



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock code: 00874)

INTERIM REPORT

2024



Important Notice

- I. The Board, Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirms that there are no false information, misleading statements or material omissions in this interim report.
- II. The Directors were present at the 14th meeting of the ninth session of the Board, at which, independent non-executive directors Mr. Chen Yajin and Ms. Sun Baoqing attended the meeting by telephone; Mr. Huang Min, an independent non-executive director, was unable to attend the meeting and authorized Mr. Wong Lung Tak Patrick, an independent non-executive director, to attend and exercise the right to vote on his behalf; Mr. Zhang Chunbo, an executive director, was absent from the meeting due to personal reasons.
- III. Mr. Yang Jun (the person in charge of the Company), Ms. Liu Fei (the person in charge of accounting) and Ms. Wu Chuling (the person in charge of the accounting department) declare that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this interim report.
- IV. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

After considered by the Board, the Company is proposed to distribute profits based on the total share capital registered on the record date in respect of the implementation of equity distribution, and distribute cash dividends of RMB4.00 (inclusive of tax) to all shareholders for every 10 shares. As of 30 June 2024, the total number of shares in issue was 1,625,790,949 shares, based on which a total cash dividend of RMB650,316,379.60 yuan (inclusive of tax) was proposed, accounting for 25.51% of the consolidated net profit attributable to shareholders of the Company in the first half of 2024. No bonus shares will be given, and no capital reserve will be converted into share capital this time.

The profit distribution plan will be submitted to a general meeting in 2024 for discussion.

- V. The financial reports of the Group and the Company for the Reporting Period were prepared in accordance with the China Accounting Standards for Business Enterprises and were unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any substantive commitment of the Company to investors. Investors are advised to be aware of any investment risk.
- VII. The Company has dividends receivable from related parties. For details, please refer to “B. APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES DURING THE REPORTING PERIOD” set out in the section headed “VI. Major Event” in this interim report.

Important Notice

- VIII. The Company did not provide any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. There is no situation where more than half of the Directors cannot guarantee the truthfulness, accuracy and completeness of this interim report disclosed by the Company.

X. Warning on Significant Risks

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

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

I.	DEFINITIONS	4
II.	COMPANY PROFILE AND PRINCIPAL FINANCIAL INDICATORS	9
III.	MANAGEMENT DISCUSSION AND ANALYSIS.....	14
IV.	CORPORATE GOVERNANCE.....	43
V.	ENVIRONMENTAL AND SOCIAL RESPONSIBILITY	51
VI.	MAJOR EVENTS	62
VII.	CHANGES IN SHARE CAPITAL AND SHAREHOLDERS	97
VIII.	RELEVANT INFORMATION ON PREFERRED SHARES.....	106
IX.	RELEVANT INFORMATION ON BONDS	107
X.	FINANCIAL REPORTS (UNAUDITED)	108
	1 The financial statements signed and stamped by the person in charge of the Company, the person in charge of accounting and the person in charge of the accounting department;	
DOCUMENTS AVAILABLE FOR INSPECTION	2 The original documents of the Company 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;	
	3 The documents listed above are available at the office of the secretariat to the Board.	

Definitions

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	1 January 2024 to 30 June 2024
After the Reporting Period	the period after the end of the Reporting Period and up to the date of the publication of this interim report, being 1 July 2024 to 30 August 2024
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	supervisor(s) of the company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the PRC
Securities Law	Securities Law of the PRC
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on the HKEX
Listing Rules of SSE	the Rules Governing the Listing of Shares on the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEX
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)

Definitions

GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Baiyunshan Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
GP Supply Chain Company	Guangzhou Pharmaceutical Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd. (廣藥白雲山醫藥大健康供應鏈(廣州)有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)

Definitions

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

Definitions

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)
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)
Baiyunshan Chinese Medicine Hospital	Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd. (廣州白雲山中醫院有限公司)
Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司)
Baiyunshan Cultural Company	Guangzhou Baiyunshan Cultural Industry Co., Ltd. (廣州白雲山文化產業有限公司)
GP (Macau) Company	Guangzhou Pharmaceutical Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司)
Herbal Craft Brewing Beer Company	Guangzhou Pharmaceutical Baiyunshan Herbal Craft Brewing Beer (Guangzhou) Co., Ltd. (廣藥白雲山本草精釀啤酒(廣州)有限公司)
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司)
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system for the development of this specification with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade

Definitions

Essential Drug List	the National Essential Drug List (國家基本藥物目錄) (the 2018 version), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public
National Medical Insurance	a Catalogue of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (the 2023 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年版)》), being the national standard of drugs fees payable for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (《基本醫療保險、工傷保險和生育保險藥品目錄》) issued by every province of the PRC
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))
WBA GP Fund	WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (沃博聯廣藥(廣州)股權投資合夥企業(有限合夥))
CQ Pharmaceutical	Chongqing Pharmaceutical Holding Company Limited (重藥控股股份有限公司)
H.B. Pharmaceutical	Harbin Pharmaceutical Group Co.,Ltd. (哈藥集團股份有限公司)
Charmacy Pharmaceutical	Charmacy Pharmaceutical Co.,Ltd. (創美藥業股份有限公司)
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 Principal Financial Indicators

A. COMPANY PROFILE

- Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司
Chinese Name Abbreviation: 廣藥白雲山
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED
English Name Abbreviation: GYBYS
- Legal Representative: Li Chuyuan ^(Note)
- Secretary to the Board: Huang Xuezheng
Representative of securities affairs: Huang Ruimei
Registered address and office: No.45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
The historical changes of the registered address: No
Telephone: (8620) 6628 1218/6628 1216
Fax: (8620) 6628 1229
E-mail: huangxz@gybys.com.cn/huangrm@gybys.com.cn
Postal code of office address: 510130
Company website: <http://www.gybys.com.cn>
Company e-mail: sec@gybys.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
- Stock exchanges, 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
- Designated newspapers for information disclosure: China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》), Securities Daily (《證券日報》)
Websites for publishing the interim report: <http://www.sse.com.cn>
<https://www.hkexnews.hk/index.htm>
Place for inspection of the interim report: Office of the Secretariat to the Board

Note: The Company published the ANNOUNCEMENT IN RELATION TO THE RESIGNATION OF CHAIRPERSON AND THE RECOMMENDATION OF VICE CHAIRPERSON AS ACTING CHAIRPERSON OF THE BOARD on 22 July 2024. Mr. Li Chuyuan has resigned from the positions of chairperson and executive director of the 9th session of the Board and the chairman of the Strategic Development and Investment Committee of the Board of the Company due to personal reasons. Following his resignation, he no longer holds any position in the Company. Mr. Yang Jun, the vice chairperson of the Company, shall perform and discharge the duties of the chairperson of the Company. The new chairperson of the Board of the Company has not yet been elected, and the industrial and commercial change registration of the legal representative of the Company has not yet been conducted.

Company Profile and Principal Financial Indicators

B. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

Principal financial data	The Reporting Period (Unaudited)	The corresponding period of 2023 (Unaudited)	Changes as compared with the corresponding period of 2023 (%)
Operating revenue (RMB'000)	41,042,815	39,970,331	2.68
Net profit attributable to the shareholders of the Company (RMB'000)	2,549,565	2,811,248	(9.31)
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	2,340,833	2,598,509	(9.92)
Net cash flow from operating activities (RMB'000)	(2,036,740)	(740,710)	(174.97)
Net cash flow from operating activities per share (RMB/share)	(1.25)	(0.46)	(174.97)
Total profit (RMB'000)	3,229,403	3,532,692	(8.59)

Principal financial data	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Changes as compared with 31 December 2023 (%)
Net assets attributable to the shareholders of the Company (RMB'000)	36,263,388	34,919,281	3.85
Total assets (RMB'000)	77,970,661	78,586,878	(0.78)
Net assets attributable to the shareholders of the Company per share (RMB/share)	22.31	21.48	3.85

Principal financial indicators	The Reporting Period (Unaudited)	The corresponding period of 2023 (Unaudited)	Changes as compared with the corresponding period of 2023 (%)
Basic earnings per share (RMB/share)	1.568	1.729	(9.31)
Diluted earnings per share (RMB/share)	1.568	1.729	(9.31)
Basic earnings per share after deducting non-recurring items (RMB/share)	1.440	1.598	(9.92)
Ratio of weighted average return on net assets (%)	7.04	8.40	A decrease of 1.36 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	6.47	7.76	A decrease of 1.29 percentage points

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

Company Profile and Principal Financial Indicators

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

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

Applicable Not applicable

Net cash flow from operating activities decreased year-on-year due to: the cash for purchasing raw materials and drugs paid by the Company's subsidiaries increased year-on-year during the Reporting Period.

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

Applicable Not applicable

D. NON-RECURRING ITEMS AND THEIR AMOUNTS

Item	Amount <i>(RMB'000)</i>	Note (if applicable)
Profit and loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	(1,074)	/
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	109,034	This represents the amount of government grants received by the Company and its subsidiaries, which were transferred to non-operating income and other gains in the period.
Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from 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	131,124	/
Fund possession costs included in the profit or loss for the current year and collected from non-financial enterprises	-	/
Profit and loss from assets invested or managed by others	-	/
Profit and Loss from externally commissioned loans	-	/
Asset loss caused by force majeure factors, such as natural disasters	-	/
Reverse of provision for impairment of receivables under individual impairment test	18,602	/

Company Profile and Principal Financial Indicators

D. NON-RECURRING ITEMS AND THEIR AMOUNTS (Continued)

Item	Amount (RMB'000)	Note (if applicable)
Gains generated from the amount of the enterprise's investment costs for acquisition of subsidiaries, joint ventures and associates lower than the earnings from the fair value of the net identifiable assets of the invested entity that the enterprise should enjoy upon acquisition	–	/
Net profit and loss of subsidiaries arising from mergers of enterprises under the same control from the beginning of the period to the merger date	–	/
Profit and loss from non-monetary assets exchange	–	/
Profit and loss from debt restructuring	–	/
Non-recurring expenses incurred by enterprises due to the discontinuation of related business activities, such as expenses for resettling employees, etc	–	/
Effects on the profit and loss for the current year by one-off adjustment of profit or loss for the current year according to the requirements of laws and regulations for tax, accounting, etc.	–	/
Share based payment expenses recognized in one lump sum due to cancellation or modification of equity incentive plans	–	/
For cash settled share-based payments, gains or losses arising from changes in fair value of employee compensation payable after the exercise date	–	/
Profit and loss arising from changes in fair value of investment properties measured using the fair value model for subsequent measurement	–	/
Revenue generated from transactions with significantly unfair transaction prices	–	/
Profit and loss arising from contingencies unrelated to the normal operation of company's business	–	/
Income from custody fee of entrusted operation	–	/
Other non-operating income and expenses except for the above-mentioned items	4,618	/
Other profit and loss items that meet the definition of non-recurring gains and losses	–	/
Less: Amount of income tax influence	(47,613)	/
Amount of minority equity impact (after tax)	(5,958)	/
Total	<u>208,733</u>	

Company Profile and Principal Financial Indicators

D. NON-RECURRING ITEMS AND THEIR AMOUNTS *(Continued)*

Explanations of the items not listed in the Explanatory Notice on Information Disclosure of Publicly Issued Securities Company No. 1 – Non-Recurring Profit and Loss classified as non-recurring profit and loss items with significant amount, and the non-recurring profit and loss items listing in Explanatory Notice on Information Disclosure of Publicly Issued Securities Company No. 1 – Non-Recurring Profit and Loss classified as recurring profit and loss items

Applicable Not applicable

E. OTHERS

Applicable Not applicable

Management Discussion and Analysis

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

(A) Main business and Products

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

1. Great Southern TCM

The Great Southern TCM of the Group mainly engaged in the business of pharmaceutical manufacturing. There are 28 pharmaceutical manufacturing companies and institutions under the Company (including 3 branches, 23 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 324 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Qing Kai Ling series, Xiao Ke Pill, Hua Tuo Zai Zao Pill, Mi Lian Chuan Bei Pi Pa Gao, An Gong Niu Huang Pill, Xia Sang Ju series, Compound Danshen Tablet series, Bao Ji series, Zhuang Yao Jian Shen Pill, Nao Xin Qing Tablet series, Ban Lan Gen Granule series, Compound Ban Lan Gen Granule series, Da Shen Kou Yan Qing Granule series, She Dan Chuan Bei Pi Pa Gao, Shu Jin Jian Yao Pill, etc. The Group has clear advantages in brand and variety of Chinese patent medicine in southern China and throughout the country.

Management Discussion and Analysis

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

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

1. Great Southern TCM *(Continued)*

- (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 well-known 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)”), Cefuroxime Sodium for Injection, Paracetamol, Caffeine and Aspirin Powder series, Amoxicillin series, Cefixime series, Amoxicillin and Clavulanate Potassium, Paracetamol, Caffeine, Artificial Cow-bezoar and Chlorphenamine Maleate Capsules, etc.

