investment

Investee	Closing balance of last year	Increase	Decrease	Change in the current period					Closing balance	Closing balance of provision for impairment	
				Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits	Provision for impairment			Others
I. Joint ventures											
HWBYS	142,393,350.72	-	-	83,782,632.35	-	-	-	-	-	226,175,983.07	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	59,121,064.41	-	-	6,286,491.88	-	-	-	-	-	65,407,556.29	-
Baiyunshan Biological	169,917,352.63	-	-	(14,469,443.38)	-	-	-	(155,447,909.25)	-	-	-
Chengdu Hejian	8,805,682.47	9,800,000.00	-	(1,225,409.02)	-	-	-	-	-	17,380,273.45	-
Subtotal	380,237,450.23	9,800,000.00	-	74,374,271.83	-	-	-	(155,447,909.25)	-	308,963,812.81	-
II. Associates											
Jinying Fund Management Co., Ltd	74,378,315.03	-	-	5,890,328.34	-	-	-	-	-	80,268,643.37	-
Guangzhou Baiyunshan Weiwei Medical Investment Management Co., Ltd.	2,057,613.75	-	-	12,866.02	-	-	-	-	-	2,070,479.77	-
Yunnan Hongxiang Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred as "Yi Xin Tang")	860,427,644.74	-	(49,274,286.30)	56,083,960.26	-	-	(10,790,097.30)	-	-	856,447,221.40	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	87,599,636.99	-	-	(1,239,136.57)	-	-	-	-	-	86,360,500.42	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	6,542,008.48	-	-	(475,219.95)	-	-	-	-	-	6,066,788.53	-
Guangzhou Guangyao Jinzang equity investment partnership (limited partnership)	45,132,108.14	-	-	(1,394,070.42)	-	-	-	-	-	43,738,037.72	-
Guangzhou Dufen Health Industry Co., Ltd.	136,838.04	-	-	(37,390.60)	-	-	-	-	-	99,447.44	-
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	42,531,880.91	-	-	(1,464,656.72)	-	-	-	-	-	41,067,224.19	-
Chuangmei Medicines Co., Ltd.	62,043,538.26	-	-	-	-	-	-	12,631,286.76	-	74,674,825.02	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	1,791,532.79	-	(1,700,000.00)	143,004.22	-	-	-	-	-	234,537.01	-
Guangzhou Guangyao Industry Investment Equity Investment Partnership (Limited Partnership)	-	86,765,000.00	-	(2,693,191.46)	-	-	-	-	-	84,071,808.54	-
Subtotal	1,182,641,117.13	86,765,000.00	(50,974,286.30)	54,826,493.12	-	-	(10,790,097.30)	-	12,631,286.76	1,275,099,513.41	-
Total	1,562,878,567.36	96,565,000.00	(50,974,286.30)	129,200,764.95	-	-	(10,790,097.30)	-	(142,816,622.49)	1,584,063,326.22	-

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. Other Equity Instruments investments

Item	Investment cost	Closing balance of last year	Closing balance	Dividend income recognized in the current period	Amount of cumulative profits and losses transferred from other 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	98,016,033.60	8,016,342.52	-	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,000,000.00	10,000,000.00	10,900,000.00	-	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	459,091.00	448,616.43	653,808.78	-	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,677,876.51	7,677,876.51	-	-	-	Long-term holdings for strategic purposes
Total	<u>132,509,465.26</u>	<u>123,422,079.79</u>	<u>109,569,842.38</u>	<u>8,016,342.52</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	<b>1,038,818,757.16</b>	574,277,570.93
Including: Debt instrument investment	<b>538,390,000.00</b>	4,000,000.00
Equity instrument investment	<b>500,428,757.16</b>	506,809,499.53
Other	-	63,468,071.40
Total	<b><u>1,038,818,757.16</u></b>	<u>574,277,570.93</u>

Important other non-current financial assets are as follows:

Types	Item	Closing balance	Closing balance of last year
Debt instrument investment	Large denomination Certificate of deposit	<b>538,390,000.00</b>	4,000,000.00
Equity instrument investment	Guangzhou Baxter Medical Supply	<b>223,000,000.00</b>	232,000,000.00
Equity instrument investment	C.Q.Pharmaceutical Holding Co., Ltd	<b>132,041,036.40</b>	132,560,883.00
Total	-	<b><u>893,431,036.40</u></b>	<u>368,560,883.00</u>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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	610,097.58	-	3,456,250.46	4,066,348.04
(1) Purchase	-	-	3,456,250.46	3,456,250.46
(2) Changes in foreign exchange rate	610,097.58	-	-	610,097.58
(3) Transferred from inventory, fixed asset and construction in progress	-	-	-	-
3. Decrease	631,822.16	-	-	631,822.16
(1) Transferred into inventory, fixed assets and construction in progress	631,822.16	-	-	631,822.16
4. Closing balance	413,242,878.09	18,344,900.69	13,865,460.63	445,453,239.41
II. Accumulated depreciation and amortization				
1. Opening balance	217,442,886.77	10,600,078.49	-	228,042,965.26
2. Increase	10,853,430.39	329,081.01	-	11,182,511.40
(1) Provision or amortization	10,438,189.53	329,081.01	-	10,767,270.54
(2) Changes in foreign exchange rate	415,240.86	-	-	415,240.86
(3) Transferred from inventory, fixed asset and construction in progress	-	-	-	-
3. Decrease	477,701.87	-	-	477,701.87
(1) Transferred into inventory, fixed assets and construction in progress	477,701.87	-	-	477,701.87
4. Closing balance	227,818,615.29	10,929,159.50	-	238,747,774.79
III. Provision for impairment				
1. Opening balance	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	185,424,262.80	7,415,741.19	13,865,460.63	206,705,464.62
2. Opening balance of book value	195,821,715.90	7,744,822.20	10,409,210.17	213,975,748.27

① Depreciation is RMB10,438 thousand for Jan to December 2022 (Jan to December 2021: RMB9,849 thousand). Amortization is RMB329 thousand for Jan to December 2022 (Jan to December 2021: RMB395 thousand).

② Increase in original value and accumulated depreciation of investment property due to change in foreign exchange rate is RMB610 thousand and RMB415 thousand respectively for Jan to December 2022 (Jan to December 2021: decreased RMB194 thousand and RMB92 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).

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	<b>3,753,155,113.01</b>	3,364,559,004.41
Disposal of fixed assets	—	—
Less: Provision for impairment	<b>43,971,387.45</b>	16,967,030.31
Total	<b>3,709,183,725.56</b>	3,347,591,974.10

#### (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	313,986,046.56	380,058,904.49	16,331,243.21	150,939,751.74	40,757,700.13	3,664,434.92	905,738,081.05
(1) Purchases	62,225,586.02	113,692,084.68	13,118,388.18	11,914,501.86	25,113,222.47	82,895.51	226,146,678.72
(2) Transferred from construction of progress right of use asset, investment properties	235,929,929.23	233,404,008.30	1,141,159.64	23,115,714.42	14,383,241.58	3,581,539.41	511,555,592.58
(3) Changes in foreign exchange rate	495,292.28	—	—	—	47,299.58	—	542,591.86
(4) Increase from mergers	15,335,239.03	32,962,811.51	2,071,695.39	115,909,535.46	1,213,936.50	—	167,493,217.89
3. Decrease	455,729.43	85,942,494.13	7,173,538.25	5,695,693.25	19,489,545.28	476,157.08	119,233,157.42
(1) Disposal or scrap	455,729.43	85,942,494.13	7,173,538.25	5,695,693.25	19,410,096.96	476,157.08	119,153,709.10
(2) Changes in foreign exchange rate	—	—	—	—	—	—	—
(3) Transferred into construction in progress	—	—	—	—	79,448.32	—	79,448.32
4. Closing balance	3,642,188,402.28	3,217,050,777.29	126,793,730.43	353,052,465.39	360,530,476.84	60,495,587.16	7,760,111,439.39
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	137,286,752.04	235,928,729.17	7,257,793.36	84,959,028.45	39,411,627.88	3,969,867.92	508,813,798.82
(1) Provision	132,482,678.95	223,994,972.17	6,274,855.08	20,622,410.73	38,473,655.64	3,969,867.92	425,818,440.49
(2) Changes in foreign exchange rate	396,914.66	—	—	—	37,904.69	—	434,819.35
(3) Increase from mergers	4,407,158.43	11,933,757.00	982,938.28	64,336,617.72	900,067.55	—	82,560,538.98

# Notes to the Financial Statements

(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)

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
3. Decrease	378,590.70	79,591,602.83	7,369,453.77	5,704,315.41	17,408,671.85	452,349.23	110,904,983.79
(1) Disposal or scrap	378,590.70	79,591,602.83	7,369,453.77	5,704,315.41	17,388,544.91	452,349.23	110,884,856.85
(2) Changes in foreign exchange rate	-	-	-	-	-	-	-
(3) Transferred into construction in progress	-	-	-	-	20,126.94	-	20,126.94
4. Closing balance	1,594,412,501.73	1,831,086,940.89	82,853,926.65	214,591,600.20	238,455,352.64	45,556,004.27	4,006,956,326.38
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	-	1,903,340.56	-	26,247,474.63	-	-	28,150,815.19
(1) Provision	-	1,903,340.56	-	12,423.48	-	-	1,915,764.04
(2) Increase from mergers	-	-	-	26,235,051.15	-	-	26,235,051.15
3. Decrease	-	807,368.56	158,224.47	180,865.02	-	-	1,146,458.05
(1) Disposal or scrap	-	807,368.56	158,224.47	180,865.02	-	-	1,146,458.05
4. Closing balance	11,767,229.72	4,692,682.32	-	27,509,975.41	1,500.00	-	43,971,387.45
IV. Book value							
1. Closing balance of book value	2,036,008,670.83	1,381,271,154.08	43,939,803.78	110,950,889.78	122,073,624.20	14,939,582.89	3,709,183,725.56
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:

- ① The original price of transferring from construction in progress to fixed assets in 2022 is RMB450,577 thousand (2021: RMB615,952 thousand).
- ② Increase in original value and accumulated depreciation of fixed assets due to the fluctuation in foreign exchange rate are RMB543 thousand and RMB435 thousand respectively in 2022 (2021: decreased RMB192 thousand and RMB77 thousand respectively).
- ③ Fixed assets depreciation accrued in 2022 is RMB425,818 thousand (2021: RMB348,722 thousand), which is comprised of depreciation in operating cost RMB169,722 thousand, depreciation in selling expenses RMB119,086 thousand, depreciation in general and administrative expenses RMB101,632 thousand and depreciation in R&D expenditure RMB35,828 thousand (2021: RMB149,691 thousand, RMB77,731 thousand, RMB90,543 thousand and RMB30,757 thousand).

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (2) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	285,219.74	–	145,393.62	
Machinery and equipment	12,377,715.12	7,887,953.60	1,733,694.86	2,756,066.66	
Unused fixed assets (temporarily idle)	<u>149,600.00</u>	<u>–</u>	<u>–</u>	<u>149,600.00</u>	
Total	<u>12,957,928.48</u>	<u>8,173,173.34</u>	<u>1,733,694.86</u>	<u>3,051,060.28</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	29,580,270.57	Not handled yet as necessary procedures were not complete
Total	<u>29,580,270.57</u>	

- (5) As on 31 December 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\$5,973 thousand (Converted into RMB5,335 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$4,623 thousand (Converted into RMB4,129 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 USD284 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	<b>2,109,298,125.73</b>	1,564,342,855.70
Construction material	–	–
Less: Provision for impairment	<b>971,534.38</b>	251,734.38
Total	<u><b>2,108,326,591.35</b></u>	<u>1,564,091,121.32</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (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	<u>2,109,298,125.73</u>	<u>971,534.38</u>	<u>2,108,326,591.35</u>	1,564,342,855.70	251,734.38	1,564,091,121.32
Total	<u>2,109,298,125.73</u>	<u>971,534.38</u>	<u>2,108,326,591.35</u>	1,564,342,855.70	251,734.38	1,564,091,121.32

#### (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	Accumulated amount of interest capitalized	Including: capitalized amount of interest in the current period	ration	Source of funds
Construction of Bio-island R&D Headquarters	1,099,853,000.00	247,768,374.27	167,688,158.45	-	-	415,456,532.72	62.23	60.00	-	-	-	Self-raised funds, issuing shares
Ming Xing relocation improvement	686,410,000.00	198,378,091.38	192,229,253.26	-	-	390,607,344.64	58.56	58.56	-	-	-	Self-raised funds, issuing shares
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. Nansha Base Project	731,879,100.00	265,143,618.45	48,695,301.07	-	-	313,838,919.52	63.21	84.97	-	-	-	Self-raised funds, issuing shares
Chinese medicine modernization GMP phase III construction project	287,620,000.00	148,940,511.01	-	326,050.75	-	148,614,460.26	64.54	64.54	-	-	-	Self-raised funds
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	45,634,624.31	24,185,422.98	-	79,646.03	69,740,401.26	53.94	60.00	551,400.00	551,400.00	3.00	Self-raised funds, issuing shares
Lanzhou production base	350,000,000.00	19,790,694.90	32,220,896.90	-	-	52,011,591.80	25.91	31.20	-	-	-	Self-raised funds
New plant construction project	426,135,900.00	-	49,659,457.18	-	-	49,659,457.18	11.65	11.65	-	-	-	Self-raised funds
Baiyunshan Heji public relocation project (Note②)	699,521,600.00	30,963,448.85	3,651,897.80	-	-	34,615,346.65	18.23	18.23	-	-	-	Self-raised funds, issuing shares
Food supporting production line project	42,400,000.00	30,232,389.91	3,342,928.69	-	-	33,575,318.60	79.19	90.00	-	-	-	Self-raised funds

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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	Accumulated amount of interest capitalized	Including: capitalized amount of interest in the current period	ration	Source of funds
Intelligent workshop technical transformation project	48,350,000.00	-	32,162,002.99	-	898,904.81	31,263,098.18	66.25	66.25	-	-	-	Self-raised funds
Monoclonal antibody project	62,650,000.00	50,341,857.84	6,539,249.24	26,177,357.00	-	30,703,750.08	86.49	86.49	-	-	-	Self-raised funds
Wanglaoji Great Health Industry (Ya'an) Production Base Phase II Project	67,000,000.00	8,499,112.72	21,277,031.87	-	-	29,776,144.59	47.63	60.00	-	-	-	Self-raised funds
Extension project R of Hospital service	208,320,000.00	6,025,041.29	24,979,959.19	10,199,536.34	-	20,805,464.14	65.57	65.57	-	-	-	Self-raised funds
Extension project Z of Hospital service	15,900,000.00	-	15,871,760.02	-	-	15,871,760.02	99.82	99.82	-	-	-	Self-raised funds
Litchi juice production line and installation project	30,000,000.00	-	16,746,957.45	2,856,753.00	-	13,890,204.45	63.07	63.07	-	-	-	Self-raised funds
Intelligent three-dimensional warehouse project	102,740,000.00	8,609,892.24	313,854.80	-	-	8,923,747.04	9.75	35.00	-	-	-	Self-raised funds
Production line expansion project	20,356,000.00	932,794.68	4,245,128.04	-	-	5,177,922.72	25.44	5.00	-	-	-	Self-raised funds
Reconstruction and expansion project of soft capsule production line	31,000,000.00	118,332.71	4,967,115.38	48,741.00	-	5,036,707.09	16.40	20.00	-	-	-	Self-raised funds
Extension project V of Hospital service	250,488,000.00	4,494,690.30	371,681.43	530,973.47	-	4,335,398.26	28.45	28.45	-	-	-	Self-raised funds
Guangyao Information Technology Software S2B2C	12,702,977.86	4,955,805.29	532,123.90	-	2,660,619.47	2,827,309.72	89.24	89.24	-	-	-	Self-raised funds
Base of Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	400,000,000.00	100,044,432.15	14,079,975.95	112,212,936.92	323,326.93	1,588,144.25	57.83	61.50	-	-	-	Self-raised funds
Cai Zhi Lin Meizhou TCM Industrialized production and service base	94,698,394.00	76,997,324.38	21,443,459.09	98,329,981.93	110,801.54	-	99.40	99.00	-	-	-	Self-raised funds
Baiyun project	527,000,000.00	6,327,338.20	17,291,667.04	21,487,521.24	2,131,484.00	-	88.41	88.41	-	-	-	Self-raised funds
<b>Total</b>	<b>-</b>	<b>1,416,362,031.94</b>	<b>830,479,736.27</b>	<b>272,169,851.65</b>	<b>6,204,782.78</b>	<b>1,968,467,133.78</b>	<b>-</b>	<b>-</b>	<b>551,400.00</b>	<b>551,400.00</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

(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)

Note:

- ① Other reductions in construction in progress this period were mainly due to the number of projects in progress transferred to intangible assets by the Group.
- ② At the end of 2021, the “Zhongluotan Wulonggang AB08070981 block” was changed to the “Baiyunshan Heji public relocation project”, and the budget was increased from RMB159,750 thousand to RMB699,522 thousand.

#### (3) There is provision for impairment of construction in progress in current period.

The equipment project to be installed by Guangzhou Baiyunshan Tianxin Pharmaceutical Co., Ltd., a subsidiary of the Company, was unable to obtain a value-added tax invoice due to the closure of the equipment supplier, and the production equipment could not be put into operation. Therefore, the equipment purchase payment paid for this project shall be fully depreciated.