2. Great Health

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

3. Great Commerce

The Great Commerce of the Group mainly engaged in the business of pharmaceutical distribution, including wholesale, retail, and import and export of pharmaceutical products, medical devices and healthcare products, etc. Its main enterprises include the subsidiaries of the Company namely GP Corp., Guangyao Supply Chain and Cai Zhi Lin, etc. As a leading pharmaceutical distribution 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. Guangyao Supply Chain mainly provides the Group with the centralized procurement of raw materials, auxiliary materials and packaging materials. 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.

Management Discussion and Analysis

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

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

4. Great Medical Care

The Great Medical Care 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, Baiyunshan Chinese Medicine Hospital, Runkang Confinement Company, Baiyunshan Yihu Company and Baiyunshan Jianhu Company, etc.

(B) Current circumstances of the development of the industry

The pharmaceutical industry constitutes an important part of the China's national economy. 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 occupying an important position in the national economy. The overall trend of the future development of the pharmaceutical industry is clear. The aging population and the increasing awareness of health management are driving the continuous growth of pharmaceutical demand, and the size of the pharmaceutical and health market will continue to expand. The "14th Five-Year Plan" further encourages pharmaceutical innovation and research and development, proposes the development of high-end formulation production technology, improves the level of industrialization technology, and focuses on promoting the healthy development of the innovative drug and traditional Chinese medicine industries.

In general, China's pharmaceutical industry will still be in a period of important strategic opportunities in the coming future. The construction of a healthy China, the construction of a strong manufacturing power and the national support for the development of the bio-pharmaceutical industry will help to gain more policy resources support for developing the pharmaceutical industry, while innovation and transformation are still the theme of the development of pharmaceutical industry and the directions for pharmaceutical enterprises to work on in the long term. Meanwhile, the application of digital and intelligent technologies as well as the improvement of manufacturing level will also bring new development opportunities to the pharmaceutical industry.

Management Discussion and Analysis

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

(B) Current circumstances of the development of the industry *(Continued)*

In the first half of 2024, the pharmaceutical industry as a whole was in a period of accelerated transformation, the pace of industrial restructuring was accelerated, the national and local volume-based procurement continued to expand and deepen, and the revenue and profit of traditional generic drugs were further under pressure. The compliance regulation of medical insurance has been continuously strengthened, coupling with policies such as special governance of industry price and the launch of price comparison systems have further deepened and superimposed the impact on the development of the industry. However, under the dual drive of technological innovation iteration and the continuous release of new demand, the development of new quality productivity in the pharmaceutical industry was constantly promoted, which became an important support for the innovative and high-quality development of the pharmaceutical industry. The whole industrial chain of drug development, approval, payment and channels to support the gradual implementation of innovative drugs policies, accelerating the review and approval of innovative drugs, assisting in expediting the commercialization of innovative drugs, and boosting the launch of innovative pharmaceutical products.

From January to June 2024, the operating revenue of national pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB1,235.27 billion, representing a year-on-year decrease of 0.9%, and the total profit reached RMB180.59 billion, representing a year-on-year increase of 0.7%. The operating revenue of national liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB818.92 billion, representing a year-on-year increase of 4.6%, and the total profit reached RMB159.74 billion, representing a year-on-year increase of 13.1%. (Above data source: the website of the National Bureau of Statistics).

(C) Periodic characteristics

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

Management Discussion and Analysis

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

(D) Position of the Company in the Industry

The Group is one of the largest pharmaceutical conglomerates in the PRC. After years of high-quality development and consolidation, the Group has basically established an entire industrial chain layout of the biomedical healthcare industry, forming four business segments, namely Great Southern TCM, Great Health, Great Commerce and Great Medical Care.

(E) The main performance driving factors

During the Reporting Period, the Group's revenue amounted to RMB41,042,815,000, representing an increase of 2.68% compared with the corresponding period of last year. For details, please refer to the relevant informational in "C. Discussion and Analysis of Operations" of this chapter.

B. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

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

1. The Group possesses rich product and brand resources:
 - (1) Products: The Group has formed a 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 more than 2,000 specifications and over 90 exclusive products.
 - (2) Brands: Currently, the Group has 10 famous trademarks in China, 22 well-known trademarks in Guangdong Province and 27 well-known trademarks in Guangzhou City. Among them, the brand awareness and reputation of "Wang Lao Ji" and "BYS" have a greater impact and appeal among consumers nationwide, and are one of the most valuable pharmaceutical brands in the country. After the completion of The Material Assets Reorganization in 2013 and non-public offering of A Shares in 2015, the Group promoted the grand brand strategy on the basis of integrating brand resources, implementing the changes in brand marketing model from developing individual brands to grouping brands under one umbrella with collective strategy, and gradually formed 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.

Management Discussion and Analysis

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

2. The Group possesses a 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 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 for reshaping the well-known brands of Chinese medicine.
3. The Group has a relatively complete production chain system. Through the internal and external forward and backward integration, the existing major pharmaceutical assets of the Group has formed a relatively thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs, the Group and its joint ventures have nearly 90 GAP herbs bases nationwide and established a centralized procurement platform for raw materials and excipients, effectively ensuring the quality and supply of Chinese herbs and controlling the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has established an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs the Nobel Prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favorable resources from various parties, promoting development through the support of technology.
4. 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 pharmaceutical terminal retail network and pharmaceutical 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 large and medium-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry's leading digital integration and operation informatization management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country to pass the assessment of integration management system for informatization and industrialization.

Management Discussion and Analysis

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

5. The Group has an ever-improving technological innovation system. The Group has continuously strengthened the construction of platforms for many years, improving the scientific research innovation system. As of the end of the Reporting Period, the Group and its joint ventures have 5 national-level research and development institutions, 1 national-level corporate technical center, 2 postdoctoral workstations, 15 provincial-level corporate technical centers, 18 provincial-level engineering technical centers, 5 provincial-level key laboratories, 1 provincial-level engineering laboratory, 15 municipal-level corporate technical centers, 15 municipal-level engineering technical research and development centers, 5 municipal-level key laboratories and 1 municipal high-level enterprise research institute. The Group possesses core technology which occupies leading position in the nation on research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO₂ extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs, sterile powder production technology and preparation agent technology.
6. The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has been committed to attracting talents with favorable work environment and competitive remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions, created respectful atmosphere for talent, knowledge and creation. Those measure have stimulated the creativity and innovativeness and entrepreneurial vitality of the workforce. Currently, the Group has formed a strong high-level talent team with 3 Nobel Prize winners, more than 20 domestic double-hired academicians and Chinese medicine master people, 5 State Council Special Allowance experts in-service, over a hundred doctors and post doctors, and 300 senior experts and above.

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

C. DISCUSSION AND ANALYSIS OF OPERATIONS

In the first half of 2024, the Group closely adhered to the development theme of the "digital economy year", solidly pushed forward various works, actively responded to the changes in economic environment and policies, promoted the integrated development of the digital economy and the pharmaceutical and health industry, cultivated new quality productive forces, thereby propelling the on-going development in earning results.

During the Reporting Period, the Group realized revenue of RMB41,042,815,000, representing a year-on-year increase of 2.68%; total profit of RMB3,229,403,000, representing a year-on-year decrease of 8.59%; and net profit attributable to shareholders of the Company of RMB2,549,565,000, representing a year-on-year decrease of 9.31%.

Management Discussion and Analysis

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

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

- (I) Absorbing resources and optimizing products to consolidate the development foundation for the Great Southern TCM. During the Reporting Period, the Great Southern TCM continued to deeply explore the market and continuously promoted the “1+4” marketing integration to push ahead with the steady development of the terminal market. Leveraging its advantages in brand linkage, the Great Southern TCM ramped up its efforts to promote famous and quality products to enhance its brand influence. The Great Southern TCM boosted the better integration of the digital economy and pharmaceutical and health industry to open up a new marketing path and facilitate the sustainable development of the e-commerce segment. The Great Southern TCM stepped up its efforts in international expansion and accelerated the development of TCM products towards fashion and internationalization. During the Reporting Period, products such as She Dan Chuan Bei Pi Pa Gao, Mi Lian Chuan Bei Pi Pa Gao, Feng You Jing, Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Cefuroxime Sodium for Injection, Zhuang Yao Jian Shen Pill, Paracetamol, Caffein, Artificial Cow-bezoar and Chlorphenamine Maleate Capsules, Qing Kai Ling series, Yang Yin Qing Fei Mixture, and Yang Yin Qing Fei Gao, etc. achieved a relatively rapid year-on-year increase in sales revenue.
- (II) Expanding the market and developing new products to foster new driving forces for the development of the Great Health. In the first half of 2024, the Great Health made every effort to promote restorative growth by focusing on market demand, cultivating diversified new products, comprehensively exploring the ready-to-drink market, continuously delving into e-commerce channels and exploiting international markets, so as to get over the impact caused by macroeconomic fluctuations, rainy weather and fierce competition in the industry. In the first half of 2024, WLJ Great Health launched several new products such as rose flavored herbal tea, freesia flavored herbal tea, houttuynia flavored herbal tea and herbal tea with original flavor, further enriching the product matrix. The release of the English logo of WALOVI has been conducted in an orderly manner, thus expediting the international market layout.
- (III) Seizing opportunities and reinforcing integration to advance the transformation and development of the Great Commerce. During the Reporting Period, the Great Commerce continued to deepen the marketing system commanded by service capabilities by focusing on product exploration, network expansion and terminal access, thereby consolidating the foundation of the main pharmaceutical wholesale business. The Great Commerce integrated and empowered retail resources, and took various measures to improve the operation quality of retail business. The Great Commerce expanded upstream resources, and developed hospital business cooperation and expansion with the help of SPD project (“medical SPD supply chain management”), enhancing the brand awareness of medical equipment. The Great Commerce achieved breakthrough in the import business, with the successful expansion of the import of Rocaltrol from Pharmanovia Company, a British company and completion of the first order of wearable device business from a hospital of Lecheng Pilot Zone, Hainan.

Management Discussion and Analysis

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

- (IV) Promoting development and building brands to unleash the development potential of the Great Medical Care. In the first half of 2024, Baiyunshan Hospital set up three new internal medicine departments focusing on the diagnosis and treatment of “neurological, respiratory and chronic critical illness rehabilitation”, quickened promotion of the construction of three major centers, including chest pain center, trauma center and stroke center, and comprehensively strengthened the overall construction of hospital’s disciplines, constantly improving its comprehensive strength. The internal medicine ward, TCM gynecology clinic, TCM surgery clinic and TCM orthopedics clinic of Baiyunshan Chinese Medicine Hospital were completed and passed the inspection and acceptance. Runkang Confinement Company continued to enhance its brand influence by increasing its efforts in publicity and marketing and deepening the cooperation between upstream and downstream industries, thus increasing the occupancy rate.
- (V) Intensifying scientific research and promoting innovation to continuously beef up scientific research and development capabilities. In the first half of 2024, the Group recorded R&D expenses amounting to a total of RMB391 million, and obtained 12 product approvals for Tadalafil Tablets, Gliclazide Tablets and Ke Gan Li Yan Oral Liquid, etc., among which 6 approvals for chemical raw materials and preparations, 4 approvals for supplementary application for consistency evaluation and 2 clinical approvals. Gansu Guangyao Baiyunshan TCM Technology Co., Ltd. and Baiyunshan Biological passed the provincial qualification certification. The Company and its joint ventures won a total of 7 international awards and national association awards, among them, the project of “Integrated Innovation and Support System Creation and Application of Traditional Chinese Medicine Quality Testing Technology” by HWBYS won the second prize of National Science and Technology Progress Award, antiviral soft capsules, the Baiyunshan General Factory’s famous proprietary Chinese patent medicine for treating viral respiratory infections was awarded the gold medal at the 49th International Invention Exhibition in Geneva.
- (VI) Continuing to enhance capital operation to impel the construction of industrial funds. In the first half of 2024, quotation on the NEEQ (National Equities Exchange and Quotations) of GP Corp. has been progressing steadily. On 17 June 2024, GP Corp. obtained an “Acceptance Notice” in relation to the application for quotation on the NEEQ issued by the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司(“NEEQ Co., Ltd.”)). WBA GP Fund acquired a new limited partner, Guangzhou Nansha Science and Technology Venture Capital Fund Co., Ltd.(廣州南沙區科工創業投資基金有限公司), which resulted in the size of the WBA GP Fund enlarged to RMB1 billion.

Management Discussion and Analysis

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

- (VII) Promoting the integration of digitalization and economy to nurture new drivers for digital economy. In the first half of 2024, the Group pushed forward digital and intelligent transformation, and empowered the construction of production management system with digitalization to propel industrial upgrading, built a unified data platform, and empowered corporate management with digital technology, improving the digital management. Zhong Yi was selected into the industrial Internet pilot demonstration list of the Ministry of Industry and Information Technology for the project of “Innovative Application for Networked and Intelligent Integration of Traditional Chinese Medicines Based on Industrial Internet”, becoming the only pharmaceutical company in Guangzhou included in the list. The project of “Digital Platform for Policy Research and Application” of the Company was awarded as the “2023 Outstanding Digital and Intelligent Operation Analysis and Digital and Intelligent Operation Case” and “2024 Excellent Solution for Digital Innovation” in Guangdong Province.
- (VIII) Insisting on lean management to create new edges for steady development. During the Reporting Period, firstly, the Group reduced costs and increased efficiency by carrying out direct purchase of electricity, optimizing processes, and upgrading equipment and packaging, thereby attaining benefits from efficiency. Secondly, the Group ensured quality control and continued to improve quality management, thereby attaining benefits from safety. Thirdly, the Group actively implemented the reform of state-owned enterprise, and further strengthened the basic management and risk control, thereby attaining benefits from reform.

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

Applicable Not applicable

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

(A) Analysis of principal operations

1. Analysis of changes in related subjects of financial statements

Items	The Reporting Period (RMB'000)	The corresponding period of 2023 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2023 (%)
Revenue	41,042,815	39,970,331	2.68
Include: income from principal operations	40,939,647	39,832,674	2.78
Cost of sales	33,244,056	31,645,497	5.05
Include: cost from principal operations	33,206,752	31,621,173	5.01
Selling and distribution expenses	3,119,415	3,263,110	(4.40)
General and administrative expenses	1,212,873	1,199,468	1.12
Financial expenses ^(note 1)	(59,669)	(39,682)	(50.37)
Research and development expenses	391,145	400,574	(2.35)
Net cash flow from operating activities ^(note 2)	(2,036,740)	(740,710)	(174.97)
Net cash flow from investing activities ^(note 3)	(3,914,679)	(955,178)	(309.84)
Net cash flow from financing activities	595,082	674,988	(11.84)
Other income ^(note 4)	184,412	81,324	126.76
Gains from changes in fair value ^(Note 5)	446	44,054	(98.99)
Impairment losses in respect of assets ^(Note 6)	(1,316)	4,021	(132.73)
Gains on disposal of assets ^(Note 7)	293	440	(33.40)
Non-operating income ^(Note 8)	15,606	9,161	70.34

Management Discussion and Analysis

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

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

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

Notes:

- (1) Financial expenses decreased year-on-year due to: the year-on-year increase in interest income from deposits of the Company and its subsidiaries.
- (2) Net cash flow from operating activities decreased year-on-year due to: the year-on-year increase in the cash for purchasing raw materials and drugs paid by the subsidiaries of the Company during the Reporting Period.
- (3) Net cash flows from investing activities decreased year-on-year due to: the year-on-year increase in the purchased time deposits and large-denomination certificates of deposit by the subsidiaries of the Company.
- (4) Other income increased year-on-year due to: ① the year-on-year increase in government subsidies recognized by the subsidiaries of the Company; ② the year-on-year increase in VAT incremental deduction of advanced manufacturing enterprises confirmed according to Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Taxation Administration during the Reporting Period.
- (5) Gains from changes in fair value decreased year-on-year due to: the year-on-year decrease in fair value of financial assets held by the Company at the end of the Reporting Period.
- (6) Impairment losses in respect of assets decreased year-on-year due to: the year-on-year increase in provision for decline in value of inventories accrued by the subsidiaries of the Company.
- (7) Gains on disposal of assets decreased year-on-year due to: the year-on-year decrease in gains recognized from disposal of assets by the subsidiaries of the Company.
- (8) Non-operating income increased year-on-year due to: the year-on-year increase in litigation compensations received by the subsidiaries of the Company.

Management Discussion and Analysis

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

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

2. Analysis on industry, product and regional operation result

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

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Gross profit margin	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2023 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2023 <i>(%)</i>	Gross profit margin <i>(%)</i>	Increase/(Decrease) over the corresponding period of 2023 <i>(percentage point)</i>
Great Southern TCM	6,182,517	(2.04)	3,108,093	0.70	49.73	A decrease of 1.37 percentage points
Great Health	6,537,826	(7.24)	3,727,629	(4.61)	42.98	A decrease of 1.57 percentage points
Great Commerce	27,819,359	6.12	26,040,535	6.68	6.39	A decrease of 0.49 percentage point
Other	399,945	54.55	330,495	52.60	17.36	An increase of 1.05 percentage points
Total	40,939,647	2.78	33,206,752	5.01	18.89	A decrease of 1.72 percentage points

Management Discussion and Analysis

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

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

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

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

Types of products	Results of principal operations by products					Gross profit margin Increase/(Decrease) over the corresponding period of 2023 <i>(percentage point)</i>
	Income from principal operations		Cost of principal operations		Gross profit margin <i>(%)</i>	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2023 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2023 <i>(%)</i>		
Chinese patent medicine	4,064,166	8.18	2,304,217	7.66	43.30	An increase of 0.27 percentage point
Chemical medicine	2,118,351	(17.08)	803,876	(15.02)	62.05	A decrease of 0.92 percentage point
Total of Great Southern TCM	6,182,517	(2.04)	3,108,093	0.70	49.73	A decrease of 1.37 percentage points

Management Discussion and Analysis

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

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

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

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

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2023 <i>(%)</i>
Southern China	29,742,588	1.94
Eastern China	3,600,750	4.12
Northern China	1,995,182	1.75
North-Eastern China	1,022,661	40.26
South-Western China	3,281,409	4.77
North-Western China	1,157,071	(4.49)
Exports	139,986	(14.82)
Total	40,939,647	2.78

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

Applicable Not applicable

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

Applicable Not applicable

Management Discussion and Analysis

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

(C) Analysis on financial conditions

1. Liquidity

As at 30 June 2024, the current ratio of the Group was 1.52 (31 December 2023: 1.55), and its quick ratio was 1.20 (31 December 2023: 1.23). During the Reporting Period, accounts receivable turnover was 64.59 in days, representing a decrease of 1.41 days as compared with the end of 2023; inventory turnover was 60.74 in days, representing a decrease of 4.86 days as compared with the end of 2023.

2. Financial resources

As at 30 June 2024, cash and cash equivalents of the Group amounted to RMB14,471,487,000 (31 December 2023: RMB19,823,544,000), of which approximately 99.69% and 0.31% were denominated in Renminbi and foreign currencies such as Hong Kong dollar, etc., respectively.

As at 30 June 2024, the Group had bank borrowings of RMB13,137,334,000 (31 December 2023: RMB11,159,204,000) including short-term borrowings of RMB9,242,344,000 (31 December 2023: RMB7,799,036,000), long-term borrowings of RMB3,255,043,000 (31 December 2023: RMB3,323,718,000), and non-current liabilities expiring within one year of RMB639,947,000 (31 December 2023: RMB36,451,000).

3. Capital structure

As at 30 June 2024, the Group's current liabilities amounted to RMB34,251,472,000 (31 December 2023: RMB36,235,291,000), representing a decrease of 5.47% as compared to the beginning of 2024, and its long-term liabilities amounted to RMB5,603,382,000 (31 December 2023: RMB5,673,763,000), representing a decrease of 1.24% as compared to the beginning of 2024. Shareholders' equity attributable to the shareholders of the Company amounted to RMB36,263,388,000 (31 December 2023: RMB34,919,281,000), representing an increase of 3.85% as compared to the beginning of 2024.

4. Capital expenditure

The Group expects the capital expenditure for 2024 to be approximately RMB2.096 billion, among which, the expenditure in the first half of 2024 amounted to RMB0.636 billion (in the first half of 2023: RMB0.867 billion), which was mainly applied in the construction of production bases, equipment renewal and set-up of information system, etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc.

Management Discussion and Analysis

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

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

5. Description of assets and liabilities

Item	As at 30 June 2024 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	As at 31 December 2023 <i>(RMB'000)</i>	% of the total assets <i>(%)</i>	Increase/ (Decrease) as compared to 31 December 2023 <i>(%)</i>	Reasons for changes
Dividends receivable	1,500	0.00	61,264	0.08	(97.55)	During the Reporting Period, the Company received dividends receivable, resulting in a year-on-year decrease in the amount of this item.
Current portion of non-current assets	254,950	0.33	159,360	0.20	59.98	During the Reporting Period, large-denomination certificates of deposit held to maturity of the Company and its subsidiaries with a term of less than one year were reclassified from "debt investment" to this item.
Debt investment	9,525,159	12.22	6,536,372	8.32	45.73	During the Reporting Period, the time deposits and large-denomination certificates of deposit held to maturity of the Company and its subsidiaries increased year-on-year.

Management Discussion and Analysis

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

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

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

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as	Reasons for changes
	30 June 2024 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2023 <i>(RMB'000)</i>	total assets <i>(%)</i>	compared to 31 December 2023 <i>(%)</i>	
Other non-current assets	210,455	0.27	86,446	0.11	143.45	During the Reporting Period, the prepaid project payment of the Company and its subsidiaries based on the contract increased year-on-year.
Advances from customers	5,961	0.01	0	0.00	–	During the Reporting Period, the Company's subsidiaries newly added lease receipts in advance.
Contract liabilities	1,449,634	1.86	5,429,885	6.91	(73.30)	The outstanding balance of prepayments received by the subsidiaries of the Company at the end of last year decreased due to shipments and sales during the Reporting Period.
Dividends payable	213,877	0.27	62,206	0.08	243.82	The balance of H shares dividends to be distributed by the Company for 2023 amounted to RMB164 million.

Management Discussion and Analysis

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

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

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

Item	As at	% of the	As at	% of the	Increase/ (Decrease) as compared to	Reasons for changes
	30 June 2024 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2023 <i>(RMB'000)</i>	total assets <i>(%)</i>	31 December 2023 <i>(%)</i>	
Current portion of non-current liabilities	849,642	1.09	249,829	0.32	240.09	During the Reporting Period, long-term borrowings of the subsidiaries of the Company with a term of less than one year were reclassified from "long-term borrowings" to this item, resulting in a year-on-year increase in the amount of this item.
Other current liabilities	153,790	0.20	695,880	0.89	(77.90)	During the Reporting Period, the pending output VAT in advances from customers within one year of the subsidiaries of the Company decreased.

Management Discussion and Analysis

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

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

6. Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks of exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities, and overseas investment entities denominated in foreign currencies, and indirectly cause changes in the Group's earnings or cash flows for a certain period of time. During the Reporting Period, changes in foreign exchange had no significant impact on the Group's operating results and cash flows. The Group will continue to monitor potential foreign exchange risks in the process of foreign exchange settlement.

7. Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

8. Charge on the Group's assets

As at 30 June 2024, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the overdraft amounting to HKD300,000, letter of credit and 90 days credit in the total amount of HKD100,000,000 as well as unexpired letter of credit of USD409,000 and EUR945,000 from Bank of China (Hong Kong) Limited, secured by fixed assets and buildings with an original value amounting to HKD8,893,000 and net value amounting to HKD5,883,000 and investment properties with an original value amounting to HKD6,843,000 and net value amounting to HKD3,008,000.

9. Bank loans, overdraft and other borrowings

As at 30 June 2024, the Group's bank loans amounted to RMB13,137,334,000 (31 December 2023: RMB11,159,204,000), representing an increase of RMB1,978,130,000 as compared to the beginning of 2024. The above bank loans included short-term borrowings of RMB9,242,344,000, long-term borrowings of RMB3,255,043,000 and non-current liabilities expiring within one year of RMB639,947,000.

10. Gearing ratio

As at 30 June 2024, the Group's gearing ratio (total liabilities/total assets x 100%) was 51.12% (31 December 2023: 53.33%).

Management Discussion and Analysis

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

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

11. Material investment

As at 30 June 2024, except for those disclosed in “(E) Analysis on investment” of “D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD” in the section headed “Management Discussion and Analysis” in this report, the Group did not have any other ongoing material investment.

12. Overseas assets

Applicable Not applicable

(1) *Asset size*

Among which, overseas assets account for RMB453,659,000, representing 0.58% of total assets.

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

Applicable Not applicable

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

Applicable Not applicable

Management Discussion and Analysis

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

(D) Plans for the second half of 2024

In the second half of 2024, the Group will continue to closely adhere to the development theme of the “digital economy year” and focus on promoting the following work:

1. Continuing to consolidate the foundation of the development of the Great Southern TCM. The Group will strengthen the research of and response to policies, continue to actively participate in centralized volume-based procurement of national or inter-provincial pharmaceutical alliances and the application for inclusion in the Essential List and National Medical Insurance Directory, so as to promote the pharmaceutical sales in the medical market. The Group will continue to press model innovation such as the ‘1+4’ marketing integration, continuously optimize the marketing model, boost the growth of the OTC market, terminal, e-commerce and other markets. The Group will vigorously promote the “High-Potential Products”, strengthen the market development of large categories and brand building for large categories to enhance product influence and brand strength, while optimizing specialized active pharmaceutical ingredients (APIs), to push up the development of high margin products.
2. Further stimulating new driving forces for the development of the Great Health. The Group will further improve the channel construction, integrate channel resources, and continue to consolidate its leading position in the herbal tea sector and in terms of product categories. The Group will strengthen the understanding of consumption scenarios and conduct precise marketing for new products to enhance the market recognition of new products of herbal tea, Ci Ning Ji and Li Xiao Ji, etc.. The Company will deeply cultivate the Ji Xiang culture, drive brand development with “Ji” culture and brand upgrading. The Group will make efforts in the international market by carrying forward the projects of “Wang Lao Ji” trademark globalization and formula international registration, and energetically promote the international brand of “WALOVI”.
3. Vigorously promoting the development and upgrading of the Great Commerce. Capitalizing on the advantages of the terminal network, the Group will tamp the foundation for the development of pharmaceutical wholesale business, and facilitate the improvement of the market share, market position and comprehensive competitiveness of the pharmaceutical distribution business. Leveraging on the advantages of wholesale resources, the Group will continue to expand the number of dual-channel stores and actively improve the profitability and capability of our retail business. The Group will speed up the development of the medical equipment business and increase the market share of medical equipment and consumables. At the same time, the Group will strongly expand pharmaceutical commercial supply chain services, cross-border e-commerce and import and export business.