#### (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	-	-	<b>251,734.38</b>	Project stopped Tax invoice due to the closure of the equipment supplier, and the production equipment could not be put into operation
Equipment to be installed	-	719,800.00	-	<b>719,800.00</b>	
Total	<u>251,734.38</u>	<u>719,800.00</u>	<u>-</u>	<b><u>971,534.38</u></b>	

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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	349,410.00	349,410.00
(1) Provision	349,410.00	349,410.00
3. Decrease	–	–
4. Closing balance	1,222,935.00	1,222,935.00
III. Provision for impairment		
1. Opening balance	–	–
2. Increase	–	–
3. Decrease	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing balance of book value	2,455,065.00	2,455,065.00
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 (feeding), and RMB0 due to sale, decreased RMB0 by death, loss, damage and decreased RMB349 thousand due to depreciation.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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	283,897,301.38	1,386,670.03	285,283,971.41
(1) New lease	283,897,301.38	1,386,670.03	285,283,971.41
(2) Other	–	–	–
3. Decrease	119,444,309.99	106,594,945.96	226,039,255.95
(1) Disposal	119,424,465.46	106,594,945.96	226,019,411.42
(2) Other	19,844.53	–	19,844.53
4. Closing balance	1,216,401,364.20	144,419,281.35	1,360,820,645.55
II. Accumulated depreciation			
1. Opening balance	439,691,326.90	92,045,063.28	531,736,390.18
2. Increase	209,068,824.25	20,316,882.78	229,385,707.03
(1) Provision	209,068,824.25	20,316,882.78	229,385,707.03
(2) Other	–	–	–
3. Decrease	104,212,434.98	46,248,162.93	150,460,597.91
(1) Disposal	104,212,434.98	46,248,162.93	150,460,597.91
(2) Other	–	–	–
4. Closing balance	544,547,716.17	66,113,783.13	610,661,499.30
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	671,853,648.03	78,305,498.22	750,159,146.25
2. Opening balance of book value	612,257,045.91	157,582,494.00	769,839,539.91

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

(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	11,056,864.52	19,974,542.06	91,735.02	389,931.53	-	68,815,579.23	100,328,652.36
(1) Purchase	19,153.20	29,245.28	91,735.02	389,931.53	-	45,893,960.24	46,424,025.27
(2) Internal R&D	-	1,385,296.78	-	-	-	9,645,783.23	11,031,080.01
(3) Increase from mergers	11,031,300.00	18,560,000.00	-	-	-	13,275,835.76	42,867,135.76
(4) Other	6,411.32	-	-	-	-	-	6,411.32
3. Decrease	-	-	-	-	-	33,591.54	33,591.54
(1) Disposal	-	-	-	-	-	33,591.54	33,591.54
(2) Other	-	-	-	-	-	-	-
4. Closing balance	1,042,153,992.67	45,650,172.55	64,952,446.55	1,562,384,531.60	127,793,900.00	336,690,330.69	3,179,625,374.06
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	26,661,647.56	19,806,380.76	5,372,185.23	-	-	45,773,347.78	97,613,561.33
(1) Provision	24,694,399.06	1,710,373.76	5,372,185.23	-	-	45,773,347.78	77,550,305.83
(2) Increase from mergers	1,967,248.50	18,096,007.00	-	-	-	-	20,063,255.50
3. Decrease	-	-	-	-	-	26,411.58	26,411.58
(1) Disposal	-	-	-	-	-	26,411.58	26,411.58
(2) Other	-	-	-	-	-	-	-
4. Closing balance	242,227,233.02	32,339,932.52	47,053,221.83	32,791,688.44	-	239,077,978.83	593,490,054.64
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	799,926,759.65	12,856,896.99	17,899,224.72	1,529,009,270.16	127,793,900.00	97,612,351.86	2,585,098,403.38
2. Opening balance of book value	815,531,542.69	12,688,735.69	23,179,674.93	1,528,619,338.63	127,793,900.00	74,577,300.36	2,582,390,492.30

Note:

- ① The purchase of intangible assets this year includes the internal R&D, the proportion of intangible assets formed through internal R&D accounted for 0.4% of intangible assets for the period.
- 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.
- ③ The amortization amount in 2022 was RMB77,550 thousand (2021: RMB61,953 thousand), which included in the current profit or loss RMB76,980 thousand and included in construction in progress RMB570 thousand.
- ④ The recoverable amount of the trademark without service life is determined by the income method valuation. The future expected income of the estimated trademark assets is converted into the present value through an appropriate discount rate, and is added to determine the recoverable amount. Expected income is calculated according to the following formula: expected income  $R_i = (\text{Billing base for trademark royalties} * \text{Trademark use rate}) - \text{tax and additional-enterprise income tax}$ . The key valuation parameters include: (1) discount rate, 12.5%; (2) sales revenue growth rate, generally 2%, individual enterprises at 10% -15%; (3) trademark use rate is calculated based on the excess profit rate multiplied by the trademark contribution rate. The excess profit rate is calculated based on the average historical data of the enterprise in the past four years. The trademark contribution rate is calculated by the hierarchical analysis method. The trademark use rate calculated above is between 0.80% and 1.96%. After the test, there are no impairment from the trademarks as below: Baiyunshan, Dashen, Series of Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, Wang Lao Ji, Jian Zhi Qiao, Guo Ying, Jian Min, Da Zhai, Wei Yi.

# Notes to the Financial Statements

(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		Confirmed as Intangible assets	Decrease		Closing balance
		Internal development expenditure	Others		Transfer to current P&L	Others	
Capital expenditure	10,567,467.71	250,456,136.29	-	11,031,080.01	5,286,141.50	4,038,318.56	240,668,063.93
Expense expenditure	-	814,168,208.48	-	-	814,168,208.48	-	-
<b>Total</b>	<b>10,567,467.71</b>	<b>1,064,624,344.77</b>	<b>-</b>	<b>11,031,080.01</b>	<b>819,454,349.98</b>	<b>4,038,318.56</b>	<b>240,668,063.93</b>

### 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
<b>Total</b>	<b>948,224,323.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948,224,323.50</b>

#### (2) Provision for impairment of goodwill

The investee's name or 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
<b>Total</b>	<b>118,751,256.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,751,256.60</b>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Goodwill (Continued)

#### (3) Detail of provision for impairment of goodwill

Item	Guangzhou Baiyunshan Hospital	Guangyao Haima	GP Corp.	San Gong Zai
Book balance of goodwill ①	9,216,610.56	2,282,952.18	932,349,003.84	3,900,000.00
Balance of provision impairment of goodwill ②			118,275,499.68	
Book value of goodwill ③=①-②	9,216,610.56	2,282,952.18	814,073,504.16	3,900,000.00
Unverified Goodwill value attributable to minority interests ④	8,855,174.85		307,851,159.16	
Post-adjust book value of total goodwill ⑤=④+③	18,071,785.41	2,282,952.18	1,121,924,663.32	3,900,000.00
Book value of asset group ⑥	99,071,316.35	1,267,626.26	1,654,428,105.08	1,318,335.46
Book value of asset group with total goodwill ⑦=⑤+⑥	117,143,101.76	3,550,578.44	2,776,352,768.40	5,218,335.46
Present value of estimated future cash flow of asset group(recoverable amount) ⑧	120,951,700.00	38,721,400.00	3,574,770,000.00	5,347,300.00
Loss on impairment of goodwill(more than 0) ⑨=⑦-⑧	-	-	-	-

#### (4) Information of asset group or asset portfolio including goodwill

① GP Corp.: it is mainly engaged in the wholesale and retail of drugs, biological products, health foods and medical apparatus and instruments, as well as providing logistics and warehousing services, and customers are all domestic. This company's business entities include the parent company, many wholly-owned subsidiaries and holding subsidiaries. The management regularly evaluates the overall operating results of the above business activities and allocates resources accordingly, so GP Corp. is an asset group.

The goodwill-related asset group is GP Corp., which invests in all operational non-current assets and all goodwill related to the pharmaceutical circulation industry that it owns, excluding non-operating assets, non-operating liabilities, interest-bearing liabilities, working capital and subsidiaries already in liquidation without actual operation (such as Hubei Guangyao Ankang Pharmaceutical Co., Ltd.).

② Guangzhou Baiyunshan Hospital: It is a single entity specializing in healthcare, and being independent of other units within the Group, and generates cash flow as a whole. Guangzhou Baiyunshan Hospital is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill related to the medical industry of the Hospital.

③ Guangyao Haima: It is a single entity specializing in medical advertisement, and being independent of other units within the Group, and generates cash flow separately. Guangyao Haima is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill related to advertising of the agency.

④ San Gong Zai: It is a single entity specializing in medical advertisement, and being independent of other units within the Group, and generates cash flow separately. San Gong Zai is an asset group. Goodwill-related asset group is all operating non-current assets and all goodwill of this company, excluding non-operating assets, non-operating liabilities, interest-bearing liabilities, working capital.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Goodwill (Continued)

- (5) Process of the test for the impairment, key parameters (e.g., predictive growth rate, stable growth rate, profit margin, discount rate and predictive phase etc. related to the forecast of present value of future cash flow) and recognition for impairment loss of goodwill.

At the end of the year, the Group tested on various asset groups related to goodwill. First, the goodwill and the one attributable to minority interests are included, the book value of each asset group is adjusted, and then the adjusted book value of each asset group is compared with its recoverable amount, so as to determine whether each asset group (including goodwill) is impaired.

#### ① Significant assumptions and basis

- (a) It is assumed that the assessed has a continuous operation, the business scope, sales model and channels, the management of the key aspects affecting the production and operation have no significant changes compared with the current situation;
- (b) It is assumed that the social and economic environment of the assessed does not change greatly, and there are no significant changes in the relevant laws, regulations and policies of the region and country the company located;
- (c) It is assumed that the various products provided by the assessed meet the market demand, and the goals and measures can be achieved according to the scheduled, and realize the expected benefits;
- (d) It is assumed that interest rate, exchange rate, tax base and tax rate have no significant changes within the normal range stipulated by the state.

#### ② Key parameters

Company	Predictive phase	Key parameters			Discount rate (weighted average cost of capital before tax) %
		Predictive growth rate	Stable growth phase	Profit margin in stable growth phase	
GP Corp. (Note 1)	2023 -2027 (subsequent years are stable phase)	7.86% · 7.13% · 6.10% · 5.24% · 5.24%	Steady	Calculated based on forecasted revenue, costs, expenses, etc.	9.89% (2021: 10.54%)
Guangzhou Baiyunshan Hospital (Note 2)	2023 -2027 (subsequent years are stable phase)	16.58% · 12.45% · 12.49% · 12.53% · 12.56%	Steady	Calculated based on forecasted revenue, costs, expenses, etc.	12.83% (2021: 12.36%)
Guangyao Haima	2023 -2027 (subsequent years are stable phase)	10.48% · 8% · 8% · 8% · 8%	Steady	Calculated based on forecasted revenue, costs, expenses, etc.	13.96% (2021: 11.93%)
San Gong Zai	2023 -2027 (subsequent years are stable phase)	5.98%	Steady	Calculated based on forecasted revenue, costs, expenses, etc.	9.63% (2021: 12.77%)

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Goodwill (Continued)

(5) (Continued)

#### ② Key parameters (Continued)

- (a) According to the analysis of the management of GP Corp., the main source of the company after the appraisal date is the drug sales. According to the historical data of revenue, the company analyzed the indicators affecting operating revenue, such as the brand, variety, price, customer channels, network of the above operation and their historical trend, considering the impact of each factor on the changes in indicators after the appraisal date, to predict the operating revenue of GP Corp. The revenue growth rate in 2023-2027 will be 7.86%, 7.13%, 6.10%, 5.24% and 5.24% respectively. The revenue growth rate predicted last year in 2022-2026 will be 9%, 8%, 7%, 6% and 5% respectively. Affected by decline of expected market economic growth, the expected revenue growth rate in predictive phase of this year has decreased compared with the rate of last year.
- (b) According to the analysis of the management of Guangzhou Baiyunshan Hospital., the main source of the hospital after the appraisal date is medical and drugs revenue. According to the historical data, the management of the hospital analyzed the indicators affecting operating revenue, such as the service number, average price of the above operation and their historical trend, considering the impact of relocation and extension on the changes in indicators after the appraisal date, to predict the operating revenue of the hospital. The revenue growth rate in 2023-2027 will be 16.58%, 12.45%, 12.49%, 12.53% and 12.56% respectively. The revenue growth rate predicted last year in 2022-2026 will be 29%、15%、13%、13%、13%. Affected by the expected gradually steady growth of the medical industry, the expected revenue growth rate of this year has decreased compared with the rate of last year.

#### (6) Impact of the impairment test of goodwill

This year, the Group tested the impairment and determined that the goodwill of GP Corp., Guangzhou Baiyunshan Hospital, Guangyao Haima and San Gong Zai was not impaired.

### 23. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other changes	Closing balance
Decoration expenses	107,297,026.96	68,634,765.93	39,675,632.70	823,512.70	<b>137,079,672.89</b>
GMP reconstruction expenses	3,147,648.97	2,861,807.13	1,640,847.11	-	<b>4,368,608.99</b>
Computer system expenses	1,884,762.07	1,484,047.81	845,829.52	-	<b>2,522,980.36</b>
ABC Buildings certification service	379,297.04	-	134,865.84	-	<b>244,431.20</b>
Others	19,769,002.42	10,343,923.26	7,530,417.72	-	<b>22,582,507.96</b>
Total	<u>132,477,737.46</u>	<u>83,324,544.13</u>	<u>49,827,592.89</u>	<u>823,512.70</u>	<b><u>166,798,201.40</u></b>

# Notes to the Financial Statements

(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	1,370,832,181.89	272,813,264.51	1,385,626,032.46	292,228,979.24
Provision for credit impairment	600,202,857.16	143,381,181.05	582,370,518.10	138,088,804.30
Provisions	788,490,283.64	118,273,542.55	764,339,412.10	114,650,911.82
Deferred income	577,497,276.22	90,612,254.39	566,944,269.39	89,348,027.77
Deductible tax losses	704,385,841.45	124,764,779.34	371,687,857.64	58,862,491.92
Impact on total profit arising from elimination	188,225,857.94	42,021,499.66	181,285,932.26	39,613,657.83
Employee benefits payable	148,803,827.56	24,282,272.22	121,150,636.54	21,097,975.74
Fixed assets depreciation differences between accounting and tax law	57,824,963.85	13,863,761.79	56,963,162.61	13,427,959.30
Provision for decline in value of inventories	61,570,115.16	14,686,779.41	61,034,420.63	12,789,026.36
Other non-current financial assets	23,577,018.47	3,536,552.77	22,854,076.23	3,428,111.44
Provision for impairment of fixed assets	11,331,481.41	1,722,984.95	8,843,401.26	1,424,374.76
Other equity instruments investments	24,184,340.71	3,627,651.11	6,978,296.72	1,046,744.51
Provision for impairment of construction in progress	971,534.38	145,730.16	251,734.38	37,760.16
Provision for impairment of intangible assets	116,832.91	19,373.64	158,858.14	26,601.77
Intangible assets depreciation differences between accounting and tax law	101,666.67	15,250.00	161,666.67	24,250.00
Others	74,666,871.82	11,571,894.71	48,302,947.54	8,136,743.11
Total	<u>4,632,782,951.24</u>	<u>865,338,772.26</u>	<u>4,178,953,222.67</u>	<u>794,232,420.03</u>

# Notes to the Financial Statements

(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	759,231,758.00	189,807,939.50	1,032,750,626.67	154,912,594.00
Book value of the appreciated intangible assets and fixed assets in business combination	601,067,999.05	137,922,298.31	552,487,056.54	135,111,342.37
Other non-current financial assets	193,002,880.13	28,950,432.02	205,050,367.00	30,757,555.05
Fixed assets depreciation differences between accounting and tax law	138,839,313.73	20,825,897.06	34,890,766.80	5,233,615.02
Book value of amortization provided for intangible assets appreciation	7,417,509.98	1,157,204.69	7,204,120.00	1,080,618.00
Book value of depreciation provided for fixed assets appreciation	1,401,456.00	210,218.40	1,495,740.00	224,361.00
Other equity instruments investments	1,094,717.78	164,207.67	-	-
Others	103,666,610.44	15,549,991.58	29,385,181.91	4,407,897.00
Total	<u>1,805,722,245.11</u>	<u>394,588,189.23</u>	<u>1,863,263,858.92</u>	<u>331,727,982.44</u>

#### (3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible temporary difference	46,035,979.80	4,247,754.97
Deductible losses	587,523,951.15	358,919,093.83
Total	<u>633,559,930.95</u>	<u>363,166,848.80</u>

# Notes to the Financial Statements

(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)

- (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	
2023	<b>39,316,134.20</b>	39,403,272.77	
2024	<b>79,605,604.36</b>	49,436,130.85	
2025	<b>89,666,175.18</b>	79,780,861.91	
2026	<b>118,880,928.69</b>	131,421,383.87	
2027	<b>260,055,108.72</b>	–	
Total	<b><u>587,523,951.15</u></b>	<u>358,919,093.83</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	239,830,085.45	–	239,830,085.45	164,447,618.97	–	164,447,618.97
Other	–	–	–	4,033,337.70	–	4,033,337.70
Total	<b><u>239,830,085.45</u></b>	<u>–</u>	<b><u>239,830,085.45</u></b>	<u>168,480,956.67</u>	<u>–</u>	<u>168,480,956.67</u>

### 26. Short-term Borrowings

- (1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	<b>7,405,250,361.29</b>	8,116,220,581.71
Pledge borrowings	<b>74,685,116.53</b>	187,427,680.84
Guarantee borrowings	–	102,777,084.97
Bills Discounted	<b><u>1,058,129,684.00</u></b>	<u>21,582,964.00</u>
Total	<b><u>8,538,065,161.82</u></b>	<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 as on 31 December 2022.
- ② As on 31 December 2022, there is no Guarantee borrowings.
- ③ As on 31 December 2022, the weighted average annual interest rate of short-term borrowings is 3.1709% (31 December 2021: 3.5186%).

- (2) The Group had no overdue short-term borrowings as on 31 December 2022.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	<b>3,720,527,505.22</b>	3,419,708,217.35
Commercial acceptance notes	<b>39,955,303.65</b>	26,107,443.95
Total	<b><u>3,760,482,808.87</u></b>	<u>3,445,815,661.30</u>

Note: As on 31 December 2022, amount expected to be matured within a year is RMB3,760,483 thousand (31 December 2021: RMB3,445,816 thousand).