Management Discussion and Analysis

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

(D) Plans for the second half of 2024 *(Continued)*

4. Striving to create development advantages for the Great Medical Care. The Group will strengthen the connotation construction and standardized management of Baiyunshan Hospital, accelerate the construction of advantageous disciplines of Baiyunshan Chinese Medicine Hospital and the brand building of Runkang Confinement Company, push ahead with the layout of medical equipment business, so as to expedite business transformation and upgrading.
5. Keeping self-reliance and self-improvement by vigorously promoting high-level science and technology. The Group will strengthen the construction of the platform system, continue to optimize the R&D platforms of the Group, and propel the construction of the Bio-island R&D Headquarters, striving for the creation of more high-level R&D platforms. The Group will vigorously expand product development pipeline, and continue to carry out the research and development of innovative drugs, the transformation of well-known medical prescriptions, the secondary development of large categories, consistency evaluation of generic drugs and stimulation of the sleep category, so as to accelerate the creation of new quality productive forces and build a scientific research and innovation pattern. The Group will improve the digitalization system for drug quality supervision, pharmacovigilance system, and the traceability system of the TCM industrial chain, and push forward the digitalization of quality supervision methods to create a first-class quality management system.
6. Forging ahead with capital operation in an orderly manner and promoting investment and mergers and acquisitions of the business segments, so as to continuously improve investment and financing capabilities.
7. Greatly promoting the development of digital economy. The Group will explore intelligent application scenarios such as pharmaceutical traceability, intelligent manufacturing and characteristic customization, promote the construction of new industrialization, and build a digital factory. The Group will continue to carry forward the construction of digital projects in respect of the management system to comprehensively improve the digital management.
8. Further intensifying the basic management and risk control management, continuing to improve the working mechanism, and constantly enhancing risk prevention and mitigation, so as to continuedly promote the high-quality development of the Group.

Management Discussion and Analysis

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

(E) Analysis on investment

1. Overall analysis on external equity investment

Applicable Not applicable

As at the end of the Reporting Period, the Group's external equity investments amounted to RMB1,801,208,000, representing a decrease of RMB4,433,000 as compared to 31 December 2023, mainly due to the Group recognized the decrease in long-term equity investment as a result of the cash dividends declared by the associates.

(1) *Significant equity investment*

Applicable Not applicable

Management Discussion and Analysis

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

(E) Analysis on investment *(Continued)*

1. Overall analysis on external equity investment *(Continued)*

(2) Significant non-equity investment

Applicable Not applicable

Name of Investment project	Main Investor	Particulars of Investment Project	Amount of Planned Investment <i>(RMB'0000)</i>	Source of Capital	Amount Invested during the Reporting Period <i>(RMB'0000)</i>	Accumulated Investment Amount <i>(RMB'0000)</i>	Implementation 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	Self-raised funds and proceeds funds	3,159.91	83,503.91	The interior decoration and mechanical and electrical equipment installation are in progress.
GYBYS Affordable Rental Housing and Talent Apartment Construction Project	Chemical Pharmaceutical Factory	Apartment, kindergarten, garage, community public service and other supporting facilities.	108,286.03	Self-raised funds	144.50	149.50	Pre-construction preparations are in progress.

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

(3) Financial assets evaluating at fair value

Applicable Not applicable

Classification of assets	Opening balance (RMB'000)	Accumulative		Impairment accrued in the current period (RMB'000)	Current purchase amount (RMB'000)	Current sale/redeem amount (RMB'000)	Other changes (RMB'000)	Closing balance (RMB'000)
		Current gains and loss on changes in fair value (RMB'000)	changes in fair value included in interests (RMB'000)					
Financial assets held for trading	4,000	-	-	-	-	-	-	4,000
Other equity instrument investment	103,812	-	382	-	-	-	-	104,194
Other non-current financial assets	1,005,936	446	-	-	-	-	-	1,006,382

Security investments

Applicable Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB'000)	Source of capital	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 accounted in equity (RMB'000)	Amount of purchase/additional securities during the Reporting Period (RMB'000)	Amount sold during the Reporting Period (RMB'000)	Gains and losses during the Reporting Period (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Accounting item
A Share of SSE	600664	H.B. Pharmaceutical	3,705	Self-raised funds	1,260	(267)	-	-	-	-	993	Other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical	150,145	Self-raised funds	129,182	(2,599)	-	-	-	-	126,583	Other non-current financial assets
A Share of HKEX	02289	Charmacy Pharmaceutical	7,568	Self-raised funds	11,733	(3,904)	-	-	-	-	7,829	Other non-current financial assets
Total	/	/	161,418		142,175	(6,770)	-	-	-	-	135,405	/

Management Discussion and Analysis

D. PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (Continued)

(E) Analysis on investment (Continued)

1. Overall analysis on external equity investment (Continued)

Private fund investments

Applicable Not applicable

Fund name	The Initial amount of investment (RMB000)	Source of capital	Book value as at the beginning of the Reporting Period (RMB000)	Current gains and loss on changes in fair value (RMB000)	Accumulated changes in fair value accounted in equity (RMB000)	Amount of purchase/ additional securities during the Reporting Period (RMB000)	Amount sold during the Reporting Period (RMB000)	Gains and losses during the Reporting Period (RMB000)	Book value as at the end of the Reporting Period (RMB000)	Accounting subjects
Guangzhou Sino-Israel Bio-industry Investment Fund (LLP)	116,622	Self-raised funds	93,124	368	(23,131)	-	-	-	93,492	Other investments in equity instruments
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))	50,000	Self-raised funds	52,348	18	-	-	-	-	52,366	Other non-current financial assets
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))	89,000	Self-raised funds	91,531	(395)	-	-	-	-	91,136	Other non-current financial assets

Derivative investments

Applicable Not applicable

(F) Significant asset and equity disposal

Applicable Not applicable

Management Discussion and Analysis

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

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

Applicable Not applicable

Name of enterprises	Business nature	Major products or services	Registered capital <i>(RMB'000)</i>	Equity directly held by the Company <i>(%)</i>	Income from Principal operations <i>(RMB'000)</i>	Profit from principal operations <i>(RMB'000)</i>	Total assets <i>(RMB'000)</i>	Net assets <i>(RMB'000)</i>	Net profit <i>(RMB'000)</i>
WLJ Great Health	Manufacturing	Production and sale of pre-packaging food, etc.	900,000.00	100.00	5,997,041	2,542,504	14,248,329	10,880,214	1,118,007
GP Corp.	Pharmaceutical business	Wholesale and retail business	2,449,305.50	90.92	27,810,104	1,569,683	34,423,113	7,372,401	310,492

During the Reporting Period, except in relation to WLJ Great Health and the 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 which has an impact of 10% or more on net profit of the Group.

During the Reporting Period, the Group did not have other operation activities which had significant impacts on net profit.

(H) Circumstance of structured subjects controlled by the Company

Applicable Not applicable

Management Discussion and Analysis

E. OTHER MATTERS

(A) Risk exposure

Applicable Not applicable

The pharmaceutical industry is one of the industries most profoundly affected by national policies and is facing industry policy risks. With the continuous deepening of a series of medical and health system reform measures such as consistency evaluation, volume-based procurement and reform of medical insurance payment methods, etc., the pharmaceutical market structure is continuously changing, and industry competition is intensifying. Innovation and transformation, industrial integration, and business model transformation are inevitable, forcing the Group to further strengthen its innovation and R&D capabilities and launch new products with differentiated advantages. The Group is facing pressure for transformation and upgrading.

In addition, the Group is also facing many risks such as drug/service quality control risks, research and development risks, market risks, etc.. The Group will be policy-oriented, pay close attention to the release of national and industry policies, pay attention to market changes, and formulate corresponding development plans based on its own brand and resource advantages, so as to continuously improve its competitiveness and achieve sustainable and high-quality development.

(B) Other disclosures

Applicable Not applicable

F. DEVELOPED/DISPOSED PROPERTIES

According to the requirements of paragraph 23 of Appendix D2 to the Listing Rules of HKEX, the Company did not have any properties held for development and/or sale or investment with assets ratio, consideration ratio, profits ratio and revenue ratio exceeding 5% during the Reporting Period.

A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS

Session	Date of the meeting	Index on the designated website for publication of the resolution	Date of publication of the resolutions	Resolutions
The first extraordinary general meeting in 2024	26 January 2024	http://www.sse.com.cn https://www.hkexnews.hk/index.htm	27 January 2024 (SSE) 26 January 2024 (HKEX)	All the resolutions of the general meeting were deliberated and passed. Please refer to the relevant announcements published on the designated websites for the particulars.
The 2023 annual general meeting, the first class meeting for holders of A shares in 2024 and the first class meeting for holders of H shares in 2024	30 May 2024	http://www.sse.com.cn https://www.hkexnews.hk/index.htm	31 May 2024 (SSE) 30 May 2024 (HKEX)	Except for resolution on amendments to the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and resolution on amendments to The Rules of Procedures for Shareholders' Meetings of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited were not passed at the the first class meeting for holders of H shares in 2024, all other resolutions were deliberated and passed. Please refer to the relevant announcements published on the designated websites for the particulars.

Extraordinary general meetings requested by preferred shareholders whose voting rights were reinstated

Applicable Not applicable

Corporate Governance

A. INFORMATION ON GENERAL MEETINGS OF SHAREHOLDERS *(Continued)*

Description of general meetings

Applicable Not applicable

1. On 25 April 2024, the Company announced the notice of the 2023 annual general meeting. On 12 May 2024, the controlling shareholder of the Company, GPLH, put forward temporary proposals, proposing to submit the resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for year 2024 and the resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the internal control auditor of the Company for year 2024 to the Company's 2023 annual general meeting held on 30 May 2024 for consideration.
2. The Company held the 2023 annual general meeting, the first class meeting for holders of A shares in 2024 and the first class meeting for holders of H shares in 2024 on 30 May 2024. The resolution on amendments to the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and the resolution on amendments to The Rules of Procedures for Shareholders' Meetings of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited were not passed at the first class meeting for holders of H shares in 2024.

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

Applicable Not applicable

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

Applicable Not applicable

(A) During the Reporting Period

At the 8th meeting of ninth session of the Board held on 15 March 2024, Ms. Liu Fei was appointed as the financial officer of the Company for a term from the date of deliberation and approval by the Board to the expiration of term of office of ninth session of the Board. Save as disclosed, there were no other Directors, Supervisors or senior management appointed by or resigned from the Company in the Reporting Period.

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

Explanation on the changes of Directors, Supervisors and senior management of the Company *(Continued)*

(B) After the Reporting Period

On 22 July 2024, the Board of the Company received a written resignation from Mr. Li Chuyuan, who tendered his resignation from the positions of chairperson, executive director and the chairman of the Strategic Development and Investment Committee of the Board of the Company due to personal reasons. Following his resignation, Mr. Li no longer holds any position in the Company.

As considered and approved by the 12th meeting of ninth session of the Board held on the same date, Mr. Yang Jun, the vice chairperson of the Company, was appointed to perform and discharge the duties of the chairperson of the Company from the date of approval by the Board to the date on which a new chairperson is elected by the Board.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of the changes in information of Directors and Supervisors after the publication of the annual report for the year ended 31 December 2023 are set out below:

Name of Directors	Details of the changes
Huang Min	Appointed as an independent director of Shenzhen Chipscreen Biosciences Co., Ltd. (a company listed on the Science and Technology Innovation Board of the SSE, stock code 688321) since April 2024.
Li Chuyuan	Resigned from the following positions since July 2024: the secretary of the party committee, member of the party committee, chairperson and director of GPL; secretary of the party committee, member of the party committee, chairperson and executive director, and the chairman of the Strategic Development and Investment Committee of the Board of the Company; non-executive director of GP Corp.; and vice chairperson, director of HWBYS since July 2024.

Corporate Governance

C. PROPOSAL FOR PROFIT DISTRIBUTION OR INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE

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

Any distribution or conversion	Yes
Number of bonus shares to be distributed for every ten shares (share)	/
Amount of dividends to be distributed for every ten shares (RMB, inclusive of tax)	4.00
Cash dividend amount (RMB, inclusive of tax)	650,316,379.60
Number of shares for every ten shares issued from conversion of capital reserve (share)	/
Explanation on plan of profit distribution and plan of converting capital reserve into share capital	/

Notes:

1. There was no reserved funds to equity shares scheme of the Company for the last three years;
2. The Company will distribute the above dividend before the end of November 2024.

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

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

Applicable Not applicable

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

Equity incentive

Applicable Not applicable

Others

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentive

Applicable Not applicable

E. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code, “Interim Measures for the Management of Shareholders’ Reduction of Shares in Listed Companies”, (Order No. 224 of the China Securities Regulatory Commission) (《上市公司股東減持股份管理暫行辦法》(中國證券監督管理委員會令第224號)), “Guidelines for Self discipline Supervision of Listed Companies on the Shanghai Stock Exchange No. 15 – Shareholders, Directors, Supervisors, and Senior Management to Reduce Shareholdings” (《上海證券交易所上市公司自律監管指引第15號——股東及董事、監事、高級管理人員減持股份》) and “Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management Personnel of the Company” (《董事、監事及高級管理人員買賣公司股份的管理辦法》) as stipulated by the Company as the codes and criteria for securities transactions by the directors and supervisors of the Company. After making specific inquiries to all the current Directors and Supervisors at the end of July 2024, the Company confirmed that all the current Directors and Supervisors have 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. Mr. Li Chuyuan resigned on 22 July 2024, and as of the date of this report, the Company has not been provided with any information regarding whether he complied with the Model Code during the Reporting Period, therefore the Company cannot confirm whether he complied with the Model Code during the Reporting Period.

F. DESCRIPTION OF CORPORATE GOVERNANCE

The Company has been strictly complying with the Company Law, the Securities Law, 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, 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 complied with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements set forth by the CSRC.

During the Reporting Period, the Company complied with the provisions under the Corporate Governance Code as set out in Appendix C1 to the Listing Rules of HKEX (the “CG Code”).

The Board will keep monitoring and reviewing the Company’s corporate governance practices to ensure compliance with the provisions of the CG Code and will provide the Directors more flexible ways to attend the meetings.

Corporate Governance

F. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

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-related industry such as medical service, health management, health preservation and elderly care, etc., and adopted relatively flexible business model and strategies and a prudent risk and capital management structure. The Group is committed to strengthening the establishment of internal control publicity and guidance as well as the systems related to the internal control, and established a relatively standardized internal control management and risk prevention system; formulated its 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 situation of the Company during the Reporting Period is detailed in Section III which is entitled “Management Discussion and Analysis” in this interim report.

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

- (A) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 2023 pursuant to the requirements of the Notice on Proper Preparation of the 2023 Annual Report by Listed Companies (《關於做好上市公司2023年年度報告工作的通知》) issued by the SSE, and the Self-assessment Report on Internal Control for 2023 (《2023年度內部控制評價報告》) and the Report on Performance of Social Responsibilities and ESG (Environmental, Social and Governance) for 2023 (《2023年社會責任報告暨ESG(環境、社會及管治)報告》) were prepared accordingly, which were disclosed after being duly considered and approved by the 8th meeting of the ninth session of the Board of the Company held on 15 March 2024.
- (B) The Company organized and prepared the general meetings, the Board meetings, the meetings of Supervisory Committee and the meetings of special committees of the Board accordingly and tracked the implementation of meeting resolutions and implementation progress. In the first half of 2024, the Company totally organized four general meetings of shareholders, four Board meetings, two meetings of Supervisory Committee, two meetings of Audit Committee, two meetings of Strategic Development and Investment Committee, one meeting of Nomination and Remuneration Committee and one meeting of Budget Committee.

F. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

- (C) In order to further promote the standardized operation of the Company, give full play to the active role of independent directors, and protect the legitimate rights and interests of the Company and minority shareholders, the Company has revised the relevant provisions of the Independent Director System in accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies, the Management Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), the Listing Rules of SSE, the Listing Rules of HKEX and the Articles of Association. The above system was disclosed after being deliberated and approved by the 7th meeting of the ninth session of the Board of the Company, and has been deliberated and approved by the first extraordinary general meeting of shareholders of 2024 held on 26 January 2024.
- (D) In order to further improve the governance structure of the Company, to strengthen the scientific decision-making capability of the Board, and to improve the financial accounting of the Company, in accordance with the relevant provisions of the Company Law and the Articles of Association, etc., the Company amended the relevant provisions of the Implementation Rules of the Audit Committee of the Board of Directors. The above revisions were disclosed after being duly considered and approved at the 8th meeting of the ninth session of the Board of the Company dated 15 March 2024.
- (E) The Company focused on the requirements of “enhancing supervision and preventing risks” and mainly carried out the following work in relation to internal control and auditing:
1. Reinforcing the learning of regulations, systems, standards and guidelines. Enhancing the awareness of legal compliance and risk prevention of corporate personnel, and carrying out internal audit and internal control management in compliance with laws and regulations.
 2. Expanding the scope of audit. Promoting audit work in multiple dimensions by carrying out special audits on important tier-3 enterprises, audits on in-service or departure economic responsibility for the heads of tier-3 enterprises and audits on the terms or in-service of professional managers.
 3. Concentrating on key points and strengthening audit supervision. Carrying out semi-annual special inspections of raised proceeds with a focus on its legal compliance of use process; and carrying out special audit and internal control evaluations for major risks to ensure the smooth operation of the internal control system.

Corporate Governance

F. DESCRIPTION OF CORPORATE GOVERNANCE *(Continued)*

(E) The Company focused on the requirements of “enhancing supervision and preventing risks” and mainly carried out the following work in relation to internal control and auditing: *(Continued)*

4. Continuing to improve the risk control and monitoring platform. Being empowered to monitor the risk profile of subordinate enterprises in a more comprehensive and real-time manner after the launch of the risk control and monitoring platform, so as to take effective countermeasures in a timely manner. Setting risk early warning standards to improve the timeliness and accuracy of risk early warning identification.
5. Continuing to promote and regularly tracking the operation of key enterprises, tracking and analyzing the condition of accounts receivable, and organizing the review and annual risk-assessment of major economic contracts.

G. THE AUDIT COMMITTEE UNDER THE NINTH SESSION OF THE BOARD COMPRISED FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM OBTAINED ACCOUNTING PROFESSIONAL QUALIFICATION. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP’S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARDS AND METHOD AND HAD DISCUSSED THE AUDIT AFFAIRS, RISK MANAGEMENT, INTERNAL CONTROLS AND FINANCIAL REPORTING WITH THE MANAGEMENT, INCLUDING THE REVIEWING OF THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2024. THE AUDIT COMMITTEE HAD NO DISAGREEMENT WITH ACCOUNTING TREATMENT ADOPTED BY THE COMPANY.

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION STATUS

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

√ Applicable □ Not applicable

1. Information of pollutant emissions

As at the end of the Reporting 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 and Weiling, being the subsidiaries of the Company, were among the key pollutants discharging units. The key items of waste emissions being monitored are exhaust gas and wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration <i>mg/m³,mg/l</i>	Implementation of pollutant emission standards <i>(mg/m³,mg/l)</i>	Total annual emissions <i>(ton)</i>	Approved total emissions <i>(ton)</i>	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City	3.00	"Integrated Emission Standard for Air Pollutants", ≤50	0.05	-	None
	Nitrogen oxides	Intermittently	1		29.5	"Integrated Emission Standard for Air Pollutants", ≤200	0.46	-	None
	Particulate matter (smoke dust)	Intermittently	5		1.1	"Integrated Emission Standard for Air Pollutants", ≤30	0.02	-	None
	Total VOCs	Intermittently	6		3.67	"Integrated Emission Standard of Air Pollutants", ≤120	0.06	-	None
	COD	Discharge after treatment	1		92.88	"Integrated Wastewater Discharge Standard (III-class criteria)", ≤500	5.84	-	None
He Ji Gong (factory in Liwan district)	COD	Discharge after treatment	1	No. 49 Liwan Road, Liwan District, Guangzhou City	26.5	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.54	-	None

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

1. Information of pollutant emissions (Continued)

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration <i>(mg/m³, mg/l)</i>	Implementation of pollutant emission standards <i>(mg/m³, mg/l)</i>	Total annual emissions <i>(ton)</i>	Approved total emissions <i>(ton)</i>	Excessive emissions
Baiyunshan General Factory	Chemical oxygen demand	Intermittently	1	No. 88 Yunxiang Road, Tonghe Street, Baiyun District, Guangzhou City	30.00	"Wastewater Discharge Limits" DB44/26-2001	1.90	-	None
	Total nitrogen	Intermittently	1		10.83	"Wastewater Discharge Limits" DB44/26-2001	0.42	-	None
	Ammonia nitrogen	Intermittently	1		2.28	"Wastewater Discharge Limits" DB44/26-2001	0.23	-	None
	Total phosphorus	Intermittently	1		0.64	"Wastewater Discharge Limits" DB44/26-2001	0.06	-	None
Baiyunshan Han Fang	Sulfur dioxide	Discharge after treatment	1	No.8 Hot spring Avenue, Conghua District, Guangzhou City	0	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 100	0.04	-	None
	Nitrogen oxide	Discharge after treatment	1		33.83	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 200	0.79	-	None
	Particulate matter (smoke dust)	Discharge after treatment	3		3.35	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 20	0.07	-	None
	Total VOCs	Discharge after treatment	9		0.42	"Emission Standard for Air Pollutants of Pharmaceutical Industry" (GB37823-2019) ≤ 150	0.07	-	None
	COD	Discharge after treatment	1		331	"Wastewater Discharge Limits" (DB44/26-2001) ≤ 500	22.37	-	None
	Ammonia nitrogen	Discharge after treatment	1		5.33	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-015" ≤ 45	0.37	-	None
Xing Qun	COD	Discharge after treatment	1	No. 162 Nanzhou Road, Haizhu District, Guangzhou City	390.5	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-015"	16.22	-	None
	Ammonia nitrogen	Discharge after treatment	1		4	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-015"	0.02	-	None

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

1. Information of pollutant emissions (Continued)

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration <i>(mg/m³,mg/l)</i>	Implementation of pollutant emission standards <i>(mg/m³,mg/l)</i>	Total annual emissions <i>(ton)</i>	Approved total emissions <i>(ton)</i>	Excessive emissions
Bai Di Biological	COD	Discharge after treatment	1	No.1 Wanbao North Street, Panyu District, Guangzhou City	19.11	"Waste Water Discharge Standard of Medical Institution"250mg/l "	0.24	569.35	None
	NH3-N	Discharge after treatment	1		1.27	Waste Water Discharge Standard of Medical Institution"/(no limits for concentration)	0.01	102.48	None
Ming Xing	COD	Discharge after treatment	1	No.48 Industry Avenue North, Haizhu District, Guangzhou City	108.23	"Integrated Wastewater Discharge Standard (III-class criteria)"500mg/l	3.24	-	None
	Ammonia nitrogen	Discharge after treatment	1		2.61	"Integrated Wastewater Discharge Standard (III-class criteria)"45mg/l	0.07	-	None
Tian Xin	COD	Discharge after treatment	1	No.808 Bingjiang East Road, Haizhu District, Guangzhou City	32.41	"Integrated Wastewater Discharge Standard (III-class criteria)"	3.22	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.43	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.04	-	None
Guang Hua	COD	Discharge after treatment	1	No.1 Nanshi Road, Haizhu District, Guangzhou City	54.6	"Integrated Wastewater Discharge Standard (III-class criteria)"	1.02	-	None
	Ammonia nitrogen	Discharge after treatment	1		4.19	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.08	-	None
	Particulate matter	Intermittently	1		4.3	"Integrated Emission Standard for Air Pollutants", ≤20	0.006	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province	104.85	"Integrated Wastewater Discharge Standard (III-class criteria)"	1.96	11.25	None

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

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

2. 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 undertaken by the enterprises and their implementations (exhaust gas) are as follows:

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m ³ /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-HPsresin adsorption method	3,000
				Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	2,200
	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	A/O Process	40

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION (Continued)

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

2. Construction and operation of pollution prevention and control facilities (Continued)

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m ³ /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	A/O Process	1,200
Baiyunshan Han Fang	5th plant VOCs process organic waste gas treatment facilities (TA001)	2020.11	Benzene, VOCs, Total nonmethane 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 nonmethane hydrocarbons	Condensation recover+ lye spray+ UV photolysis+ 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 + activated carbon	12,000
	Wastewater 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
	Wastewater 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