### 28. Accounts Payable

(1) The aging of accounts payable based on the booking date is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	<b>10,815,708,160.32</b>	11,003,981,552.80
Over 1 year	<b>384,639,667.89</b>	283,171,316.74
Total	<b><u>11,200,347,828.21</u></b>	<u>11,287,152,869.54</u>

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	<b>27,402,119.96</b>	Payment terms not satisfied
Supplier 2	<b>21,369,413.56</b>	Payment terms not satisfied
Supplier 3	<b>15,745,227.48</b>	Payment terms not satisfied
Supplier 4	<b>13,020,165.62</b>	Payment terms not satisfied
Supplier 5	<b>12,843,038.19</b>	Payment terms not satisfied
Total	<b><u>90,379,964.81</u></b>	–

### 29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	<b>5,640,472,599.88</b>	2,735,677,234.79
Medical payment received in advance	<b>3,728,976.36</b>	4,660,834.50
Total	<b><u>5,644,201,576.24</u></b>	<u>2,740,338,069.29</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Contract liabilities (Continued)

#### (2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	<b>5,608,750,493.75</b>	2,712,640,917.08
Over 1 year	<b>3,541,082.49</b>	27,697,152.21
Total	<b>5,644,201,576.24</b>	2,740,338,069.39

(3) The Group had no significant contract liabilities with aging over 1 year as on 31 December 2022 and 31 December 2021.

### 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	5,145,773,924.69	5,079,993,682.47	<b>1,006,645,535.61</b>
Post-employment benefits-set up a deposit plan	9,110,455.69	513,113,460.95	519,519,795.65	<b>2,704,120.99</b>
Termination benefits	–	6,239,629.96	6,239,629.96	–
Total	<u>949,975,749.08</u>	<u>5,665,127,015.60</u>	<u>5,605,753,108.08</u>	<b>1,009,349,656.60</b>

#### (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	4,392,521,281.07	4,330,601,593.33	<b>947,749,065.72</b>
Employee welfare	4,344,019.23	176,784,937.20	172,021,733.79	<b>9,107,222.64</b>
Social Insurance premium	14,167.84	190,023,422.89	189,804,232.83	<b>233,357.90</b>
Including: Medical insurance premium	13,215.82	182,128,738.33	181,930,084.68	<b>211,869.47</b>
Industrial injury insurance premium	952.02	7,161,070.94	7,140,534.53	<b>21,488.43</b>
Maternity insurance premium	–	733,613.62	733,613.62	–
Housing funds	207,017.06	291,841,133.46	291,302,335.78	<b>745,814.74</b>
Labor-union expenditure and employee education funds	15,138,323.85	69,136,468.32	67,953,980.13	<b>16,320,812.04</b>
Non-monetary welfare	462,010.07	374,813.83	–	<b>836,823.90</b>
Housing allowance	34,590,869.20	19,436,478.49	22,654,417.18	<b>31,372,930.51</b>
Other short-term benefits	279,508.16	5,655,389.43	5,655,389.43	<b>279,508.16</b>
Total	<u>940,865,293.39</u>	<u>5,145,773,924.69</u>	<u>5,079,993,682.47</u>	<b>1,006,645,535.61</b>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Employee Benefits Payable (Continued)

#### (3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	53,842.38	376,332,959.32	375,453,134.04	<b>933,667.66</b>
Unemployment insurance premiums	1,904.01	9,363,746.09	9,343,336.82	<b>22,313.28</b>
Enterprise annuity	8,582,008.36	109,777,848.06	117,199,840.96	<b>1,160,015.46</b>
Others	472,700.94	17,638,907.48	17,523,483.83	<b>588,124.59</b>
Total	<u>9,110,455.69</u>	<u>513,113,460.95</u>	<u>519,519,795.65</u>	<u><b>2,704,120.99</b></u>

#### (4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations		6,239,629.96	6,239,629.96	
Total		<u>6,239,629.96</u>	<u>6,239,629.96</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 December 2022. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next year.

### 31. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	<b>236,998,766.10</b>	143,410,622.81
Value-added tax	<b>85,510,824.77</b>	41,526,904.77
Individual income tax	<b>22,866,783.72</b>	25,110,287.09
Urban maintenance and construction tax	<b>10,938,964.77</b>	7,146,944.27
Stamp duty	<b>9,844,176.07</b>	7,522,868.67
Educational surcharge	<b>4,928,064.68</b>	3,326,541.78
Local education surcharge	<b>2,912,828.11</b>	1,787,098.81
Property tax	<b>1,348,745.71</b>	2,689,786.51
Land use tax	<b>18,367.32</b>	778,685.55
Others	<b>343,014.91</b>	196,985.21
Total	<u><b>375,710,536.16</b></u>	<u>233,496,725.47</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	–	460,278.35
Dividends payable	<b>54,681,191.50</b>	55,789,451.94
Other payables	<b>4,780,179,437.02</b>	4,520,950,851.30
Total	<b>4,834,860,628.52</b>	4,577,200,581.59

#### (1) Interest payable

Item	Closing balance	Closing balance of last year
Others	–	460,278.35
Total	–	460,278.35

#### (2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	<b>155,202.86</b>	155,202.85
Domestic public shares	<b>938,707.02</b>	778,253.23
Minority shareholders	<b>53,587,236.61</b>	54,855,950.85
BYS Group	<b>45.01</b>	45.01
Total	<b>54,681,191.50</b>	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	<b>1,541,016,302.75</b>	1,663,851,740.23
Accounts payable to external entities	<b>1,021,836,485.97</b>	950,898,923.27
Accrued expenses	<b>818,181,283.68</b>	798,943,984.76
Margin, deposit, and down payment received	<b>582,894,894.61</b>	551,673,100.84
Epidemic prevention supplies turnover fund	<b>521,980,668.35</b>	286,657,842.31
Accruals for fixed assets	<b>117,997,110.16</b>	140,170,703.43
Current accounts to related parties	<b>21,927,211.62</b>	31,663,451.26
Funds received temporarily from employees	<b>18,532,882.87</b>	19,582,627.09
Others	<b>135,812,597.01</b>	77,508,478.11
Total	<b>4,780,179,437.02</b>	4,520,950,851.30

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (3) Other payables (Continued)

##### ② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Freight expenses	<b>311,794,549.11</b>	231,900,638.67
Terminal expenses	<b>188,369,447.04</b>	244,821,541.74
Advertisement and promotion expenses	<b>168,105,399.62</b>	158,578,345.76
Conference expenses	<b>20,634,456.90</b>	17,034,620.80
Travel expenses	<b>16,759,513.92</b>	15,528,477.95
Research and development expenditures	<b>16,288,360.25</b>	47,671,943.90
Utilities expenses	<b>10,052,387.41</b>	8,283,724.55
Agency fee	<b>9,077,278.11</b>	5,077,033.12
Rental expenses	<b>7,539,642.54</b>	6,300,658.51
Trademark fee	<b>4,313,205.71</b>	1,999,698.47
Consulting fee	<b>1,660,063.18</b>	1,225,719.55
Others	<b>63,586,979.89</b>	60,521,581.74
Total	<b><u>818,181,283.68</u></b>	<u>798,943,984.76</u>

##### ③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	<b>3,747,349,770.64</b>	3,525,056,242.50
Over 1 year	<b>1,032,829,666.38</b>	995,894,608.80
Total	<b><u>4,780,179,437.02</u></b>	<u>4,520,950,851.30</u>

##### ④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	<b><u>233,849,302.18</u></b>	Not to the settlement period
Total	<b><u>233,849,302.18</u></b>	

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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)	<b>498,582,068.04</b>	30,030,833.33
Lease liabilities due within 1 year (Note V. 36)	<b>208,149,637.99</b>	215,772,073.53
Total	<b>706,731,706.03</b>	245,802,906.86

### 34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Short term payable bonds	<b>608,291,666.67</b>	–
Pending output VAT	<b>717,074,442.15</b>	346,060,329.07
Total	<b>1,325,366,108.82</b>	346,060,329.07

Among them, the increase and decrease of short-term bonds payable are as follows:

Bond name	Par value	Issue date	Bond term	Issue amount	Opening balance	Issued in this issue	Accrual of interest on par value	Amortization of premium and discount	Current repayment	Closing balance
Guangzhou Pharmaceutical Co., Ltd. 2022 Phase I Super-short-term Financing Bonds	100.00	20220616	270	600,000,000.00	–	600,000,000.00	8,291,666.67	–	–	608,291,666.67

### 35. Long-term Borrowings

#### (1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	<b>2,137,785,132.42</b>	782,842,916.67	
Less: Long-term borrowings due within 1 year (Note V. 33)	<b>498,582,068.04</b>	30,030,833.33	
Total	<b>1,639,203,064.38</b>	752,812,083.34	–

Note: as on 31 December 2022, the average annual rate of long-term borrowings is 3.0649% (as on 31 December 2021:3.2372%).

#### (2) The Group had no overdue long-term borrowings as on 31 December 2022.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	<b>753,992,890.44</b>	713,469,909.49
Less: Amount due within 1 year (Note V. 33)	<b>208,149,637.99</b>	215,772,073.53
Total	<b>545,843,252.45</b>	497,697,835.96

### 37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<b>20,396,504.60</b>	20,464,502.00
Total	<b>20,396,504.60</b>	20,464,502.00

#### (1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<b>17,418,190.77</b>	17,486,188.17
Department of Finance of Guangxi Zhuang Autonomous Region	<b>2,264,426.47</b>	2,264,426.47
State Administration of Medicine	<b>305,000.00</b>	305,000.00
Others	<b>408,887.36</b>	408,887.36
Total	<b>20,396,504.60</b>	20,464,502.00

### 38. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	<b>318,220.83</b>	304,247.44
Total	<b>318,220.83</b>	304,247.44

# Notes to the Financial Statements

(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	-	783,255.71	<b>43,754,016.35</b>	Note ①
Estimated loss on return of products	500,191.19	3,528,979.61	-	<b>4,029,170.80</b>	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>3,528,979.61</u>	<u>9,720,330.71</u>	<b><u>47,783,187.15</u></b>	-

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 (11) 1 (1) ②.

### 40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	826,859,462.22	520,596,031.21	416,529,202.42	<b>930,926,291.01</b>	Government funding
Total	<u>826,859,462.22</u>	<u>520,596,031.21</u>	<u>416,529,202.42</u>	<b><u>930,926,291.01</u></b>	-

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Deferred income (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	67,247,747.55	111,974.64	28,770,228.90	-	247,400.00	201,483,021.36	<b>594,535,081.79</b>	
Including:		-	-	-	-	-	-		
Technology funds granted by the government	67,467,549.12	8,617,430.62	-	10,777,762.13	-	247,400.00	-	<b>65,059,817.61</b>	Asset related
Compensation for relocation	22,852,408.83	361,711,095.22	72,997.56	-	-	-	201,711,095.22	<b>224,490,506.49</b>	Asset related
Special project funds for environmental protection	1,068,433.39	-	-	120,723.28	-	-	-	<b>947,710.11</b>	Asset related
Construction funds for innovation platform and laboratory	11,006,590.36	-	-	202,781.80	-	-	-	<b>10,803,808.56</b>	Asset related
Land support funds granted by the government	65,594,843.92	-	-	5,393,319.95	-	-	-	<b>60,201,523.97</b>	Asset related
Support funds for industrial development	162,164,282.24	20,731,716.93	-	9,646,099.56	-	-	-	<b>173,249,899.61</b>	Asset related
Others	24,779,808.56	37,898,600.00	38,977.08	2,629,542.18	-	-	(228,073.86)	<b>59,781,815.44</b>	
Government grants related to income	471,925,545.80	453,348,283.66	-	367,007,972.60	1,905,695.78	17,717,791.19	(202,251,160.67)	<b>336,391,209.22</b>	
Including:									
Technology funds granted by the government	88,063,761.57	74,658,061.79	-	61,920,531.62	1,886,792.45	2,980,000.00	(511,692.38)	<b>95,422,806.91</b>	Income related
Medical industrial research project funds	577,320.22	1,535,000.00	-	2,082,320.22	-	-	-	<b>30,000.00</b>	Income related
Special fund for innovative enterprises	1,522,132.32	14,092,875.89	-	7,667,508.26	-	2,537,791.19	-	<b>5,409,708.76</b>	Income related
Compensation for relocation	361,711,095.22	-	-	-	-	-	(201,711,095.22)	<b>160,000,000.00</b>	Income related
Support funds for industrial development	10,488,194.10	174,930,992.20	-	165,568,240.69	-	-	-	<b>19,850,945.61</b>	Income related
Others	9,563,042.37	188,131,353.78	-	129,769,371.81	18,903.33	12,200,000.00	(28,373.07)	<b>55,677,747.94</b>	Income related
Total	<u>826,859,462.22</u>	<u>520,596,031.21</u>	<u>111,974.64</u>	<u>395,778,201.50</u>	<u>1,905,695.78</u>	<u>17,965,191.19</u>	<u>(768,139.31)</u>	<b><u>930,926,291.01</u></b>	

### 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)	<b>50,225,000.00</b>	50,225,000.00
Pending output VAT	<b>3,040,976.60</b>	3,204,349.59
Total	<b><u>53,265,976.60</u></b>	<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

(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	-	-	-	-	-	-	-
<b>Total restricted shares</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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	-	-	-	-	-	-	-
<b>Total Unrestricted shares</b>	<b>1,625,790,949.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,625,790,949.00</b>
<b>Total shares</b>	<b>1,625,790,949.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,625,790,949.00</b>

### 43. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	-	-	<b>9,048,269,635.38</b>
Other capital reserves	908,683,748.00	148,761,047.52	-	<b>1,057,444,795.52</b>
Including: Capital reserve transferred under previous accounting system	24,955,836.66	-	-	<b>24,955,836.66</b>
<b>Total</b>	<b>9,956,953,383.38</b>	<b>148,761,047.52</b>	<b>-</b>	<b>10,105,714,430.90</b>

Note:

- ① The increase of RMB51,343.64 in this period is because the minority shareholders of the subsidiaries under Guanghua Pharmaceutical sold 25% of the equity at RMB0 (this company is at a loss). According to the standard, the amount of the difference included in the capital reserve is RMB60,776.09, and the increase is calculated based on Guanghua's ratio of 84.48% at the consolidation level.
- ② In this period, 18.1847% of the minority shareholders' equity of the pharmaceutical company was acquired, resulting in an increase of RMB148,709,703.88.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Other Comprehensive Income

Item	Closing balance of last year	Current amount before tax	Current period					Closing balance
			Less: profit or loss transferred from other comprehensive income in previous 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	(16,111,326.16)	-	-	(2,416,698.93)	(13,694,627.23)	-	(13,637,599.60)
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)	(16,111,326.16)	-	-	(2,416,698.93)	(13,694,627.23)	-	(15,085,781.41)
II. Other comprehensive income that may be reclassified into profit or loss	(17,533,384.51)	20,937,739.61	-	-	1,467,510.21	18,270,055.53	1,200,173.87	736,671.02
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)	15,067,698.80	-	-	-	15,067,698.80	-	2,754,751.95
Change in fair value of investments in other debt instruments	(12,986,686.03)	4,675,177.14	-	-	1,168,794.29	2,550,507.82	955,875.03	(10,436,178.21)
Provision for credit impairment of other debt investments	7,737,111.80	1,194,863.67	-	-	298,715.92	651,848.91	244,298.84	8,388,960.71
Total other comprehensive income	<u>(17,476,356.88)</u>	<u>4,826,413.45</u>	<u>-</u>	<u>-</u>	<u>(949,188.72)</u>	<u>4,575,428.30</u>	<u>1,200,173.87</u>	<u>(12,900,928.58)</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	1,789,788,132.04	175,673,223.30	-	<b>1,965,461,355.34</b>
Discretionary surplus reserve	118,925,617.49	-	-	<b>118,925,617.49</b>
Total	<u>1,908,713,749.53</u>	<u>175,673,223.30</u>	<u>-</u>	<u><b>2,084,386,972.83</b></u>

Note:

- ① In accordance with the provisions of the Company Law and the Articles of Association, the Group shall withdraw the statutory surplus reserve at 10% of the net profit. If the accumulative statutory surplus reserve reaches more than 50% of the registered capital of the Group, it may not be withdrawn.
- ② The Group may withdraw any discretionary surplus reserve after drawing the statutory surplus reserve. Upon approval, discretionary surplus reserve may be used to cover losses of previous years or increase the share capital.