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

2. Construction and operation of pollution prevention and control facilities *(Continued)*

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity <i>(m³/h)</i>
	Sewage Treatment Station	2005.09	pH value, total phosphorus (measured in P), suspended solids, Ammonia nitrogen (NH ₃ -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	510
Xing Qun	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Biochemical treatment process	20
BaiDi Biological	Sewage Treatment Station	2005.09	COD, ammonia nitrogen	Aerobic biological method	120
Ming Xing	Sewage Treatment Station DW001	1995.12	COD, ammonia nitrogen	A/O Process	400 (ton/day)
	Laboratory waste gas treatment tower DA002	2020.09	Laboratory gas	Medicine + spray + activated carbon adsorption	78,346
	Sewage Treatment Station and waste gas treatment tower DA003	2014.08	Stench	Biological method + spray	2,600
	Air purification tower DA004	2015.09	Hydrolyze odor	Biological method + spray	6,500
	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	2002.3	COD, ammonia nitrogen	SBR Process (interval)	1,200
	VOCs water spray tower(air05)	2019.10	VOCs	Water spray dissolved	10,000
	VOCs water spray tower(air06)	2019.10	VOCs	Water spray dissolved	8,000
	VOCs water spray tower(air07)	2019.10	VOCs	Water spray dissolved	8,000
	VOCs water spray tower(air08)	2019.10	VOCs	Water spray dissolved	5,000

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

2. Construction and operation of pollution prevention and control facilities *(Continued)*

Company name	Name of pollution preventing facility	Put into use date	Pollution category	Procedure	Average daily processing capacity (m ³ /h)
Guang Hua	Treatment facilities of the water spray tower in the preparation workshop of Building 1-01 (room1521, 1522, 1523) DA002	2020.05	VOCs	Absorption + shunt	37,000
	Treatment facilities of the water spray tower in the preparation workshop of Building 1-parallel use for 02,03,04 (room 1325, 1519, 1616, 1617) DA003	2020.05	VOCs	Absorption + shunt	24,400
	Water spray tower treatment facilities of cephalosporin workshop, Building 3-05 (room 3409) DA004	2020.05	VOCs	Absorption + shunt	8,000
	Water spray tower treatment facilities of cephalosporin workshop, Building 4-06 (room 4337 and 4328) DA005	2020.05	VOCs	Absorption + shunt	25,000
WLI Ya'an Company Weiling	Sewage treatment station DW001		COD, ammonia nitrogen	AO Process	200ton per day
	Sewage treatment station	2015.09	COD, ammonia nitrogen	AO Process	40
	Sewage treatment station	2016.06	COD, ammonia nitrogen	AO Process	15

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

3. 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 pollutant-discharging unit of the Company all conducted the environmental impact assessment and the environmental inspection after completion 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 projects.

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

4. Environmental emergency response plan

Applicable Not applicable

Each key pollutant-discharging unit 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.

5. Environmental self-monitoring program

Applicable Not applicable

Each key pollutant-discharging unit 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 units entered 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, exhaust and noise discharged by each plant in accordance with environmental protection and administration requirements and provide the inspection report.

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

6. Receiving administrative penalties due to environmental issues during this Reporting Period

Applicable Not applicable

7. Other environmental information that should be disclosed to the public

Applicable Not applicable

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

Applicable Not applicable

1. Receiving administrative penalties due to environmental problems

Applicable Not applicable

2. 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, 4 of them are national green factories, and other 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 over the relevant limits.

3. Reasons for environmental information which were undisclosed

Applicable Not applicable

Environmental and Social Responsibility

A. ENVIRONMENTAL INFORMATION *(Continued)*

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

Applicable Not applicable

(D) Relevant information beneficial to ecological protection, pollution prevention and fulfilment 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 wastewater 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 research 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 a green economy, low-carbon economy and circular economy.

(E) Measures taken to reduce carbon emissions and their effects during the Reporting Period

Applicable Not applicable

The Company uses clean energy in the combustion medium for boilers which adopts a brand with high thermal efficiency. For the use of electric energy, the Company proactively purchases energy-saving equipment and adopts LED lights for lighting and energy-saving electrical machinery. For power distribution equipment, the Company adopts capacitance compensation to provide power factors and proactively promotes the use of degradable and recyclable packaging materials in the production process.

Environmental and Social Responsibility

B. DETAILS ON CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS IN ALLEVIATING POVERTY, RURAL REVITALIZATION AND OTHER WORK

Applicable Not applicable

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

- (I) Aiming at the paired assistance to Nanxing Town of Leizhou City of Zhanjiang, the Group donated RMB90,000 to equip Nanxing Middle School (南興中學) with books and multimedia equipment; donated RMB150,000 to upgrade and renovate the traditional Chinese medicine science popularization base of Zhongluotan Health Center in Baiyun District; donated health gift packages to visit Guangzhou expatriate personnels.
- (II) Taking advantage of the traditional Chinese medicine industry, and focusing on the planting of Chinese herbal medicine, the Company has carried out the projects of planting bases for Chinese herbal medicine in Zhanjiang, Meizhou, Qingyuan, Xinjiang, etc. Through technical guidance and targeted procurement measures, the Company has effectively driven the development of local agriculture and increased the farmers' income.
- (III) Undertaking mission of developing the lychee industry in Guangdong, the Company invested in the construction of Guangyao Wanglaoji Guangdong Lychee (Maoming) Industrial Park and Guangyao Wanglaoji Guangdong Lychee (Shantou) Industrial Park in the west and east of Guangdong Province, respectively, deepened the layout of lychee industry and launched the first deep-processing lychee brand "Li Xiao Ji (荔小吉)".
- (IV) Implementing the work arrangement of paired assistance for Meizhou, the herbal tea extraction base of WLJ Great Health in Meizhou and the traditional Chinese medicine industrialization base of Cai Zhi Lin in Meizhou have become the important engines for assisting the Meizhou's industrial development and constructing a long-term assistance mechanism, driving the sustainable development of the local economy.
- (V) Facilitating the collaboration between the eastern and western regions and the efforts of rural revitalization, the Ci Ning Ji production base of Guangyao Wanglaoji in Qiannan, Guizhou, and Guangyao Wang Lao Ji (Bijie) Company (廣藥王老吉畢節公司) are important projects to help Guizhou's industrial development and rural revitalization.

Major Events

A. PERFORMANCE OF UNDERTAKINGS

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

Applicable Not applicable

1. Independence of listed company

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none">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 rights 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, organization and business.The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time of the undertaking	The undertaking was given on 29 February 2012.
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

2. Avoiding competition

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

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

3. Regulating connected transactions

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

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

4. Undertakings related to properties with legal defects

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

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

5. Undertakings related to trademarks by the controlling shareholder

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none">1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademark with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) upon the expiry date of 1 May 2020, or earlier when the license agreement and its supplemental agreement were determined invalidated/void/terminated by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the pre-emption right in Wang Lao Ji trademarks.2. On the basis of the original undertaking letter, GPLH has further made the undertaking as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such 4 other trademarks related to Wang Lao Ji, which are all obtained and owned in legal manner by GPLH after the execution day (inclusive of that day) of the Supplementary Agreement to the Agreement of Trademark Custody. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
Time of undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012.
Valid period for Performance	No
Period of the undertaking	The undertaking remains valid until it has been fully performed.
Whether timely and strictly performed	Yes. In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the effective date of the judgment on the law case of ‘red can decoration’”, due to the trial of the “case on red can decoration dispute”. As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of “Wang Lao Ji” trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Compliance or not	Yes
Notes	On 16 August 2017, the Supreme People’s Court of the PRC announced the judgment on the “case on red can decoration dispute”, and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company’s wholly-owned subsidiary, received the relevant civil judgment of the Supreme People’s Court of the PRC on the “case on red can decoration dispute” (For details, please refer to the Announcement of the Final Judgement on the Case of “Dispute over Wang Lao Ji Red Can Decoration” of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH’s undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer “Wang Lao Ji” series trademarks to the Company had been satisfied.

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

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

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
	<p>On 18 August 2021, the Resolution on Postponement in Fulfilling Performance Guarantee by the Controlling Shareholder and Signing of Supplemental Agreement was considered and approved at the 15th meeting of the 8th session of the Board and 11th meeting of the 8th session of the Supervisory Committee of the Company, and the Company signed the Profit Compensation Supplemental Agreement with GPLH. As affected by the COVID-19 epidemic, GPLH negotiated with the Company to adjust the terms of commitments from the year 2019, 2020 and 2021 to the year 2019, 2021 and 2022. As a result, the value realized during the commitment period should be deferred accordingly, representing the commitment value in net income of trademark assets of RMB152.87 million, RMB162.65 million and RMB171.45 million in the year of 2019, 2021 and 2022, respectively.</p> <p>Of 418 trademarks of Wang Lao Ji series that the Company has submitted the changing application documents to both domestic and foreign intellectual property departments, there has been 398 trademarks changed and 20 trademarks pending approval.</p>

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating related party transactions

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company (“the Enterprise”)
Undertaking	<ol style="list-style-type: none">1. The Enterprise and any other companies or any other types of enterprises controlled by the Enterprise other than GP Corp. (hereinafter referred to as “Related Enterprises”) will avoid or reduce connected transactions with GP Corp. as much as possible. For existing (if any) and future connected transactions that are indeed necessary and unavoidable, it is guaranteed that they will be executed in accordance with market-based principles and fair pricing principles. In principle, the prices of connected transactions shall not deviate from the prices or charges standards of independent third parties in the market, and the relevant authorization and approval procedures and information disclosure obligations shall be performed in accordance with relevant laws, regulations and normative documents.2. Guarantee that the Enterprise and the companies, branches, joint ventures or associates any other types of enterprises controlled by the Enterprise do not interfere with the operation of GP Corp. and harm its interests by monopolizing business channels of procurement and sales and shall ensure the fairness of connected transactions.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating related party transactions *(Continued)*

Item	Content
3.	The Enterprise undertook that it had provided the sponsoring broker, lawyers and accountants of GP Corp. involved in the listing of the GP Corp with the information on all connected transactions that occurred between other enterprises under the actual control or significant influence of the Enterprise and GP Corp. during the Reporting Period, and the corresponding information was true and complete, with no material omissions or concealments. There were no other connected transactions that should be disclosed but has not been disclosed in accordance with relevant laws, regulations and the relevant provisions of the China Securities Regulatory Commission and the National Equities Exchange and Quotations.
4.	The Enterprise guaranteed that it would comply with the relevant laws and regulations and the Articles of Association of GP Corp. and other relevant corporate governance systems, and strictly adhere to the decision-making procedures for connected transactions when considering connected transactions involving the Enterprise, including, <ol style="list-style-type: none">(1) The procedures for abstention from voting on connected transactions at the meetings of the Board of Directors of GP Corp.;(2) The procedures for abstention from voting on connected transactions at the meetings of the Supervisory Committee of GP Corp.;

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

6. The undertaking made by the Company and the controlling shareholders of the Company in relation to reducing or regulating related party transactions *(Continued)*

Item	Content
	(3) The procedures for abstention from voting on connected transactions at the general meeting of shareholders of GP Corp..
	The Enterprise undertook and procured that Related Enterprises would strictly comply with the decision-making system of GP Corp. in respect of connected transactions and guaranteed that it would not harm the interests of GP Corp. and other shareholders through connected transactions.
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	<ol style="list-style-type: none">1. As of the date of issuance of the undertaking letter, the Enterprise has not, either independently or in conjunction with other natural persons, legal persons, partnerships or organizations, directly or indirectly engaged in or participated in any businesses and activities that compete with GP Corp. in any form or held any interests in any economic entity, institution or economic organization that have a competitive relationship with GP Corp. or served as senior management or core technical personnel in such economic entity, institution or economic organization.2. During the period as the controlling shareholders of GP Corp., they will guarantee to take legal and effective measures to procure that the Enterprise, other companies, enterprises and other economic organizations in which the Enterprise holds a controlling interest, do not directly or indirectly engage in any business that is the same as or similar to that of GP Corp., constitutes or may constitute competition with the business of GP Corp. in any form.