### 46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	<b>15,588,202,733.48</b>	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	<b>15,588,202,733.48</b>	12,931,411,564.72
Add: Net profit attributable to shareholders of the parent company for the current period	<b>3,966,522,218.54</b>	3,719,877,680.46
Less: Appropriation of statutory surplus reserve	<b>175,673,223.30</b>	188,410,981.14
Appropriation of discretionary surplus reserve	-	-
Ordinary share dividends payable	<b>1,116,918,381.96</b>	874,675,530.56
Ordinary shares dividends converted to share capital	-	-
Closing balance of undistributed profits	<u><b>18,262,133,346.76</b></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

(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	70,550,190,409.59	57,452,974,096.15	68,757,954,215.27	55,721,967,199.49
Other businesses	237,964,658.86	57,977,649.40	256,098,131.76	58,800,081.94
Total	<u>70,788,155,068.45</u>	<u>57,510,951,745.55</u>	<u>69,014,052,347.03</u>	<u>55,780,767,281.43</u>

#### (2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	10,461,569,491.29	5,445,147,913.67	10,789,224,586.22	6,034,752,792.80
Great Health	10,473,093,890.55	5,914,955,062.77	10,851,095,066.99	5,713,867,482.47
Great Commerce	49,131,492,777.20	45,676,898,314.81	46,778,524,199.51	43,672,666,686.74
Others	484,034,250.55	415,972,804.90	339,110,362.55	300,680,237.48
Total	<u>70,550,190,409.59</u>	<u>57,452,974,096.15</u>	<u>68,757,954,215.27</u>	<u>55,721,967,199.49</u>

#### (3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	55,440,051,591.23	46,782,961,423.14	53,046,259,138.74	44,874,166,822.29
Eastern China Area	5,315,640,070.20	3,807,226,931.75	5,832,681,801.01	3,981,044,375.33
Northern China Area	2,584,211,366.00	1,619,888,758.94	3,022,706,019.79	1,923,278,380.78
Northeast Area	595,387,430.08	448,378,665.30	614,694,785.98	461,322,012.59
Southwest Area	4,613,340,017.16	3,235,355,319.24	4,220,391,494.95	2,883,154,893.71
Northwest Area	1,973,120,682.17	1,532,895,241.11	1,978,396,674.50	1,562,225,324.39
Export	28,439,252.75	26,267,756.67	42,824,300.30	36,775,390.40
Total	<u>70,550,190,409.59</u>	<u>57,452,974,096.15</u>	<u>68,757,954,215.27</u>	<u>55,721,967,199.49</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Operating Income and Operating Costs (Continued)

- (4) Total sales to the top five customers are RMB3,887,991 thousand (Jan to December 2021: RMB4,810,902 thousand), accounting for 5.52% of the Group's primary operating income for the current period. (Jan to December 2021: 7.00%)

Customer	Income	Proportion to total income (%)
Customer 1	1,006,698,155.43	1.43
Customer 2	800,764,841.87	1.14
Customer 3	753,753,877.78	1.07
Customer 4	738,430,909.25	1.05
Customer 5	588,342,805.17	0.83
Total	<u>3,887,990,589.50</u>	<u>5.52</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	<b>115,236,909.56</b>	<b>2,549,653.06</b>	65,536,096.78	2,576,664.28
Consulting fee	<b>31,377,367.03</b>	<b>1,445,171.63</b>	21,280,112.67	6,080,415.43
Leases of assets	<b>25,147,743.17</b>	<b>12,157,625.99</b>	60,053,102.38	13,728,199.78
Technical service income	<b>10,922,191.37</b>	<b>635,103.21</b>	32,578,028.55	2,983,160.78
Property management fee	<b>8,689,634.78</b>	<b>8,182,215.30</b>	12,156,979.33	6,892,595.44
Sales of materials	<b>7,545,661.48</b>	<b>5,023,826.79</b>	6,557,407.61	6,036,501.20
Collection of utility on behalf of others	<b>4,852,515.72</b>	<b>9,105,511.22</b>	6,673,186.30	4,880,056.62
Trademark fee income	<b>1,841,652.79</b>	–	2,506,238.94	–
Service income	<b>1,022,560.17</b>	<b>710,416.06</b>	2,713,177.19	1,400,636.71
Income from franchise store management fee	–	–	10,388,113.10	2,692,590.51
Others	<b>31,328,422.79</b>	<b>18,168,126.14</b>	35,655,688.91	11,529,261.19
Total	<u><b>237,964,658.86</b></u>	<u><b>57,977,649.40</b></u>	<u>256,098,131.76</u>	<u>58,800,081.94</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	<b>123,529,137.01</b>	125,936,699.77
Education surcharge	<b>53,033,464.81</b>	54,263,668.40
Stamp duty	<b>47,241,252.03</b>	46,219,998.08
Local education surcharge	<b>35,281,750.00</b>	36,160,002.29
House property tax	<b>31,117,876.12</b>	28,352,470.34
Land use tax	<b>6,859,794.82</b>	6,600,637.72
Vehicle and vessel use tax	<b>151,733.74</b>	167,002.80
Others	<b>446,995.23</b>	132,381.58
Total	<b><u>297,662,003.76</u></b>	<u>297,832,860.98</u>

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	<b>2,974,188,445.02</b>	2,866,739,530.00
Sales and service fees	<b>1,020,317,912.12</b>	1,121,674,738.51
Advertising and promotion fees	<b>960,686,663.35</b>	1,053,646,165.66
Freight and miscellaneous charges	<b>302,185,426.59</b>	271,643,137.18
Depreciation expenses	<b>265,938,521.20</b>	223,808,734.81
Traveling expenses	<b>114,888,791.73</b>	133,274,715.84
Conference expenses	<b>67,077,730.18</b>	82,206,159.19
Office expenses	<b>36,959,493.48</b>	40,241,635.68
Rental expenses	<b>35,743,282.60</b>	37,700,915.02
Others	<b>97,452,903.38</b>	123,853,425.21
Total	<b><u>5,875,439,169.65</u></b>	<u>5,954,789,157.10</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	<b>1,449,704,884.65</b>	1,341,240,870.89
Depreciation expenses	<b>163,765,577.02</b>	161,903,531.28
Amortization	<b>116,156,890.82</b>	95,135,528.91
Office expenses	<b>70,982,274.96</b>	71,131,848.97
Agency fees	<b>46,673,454.20</b>	22,474,625.98
Including: Audit fee	<b>2,622,641.51</b>	2,433,962.26
Repairing expenses	<b>43,775,627.84</b>	45,840,263.27
Utilities	<b>26,812,303.84</b>	23,852,317.54
Trademark license fees	<b>25,160,315.23</b>	26,266,521.01
Consulting	<b>22,512,915.24</b>	13,124,060.80
Traveling expenses	<b>14,825,621.58</b>	17,143,015.22
Freight and miscellaneous charges	<b>14,180,105.21</b>	14,916,739.13
Insurance premium	<b>4,922,240.46</b>	4,977,287.96
Rental expenses	<b>7,630,766.13</b>	7,730,282.00
Conference expenses	<b>5,053,417.51</b>	5,604,844.56
Others	<b>206,113,599.37</b>	180,939,762.13
Total	<b>2,218,269,994.06</b>	2,032,281,499.65

### 51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	<b>352,737,349.55</b>	332,316,151.99
Raw materials	<b>111,728,739.88</b>	192,835,034.77
Special research and development	<b>104,086,651.47</b>	131,448,328.04
Trial production expenses	<b>83,559,305.71</b>	70,488,935.44
Depreciation expenses	<b>35,906,513.20</b>	30,916,111.99
Technique research expenses	<b>20,864,794.21</b>	10,111,260.72
Clinical trial expenses	<b>17,351,092.33</b>	19,896,856.69
Amortization cost	<b>5,598,331.60</b>	6,379,521.01
Others	<b>87,621,572.03</b>	80,327,781.02
Total	<b>819,454,349.98</b>	874,719,981.67

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Financial expenses

Item	Current period	Prior period
Interest expenses	<b>434,408,023.62</b>	417,830,623.16
Including: Interest expenses related to lease	<b>33,506,161.62</b>	36,081,521.31
Less: interest revenue	<b>626,789,186.37</b>	563,866,705.19
Exchange gains/(losses)	<b>11,117,682.63</b>	(8,674,104.67)
Service change of finance institutions	<b>18,537,524.55</b>	19,367,031.79
Others	<b>270,431.43</b>	2,333,064.92
Total	<b><u>(162,455,524.14)</u></b>	<b><u>(133,010,089.99)</u></b>

### 53. Other Income

Item	Current period	Prior period
Government grants	<b>480,422,865.61</b>	309,880,132.62
Total	<b><u>480,422,865.61</u></b>	<b><u>309,880,132.62</u></b>

#### 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	<b>11,583,350.36</b>	8,510,541.82	11,583,350.36	Asset related
Special project fund for environmental protection	<b>120,723.28</b>	135,123.28	120,723.28	Asset related
Construction funds for innovation platform and laboratory	<b>202,781.80</b>	1,120,110.67	202,781.80	Asset related
Government land support funds	<b>5,393,319.95</b>	2,292,775.24	5,393,319.95	Asset related
Support funds for industrial development	<b>9,646,099.56</b>	3,388,142.10	9,646,099.56	Asset related
Others	<b>2,651,745.12</b>	1,257,033.99	2,651,745.12	Asset related
Subtotal	<b><u>29,598,020.07</u></b>	<u>16,703,727.10</u>	<u>29,598,020.07</u>	/
Technology funds granted by the government	<b>101,520,729.95</b>	52,049,164.40	101,520,729.95	Income related
Special fund for innovative enterprises	<b>7,667,508.26</b>	18,340,074.69	7,667,508.26	Income related
Support funds for industrial	<b>169,733,736.26</b>	146,960,520.00	169,733,736.26	Income related
Pharmaceutical Industrialization Research Project Funding	<b>2,082,415.22</b>	-	2,082,415.22	Income related
Others	<b>169,820,455.85</b>	75,826,646.43	169,820,455.85	Income related
Subtotal	<b><u>450,824,845.54</u></b>	<u>293,176,405.52</u>	<u>450,824,845.54</u>	/
Total	<b><u>480,422,865.61</u></b>	<u>309,880,132.62</u>	<u>480,422,865.61</u>	/

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	<b>136,587,586.49</b>	122,949,900.42
Investment income from disposal of long-term equity investment	<b>18,621,450.90</b>	45,495,023.05
Dividend income during the holding year of other equity instruments	<b>8,016,342.52</b>	1,944,978.68
Investment income during the holding period of other non-current financial assets	<b>39,203,323.45</b>	33,721,260.98
Investment income from disposal of other non-current financial assets	–	(3,393,656.32)
Gains from re-measurement of equity at fair value when control is obtained	<b>161,776,750.00</b>	–
Interest income from finance products and structured deposits	<b>93,637,735.79</b>	21,744,911.99
Derecognition income of financial assets measured at amortized cost	<b>(4,837,495.52)</b>	–
Others	<b>(31,831,046.57)</b>	(28,874,827.25)
Total	<b><u>421,174,647.06</u></b>	<u>193,587,591.55</u>

### 55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Classification of financial assets at fair value through profit or loss	<b>3,271,427.37</b>	–
Other non-current financial assets	<b>(6,862,343.32)</b>	196,881,039.74
Total	<b><u>(3,590,915.95)</u></b>	<u>196,881,039.74</u>

### 56. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	<b>4,671,708.50</b>	(1,487,653.95)
Loss on bad debts of accounts receivable	<b>(54,548,941.44)</b>	(95,104,789.97)
Loss on bad debts of receivables financing	<b>(1,194,863.71)</b>	(5,747,177.66)
Loss on bad debts of other receivables	<b>5,925,711.56</b>	(7,473,783.88)
Total	<b><u>(45,146,385.09)</u></b>	<u>(109,813,405.46)</u>

# Notes to the Financial Statements

(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	<b>(5,129,784.85)</b>	(11,859,521.84)
Fixed asset impairment loss	<b>(1,915,764.04)</b>	–
Construction in progress impairment loss	<b>(719,800.00)</b>	–
Others	<b>(218,399.05)</b>	–
Total	<b><u>(7,983,747.94)</u></b>	<u>(11,859,521.84)</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	<b>689,816.02</b>	694,506.95	689,816.02
Including: Gains from disposal of fixed assets	<b>152,057.51</b>	2,133,615.61	152,057.51
Gains from disposal of intangible assets	–	(287,480.92)	–
Gains from disposal of right-of-use assets	<b>537,758.51</b>	1,122,583.66	537,758.51
Gains from disposal of long-term prepayment	–	(2,274,211.40)	–
Total	<b><u>689,816.02</u></b>	<u>694,506.95</u>	<u>689,816.02</u>

### 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
Income from sale of scrap	<b>5,198,927.89</b>	4,792,878.81	5,198,927.89
Debt forgiveness	<b>2,941,197.71</b>	4,780,497.01	2,941,197.71
Compensation income	<b>1,719,199.38</b>	1,930,939.89	1,719,199.38
Penalty income	<b>1,178,983.52</b>	596,824.83	1,178,983.52
Proceed from damage and scrapping of non-current assets	<b>1,061,319.07</b>	450,880.88	1,061,319.07
Government grant	<b>128,858.64</b>	25,396,937.69	128,858.64
Others	<b>5,891,660.20</b>	7,358,481.34	5,891,660.20
Total	<b><u>18,120,146.41</u></b>	<u>45,307,440.45</u>	<u>18,120,146.41</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. Non-operating income (Continued)

#### (2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	72,997.56	72,997.56	Asset related
Others	38,977.08	38,977.08	Asset related
Subtotal	111,974.64	111,974.64	-
Demolition compensation	-	16,058,427.00	Income related
Others	16,884.00	9,226,536.05	Income related
Subtotal	16,884.00	25,284,963.05	-
Total	128,858.64	25,396,937.69	-

### 60. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Penalty and overdue fines	971,812.40	3,122,513.95	971,812.40
Public welfare donation expenditure	17,149,144.08	12,283,276.97	17,149,144.08
Losses on damage and scrapping of non-current assets	5,263,766.48	3,528,011.01	5,263,766.48
Abnormal loss	2,983,053.95	5,728,577.21	2,983,053.95
Reward of family planning	365,843.90	19,490.63	365,843.90
Withdrawal based on judgment	-	24,821,561.43	-
Inventory loss	109,563.14	2,021.04	109,563.14
Others	22,432,500.52	58,773,044.47	22,432,500.52
Total	49,275,684.47	108,278,496.71	49,275,684.47

### 61. Income Tax Expenses

#### (1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	811,465,684.24	752,183,488.69
Deferred tax expenses	(21,591,946.98)	1,901,735.83
Total	789,873,737.26	754,085,224.52

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Income Tax Expenses (Continued)

#### (2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	5,043,244,071.24
Income tax expenses calculated at statutory/applicable rates	756,486,610.68
Tax effect of different rates applicable to subsidiaries	100,762,964.74
Adjustment effect of income tax of prior period	18,650,904.30
Tax effect of non-taxable income	(60,651,201.10)
Tax effect of costs, expenses and losses not deductible for tax purposes	21,085,113.44
Tax effect of use of deductible loss of previously unrecognized DTA	(22,319,207.21)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	76,901,233.50
Tax effect of R&D expenditure deduction	(100,914,279.04)
Changes in the opening balance of deferred tax assets/liabilities as a result of adjustment of tax rate	(128,402.05)
Income tax expenses	<u>789,873,737.26</u>

### 62. Earnings per share (EPS)

#### (1) Basic EPS

##### ① Weighted average basic EPS

Item	For the 12 months ended 31 December 2022	For the 12 months ended 31 December 2021
Net consolidated profit attributable to ordinary shareholders of the parent company	3,966,522,218.54	3,719,877,680.46
The number of weighted average outstanding ordinary shares at the year end	1,625,790,949	1,625,790,949
Weighted average basic EPS	<u>2.440</u>	<u>2.288</u>

##### ② EPS based on the number of shares as at the period end

Item	For the 12 months ended 31 December 2022	For the 12 months ended 31 December 2021
Net consolidated profit attributable to ordinary shareholders of the parent company	3,966,522,218.54	3,719,877,680.46
The number of outstanding ordinary shares as at the year end	1,625,790,949	1,625,790,949
EPS based on the number of shares as at the year end	<u>2.440</u>	<u>2.288</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Earnings per share (EPS) (Continued)

#### (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 2022, the Company had no dilutive potential ordinary share (for 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	<b>583,546,230.62</b>	443,737,154.68
Interest income	<b>626,789,186.37</b>	563,866,705.19
Other operating income	<b>237,964,658.86</b>	256,098,131.76
Non-operating income	<b>13,750,846.99</b>	14,626,738.28
Deposit received and other items	<b>108,542,577.09</b>	619,874,430.00
Total	<b><u>1,570,593,499.93</u></b>	<u>1,898,203,159.91</u>
Cash paid for other operating activities	–	–
Cash paid for selling and distribution expenses	<b>1,863,898,225.16</b>	2,697,715,260.36
Cash paid for general and administrative expenses	<b>931,086,028.55</b>	893,190,351.05
Financial expenses – bank charges	<b>18,537,524.55</b>	19,367,031.79
Others	<b>247,455,045.60</b>	302,143,768.76
Total	<b><u>3,060,976,823.86</u></b>	<u>3,912,416,411.96</u>

#### (2) Cash received from or paid to other investing activities

Item	Current period	Prior period
Cash received from other investing activities	–	–
Interest received	<b>35,496.22</b>	130,969.64
Cash equivalent of Baiyunshan Biological on the date of merger	<b>149,570,007.93</b>	–
Other	–	92,365.96
Total	<b><u>149,605,504.15</u></b>	<u>223,335.60</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement (Continued)

#### (3) Cash received from or paid to other financing activities

Item	Current period	Prior period
Cash received from other financing activities	—	—
Return of deposit for notes	<b>3,148,564,386.46</b>	3,063,902,899.69
Received ultra-short-term financing bonds	<b>599,910,000.00</b>	—
Other	<b>35,000.00</b>	1,000,000.00
<b>Total</b>	<b><u>3,748,509,386.46</u></b>	<u>3,064,902,899.69</u>
Cash paid to other financing activities	—	—
Deposit for notes paid	<b>3,462,735,613.30</b>	3,126,252,704.31
Lease payment	<b>271,656,473.66</b>	285,663,600.75
Other	—	—
<b>Total</b>	<b><u>3,734,392,086.96</u></b>	<u>3,411,916,305.06</u>

### 64. Supplementary Information of Cash Flow Statement

#### (1) Supplementary information of cash flow statement

Item	Current period	Prior period
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	<b>4,253,370,333.98</b>	3,968,985,718.97
Add: Provision for assets impairment	<b>7,983,747.94</b>	11,859,521.84
Impairment loss in respect of credit	<b>45,146,385.09</b>	109,813,405.46
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	<b>436,892,238.51</b>	357,956,081.13
Depreciation of right-of-use assets	<b>229,385,707.03</b>	257,082,020.54
Amortization of intangible assets	<b>77,550,305.83</b>	61,953,470.01
Amortization of long-term prepaid expenses	<b>49,827,592.89</b>	43,530,622.00
Losses on disposal of fixed assets, intangible assets and other long-term assets ("—" refers to income)	<b>(689,816.02)</b>	(694,506.95)
Losses on scrapping of fixed assets ("—" refers to income)	<b>4,202,447.41</b>	3,077,130.13
Loss on changes in fair value ("—" refers to income)	<b>3,590,915.95</b>	(196,881,039.74)
Financial expenses ("—" refers to income)	<b>434,408,023.62</b>	389,907,589.22
Investment losses ("—" refers to income)	<b>(421,174,647.06)</b>	(193,587,591.55)
Decrease in deferred tax assets ("—" refers to income)	<b>(71,106,352.23)</b>	(42,510,047.19)
Increase in deferred tax liabilities ("—" refers to income)	<b>62,860,206.79</b>	45,368,925.58
Decrease in inventories ("—" refers to income)	<b>(242,221,269.01)</b>	(673,650,544.71)
Decrease of operating receivables ("—" refers to income)	<b>(1,992,027,257.64)</b>	(1,626,764,713.04)
Increase of operating payables ("—" refers to income)	<b>4,121,077,619.66</b>	3,158,050,712.67
Others	—	—
<b>Net cash flow from operating activities</b>	<b><u>6,999,076,182.74</u></b>	<u>5,673,496,754.37</u>