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry *(Continued)*

Item	Content
3.	During the period of as the controlling shareholders of GP Corp., if GP Corp. further expands its product and business scope, the Enterprise and the enterprises controlled by the Enterprise currently and in the future will not compete with the expanded products or businesses of GP Corp.; if such enterprises compete with the expanded products or businesses of GP Corp., the Enterprise will promptly take appropriate measures to resolve it to avoid competition in the same industry. The Enterprise and other enterprises controlled by it will withdraw from competition with GP Corp. in the following ways: stopping producing or providing products or services that constitute or may constitute competition; stopping operating businesses that constitute or may constitute competition; integrating competitive businesses into the operations of GP Corp.; transferring competitive businesses to unconnected third parties;
4.	During the period of as the controlling shareholders of GP Corp., if the Enterprise and other enterprises or economic organizations controlled by the Enterprise have any commercial opportunities to engage in, participate in or invest in any business that may compete with the production and operation of GP Corp., the Enterprise will, at the request of GP Corp., cede such commercial opportunities to GP Corp. or allow GP Corp. to have the priority to acquire the assets or equity involved in the relevant business under the same conditions, in order to avoid competition with GP Corp. in the same industry.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

7. The undertaking made by the Company and the controlling shareholders of the Company in relation to regulating or avoiding competition in the same industry *(Continued)*

Item	Content
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

8. The undertaking made by the Company and the controlling shareholders of the Company in relation to resolving the issue of fund occupation

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	1. The advancement of costs, expenses and other expenditures such as salary and welfare paid by GP Corp. for the Enterprise and the enterprises controlled by the Enterprise is not accepted;

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

8. The undertaking made by the Company and the controlling shareholders of the Company in relation to resolving the issue of fund occupation *(Continued)*

Item	Content
	2. Funds provided by GP Corp. directly or indirectly (including but not limited to capital lending, provision of entrusted loans, entrusted investments, issuing commercial acceptance bills without a real transaction background, debt repayment (on their behalf), etc.) are not accepted.
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

9. The undertaking made by the controlling shareholders of the Company in relation to resolving title defects

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The controlling shareholders of the Company
Undertaking	<p>They will actively assist GP Corp. in handling various related formalities involved in the allocation of properties. The costs and expenses involved (including tax costs related to property allocation and all costs involved in the properties prior to the allocation (including but not limited to related taxes, etc.)) will be borne by the controlling shareholders of the Company in accordance with relevant national laws and regulations.</p> <p>As of the date of issuance of this undertaking letter, no dispute or conflict has arisen between the controlling shareholders of the Company and GP Corp. in respect of the use, ownership and other aspects of the land and buildings. GP Corp. is not entitled to any benefits or liable for any losses from the properties. There is no interest transfer of related party or other interest arrangements between the controlling shareholders of the Company and GP Corp.</p>
Time of the undertaking	The undertaking was given on 14 March 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

Major Events

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

10. The undertaking made by the Company and the controlling shareholders of the Company in relation to other matters concerning GP Corp.'s application for listing

Item	Content
Background of the undertaking	The undertaking related to the application of GP Corp., the controlling subsidiary, for listing on the NEEQ
Party giving the undertaking	The Company and the controlling shareholders of the Company
Undertaking	<ol style="list-style-type: none">1. The Enterprise guarantees that it will strictly fulfill the obligations and responsibilities under all the public undertakings as disclosed by the GP Corp. in the public transfer statement.2. If the Enterprise is unable to perform the public undertakings due to matters other than objective reasons which are beyond its control, including, among others, changes of relevant laws, regulations and policies and natural disasters, it undertakes that:<ol style="list-style-type: none">(1) to timely disclose the detailed reasons for failing or being unable to perform timely its undertakings by the Company or relevant responsible parties.(2) to timely make lawful, reasonable, and valid supplementary undertakings, alternative undertakings, or corresponding remedial measures.(3) failing to fully, timely, and effectively perform the relevant undertakings, the proceeds obtained shall belong to the Company; for any losses suffered by investors, it shall compensate the investors for such losses in accordance with the law.

A. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

10. The undertaking made by the Company and the controlling shareholders of the Company in relation to other matters concerning GP Corp.'s application for listing *(Continued)*

Item	Content
	<p>(4) if the continuing performance of such breached undertakings is possible, the Enterprise shall continue to do so.</p> <p>3. If the Enterprise is unable to perform the public undertakings due to changes of relevant laws, regulations and policies, natural disasters and other force majeure events, it undertakes that:</p> <p>(1) to timely and adequately disclose the detailed reasons for failing and being unable to perform, or being unable to perform as scheduled, its undertakings by the Enterprise;</p> <p>(2) to make supplementary or alternative undertakings to the investors to protect the investors' interests as much as possible.</p>
Time of the undertaking	The undertaking was given on 10 May 2024
Whether there is a period of performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliant or not	Yes

Save for the above, there is no other undertakings that has not been fulfilled and needs to be disclosed.

Major Events

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

√ Applicable □ Not applicable

Name of shareholders or related parties	Relationship with the Company	Appropriation time	Reasons	Amount	New	Total amount repaid during the Reporting Period	Balance at the end of the Reporting Period	Balance as at the disclosure date of the interim report	Expected repayment method	Expected repayment amount	Expected repayment time
				at the beginning of the Reporting Period	appropriation amount during the Reporting Period						
				(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)			
HNBYS	Joint venture	2-3 years	Dividends	61,264	-	59,764	1,500	1,500	Cash	1,500	-
Total	-	-	-	61,264	-	59,764	1,500	1,500	-	1,500	-
Proportion of total amount at the end of the period in the latest audited net assets											0.00%
Decision-making procedures for appropriation of funds for non-operating purposes by controlling shareholder and other related parties											-
Reasons for new appropriation of funds for non-operating purposes by substantial shareholders and their affiliated enterprises, investigation of responsible persons and explanations to measures proposed to be adopted by the Board											-
Reasons for failure to settle appropriation of funds for non-operating purposes as planned, investigation of responsibilities and explanations to measures proposed to be adopted by the Board											-
Special audit opinion of certified public accountants on appropriation of funds (if any)											-

C. ILLEGAL GUARANTEES

Applicable Not applicable

D. AUDIT OF THE INTERIM REPORT

Applicable Not applicable

(A) Explanation on appointment, dismissal of auditors

Explanatory notes on the appointment and dismissal of auditors

Applicable Not applicable

As considered and approved at the second meeting of the Audit Committee in 2024, the Company suggested to renew the appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2024, and the said matter was submitted to the Board for consideration. As considered and approved at the 10th meeting of the ninth session of the Board and 2023 annual general meeting of shareholders of the Company, 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 2024. For details, please refer to the announcement of the Company dated 26 April 2024 and the announcement of the voting result of 2023 annual general meeting of shareholders dated 30 May 2024.

Statements relating to the change in the employment of accounting firm during the audit period

Applicable Not applicable

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

Applicable Not applicable

Major Events

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

Applicable Not applicable

F. MATTERS RELATING TO BANKRUPTCY AND REORGANIZATION

Applicable Not applicable

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

Material litigations or arbitrations of the Company during the Reporting Period

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

(A) Litigations and arbitrations which were disclosed in temporary announcements and have no subsequent developments

Applicable Not applicable

(B) Litigations and arbitrations which were not disclosed in temporary announcement or which have subsequent developments

Applicable Not applicable

(C) Other explanations

Applicable Not applicable

H. INFORMATION REGARDING PENALTIES ON THE COMPANY, THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER OR THE ACQUIRER DURING THE REPORTING PERIOD AND RELEVANT REMEDIES

Applicable Not applicable

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

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Related parties	Relationship	Types of related transactions	Content of related transactions	Pricing principles of related parties' transactions	Amount of related parties transactions (RMB'000)	Proportion to the amount of same transactions (%)	Settlement method of related transactions
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	3,701	0.01	Cash
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	73,960	0.18	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	59,553	0.15	Cash
Baiyunshan Yi Xin Tang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	2,141	0.01	Cash
Subtotal					139,355		
HWBYS	Joint venture	Purchase of goods	Other goods	Market price	311	0.00	Cash
Herbal Craft Brewing Beer Company	Controlled by the same parent company	Purchase of goods	Other goods	Market price	106	0.00	Cash
Subtotal					417		
HWBYS	Joint venture	Acceptance of service	Publicity fee	Market price	12,999	1.98	Cash
Subtotal					12,999		
Guangzhou GP Capital Private Equity Fund Management Co., Ltd.	Controlled by the same parent company	Acceptance of service	Fund service	Market price	2,236	0.34	Cash
Subtotal					2,236		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationship	Types of related transactions	Content of related transactions	Pricing principles of related parties' transactions	Amount of related parties transactions (RMB'000)	Proportion to the amount of same transactions (%)	Settlement method of related transactions
HWBYS	Joint venture	Acceptance of service	Consigned processing	Market price	13,512	2.05	Cash
Subtotal					13,512		
Total					168,519		
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	48,176	0.12	Cash
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	103,916	0.25	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	1,143	0.00	Cash
Baiyunshan Yi Xin Tang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	66,253	0.16	Cash
Subtotal					219,488		
Herbal Craft Brewing Beer Company	Controlled by the same parent company	Sales of goods	Other goods	Market price	16	0.00	Cash
HWBYS	Joint venture	Sales of goods	Other goods	Market price	855	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Other goods	Market price	9	0.00	Cash
Baiyunshan Yi Xin Tang	Joint venture	Sales of goods	Other goods	Market price	27	0.00	Cash
GPHL	Parent company	Sales of goods	Other goods	Market price	331	0.00	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Other goods	Market price	106	0.00	Cash
Subtotal					1,344		
GPHL	Parent company	Rendering of service	Advertising agency service	Market price	319	1.07	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	2,320	7.81	Cash
HWBYS	Joint venture	Rendering of service	Advertising agency service	Market price	25,635	86.31	Cash
Baxter Qiao Guang	Joint venture	Rendering of service	Advertising agency service	Market price	9	0.03	Cash

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationship	Types of related transactions	Content of related transactions	Pricing principles of related parties' transactions	Amount of related parties transactions <i>(RMB'000)</i>	Proportion to the amount of same transactions <i>(%)</i>	Settlement method of related transactions
Baiyunshan Cultural Company	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	216	0.73	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Consigned processing	Market price	7,887	5.86	Cash
HWBYS	Joint venture	Rendering of service	Consigned processing	Market price	8,174	6.07	Cash
HWBYS	Joint venture	Rendering of service	Research and development service	Market price	638	3.79	Cash
HWBYS	Joint venture	Rendering of service	Other service	Market price	605	0.09	Cash
Baxter Qiao Guang	Joint venture	Rendering of service	Other service	Market price	2,110	0.32	Cash
GP (Macau) Company	Controlled by the same parent company	Rendering of service	Other service	Market price	4	0.00	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Other service	Market price	77	0.01	Cash
Subtotal					47,994		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Rights to use trademarks	Agreement price	599	47.29	Cash
HWBYS	Joint venture	Providing patents, trademarks, etc.	Rights to use trademarks	Agreement price	280	22.15	Cash
HWBYS	Joint venture	Others	Assets leased from related parties	Agreement price	2,755	1.76	Cash
Baiyunshan Yi Xin Tang	Joint venture	Others	Assets leased from related parties	Agreement price	6	0.00	Cash
GPHL	Parent company	Others	Assets leased from related parties	Agreement price	3,758	2.41	Cash
Subtotal					7,398		

Major Events

J. MATERIAL CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationship	Types of related transactions	Content of related transactions	Pricing principles of related parties' transactions	Amount of related parties transactions (RMB'000)	Proportion to the amount of same transactions (%)	Settlement method of related transactions
GPHL	Parent company	Others	Assets leased to related parties	Agreement price	212	0.53	Cash
Baiyunshan Cultural Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	10	0.02	Cash
Baiyunshan Yi Xin Tang	Joint venture	Others	Assets leased to related parties	Agreement price	106	0.26	Cash
Baxter Qiao Guang	Joint venture	Others	Assets leased to related parties	Agreement price	1,852	4.59	Cash
HWBYS	Joint venture	Others	Assets leased to related parties	Agreement price	58	0.14	Cash
GP (Macau) Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	91	0.23	Cash
Subtotal					2,329		
Total					278,553		

Note: The above related party transactions were considered as the Group's ordinary operations, valued by the market prices, and placed no negative impact on the Group's sustainable operations.

3. Matters which were not disclosed in temporary announcements

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

1. **Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation**

Applicable Not applicable

2. **Events which were disclosed in temporary announcements but there has been progress or change in subsequent implementation**

Applicable Not applicable

3. **Events which were not disclosed in temporary announcements**

Applicable Not applicable

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

Applicable Not applicable

(C) Material related party transactions on joint external investment

1. **Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation**

Applicable Not applicable

Due to the failure of all partners to make paid-up capital contributions within the agreed period, the Guangzhou Guangyao Jinshen Equity Investment Partnership (Limited Partnership) ("Guangyao Jinshen Fund") has not been in actual operation since its establishment, and the purpose of the partnership has not been realized. Guangyao Jinshen Fund was proposed to be dissolved after prudent consideration by and consensus with all partners. On 15 March 2024, the Company convened the 8th meeting of the ninth session of the Board, which deliberated and approved the Resolution on the Dissolution and Cancellation of Guangzhou Guangyao Jinshen Equity Investment Partnership (Limited Partnership) and Related Party Transactions (《關於廣州廣藥金申股權投資核過企業(有限核過)解散註銷暨關聯交易的議案》), and agreed to dissolve Guangyao Jinshen Fund and conduct the cancellation of registration procedures with the administration for industry and commerce. For details, please refer to the announcement of the Company dated 15 March 2024 disclosed on the websites of the SSE and the HKEX.