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (1) Supplementary information of cash flow statement (Continued)

Item	Current period	Prior period
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	-	
Convertible company bonds due within one year	-	
Fixed assets held under finance leases	-	
Factoring financing payable	<b>2,611,007,808.84</b>	2,677,706,561.31
<b>3. Net changes in cash and cash equivalents</b>		
Cash at the end of period	<b>20,804,699,012.64</b>	21,013,364,042.22
Less: Cash at the beginning of year	<b>21,013,364,042.22</b>	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	<b>(208,665,029.58)</b>	3,248,231,268.12

#### (2) Net cash paid for acquisition of subsidiaries in the current period

Item	Current period
Equity transfer	1,900,000.00
Total	<u>1,900,000.00</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	<b>20,804,699,012.64</b>	21,013,364,042.22
Including: Cash on hand	<b>1,037,872.77</b>	679,188.73
Bank deposits that are readily available for payment	<b>20,710,292,430.48</b>	20,945,367,227.97
Other cash that are readily available for payment	<b>93,368,709.39</b>	67,317,625.52
II. Cash equivalents		
Including: Debt investment maturing within three months		
III. Closing balance of cash and cash equivalents	<b>20,804,699,012.64</b>	21,013,364,042.22
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use		

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 65. Assets with Restriction on Ownership or Use Right

Item	Closing balance of book value	Reason for restriction
Cash at bank and on hand	1,694,854 thousand	The Group's restricted monetary funds is 1,694,854 thousand, deposit of notes payable is RMB1,519,437 thousand, term deposit/certificate of deposit of RMB59,168 thousand, L/C deposit of RMB42,329 thousand, cash deposit of credit of RMB72,410 thousand, housing fund is RMB932 thousand, frozen account funds of RMB547 thousand, others RMB31 thousand.
Accounts receivable	453,880 thousand	The Group's total credit of RMB621,000 thousand and short-term borrowings RMB74,685 thousand are derived from accounts receivable of RMB453,880.46 thousand as pledge.
Notes receivable	335,129 thousand	The Group's notes receivable endorsed but not yet due is RMB274,267 thousand. Notes receivable discounted but not yet expire is RMB20,560 thousand. Notes receivable pledged is RMB40,302 thousand.
Fixed assets	5,335 thousand	The Group's buildings with the original costs of HKD8,893 thousand and the net book value of HKD5,973 thousand(Converted into RMB5,335 thousand), and investment property with the original costs of HKD6,843 thousand and the net value of HKD4,623 thousand(Converted into RMB4,129 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 USD284 thousand from the Bank of China (Hong Kong) Co., Ltd.
Investment properties	4,129 thousand	
Total	<u>2,493,327 thousand</u>	

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 66. Foreign Currency Funds Items

#### (1) Foreign Currency Funds Item

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			137,090,869.32
Including: USD	17,833,753.47	6.9646	124,204,959.42
HKD	13,867,454.86	0.8933	12,387,381.40
EUR	66,500.34	7.4229	493,625.37
AUD	1,040.02	4.7138	4,902.45
JPY	13.00	0.0524	0.68
Accounts receivable			6,843,223.30
Including: USD	70,000.00	6.9646	487,522.00
HKD	7,115,095.44	0.8933	6,355,701.30
Other receivables			1,233,703.76
Including: USD	80,000.00	6.9646	557,168.00
HKD	757,369.84	0.8933	676,535.76
Accounts payable			40,716,567.57
Including: USD	2,764,809.13	6.9646	19,255,789.67
HKD	23,472,360.04	0.8933	20,967,155.05
EUR	66,500.00	7.4229	493,622.85
Other payables			707,861.73
Including: HKD	792,438.71	0.8933	707,861.73
Short-term borrowings			33,687,243.21
Including: HKD	37,712,274.24	0.8933	33,687,243.21

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Business combination not under the common control during the year

#### (1) Business combination not under the same control occurred in the current period

Name of the acquired party	Equity Acquisition Time	Equity Acquisition Cost	Equity Acquisition Ratio (%)	Equity Acquisition Method	Acquisition Date	Basis for Determining the Date	Income of the acquired party from the acquisition date to the end of the period	Net profit of the purchased party from the acquisition date to the end of the period
Baiyunshan Biological	2022.10.11	317,224,659.23	50.00	Note ①	2022.10.11	Obtain production and operation decision-making power		(19,916,247.25)

Note ①: In 2022, additional investment was made in Baiyunshan Biological through indirect investment, resulting in an increase in the number of seats on the board of directors of Baiyunshan Biological, thus obtaining the control of Baiyunshan Biological.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

### 1. Business combination not under the common control during the year (Continued)

#### (2) Merger cost and goodwill

Items	Baiyunshan Biological
Cash	
Fair value of non-cash assets	
Fair value of debt issued or assumed	
Fair value of equity securities issued	
Fair value of contingent consideration	
The fair value of the equity held before the acquisition date on the acquisition date	317,224,659.23
Other	
Total merger cost	317,224,659.23
Less: Fair value share of identifiable net assets acquired	196,178,453.17
The amount by which merger costs are more than the fair value share of identifiable net assets acquired	<u>121,046,206.06</u>

#### ① Determination of fair value of merger cost

The fair value of the non-cash assets in the merger consideration of Baiyunshan Biological has been determined by the valuation results determined by Guozhonglian Assets Appraisal Land and Real Estate Valuation Co., Ltd. according to the income method valuation method.

#### ② Explanation of contingent consideration and its changes

Nil.

#### ③ The main reason for the formation of large amount of goodwill

Nil.

#### ④ Reasons for the merger to form development expenditures.

The business combination of Baiyunshan Biological under non-common control this time has entered the Phase III clinical development stage of biological vaccines as a whole on the date of merger and acquisition, and has not yet been mass-produced. The essence of the merger cost is the confirmation of the market valuation of the biological vaccine research and development value as it is biological research and development innovation enterprise. Based on the judgment of commercial substance, the Company believes that the amount of the merger cost greater than the fair value share of the identifiable net assets obtained should be recognized as development expenses. The amortization will start when Baiyunshan Biological 's biological vaccines are mass-produced.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

### 1. Business combination not under the common control during the year (Continued)

#### (3) The acquired party's identifiable assets and liabilities on the date of acquisition

Items	Baiyunshan Biological	
	Fair value on Acquisition Date	Book value on Acquisition Date
Assets:	434,428,318.16	338,900,314.70
Cash at bank and on hand	155,530,727.98	155,530,727.98
Advances to suppliers	1,998,706.71	1,998,706.71
Other receivables	13,000.00	13,000.00
Inventories	14,771,573.79	13,947,657.84
Fixed assets	59,216,835.00	36,514,572.54
Construction in progress	51,127,644.01	49,545,244.01
Right-of-use assets	9,624,426.69	9,624,426.69
Intangible assets	128,829,104.26	9,528,044.50
Development expenditure	–	48,881,634.71
Long-term prepaid expenses	13,243,459.72	13,243,459.72
Other non-current assets	72,840.00	72,840.00
Liabilities:	42,071,411.82	28,004,496.24
Accounts payable	8,193,076.12	8,193,076.12
Employee benefits payable	2,758,249.43	2,758,249.43
Taxes payable	136,164.81	136,164.81
Other payables	5,924,384.87	5,924,384.87
Provisions	18,285.00	18,285.00
Lease liability	10,706,013.82	10,706,013.82
Deferred income	40,248.33	268,322.19
Deferred tax liability	14,294,989.44	–
Net assets	392,356,906.34	310,895,818.46
Less: Minority interests	196,178,453.17	155,447,909.23
Net worth acquired	<u>196,178,453.17</u>	<u>155,447,909.23</u>

Note: ① The fair value of the merged net assets of Baiyunshan Biological has been determined by Guozhonglian Assets Appraisal Land and Real Estate Appraisal Co., Ltd. according to the asset-based method.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

### 1. Business combination not under the common control during the year (Continued)

- (4) Gains or losses arising from the remeasurement of the equity held before the purchase date according to the fair value

Name of the acquired party	The book value of the original equity held before the purchase date	The fair value of the original equity held on the purchase date	Gains or losses arising from the remeasurement of the original equity held before the purchase date according to the fair value	Determination method and main assumptions of the fair value of the original equity held on the purchase date	The amount of other comprehensive income related to the original equity held before the date of purchase transferred to investment income
Baiyunshan Biological	155,447,909.23	317,224,659.23	161,776,750.00	Based on the asset-based method, adjustments are made for matters affecting fair value	-

- (5) Relevant explanations that the merger consideration or the fair value of the acquired party's identifiable assets and liabilities cannot be reasonably determined on the date of purchase or at the end of the current merger period

No.

### 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

### 6. Other reasons for changes in the scope of consolidation

The reasons for the addition of 9 companies in scope of consolidation comparing to the prior year are as follows:

- (1) In January 2022, Hainan Guangyao Chenfei Pharmaceutical Co., Ltd., an indirect holding company of the Company, established Guangyao (Hainan) Pharmaceutical Co., Ltd. with a registered capital of RMB5,000 thousand. The capital contribution subscribed by Hainan Guangyao Chenfei Pharmaceutical Co., Ltd. accounts for 100% of the registered capital.

# Notes to the Financial Statements

(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 *(Continued)*

- (2) In January 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. The capital contribution subscribed by Guangzhou Baiyunshan Jingxiutang Pharmaceutical Co., Ltd. accounts for 100% of the registered capital.
- (3) 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. The capital contribution subscribed by Guangzhou Baiyunshan Hanfang Modern Pharmaceutical Co., Ltd. accounts for 100% of the registered capital.
- (4) 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. The capital contribution subscribed by Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. accounts for 100% of the registered capital.
- (5) 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. The capital contribution subscribed by Guangzhou Pharmaceutical Research Institute Co., Ltd. accounts for 100% of the registered capital.
- (6) 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. The capital contribution subscribed by Guangzhou Pharmaceutical Co., Ltd. accounts for 100% of the registered capital.
- (7) In July 2022, the Company established Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership), with a registered capital of RMB1,000,000 thousand. The capital contribution subscribed by the Company accounts for 99.90% of the registered capital, and the other investor is Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd., and it accounts for 0.1% of the registered capital.
- (8) In August 2022, Guangzhou Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Pharmaceutical (Maoming) Pharmaceutical Co., Ltd. with a registered capital of RMB5,000 thousand. The capital contribution subscribed by Guangzhou Pharmaceutical Co., Ltd. accounts for 100% of the registered capital.
- (9) In November 2022, Guangzhou Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Pharmaceutical Heilongjiang Pharmaceutical Co., Ltd. with a registered capital of RMB100,000 thousand. The capital contribution subscribed by Guangzhou Pharmaceutical Co., Ltd. accounts for 51%, and the other investor is Hainan An Hua Investment Co., Ltd., and it accounts for 49% of the registered capital.

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	77,168.90	88.99		Establishment or Investment
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		88.99	Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	217,410.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Science and technology promotion application service	5,000.00		100.00	Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	112,845.42	100.00		Establishment or Investment
Guangzhou Chen Li Ji Great Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	15,000.00		44.00	Establishment or Investment
Guangzhou Han Fang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	252,564.30	98.02	1.98	Establishment or Investment
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical manufacturing	2,000.00		100.00	Establishment or Investment
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Tibet	Tibet	Limited liability company	Pharmaceutical manufacturing	6,000.00		100.00	Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	82,416.70	100.00		Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		100.00	Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	86,230.00	88.40		Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Guangzhou Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Ningbo	Ningbo	Limited liability company	Commercial services	500.00		88.40	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77		Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00		87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09		Business combination not under common control

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	1,000.00		96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Limited liability company	Wholesale and retail	1,000.00		96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		96.09	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,449,305.50	90.92		Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	88,940.00		90.92	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	37,000.00		90.92	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	50,000.00		90.92	Business combination not under common control
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Fuzhou	Fuzhou	Limited liability company	Pharmaceutical trading	30,100.00		47.28	Business combination not under common control
Hubei Guangyao An Kang Pharmaceutical Co., Ltd.	Wuhan	Wuhan	Limited liability company	Pharmaceutical trading	6,000.00		46.37	Business combination not under common control
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	552,000.00		90.92	Business combination not under common control
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	123,000.00		90.92	Business combination not under common control
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	13,500.00		90.92	Business combination not under common control

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Shenzhen	Shenzhen	Limited liability company	Pharmaceutical trading	90,000.00		90.92	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical trading	85,000.00		90.92	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	156,000.00		90.92	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	20,000.00		90.92	Business combination not under common control
Guangyao (Hai Nan) Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	5,000.00		90.92	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Limited liability company	Pharmaceutical trading	87,500.00		90.92	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical trading	14,000.00		90.92	Business combination not under common control
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Limited liability company	Pharmaceutical trading	80,000.00		90.92	Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Limited liability company	Pharmaceutical trading	50,000.00		90.92	Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical trading	50,000.00		63.65	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	5,000.00		90.92	Business combination not under common control

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD300.00		90.92	Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical trading	13,210.00		90.92	Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	57,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	60,000.00		90.92	Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	60,000.00		90.92	Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Limited liability company	Pharmaceutical trading	6,000.00		90.92	Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	7,000.00		90.92	Business combination not under common control
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	6,450.00		90.92	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	8,000.00		90.92	Business combination not under common control
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	4,000.00		90.92	Establishment or Investment
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Maoming	Maoming	Limited liability company	Wholesale	5,000.00		90.92	Establishment or Investment
Guangyao Heilongjinag Pharmaceutical Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Wholesale	100,000.00		46.37	Establishment or Investment
Guangzhou Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,940.00		90.92	Establishment or Investment

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	6,680.00		90.92	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	178,307.88	100.00		Establishment or Investment
Meizhou Guanyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Guangzhou baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00		100.00	Establishment or Investment
Guangzhou Cai Zhi Lin Medicinal Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	5,000.00		97.27	Establishment or Investment
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Pharmaceutical trading	3,000.00		60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Limited liability company	Pharmaceutical trading	1,000.00		80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	10,000.00		100.00	Establishment or Investment
Gansu Guangyao baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	50,000.00		100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Health and social work	10,000.00		51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		51.00	Establishment or Investment
Baiyunshan Bio	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	84,000.00		50.00	Business combination not under common control
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Limited liability company	Pharmaceutical trading	2,000.00		54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00		Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Limited liability company	Trading	50,000.00		100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd	Qiannan	Qiannan	Limited liability company	Commercial services	1,000.00		100.00	Establishment or Investment
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Pharmaceutical manufacturing	31,884.50	51.00		Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,000.00	60.00		Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Commercial services	111,600.00	100.00		Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Limited liability company	Health services	50,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Limited liability company	Medical	40,816.00		51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	10,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	20,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	100.00		100.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	126,480.00	100.00		Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00		Establishment or Investment

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
WJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49		Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00		100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48		Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		84.48	Establishment or Investment
Ming Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	46,091.90	100.00		Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	100.00		100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Limited liability company	Pharmaceutical manufacturing	11,790.00	100.00		Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00		Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00		60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00		60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD132,500.00	100.00		Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP1,000.00		99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	100,000.00		100.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	593,470.00	100.00		Establishment or Investment

# Notes to the Financial Statements

(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	Legal entity	Nature of business	Registered capital (RMB'000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00		51.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	637,500.00		100.00	Establishment or Investment
Guangyao Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00		Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	40,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	1,000.00		100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Limited liability company	Medical research	113,000.00	100.00		Business combination under common control
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	1,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	25,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	5,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	100.00		Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Leasing and commercial services	10,000.00	100.00		Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Leasing and commercial services	9,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	500,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	70,000.00	100.00		Establishment or Investment
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Commercial services	1,000,000.00	99.90		Establishment or Investment

# Notes to the Financial Statements

(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)

Note:

① 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 Jiujigong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd., Hubei Guangyao An Kang Pharmaceutical Co., Ltd. and Guangyao Heilongjiang Pharmaceutical Co., Ltd. is less than 50%, with the majority in the board seats of these companies, they were included into the consolidation scope.

② The Group holds 50% of the shares of Baiyunshan Biological, but because it holds the majority of the board seats of Baiyunshan Biological, it is included in the scope of consolidation.

##### 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.	9.08%	155,800,879.67	–	596,153,158.98

##### 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.	27,377,722,714.70	2,302,588,401.57	29,680,311,116.27	21,161,063,681.28	2,093,571,729.29	23,254,635,410.57

Closing balance of last year

GP Corp.	25,322,381,755.06	2,369,995,661.53	27,692,377,416.59	21,215,171,609.67	669,669,433.93	21,884,841,043.60
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Subsidiary	Current period				Previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	49,382,937,472.58	583,736,802.12	581,554,211.52	433,851,568.28	46,980,796,080.73	521,148,822.07	520,893,723.07	396,769,695.22

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (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	<b>308,963,812.81</b>	380,237,450.23
Calculated by rate of interests held:		
– Net profit	<b>57,104,093.33</b>	60,484,247.06
– Other comprehensive income	–	–
– Total comprehensive income	<b>57,104,093.33</b>	60,484,247.06
Associates:		
Total book balance of investments	<b>1,146,265,865.36</b>	1,182,641,117.13
Calculated by rate of interests held:		
– Net profit	<b>62,215,880.34</b>	65,253,220.53
– Other comprehensive income	–	–
– Total comprehensive income	<b>62,215,880.34</b>	65,253,220.53

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

# Notes to the Financial Statements

(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 31 December 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	<b>137,090,866.06</b>	132,950,140.25
Accounts receivable	<b>6,843,223.30</b>	8,478,790.45
Other receivables	<b>1,233,703.76</b>	1,088,770.35
Total financial assets in foreign currency	<b>145,167,793.12</b>	142,517,701.05
Short-term borrowings	<b>33,687,243.21</b>	19,616,329.58
Accounts payable	<b>40,716,567.57</b>	59,010,163.96
Other payables	<b>707,861.73</b>	1,168,074.70
Total financial liabilities in foreign currency	<b>75,111,672.51</b>	79,794,568.24

Note:

- ① The financial department of the Group's headquarters is responsible for monitoring the scale of the Group's foreign currency transactions and foreign currency assets and liabilities in order to minimize the foreign exchange risks.
- ② As on 31 December 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 RMB5,254 thousand (As on 31 December 2021: approximately RMB4,704 thousand).

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 1. Market risk (Continued)

#### (2) Interest rate risk

As on 31 December 2022, the Group's long-term interest-bearing debt balance was RMB1,637,686 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB3,298 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	<b>133,173,106.43</b>	<u>133,896,048.65</u>
Total	<b>133,173,106.43</b>	<u>133,896,048.65</u>

As on 31 December 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 RMB11,320 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.

### 2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

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	8,679,613,602.92	-	-	-	-	8,679,613,602.92
Notes payable	3,208,591,354.67	-	-	-	-	3,208,591,354.67
Accounts payable	11,686,441,097.12	-	-	-	-	11,686,441,097.12
Other payables	4,858,904,925.54	-	-	-	-	4,858,904,925.54
Current portion of non-current liabilities	726,028,319.01	-	-	-	-	726,028,319.01
Long-term borrowings	52,407,254.16	271,684,192.49	1,433,283,281.94	-	-	1,757,374,728.59
Lease liability	-	151,377,776.17	280,278,507.09	207,391,890.12	-	639,048,173.38
Long-term payables	-	-	-	20,396,504.60	-	20,396,504.60
Subtotal	<u>29,211,986,553.42</u>	<u>423,061,968.66</u>	<u>1,713,561,789.03</u>	<u>227,788,394.72</u>	-	<u>31,576,398,705.83</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>

# Notes to the Financial Statements

(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		4,000,000.00	52,872,680.00	56,872,680.00
1. Financial assets designated at FVTPL		4,000,000.00	52,872,680.00	56,872,680.00
(1) Debt instrument investments		4,000,000.00		4,000,000.00
(2) Others			52,872,680.00	52,872,680.00
B. Receivable financing			3,182,767,002.04	3,182,767,002.04
C. Other equity instrument investments			109,569,842.38	109,569,842.38
D. Other non-current financial assets	133,173,106.43	538,390,000.00	367,255,650.73	1,038,818,757.16
1. Financial assets measured at FVTPL	133,173,106.43	538,390,000.00	367,255,650.73	1,038,818,757.16
(1) Debt instrument investments		538,390,000.00		538,390,000.00
(2) Equity instrument investments	133,173,106.43	-	367,255,650.73	500,428,757.16
Total assets continuously measured at fair value	<u>133,173,106.43</u>	<u>542,390,000.00</u>	<u>3,712,465,175.15</u>	<u>4,388,028,281.58</u>

### 2. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the year.

### 3. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the second-level fair value measurement project:

The fair value of the secondary asset-backed securities subscribed by the Group is estimated against the unadjusted quoted bonds in the relevant active market at the end of the year.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

# Notes to the Financial Statements

(Unless otherwise stated, amount shall be expressed in RMB.)

## IX. DISCLOSURE OF FAIR VALUE (Continued)

### 4. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the third-level fair value measurement project:

Item	Closing fair value	Valuation method	Significant unobservable input
Receivable financing	3,182,767,002.04	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, 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 31 December 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.

### 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	-	3,271,427.37	-	-	-	52,872,680.00
1. Financial assets designated at FVTPL	-	49,601,252.63	-	3,271,427.37	-	-	-	52,872,680.00
(1) Others	-	49,601,252.63	-	3,271,427.37	-	-	-	52,872,680.00
B. Receivable financing	3,171,865,961.20	-	-	(14,611,678.23)	(2,910,120.81)	3,200,288,801.07	3,171,865,961.20	3,182,767,002.04
C. Other equity instrument investments	123,422,079.79	-	-	(16,111,326.16)	2,259,088.75	-	109,569,842.38	
D. Other non-current financial assets	422,514,703.51	-	49,601,252.63	(6,357,800.15)	-	700,000.00	-	367,255,650.73
Including: Financial assets measured at FVTPL	422,514,703.51	-	49,601,252.63	(6,357,800.15)	-	700,000.00	-	367,255,650.73
(1) Equity instrument investments	372,913,450.88	-	-	(6,357,800.15)	-	700,000.00	-	367,255,650.73
(2) Others	49,601,252.63	-	49,601,252.63	-	-	-	-	-
Total	3,717,802,744.50	49,601,252.63	49,601,252.63	(17,698,051.01)	(19,021,446.97)	3,203,247,889.82	3,171,865,961.20	3,712,465,175.15

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPHL	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

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
Chengdu Hejian	Joint venture
Guangzhou Dufen Health Industry Co., Ltd.	Associates
Baiyunshan Yi Xin Tang	Associates
Yunnan Yi Xin Tang	Associates
Chuangmei Medicines	Associates
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd. (hereinafter referred as "Southern Anti-tumor Company")	Associates

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## 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
Pharmaceutical Import & Export	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture of the parent company

### 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:							
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	401,089,694.37	0.59	1,277,613.73	0.00
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	262,805,403.90	0.38	240,949,175.45	0.15
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	93,762,937.53	0.14	107,826,983.16	0.07
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	78,075,166.41	0.11	-	-
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	11,218,455.34	0.02	29,322,798.26	0.02
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	4,805,009.25	0.01	13,094,138.48	0.01
Pharmaceutical Import & Export	Purchase of goods	Medicinal material or medicine	Market price	1,325,458.30	0.00	-	-
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	133,005.99	0.00	280,272.32	0.00
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	316,468.46	0.00	-	-
Subtotal				853,531,599.55		392,750,981.40	

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

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	14,555,241.38	1.52	13,893,892.14	1.32
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	378,207.56	0.04	1,582,420.74	0.15
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	21,118.87	0.00	1,649.53	0.00
GPHL	Acceptance of service	Publicity fee	Market price	84,969.00	0.01	-	-
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				15,056,753.81		15,477,962.41	
GPHL	Acceptance of service	Research and development services	Market price	20,773.58	0.00	-	-
Subtotal				20,773.58		-	
Total				868,609,126.94		408,228,943.81	
Sales of good:							
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	437,962,397.16	0.62	422,353,028.19	0.61
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	147,667,351.74	0.21	85,649,089.84	0.12
HWBYS	Sales of good	Medicinal material or medicine	Market price	131,426,192.26	0.19	168,104,040.20	0.24
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	100,789,308.23	0.14	109,232,497.73	0.16
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	70,176,452.19	0.10	25,674,833.55	0.04
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	56,881,872.11	0.08	45,013.36	0.00
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	13,752,395.74	0.02	1,547,497.20	0.00
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	377,370.01	0.00	1,001,204.55	0.00
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	113,504.42	0.00	-	-
GPHL	Sales of good	Medicinal material or medicine	Market price	58,407.08	0.00	15,920.35	0.00

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Baiyunshan Biological	Sales of good	Medicinal material or medicine	Market price	10,318.44	0.00	18,500.60	0.00
GPLH (Macao) International Development Industry Co., Ltd.	Sales of good	Other	Market price	-	-	510,607.52	0.00
Guangzhou Du Feng Health Industry Co., Ltd.	Sales of good	Equipment	Market price	-	-	234,712.34	0.00
Southern Anti-Tumor Company	Sales of good	Medicinal material or medicine	Market price	-	-	519.03	0.00
Subtotal				<b>959,215,569.38</b>		<b>814,387,464.47</b>	
HWBYS	Rendering of services	Advertising agency service	Market price	36,662,237.56	69.58	37,234,290.66	61.72
Hua Cheng	Rendering of services	Advertising agency service	Market price	9,621,898.42	18.26	11,923,828.34	19.76
GPLH	Rendering of services	Advertising agency service	Market price	1,387,037.88	2.63	1,926,798.16	3.19
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	9,433.96	0.02	702,183.73	1.16
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	8,844.34	0.02	50,315.09	0.08
GPLH (Macao) International Development Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	-	-	1,234,905.66	2.05
Subtotal				<b>47,689,452.16</b>		<b>53,072,321.64</b>	
Hua Cheng	Rendering of services	Consigned processing	Market price	20,986,144.13	9.73	18,545,565.83	9.28
HWBYS	Rendering of services	Consigned processing	Market price	13,216,741.34	6.13	7,702,505.39	3.85
Subtotal				<b>34,202,885.47</b>		<b>26,248,071.22</b>	
HWBYS	Collecting trademark fee	Right to use trademark	Market price	845,842.25	45.93	1,093,814.78	43.64
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	681,974.19	37.03	338,231.74	13.50
Subtotal				<b>1,527,816.44</b>		<b>1,432,046.52</b>	

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

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	Research and development services	Market price	439,617.00	0.05	366,043.39	2.06
Hua Cheng	Rendering of services	Research and development services	Market price	247,169.81	0.03	-	-
Chengdu Hejian	Rendering of services	Research and development services	Market price	-	-	23,584.91	0.13
Subtotal				<b>686,786.81</b>		389,628.30	
Baxter Qiao Guang	Rendering of services	Other	Market price	5,514,785.04	0.57	4,723,493.73	0.01
Baiyunshan Biological	Rendering of services	Other	Market price	915,301.60	0.10	2,352,467.85	0.00
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	760,565.99	0.08	-	-
Hua Cheng	Rendering of services	Other	Market price	703,785.09	0.07	452,520.18	0.00
HWBYS	Rendering of services	Other	Market price	628,138.65	0.07	1,027,309.54	0.00
Chengdu Hejian	Rendering of services	Other	Market price	348,575.25	0.04	13,553.50	0.00
Southern Anti-Tumor Company	Rendering of services	Other	Market price	32,830.20	0.00	30,094.35	0.00
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	5,849.05	0.00	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Other	Market price	5,147.00	0.00	-	-
GPHL	Rendering of services	Other	Market price	3,780.00	0.00	27,228.83	0.00
Subtotal				<b>8,918,757.87</b>		8,626,667.98	
Total				<b>1,052,241,268.13</b>		904,156,200.13	

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

(2) The Group had no associated trusteeship/Entrusted management for the current year.

(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	421	523
Other companies under the same parent company	Venue for working	28	-
Joint Venture	Warehouse, Plant	3,939	6,581
Associates	Office building	-	-

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	4,963	9,539	2,152	1,834
Joint Venture	Venue for working, Warehouse, shops	-	-	5,362	5,114

(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
181	293	-	-
613	137	15,861	-

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 5. Related Party Transactions *(Continued)*

- (4) The Group had no guarantee for related parties for the current period.
- (5) The Group had no borrowing or lending between related parties for the current period.
- (6) The Group had no transfer of asset and debt restructuring for the current period.
- (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB7,740 thousand for 2022 (2021: RMB9,172 thousand). The Group's key management personnel of current year include 9 persons, such as directors, general manager, vice general manager, and secretary to the Board of Director (2021: 9 persons). Among them, 7 received their salaries from the Company (2021: 7 persons).

- (8) Other related party transactions

① *License Agreement*

The Company shall receive a total of RMB846 thousand (2021: RMB1,094 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou Baiyunshan Hehuang Great Health for 2022.

The Company should receive license fee of "Bai yun shan" amounted to RMB682 thousand from Hua Cheng for 2022 (2021: RMB338 thousand).

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Receivables and Payables of Related Parties

#### (1) Receivables

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable:				
Chuang Mei	-	-	4,573,355.40	-
Total	-	-	4,573,355.40	-
Accounts receivable financing:				
Chuang Mei	107,578,757.15	-	105,665,655.78	-
Yi Xin Tang	30,208,209.40	-	4,605,971.87	-
Hua Cheng	19,783,539.08	-	-	-
Total	157,570,505.63	-	110,271,627.65	-
Accounts receivable:				
HWBYS	48,586,219.22	545,664.13	30,560,978.03	305,609.79
Chuang Mei	48,450,759.50	484,507.59	51,337,880.84	513,378.81
Kang Mei Pharmaceutical	41,572,127.96	413,856.44	5,087,494.72	36,159.03
Yi Xin Tang	30,098,652.45	307,859.84	22,432,685.03	234,542.47
Hua Cheng	21,149,294.02	211,492.94	22,597,780.94	231,928.22
Baiyunshan Yi Xin Tang	19,993,139.37	199,931.39	1,026,585.46	10,265.86
Chengdu Hejian	1,981,984.33	19,819.84	437,159.82	4,371.60
Baxter Qiao Guang	1,736,705.13	17,367.05	896,188.66	8,961.89
GPHL (Macao) International Development Industry Co., Ltd.	159,622.50	1,596.23	1,856,986.50	18,569.87
GPHL	19,500.00	195.00	136,734.00	1,367.34
Baiyunsha Culture Industry	3,224.00	32.24	-	-
Total	213,751,228.48	2,202,322.69	136,370,474.00	1,365,154.88
Advances to suppliers:				
HWBYS	17,715,884.20	-	26,571,218.51	-
Hua Cheng	1,168,998.33	-	867,491.97	-
Pharmaceutical Import & Export	40,242.57	-	891.45	-
Chuang Mei	12,870.80	-	-	-
Baiyunshan Yi Xin Tang	2,376.00	-	-	-
Kang Mei Pharmaceutical	-	-	3,051.78	-
Total	18,940,371.90	-	27,442,653.71	-
Dividends receivable:				
HWBYS	218,766,959.00	-	343,766,959.00	-
Total	218,766,959.00	-	343,766,959.00	-

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 6. Receivables and Payables of Related Parties *(Continued)*

#### (1) Receivables *(Continued)*

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables:				
HWBYS	4,886,800.52	-	3,758,419.21	-
Hua Cheng	2,279,146.34	-	1,902,442.55	-
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd.	1,922,643.60	-	-	-
GPHL	507,874.04	-	419,953.74	-
Baxter Qiao Guang	375,044.00	-	399,388.01	-
Chuang Mei	30,723.00	-	-	-
Kang Mei Pharmaceutical	13,163.82	-	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	3,360.00	-	-	-
Southern-Anti-tumor Company	816.57	-	-	-
Baiyunshan Biological Pharmaceutical Import & Export	-	-	387,828.19	-
	-	-	5,973.47	-
<b>Total</b>	<b>10,019,571.89</b>	<b>-</b>	<b>6,874,005.17</b>	<b>-</b>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Receivables and Payables of Related Parties (Continued)

#### (2) Payables

Item	Closing Balance	Closing balance of last year
Notes payable:		
HWBYS	<b>82,252,477.57</b>	74,117,360.04
Kang Mei Pharmaceutical	<b>50,185,816.00</b>	–
Hua Cheng	<b>415,980.00</b>	220,800.00
Pharmaceutical Import & Export		157,646,920.60
Baxter Qiao Guang	–	6,511,394.00
Chuang Mei	–	4,027,824.00
Total	<b>132,854,273.57</b>	242,524,298.64
Accounts payable:		
Kang Mei Pharmaceutical	<b>496,390,820.56</b>	29,547,024.33
Yi Xin Tang	<b>25,167,190.56</b>	–
HWBYS	<b>21,135,739.23</b>	17,476,861.46
Baxter Qiao Guang	<b>8,663,293.36</b>	10,489,322.90
Chuang Mei	<b>3,523,021.15</b>	6,690,871.84
Pharmaceutical Import & Export	<b>1,622,633.76</b>	6,569,216.49
Hua Cheng	<b>530,068.22</b>	435,966.48
Baiyunshan Yi Xin Tang	<b>135,374.05</b>	157,934.41
Chengdu Hejian	<b>34,886.49</b>	–
Total	<b>557,203,027.37</b>	71,367,197.91
Contract liabilities:		
Kang Mei Pharmaceutical	<b>84,236,167.44</b>	15,723,291.81
Chuang Mei	<b>61,397,558.24</b>	51,297,522.85
HWBYS	<b>2,639,639.16</b>	5,440,334.50
Baiyunshan Yi Xin Tang	<b>680,923.79</b>	491,645.46
Hua Cheng	<b>216,900.00</b>	5,575.22
Pharmaceutical Import & Export	<b>180,443.60</b>	180,443.60
Guangzhou Dufen Health Industry Co., Ltd.	<b>32,898.26</b>	32,898.26
Baxter Qiao Guang	<b>4,601.77</b>	–
Yi Xin Tang	<b>14.60</b>	15.40
GPHL (Macao) International Development Industry Co., Ltd.	–	465,212.00
Total	<b>149,389,146.86</b>	73,636,939.10
Other payables:		
GPHL	<b>19,792,075.02</b>	17,535,367.82
HWBYS	<b>17,904,067.65</b>	2,322,200.00
Baxter Qiao Guang	<b>1,300,683.00</b>	855,600.00
Pharmaceutical Import & Export	<b>387,328.41</b>	13,030,404.44
Baiyunshan Yi Xin Tang	<b>248,640.98</b>	–
Kang Mei Pharmaceutical	<b>50,000.00</b>	–
Chuang Mei	<b>20,000.00</b>	20,000.00
Total	<b>39,702,795.06</b>	33,763,572.26

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 6. Receivables and Payables of Related Parties *(Continued)*

#### (2) Payables *(Continued)*

Item	Closing Balance	Closing balance of last year
Other current liabilities:		
Kang Mei Pharmaceutical	<b>10,908,004.71</b>	1,986,839.80
Chuang Mei	<b>7,979,217.89</b>	6,668,677.95
HWBYS	<b>190,993.21</b>	470,656.52
Baiyunshan Yi Xin Tang	<b>88,512.64</b>	63,913.92
Hua Cheng	<b>28,197.00</b>	724.78
Guangzhou Dufen Health Industry Co., Ltd.	<b>4,276.78</b>	4,276.78
Baxter Qiao Guang	<b>598.23</b>	–
Pharmaceutical Import & Export Yi Xin Tang	–	6,201.03
	–	0.09
Total	<b>19,199,800.45</b>	9,201,290.87
Other non-current liabilities:		
HWBYS	<b>71,764.00</b>	71,764.00
Kang Mei Pharmaceutical	<b>40,676.70</b>	57,112.83
Pharmaceutical Import & Export	<b>23,457.67</b>	17,256.64
Chuang Mei	<b>2,464.67</b>	–
Baiyunshan Yi Xin Tang	<b>7.45</b>	–
Yi Xin Tang	<b>1.90</b>	–
Total	<b>138,372.39</b>	146,133.47

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XI. COMMITMENTS OR CONTINGENCY

### 1. Significant Commitments

#### (1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement		
– Commitment on purchasing long-term assets	<b>1,459,872,002.93</b>	1,150,100,556.38
– Large amount contract		
– Commitments on external investment		
Total	<b><u>1,459,872,002.93</u></b>	<u>1,150,100,556.38</u>

(2) As on 31 December 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	<b>1,716,336,811.59</b>	1,582,093,876.06
Commitments on external investments	–	–
Total	<b><u>1,716,336,811.59</u></b>	<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 31 December 2022.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XI. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies

#### (1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical 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 Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan 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.

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan 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 17 March 2023, the lawsuit has been dismissed.

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.

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XI. COMMITMENTS OR CONTINGENCY (Continued)

### 2. Contingencies (Continued)

(2) Please refer to Note XIII (11) ① for contingencies related to litigation.

## XII. EVENTS AFTER THE BALANCE SHEET DATE

On March 17, 2023, the twenty-seventh meeting of the eighth board of directors of the Company passed the following profit distribution resolution: Based on the Company's total share capital of 1,625,790,949 shares at the end of 2022, cash dividend of RMB7.32 (tax included) will be distributed for every 10 shares, totaling cash dividend of RMB1,190,078,974.67 will be distributed.

## XIII. OTHER SIGNIFICANT MATTERS

### 1. Lease

#### (1) Rental information

##### ① Operating lease

Item	Amount
①Income situation	—
Rental income	42,942,777.47
Including: Revenue related to variable lease payments not included in lease receipts	1,319,588.31
②Undiscounted lease receipts to be received each year for five consecutive fiscal years after the balance sheet date	—
The First year	14,330,784.73
The Second year	16,177,164.11
The Third year	14,637,769.56
The Fourth year	8,003,211.69
The Fifth year	5,472,209.39
③Total undiscounted lease payments to be received for the remaining years	<u>8,734,044.89</u>

#### (2) Lease situation

##### ① Tenant Information Disclosure

Item	Amount
Short-term lease expenses included in the current profit and loss	31,599,739.41
Lease fees for low-value assets	3,473,618.92
Variable lease payments not included in lease liability measurement	7,860,360.48
Income from sublease of right-of-use assets	30,622,383.78
Total lease-related cash outflows	279,389,286.23
Related gains and losses arising from sale and leaseback transactions	<u>—</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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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.

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

Assets and liabilities are allocated based on the segment operations expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (2) Reporting financial Information of Segments

① The segment information for the 12 months ended 31 December 2022 and as of 31 December 2022 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	10,527,244,363.74	10,490,425,837.30	49,286,808,753.15	483,676,114.26	-	70,788,155,068.45
Inter-segment revenue	162,837,979.45	35,729,700.63	8,218,621,180.06	336,537,374.56	(8,753,726,234.70)	-
Interest income	(134,586,904.30)	(304,266,101.71)	(48,252,677.64)	(139,683,502.72)		(626,789,186.37)
Interest expenses	18,797,838.00	9,296,386.02	400,809,386.56	16,048,131.45	(10,543,718.41)	434,408,023.62
Income from investments in associates and joint ventures	(15,971,490.70)	-	5,468,711.99	147,229,607.07	(139,241.87)	136,587,586.49
Impairment losses in respect of credit	756,619.83	167.82	(51,030,788.55)	(1,747,079.73)	6,874,695.54	(45,146,385.09)
Impairment losses in respect of assets	2,662,450.49	-	(7,295,156.80)	(112,247.39)	(3,238,794.24)	(7,983,747.94)
Depreciation and amortization expenses	290,547,840.84	63,152,238.51	417,154,846.34	60,523,092.02	(17,977,317.51)	813,400,700.20
Total profit	2,000,219,428.68	1,803,729,257.81	879,789,067.04	1,046,170,254.88	(686,663,937.17)	5,043,244,071.24
Total assets	18,236,142,617.72	17,113,111,182.50	33,470,568,294.10	26,052,900,241.19	(20,207,423,558.77)	74,665,298,776.74
Total liabilities	9,413,738,019.32	8,480,310,571.59	26,387,957,976.98	5,639,127,817.87	(8,893,693,688.24)	41,027,440,697.52
Long-term equity investment in associates and joint ventures	41,166,671.63	-	92,055,098.47	1,450,841,556.12	-	1,584,063,326.22
Increase in other non-current assets excluding long-term equity investment	940,310,775.29	235,155,163.81	510,243,580.60	276,231,371.03		1,961,940,890.73

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (2) Reporting financial Information of Segments (Continued)

② The segment information for the 12 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	10,901,857,681.06	10,872,240,147.41	46,894,716,372.23	345,238,146.33	-	69,014,052,347.03
Inter-segment revenue	239,227,654.56	42,084,160.15	5,719,299,398.22	320,014,949.58	(6,320,626,162.51)	
Interest income	(168,425,940.39)	(200,391,713.87)	(40,807,491.92)	(154,241,559.01)		(563,866,705.19)
Interest expenses	20,597,295.32	2,436,411.36	389,496,044.20	17,228,814.30	(11,927,942.02)	417,830,623.16
Income from investments in associates and joint ventures	(71,640,416.22)	-	1,158,094.66	193,537,750.33	(105,528.35)	122,949,900.42
Impairment losses in respect of credit	1,746,551.65	1,587.11	(111,912,146.86)	2,526,908.82	(2,176,306.18)	(109,813,405.46)
Impairment losses in respect of assets	(923,450.54)	-	(5,747,316.41)	(2,401,993.98)	(2,786,760.91)	(11,859,521.84)
Depreciation and amortization expenses	269,907,481.69	53,301,997.42	373,750,038.37	39,878,197.55	(16,680,414.31)	720,157,300.72
Total profit	1,878,439,092.87	1,596,043,179.71	712,955,946.83	1,129,436,654.04	(593,803,929.96)	4,723,070,943.49
Total assets	15,723,325,882.46	12,209,356,586.16	31,563,923,715.09	24,083,433,399.71	(17,462,249,819.47)	66,117,789,763.95
Total liabilities	8,331,500,185.25	4,951,146,984.29	25,151,498,689.67	4,327,567,944.03	(7,970,592,598.28)	34,791,121,204.96
Long-term equity investment in associates and joint ventures	212,586,071.58	-	70,849,220.73	1,279,443,275.05	-	1,562,878,567.36
Increase in other non-current assets excluding long-term equity investment	677,986,857.66	158,645,854.55	665,961,953.37	152,988,207.85	-	1,655,582,873.43

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	<b>70,760,638,851.29</b>	68,971,228,046.73
Other countries/regions	<b>27,516,217.16</b>	42,824,300.30
Total	<b>70,788,155,068.45</b>	<b>69,014,052,347.03</b>

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	<b>12,410,020,395.81</b>	11,171,339,196.89
Other countries/regions	<b>12,740,744.25</b>	13,231,950.11
Total	<b>12,422,761,140.06</b>	<b>11,184,571,147.00</b>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 7. Remuneration of Auditors

Item	Closing balance	Closing balance of last year
Remuneration of Auditors	<b>3,075,471.70</b>	2,792,452.83
Total	<b>3,075,471.70</b>	2,792,452.83

### 8. Remuneration of directors, supervisors and employees

(1) Remuneration of each director and supervisor for the year ended 31 December 2022 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
<b>Directors</b>									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, GM	-	459,535.00	113,124.00	929,177.00	-	-	-	1,501,836.00
Wu Changhai	Executive Director	-	-	-	380,312.00	-	-	-	380,312.00
Zhang Chunbo	Executive Director	-	-	-	300,615.00	-	-	-	300,615.00
Huang Xianrong	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Wang Weihong	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
<b>Supervisors</b>									
Cai Ruiyu	Chairman of the Board of Supervisors	-	395,735.00	113,124.00	862,849.00	-	-	-	1,371,708.00
Cheng Jinyuan	Supervisor	-	287,368.00	92,868.00	518,741.00	-	-	-	898,977.00
Jian Huidong	Supervisor	-	289,673.00	88,836.00	521,014.00	-	-	-	899,523.00

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Remuneration of directors, supervisors and employees (Continued)

(2) Remuneration of each director and supervisor for the year ended 31 December 2021 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
<b>Directors</b>									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, GM	-	456,344.00	101,960.00	1,160,715.00	-	-	-	1,719,019.00
Wu Changhai	Executive Director	-	234,576.00	58,541.00	996,020.00	-	-	-	1,289,137.00
Zhang Chunbo	Executive Director	-	240,371.00	50,029.00	767,400.00	-	-	-	1,057,800.00
Huang Xianrong	Independent Non-Executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Wang Weihong	Independent Non-Executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Chen Yajin	Independent Non-Executive Director	100,000.00	-	-	-	-	-	-	100,000.00
Huang Min	Independent Non-Executive Director	100,000.00	-	-	-	-	-	-	100,000.00
<b>Supervisors</b>									
Cai Ruiyu	Chairman of the Board of Supervisors	-	412,824.00	101,960.00	836,500.00	-	-	-	1,351,284.00
Cheng Jinyuan	Supervisor	-	286,257.00	76,424.00	431,065.00	-	-	-	793,746.00
Gao Huizhu	Supervisor	-	10,499.55	-	295,822.45	-	-	-	306,322.00
Jian Huidong	Supervisor	-	173,685.00	45,408.00	378,156.00	-	-	-	597,249.00

Besides the above-mentioned remuneration of directors and supervisors, Chairman Li Chuyuan, Vice-president Yang Jun, Vice-president Cheng Ning, Director Liu Juyan, Director Wu Changhai Director Zhang Chunbo received remuneration amounted to RMB1,699,429.00, RMB1,645,759.00, RMB1,537,184.00, RMB1,522,952.00, RMB1,122,624.00, RMB1,093,118.00 respectively from the subsidiaries of the Company. (2021: Li Chuyuan, Yang Jun, Cheng Ning, Liu Juyan, Wu Changhai, Zhang Chunbo received remuneration amounted to RMB2,092,170.00, RMB1,522,354.00, RMB1,879,407.00, RMB1,883,375.00 RMB367,923.00, RMB353,175.00 respectively from the subsidiaries of the Company.), part of that is remuneration for service to the Group. Directors consider it's difficult to allocate the amount for the service to the Group, subsidiaries and jointly controlled entities, no amortization is made of it.

As at 31 December 2022, no directors have given up or agreed to give up any arrangements of remuneration (2021: nil).

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 9. Top five of remuneration

Top five of remuneration of the Group for the year ended 31 December 2022 includes 2 directors (2021: includes 3 directors).

The total amount of remuneration paid to the other 3 persons (2021: 2 persons) this year is listed as follows:

<b>Item</b>	<b>The year ended 31 December 2022</b>	The year ended 31 December 2021
Salary and subsidies	<b>1,258,654.00</b>	731,342.00
Pension	<b>168,543.00</b>	71,842.00
Bonus	<b>5,478,025.00</b>	3,976,368.00
Others	<b>720.00</b>	800.00
Total	<b><u>6,905,942.00</u></b>	<u>4,780,352.00</u>

<b>Scope of remuneration</b>	<b>Numbers of person</b>	
	<b>The year ended 31 December 2022</b>	The year ended 31 December 2021
RMB0 – 1,000,000	–	–
RMB1,000,000 – 1,500,000	–	–
RMB1,500,000 – 2,000,000	<b>2</b>	–
Over RMB2,000,000	<b>1</b>	<b>2</b>

### 10. Other significant transactions and events that affect investor decisions

No

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. Other significant matters

#### (1) Litigations of the Group

##### ① 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 result with the Guangzhou Intermediate People's Court, and the Intermediate People's Court ruled in favor of a branch of the Group. Guangsheng Energy was dissatisfied and filed a re-suit with the High Court, which issued a notice of responding to the civil retrial application case.</p>
The main content of the court decision	On July 22, 2022, the court ruled to reject Guangsheng Energy's appeal and uphold the original judgment. Guangsheng Energy proposed a retrial. The case is currently in the retrial review stage and has not yet been judged.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the second 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### ② 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.

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.

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. Subsidiary F filed an appeal on January 5, 2022.

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. 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. On December 22, 2022, Subsidiary F filed a retrial with the Higher People's Court of Guangdong Province.

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 retrial has not yet been judged.

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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### ③ 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. On September 23, 2022, the court with jurisdiction over the case was changed to the First People’s Court of Zhongshan City in the second instance, and the case was opened on December 1, 2022. The trial was held as scheduled, and the judgment is now 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 it is estimated that the possibility of loss caused by this lawsuit is relatively small.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### ③ 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 sub 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. On August 19, 2022, the People's Court of Gulou District, Fuzhou City, Fujian Province made a first-instance judgment, filed an appeal on August 30, 2022, and the second-instance judgment has been made.

The main content of the court decision                      The second instance upheld the original judgment, that is, Subsidiary G paid RMB21,981,122.18 and related capital occupation fees to the third-party Fujian Guangyao Jieda Pharmaceutical Co., Ltd. in this case.

The legal responsibilities for the Company or its subsidiaries                      As of the reporting date, according to the judgment of the second instance, Subsidiary G should bear the legal responsibility for paying RMB21,981,122.18 and related capital occupation fees.

The impact on the Company's operation and finance                      As of the reporting date, the management of Subsidiary G has assessed the situation of the case and confirmed the corresponding liabilities for the payment obligations RMB25,963,017.52 that should be assumed.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. Other significant matters (Continued)

#### (1) Litigations of the Group (Continued)

##### ③ Litigations to the Group Subsidiary G (Continued)

#### (c) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant	Plaintiff: Zhongshan Pharmaceutical Co., Ltd Defendant: Subsidiary G
Case facts	On September 22, 2022, Subsidiary G received a notice from the arbitration tribunal. According to the content of the arbitration application received, the claimant believed that the two parties had signed the agreement. According to the contract, Subsidiary G should pay its compensation of RMB73,763,280.98 and bear the arbitration fee of the case. The case was heard in the Nansha Hong Kong court room of the Guangzhou Arbitration Commission at 15:00pm on October 26, 2022. On October 26, the trial was held as scheduled, and the ruling is now 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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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	Subsidiary I filed a case via internet on 27 December 2021. 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. 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. The defendant, Guangdong Ruipusheng Pharmaceutical Co., Ltd., appealed against the judgment of the first instance. On January 31, 2023, the Guangzhou Intermediate People's Court ruled to uphold the original judgment
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, 90% provision bad debt were withdrawn for the accounts receivable.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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.

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 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. In August 2021, the Court has ruled in favor of us.

On August 31, 2022, Subsidiary G received a deposit of RMB93,960.01 from the frozen account of Subsidiary G of Guangxi New Era allocated by the Liwan Court. On September 14, 2022, the Liwan Court determined the institution responsible by lottery for the evaluation of the seizure of equity, and the specific equity evaluation value needs to wait for the evaluation results. On September 22, 2022, Subsidiary G received the enforcement ruling and announcement that the Liwan Court planned to auction off the 30% equity of Guangxi Guangyao Xinshidai held by the person subject to enforcement. The equity evaluation is still in progress.

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.

The impact on the Company's operation and finance                      As of the reporting date, the case has been judged and the execution has not been completed. The management of Subsidiary G has assessed the situation of the case and made a 100% provision for bad debts of the remaining accounts receivable based on the opinions of external lawyers.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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

Litigant                      Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)

Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd.  
Liang Hongfen

Case facts                      On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122,456.00.

The main content of the court decision                      The court opened a hearing on August 12, 2020. As of June 30, 2021, Sub-subsidiary K had lost the first-instance judgment. Sub-subsidiary K has appealed to the Intermediate Court and is now waiting for the court to issue a summons to determine the opening time. In accordance with the 2nd sentence received on 9 October 2021, our appeal was dismissed and the former judgment was upheld. 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. On December 28, 2022, Sub-subsidiary K received a notification from the administrator on the voting items of the creditors' meeting, and the meeting passed the "About the Bankruptcy Property Distribution Plan (First Distribution)". Sub-subsidiary K is not in the ranks of this priority distribution, and temporarily do not participate in the distribution.

Moreover, the meeting voted against the lawsuit to collect Kang Lang's receivables, and the administrator will no longer collect the receivables and dispose of them by auction or other means, and is now waiting to see if there is any other property to distribute.

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.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 impact on the Company's operation and finance	As of the date of this report, the original judgment of the second instance was upheld, and the result of the retrial has not yet been reached. The management of Sub-subsidiary K evaluated the situation of the case. 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.
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- (c) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)
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Defendant:	Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo")
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Case facts	On 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. On August 2, 2022, the court replied to Sub-subsidiary K that the frozen funds were waiting to be seized and could not be directly transferred to the account. On October 8, 2022, Sub-subsidiary K applied to the court to add Tai'an Tang as the person subject to enforcement and to deduct the execution money, waiting for the court's reply.
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As of December 31, 2022, a total of RMB5,442,823.45 of payment has been recovered through litigation preservation and court enforcement, and a total of RMB1,112,667 of payment has been recovered by Tai'an Tang through the signing of a repayment agreement. After the case was filed, a total of RMB6,555,490.45 of payment has been recovered.

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.
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# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. (Continued)

The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	As of the reporting date, a total of RMB6,555,490.45 of payment has been recovered. 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% on the remaining accounts receivable.
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#### (d) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary O (its parent company is Subsidiary G)
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	Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo")
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Case facts	On 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. 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. In 2022, Sub-subsidiary O received a payment of RMB2,518,143.77 from Tai'an Tang on behalf of Kang Ai Duo, and received a payment of RMB311,775.04 from the court for enforcement.
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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.
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The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. (Continued)

The impact on the Company's operation and finance	The management of Sub- subsidiary O evaluated the situation of the case and the remaining accounts receivable was recorded as provision for bad debts with a ratio of 100%.
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- (e) Litigation involving Guangdong Kang Ai Duo Drugstore Chain Co., Ltd.

Litigant	Plaintiff: Sub-subsidiary N (its parent company is Subsidiary G)
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	Defendant: Guangdong Kang Ai Duo Drugstore Chain Co., Ltd. ("Kang Ai Duo")
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Case facts	On 21 October 2021, Sub-subsidiary N filed a case against Kang Ai Duo for arrears of RMB7,485,730.94 and the interest. On October 25, 2021, Sub-subsidiary N applied to the Baiyun District Court to freeze the defendant's bank account, and the court has accepted it. On May 5, 2022, the court judgment was received. On July 5, 2022, Sub-subsidiary N applied for compulsory enforcement, and the court decided to file the case. On August 26, 2022, Tai'an Tang repaid RMB200,000, and on September 23, 2022, the final ruling was issued, and on September 28, the distribution plan was issued.
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	On December 29, 2022, Sub-subsidiary N received two bills of exchange endorsed by Tai'an Tang, totaling RMB239,900.70.
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The main content of the court decision	On 26 October 2021, in accordance with the Civil Ruling, the bank deposit of RMB7,485,730.94 of Kang Ai Duo was frozen.
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	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.
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The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary N, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. (Continued)

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 on the remaining accounts receivable.
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- (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
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	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")
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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.
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	On July 19, 2022, resubmit the property preservation application as required by the court. In August 2022, the court ruled that the case should be changed from summary procedure to ordinary procedure. The court session was held on September 15, 2022, and the judgment is now pending.
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The main content of the court decision	As of the reporting date, the case is pending judgment.
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The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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# Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. (Yatai Notes Case)
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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. (Yatai Contract Case)
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# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 case shall begin on July 6, 2022. The court notified that the hearing time was changed to August 2, 2022. On July 26, 2022, received the court's litigation preservation ruling and litigation preservation notice. The sealing of the bank account is valid for one year until April 29, 2023, and the actual seizure amount is RMB0. The case was opened on August 2, but it was actually changed to a pre-trial investigation. At the same time, the court arranged for both parties to check the original evidence on August 5, 2022, and the questioning shall be held on August 17, 2022. The defendant believed that Lianhe Yatai invoice seal in the reconciliation letter was forged, and applied to the court for identification. On August 18, 2022, the court notified both parties to go to the court to participate in the lottery process of the appraisal agency on August 25, 2022. As of December 31, 2022, there is no substantive changes.

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 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 the year ended 31 December 2022

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## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 case began on June 24, 2022 and is now pending judgment.
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

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## XIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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. On March 11, 2022, property preservation has been applied for, and the case was opened on December 2, 2022. The trial was held as scheduled, and the judgment is now pending.
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 the year ended 31 December 2022

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## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 case was set for trial on July 1, 2022. On August 26, 2022, the People's Court of Weiyang District, Xi'an City allowed the plaintiff Sub-subsidiary P to withdraw the lawsuit against the defendant Feng Dexiang. On November 14, 2022, the People's Court of Weiyang District, Xi'an City made a first-instance judgment.

The main content of the court decision First-instance judgment: ① The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P payment of RMB9,881,354.92, lawyer's fees of RMB80,000 and liquidated damages within ten days after this judgment takes effect. The defendant Gansu Zhongyou Health Medicine Co., Ltd. shall be jointly and severally liable for this responsibility for repayment; ② The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P the 2022 payment of RMB271,977.7 within ten days after this judgment takes effect.

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 based on the principle of prudence, it has made individually full provision for bad debts.

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIII. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 case was heard on July 6, 2022, and the first-instance judgment was made on November 14, 2022.

The main content of the court decision                      The judgment of the court of first instance: the amount of supporting payment is RMB6,728,362.98; as of August 31, 2019, the amount that should be paid by the defendant Kangjian Pharmaceutical Company is RMB1,143,235.91.

According to the repayment agreement between the two parties, the interest shall be calculated at 2/10,000 per day from September 25, 2020;

As of December 31, 2020, the amount payable by the defendant Kangjian Pharmaceutical Company was RMB5,585,127.07, and the interest should be calculated at 2/10,000 per day starting from January 25, 2022.

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 based on the principle of prudence, it has made individually full provision for bad debts.

#### (2) No other significant matters

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts receivable

(1) The aging analysis of accounts receivable disclosed by booking date is as follows:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>111,456,575.22</b>	117,132,960.73
1 to 2 years	<b>260,827.92</b>	1,213,112.00
Over 2 years	<b>4,252,743.52</b>	4,252,743.52
Total book balance of accounts receivable	<b>115,970,146.66</b>	122,598,816.25
Less: Provision for bad debts	<b>5,628,137.19</b>	5,681,901.04
Total book value of accounts receivable	<b>110,342,009.47</b>	116,916,915.21

(2) Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book Value
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	<b>2,615,454.16</b>	2.26	2,615,454.16	100.00	-
Accounts receivable subject to provision by portfolio	<b>113,354,692.50</b>	97.74	3,012,683.03	2.66	110,342,009.47
Including: portfolio 1	<b>113,354,692.50</b>	97.74	3,012,683.03	2.66	110,342,009.47
Total	<b>115,970,146.66</b>	100.00	5,628,137.19	4.85	110,342,009.47

(Cont.)

Category	Book balance		Closing balance of last year		Book Value
	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	122,598,816.25	100.00	5,681,901.04	4.63	116,916,915.21

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category (Continued)

##### 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	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	Book balance	Closing balance		Closing balance of last year		
		Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	111,456,575.22	1,114,565.75	1.00	116,832,960.73	1,168,329.60	1.00
Over 5 years	<u>1,898,117.28</u>	<u>1,898,117.28</u>	<u>100.00</u>	<u>1,898,117.28</u>	<u>1,898,117.28</u>	<u>100.00</u>
Total	<u>113,354,692.50</u>	<u>3,012,683.03</u>	<u>-</u>	<u>118,731,078.01</u>	<u>3,066,446.88</u>	

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category (Continued)

③ Provision for bad debts accrued, recovered or reversed in the period

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Recovered or reversed	Resold or written-off	
Provision for accounts receivable bad debts	5,681,901.04	(53,763.85)	–	–	<b>5,628,137.19</b>
Total	<u>5,681,901.04</u>	<u>(53,763.85)</u>	<u>–</u>	<u>–</u>	<b><u>5,628,137.19</u></b>

(3) There is no accounts receivables written off in the current period.

(4) 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	<b>88,523,420.58</b>	<b>76.33</b>	<b>885,234.21</b>
Customer 2	<b>5,415,000.00</b>	<b>4.67</b>	<b>54,150.00</b>
Customer 3	<b>3,075,000.00</b>	<b>2.65</b>	<b>30,750.00</b>
Customer 4	<b>3,000,000.00</b>	<b>2.59</b>	<b>30,000.00</b>
Customer 5	<b>3,000,000.00</b>	<b>2.59</b>	<b>30,000.00</b>
Total	<b><u>103,013,420.58</u></b>	<b><u>88.83</u></b>	<b><u>1,030,134.21</u></b>

(5) The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.

(6) The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable (such as securitization, factoring, etc.) for the current period.

# Notes to the Financial Statements

For the year ended 31 December 2022  
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## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	<b>381,821,857.43</b>	506,821,857.43
Other receivables	<b>312,329,947.23</b>	255,117,060.52
Total	<b>694,151,804.66</b>	761,938,917.95

#### (1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	<b>83,097,803.75</b>	83,097,803.75
Guang Hua	<b>43,882,205.44</b>	43,882,205.44
Ming Xing	<b>36,074,889.24</b>	36,074,889.24
HWBYS	<b>218,766,959.00</b>	343,766,959.00
Total	<b>381,821,857.43</b>	506,821,857.43

② The Group has no significant dividends receivable with aging over one year for the period.

#### (2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	<b>198,920,567.64</b>	<b>62.12</b>	129,576,929.51	49.30
1 to 2 years	<b>9,226,060.06</b>	<b>2.88</b>	3,143,148.94	1.20
2 to 3 years	<b>2,536,232.97</b>	<b>0.79</b>	29,116,113.87	11.08
3 to 4 years	<b>24,817,431.03</b>	<b>7.75</b>	92,701,892.73	35.27
4 to 5 years	<b>76,653,892.73</b>	<b>23.94</b>	242,226.22	0.09
Over 5 years	<b>8,068,609.20</b>	<b>2.52</b>	8,056,912.98	3.07
Subtotal	<b>320,222,793.63</b>	<b>100.00</b>	262,837,224.25	100.00
Less: provision	<b>7,892,846.40</b>	-	7,720,163.73	-
Total	<b>312,329,947.23</b>	-	255,117,060.52	-

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables (Continued)

##### ② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	271,463,689.70	186,960,755.57
Deposit, rent, advances to employees	4,477,003.45	3,904,895.49
Others	44,282,100.48	71,971,573.19
Total	<b>320,222,793.63</b>	<b>262,837,224.25</b>

##### ③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Balance on 2022.01.01	1,248,441.22		6,471,722.51	7,720,163.73
Provision at current period	252,682.67	–	–	252,682.67
Recovery at current period			80,000.00	80,000.00
Pay-off at current period	–	–	–	–
Write-off at current period	–	–	–	–
Other changes	–	–	–	–
Balance on 2022.12.31	1,501,123.89		6,391,722.51	7,892,846.40

##### ④ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Recovered or reversed	Pay-off or written-off	
Provision for bad debts of other receivables	7,720,163.73	252,682.67	80,000.00		<b>7,892,846.40</b>
Total	<u>7,720,163.73</u>	<u>252,682.67</u>	<u>80,000.00</u>		<b><u>7,892,846.40</u></b>

# Notes to the Financial Statements

For the year ended 31 December 2022  
(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables (Continued)

- 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	171,261,496.73	Within 1 year, 3 to 4 years, 4 to 5 years	53.48	-
Other receivables 2	Receivables due from related parties	40,902,678.88	Within 1 year	12.77	-
Other receivables 3	Receivables due from related parties	21,192,291.96	Within 1 year	6.62	-
Other receivables 4	Receivables due from related parties	15,171,628.28	Within 1 year	4.74	-
Other receivables 5	Receivables due from related parties	5,976,743.69	Within 1 year	1.87	-
Total	-	<u>254,504,839.54</u>	-	<u>79.48</u>	-

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

### 3. Long-term Equity Investment

Item	Book balance	Closing balance		Closing balance of last year		
		Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	<b>11,218,737,588.38</b>	<b>171,000,000.00</b>	<b>11,047,737,588.38</b>	9,584,156,978.59	171,000,000.00	9,413,156,978.59
Investment in joint ventures and associates	<b>1,368,854,745.38</b>	-	<b>1,368,854,745.38</b>	1,279,139,334.67	-	1,279,139,334.67
Total	<b><u>12,587,592,333.76</u></b>	<b><u>171,000,000.00</u></b>	<b><u>12,416,592,333.76</u></b>	<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 the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## XIV. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

(Continued)

### 3. Long-term Equity Investment (Continued)

#### (1) Investment in subsidiaries

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	1,003,260,609.79	-	4,316,685,769.67	-	-
Cai Zhi Lin	235,183,900.00	-	-	235,183,900.00	-	69,000,000.00
Guangzhou Bai Di	197,795,812.38	45,000,000.00	-	242,795,812.38	-	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	1,500,000.00	-	39,000,000.00	-	-
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	165,000,000.00	-	383,381,794.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-
Pharmaceutical Technological	1,020,000.00	-	-	1,020,000.00	-	-
Guangzhou Guangyao Fund Equity Investment Partnership (Limited partnership)	-	179,820,000.00	-	179,820,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	593,470,000.00	100,000,000.00	-	693,470,000.00	-	-
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	113,000,000.00	30,000,000.00	-	143,000,000.00	-	-
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	-	-
<b>Total</b>	<b>9,584,156,978.59</b>	<b>1,634,580,609.79</b>	<b>-</b>	<b>11,218,737,588.38</b>	<b>-</b>	<b>171,000,000.00</b>

# Notes to the Financial Statements

For the year ended 31 December 2022

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## 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	The current period			Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
				Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	Changes in other equity					
I. Joint ventures											
HWBYS	137,840,949.70	-	-	84,548,315.24	-	-	-	-	-	222,389,264.94	-
Baxter Qiao Guang	59,112,014.70	-	-	6,295,541.59	-	-	-	-	-	65,407,556.29	-
Subtotal	196,952,964.40	-	-	90,843,856.83	-	-	-	-	-	287,796,821.23	-
II. Associates											
Golden Eagle Asset Management Co., Ltd.	74,378,315.03	-	-	5,890,338.34	-	-	-	-	-	80,268,653.37	-
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,057,613.75	-	-	12,866.02	-	-	-	-	-	2,070,479.77	-
Yi Xin Tang	860,427,644.74	-	(49,274,286.30)	56,083,960.26	-	-	(10,790,097.30)	-	-	856,447,221.40	-
Baiyunshan Yi Xin Tang	87,599,636.99	-	-	(1,238,136.57)	-	-	-	-	-	86,361,500.42	-
Guangdong Guangyao Jinshe Equity Investment Fund Management Co., Ltd.	6,542,008.48	-	-	(475,219.95)	-	-	-	-	-	6,066,788.53	-
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	6,049,043.14	-	-	57,209.80	-	-	-	-	-	6,106,252.94	-
Guangzhou Guangyao Jincang equity investment partnership (limited partnership)	45,132,108.14	-	-	(1,394,070.42)	-	-	-	-	-	43,738,037.72	-
Subtotal	1,082,186,370.27	-	(49,274,286.30)	58,935,937.48	-	-	(10,790,097.30)	-	-	1,081,057,924.15	-
Total	1,279,139,334.67	-	(49,274,286.30)	149,779,794.31	-	-	(10,790,097.30)	-	-	1,368,854,745.38	-

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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	<u>3,057,302,162.42</u>	<u>1,190,257,022.51</u>	3,773,612,962.69	1,779,460,976.94
Other businesses	<u>347,514,219.25</u>	<u>32,580,873.61</u>	366,078,215.06	30,187,134.32
Total	<u>3,404,816,381.67</u>	<u>1,222,837,896.12</u>	<u>4,139,691,177.75</u>	<u>1,809,648,111.26</u>

#### (2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	<u>3,057,302,162.42</u>	<u>1,190,257,022.51</u>	3,773,612,962.69	1,779,460,976.94
Total	<u>3,057,302,162.42</u>	<u>1,190,257,022.51</u>	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>

#### (3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	<u>2,449,690,127.82</u>	<u>761,798,551.35</u>	2,232,457,802.03	639,872,040.68
Eastern China Area	<u>270,864,917.26</u>	<u>218,124,978.61</u>	772,538,805.32	602,669,593.28
Northern China Area	<u>118,981,681.05</u>	<u>82,266,537.66</u>	393,673,761.39	282,071,017.60
Northeast Area	<u>8,624,886.08</u>	<u>4,528,956.39</u>	30,683,380.60	22,992,441.19
Southwest Area	<u>184,404,444.38</u>	<u>105,473,190.52</u>	280,569,320.65	176,941,871.04
Northwest Area	<u>24,736,105.83</u>	<u>18,064,807.98</u>	63,689,892.70	54,914,013.15
Total	<u>3,057,302,162.42</u>	<u>1,190,257,022.51</u>	<u>3,773,612,962.69</u>	<u>1,779,460,976.94</u>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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 RMB 159,885 thousand, which account for 5.22% of the Company's main business income for the year.

Customer	Main business income	Proportion of total income (%)
Customer 1	39,549,199.55	1.29
Customer 2	33,135,646.05	1.08
Customer 3	31,783,000.91	1.04
Customer 4	29,806,521.04	0.97
Customer 5	25,611,187.11	0.84
Total	<u>159,885,554.66</u>	<u>5.22</u>

### 5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	<b>525,840,738.93</b>	387,494,470.37
Investment Income from long-term equity investments under equity method	<b>149,779,794.31</b>	192,651,655.32
Investment Income from disposal of long-term equity investments	<b>18,621,450.90</b>	45,455,491.12
Dividend income from the holding other equity instruments	<b>8,016,342.52</b>	1,944,978.68
Investment income from the holding other non-current financial assets	<b>39,189,501.45</b>	33,582,623.48
Interest income from financial products and structured deposits	<b>87,539,042.93</b>	27,581,142.78
Investment Income from disposal of other non-current financial assets	–	(3,384,553.34)
Derecognition income of financial assets measured at amortized cost	<b>(6,211,310.05)</b>	–
Total	<u><b>822,775,560.99</b></u>	<u>685,325,808.41</u>

# Notes to the Financial Statements

For the year ended 31 December 2022

(All amounts in Renminbi yuan unless otherwise stated)

## 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	15,108,819.51	
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	480,551,724.25	
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	98,076,984.36	
4. Reverse of provision for impairment of receivables under individual impairment test	28,150,546.67	
5. Other non-operating income and expenses except for the above-mentioned items	(27,081,949.29)	
6. Other non-recurring profit and loss items recognized by the China Securities Regulatory Commission	161,776,750.00	
7. Other profit and loss items that meet the definition of non-recurring gains and losses	–	
8. Amount of income tax influence	(91,360,271.09)	
9. Amount of minority equity impact	(18,008,838.02)	
Total	<u>647,213,766.39</u>	

### 2. Return on Equity and Earnings Per Share

Profits for the current period	Weighted Average		Earnings Per Share			
	Return on Equity (%)		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	<b>12.97</b>	13.46	<b>2.440</b>	2.288	<b>2.440</b>	2.288
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	<b>10.85</b>	11.96	<b>2.042</b>	2.034	<b>2.042</b>	2.034

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd  
17.03.2023