Major Events

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

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

2. Events which were disclosed in temporary announcements but there has been with progress or change in subsequent implementation

Applicable Not applicable

On 26 June 2024, the Company held the 11th meeting of the ninth session of the Board, considered and approved the Resolution on the Introduction of New Partner to the Invested Company Namely WBA GP Fund and Related Party Transaction, and agreed to introduce Guangzhou Nansha Science and Technology Venture Capital Fund Co., Ltd.* (廣州南沙區科工創業投資基金有限公司) (“Nansha Science and Technology Innovation Master Fund”) as the new partner of WBA GP Fund. The size of the fund has increased from RMB900.00 million to RMB1,000.00 million, and the actual capital contribution of the GP Fund has not changed. The partners unanimously agreed to enter into the new Partnership Agreement of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership). Upon completion of this fundraising, the fundraising of the WBA GP Fund will be fully completed. For details, please refer to the announcement of the Company dated 26 June 2024 disclosed on the websites of the SSE and the HKEX.

3. Events which were not disclosed in temporary announcements

Applicable Not applicable

(D) Credit claims and liabilities between related parties

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters which were not disclosed in temporary announcements

Applicable Not applicable

J. MATERIAL CONNECTED TRANSACTIONS *(Continued)*

(E) 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

(F) Other material of related party transactions

Applicable Not applicable

(G) Others

Applicable Not applicable

K. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(A) Trusteeship, contract and lease matters

Applicable Not applicable

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

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

Applicable Not applicable

(C) Other major contracts

Applicable Not applicable

Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS

Applicable Not applicable

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.

(A) Overall use of the raised proceeds

Applicable Not applicable

Source of the raised proceeds	The date when the raised proceeds were in place	Total amount of the raised proceeds (RMB'0000)	The net raised proceeds after deducting all relevant expenses (RMB'0000)	The total amount of permitted investment in a prospectus (RMB'0000)	The over amount of the raised proceeds (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	Include: the over amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	The progress of over the aggregate proceeds invested as at the end of Report Period (%)	The amount of the aggregate proceeds invested as at the end of Report Period (RMB'0000)	The proportion of the proceeds invested during the Year (%)	Amount of the funds carried forward to the current year (RMB'0000)	The amount of proceeds of which changed	
													(1)
Issue of shares to specific subjects	11 August 2016	788,580.76	786,344.65	786,344.65	0	762,560.35	0	96.98	-	9,036.25	1.15	95,399.30	207,144.27

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects

✓ Applicable Not applicable

(1) Details of use for the proceeds

The aforesaid proceeds (1) their details and descriptions of the different uses during the Reporting Period; (2) a breakdown and description of the proposed use of the unexpended funds and the expected timetable; And (3) the reasons for material changes in the use of the proceeds or delays in the timetable, are set out below:

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the prospectus	Whether the use of investment projects has changed	The total amount of permitted investment proceeds for projects	The total amount of permitted investment projects after adjustment	The total amount of invested proceeds during the Year	The total amount of aggregate proceeds invested at the end of Report Period	Date of the projects becoming ready for intended use	Whether be concluded progress	Whether the actual progress conforms to the planned progress	Reasons for actual progress not reaching the planned progress	The achieved effectiveness or results of the project for the Year	The rest intended use amount and schedule		
					(RMB'0000)	(RMB'0000)	(RMB'0000)	(RMB'0000)						(RMB'0000)		
					(1)	(1)	(2)	(2)								
Issue of shares to specific subjects	The construction project of the Great Southern TCM research and development platform	Construction of research and development, and production base	Yes	Yes	150,000.00	99,757.10	4,131.54	88,700.01	88.92	31 December 2025 (note a, e)	No	Yes	N/A	Reflected in the Company's effectiveness	No	--
Issue of shares to specific subjects	The construction project of the Great Southern TCM production base (phase 1)	Construction of production base	Yes	Yes	100,000.00	64,391.67	4,904.71	61,160.95	94.98	31 January 2024 (note b)	--	Yes	N/A	Reflected in the Company's effectiveness	No	--
Issue of shares to specific subjects	Include: Ming Xing relocation improvement project	Construction of production base	Yes	No	60,000.00	60,000.00	4,904.71	56,769.28	94.62	31 January 2024 (note d, f)	Yes	Yes	N/A	Reflected in the Company's effectiveness	4,520.21	The working capital has been replenished.

Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects (Continued)

(1) Details of use for the proceeds (Continued)

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the prospectus	Whether the use of investment has changed	The total amount of permitted investment projects	The total amount of permitted investment projects after adjustment	The total amount of invested proceeds during the Year	The total amount of aggregate proceeds invested at the end of Report Period	The progress of the aggregate proceeds invested as at the end of Report Period (%)	Date of the projects becoming ready for intended use	Whether be concluded progress	Whether the actual progress conforms to the planned progress	Reasons for actual progress not reaching the planned progress	The achieved effectiveness or results of the project for the Year	Explanation on significant changes of projects's feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
					(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(%)							(RMB'000)
					(1)	(1)	(2)	(2)	(3)							
Issue of shares to specific subjects	He Ji Gong education improvement project	Construction of production base	Yes	Yes	40,000.00	4,391.67	-	4,391.67	100	Ended on 23 November 2020 (note d)	-	-	N/A	-	-	-
Issue of shares to specific subjects	The extension project of modern medical logistics services extension	Operation management	Yes	Yes	100,000.00	-	-	-	-	Change in the intended use on 28 March 2019	-	-	N/A	-	-	5,596.02
Issue of shares to specific subjects	The project for acquiring the "Wang Lao Ji" series trademarks held by GPHL (the controlling shareholder of the Company)	Operation management	No	Yes	108,000.00	108,000.00	-	108,000.00	100	N/A (note c)	Yes	-	N/A	Reflected in the Company's effectiveness	No	-
Issue of shares to specific subjects	The project for establishment of channels and brands	Operation management	Yes	No	20,000.00	200,000.00	-	203,956.67	101.70	N/A	-	-	N/A	Reflected in the Company's effectiveness	No	12,317.64
Issue of shares to specific subjects	The project for establishment of information platform	Operation management	Yes	Yes	20,000.00	2,774.99	-	2,774.99	100	Change in the intended use of on 31 December 2020 (note b), change in the intended use of the portion of the Company (note d)	-	-	N/A	Reflected in the Company's effectiveness	-	-

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS (Continued)

(B) Details of the proceeds projects (Continued)

(1) Details of use for the proceeds (Continued)

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the prospectus	Whether the use of investment has changed	The total amount of permitted investment projects	The total amount of permitted investment projects after adjustment	The total amount of invested proceeds during the Year	The total amount of the aggregate proceeds invested as at the end of Report Period	The progress of the aggregate proceeds invested as at the end of Report Period (%)	Whether the actual progress conforms to the planned progress	Whether be concluded	Reasons for actual progress not reaching the planned progress	The achieved effectiveness or results of the project	Explanation on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use and schedule	
					(RMB'0000)	(RMB'0000)	(RMB'0000)	(RMB'0000)	(%)						(RMB'0000)	
					(1)	(1)	(2)	(2)	$\beta=2\alpha/(1)$							
Issue of shares to specific subjects	The project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd	Construction of production base	No	Yes	-	48,911.137	0	30,146.89	61.44	Yes	Yes	N/A	Reflected in the Company's effectiveness	No	19,063.14	The working capital has been replenished.
Issue of shares to specific subjects	The project for Nansha base Phase I of WU Health	Construction of production base	No	Yes	-	38,400.00	0	20,172.21	52.53	Yes	Yes	N/A	Reflected in the Company's effectiveness	No	18,400.00	The working capital has been replenished.
Issue of shares to specific subjects	The project of Gensu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	Construction of production base	No	Yes	-	11,842.90	0	11,544.43	97.21	Yes	Yes	N/A	Reflected in the Company's effectiveness	No	401.27	The working capital has been replenished.
Issue of shares to specific subjects	Replenishment of liquidity	Refund the loan	Yes	No	216,344.65	222,049.70	-	236,785.20	106.64	Yes	No	N/A	Reflected in the Company's effectiveness	No	-	-

Major Events

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS *(Continued)*

(B) Details of the proceeds projects *(Continued)*

(1) Details of use for the proceeds *(Continued)*

Note:

- 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 extraordinary general meeting of shareholders 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 GPLH, the controlling shareholder of the Company. For details, please refer to the announcements of the Company dated 27 December 2018, 30 December 2018 and, 4 January 2019 and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- d. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of Ming Xin's relocation improvement project of the construction project of the Great Southern TCM production base (phase 1) to 31 January 2024, and changed the use of RMB104.725 million (the actual amount is based on the balance of designated are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the special account on the day when the proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmcentral (Zhuhai) Co., Ltd. For details, please refer to the announcement dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites SSE and HKEX.
- 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.

L. DESCRIPTION OF THE PROGRESS ON THE USE OF THE RAISED PROCEEDS *(Continued)*

(B) Details of the proceeds projects *(Continued)*

(1) Details of use for the proceeds *(Continued)*

Notes: (Continued)

- f. With the approval of the 8th meeting of the ninth session of the Board, the 6th meeting of the ninth session of the Supervisory Committee and the annual general meeting of shareholders for 2023, the Company's proceeds projects, namely the extension project of Ming Xing off-site project of the construction project of the Great Southern TCM production base (Phase I), the construction project of Guangyao Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd, the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project and the project for Nansha base Phase 1 of WLJ Health, have been basically completed and reached the predetermined usable state. The Company settled the above 4 investment projects and used the surplus proceeds from the settlement of the raising proceeds investment projects to permanent replenishment of working capital. For details, please refer to the announcement dated 15 March 2024, the circular dated 25 April 2024 and the announcement dated 30 May 2024 published by the Company on the websites SSE and HKEX.

(2) Details of use of the proceeds from the over-allotment

Applicable Not applicable

(C) Change or termination of projects the proceeds were allocated to during the Reporting Period

Applicable Not applicable

(D) Other issues relating to the use of proceeds during the Reporting Period

(1) Early investment and replacement of the proceeds invested in the projects

Applicable Not applicable

(2) Temporary replenishment of working capital from unused proceeds

Applicable Not applicable

(3) Cash management and investment of unused proceeds

Applicable Not applicable

(4) Other

Applicable Not applicable

Major Events

M. DESCRIPTION OF OTHER MATERIAL EVENTS

1. On 19 December 2023 and 26 January 2024, the Company held the 6th meeting of the ninth session of the Board and the first extraordinary general meeting of shareholders in 2024, at which the “Resolution on application for quotation on the National Equities Exchange and Quotations by the holding subsidiary” was considered and approved, and the quotation on the NEEQ of GP Corp. (the “Quotation”) was approved. On 11 May 2024, GP Corp. submitted an application of the Quotation to the NEEQ Co., Ltd., and received the “Acceptance Notice” issued by the NEEQ Co., Ltd. On 17 June 2024. After examination, the application of the quotation on the NEEQ submitted by Gp Corp. together with the relevant requirements of the “Guidelines for Information Disclosure Content and Format of Non listed Public Companies No. 2 – Application Documents for Public Transfer of Stocks” were accepted. For details, please refer to the announcements of the Company dated 19 December 2023, 26 January 2024 and 17 June 2024 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.
2. 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. On 15 March 2023, the Company received the Letter of No objection to the Listing Transfer of the Special Asset Support Plan with the support of Phase 3-7 assets of Xingye Yuanrong – GP Corp. Receivables from Industrial Securities Asset Management, which issued by SSE. On 20 March 2023, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase III Special Asset Support Plan for Accounts receivable (“Phase 3 Special Plan”), with effective amount of RMB1 billion. As at 30 June 2024, the cumulative asset sale scale of the securitization of the accounts receivable assets of GP Corp. was RMB2.270 billion, and the total purchase price received was RMB2.254 billion. For details, please refer to the announcement of the Company dated 22 November 2022, 16 December 2022, 15 March 2023, 30 October 2023 and 30 January 2024 published in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

Changes in Share Capital and Shareholders

A. CHANGES IN SHARE CAPITAL

(A) Changes in share capital

1. Changes in share capital

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

2. Explanation on changes in shares capital

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(B) Changes in shares subject to selling restrictions

Applicable Not applicable

B. INFORMATION ON SHAREHOLDERS

(A) As at 30 June 2024, the Company had 80,906 shareholders in total, of which 80,855 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed foreign share (H shares).

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

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

The top ten shareholders of the Company (without refinancing and securities lending business)

Shareholders (full name)	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions <i>(share)</i>	Number of shares pledged, marked or locked <i>(share)</i>	Nature of shareholders
Guangzhou Pharmaceutical Holdings Limited	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	(4,148)	219,767,142	13.52	0	0	Overseas legal person
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	(5,737,600)	67,576,183	4.16	0	0	Others
China Securities Finance Corporation Limited	0	47,277,962	2.91	0	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	10,967,435	38,482,025	2.37	0	0	Overseas legal person
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	(825,800)	17,267,952	1.06	0	0	State-owned legal person
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	4,900	10,571,357	0.65	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Others
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	0	8,662,836	0.53	0	0	Others

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

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

The top ten shareholders of the Company not subject to selling restrictions (without refinancing and securities lending business, restricted shares held by executives)

Shareholders (full name)	Number of shares without selling		Class of shares	Number of shares (share)
	restrictions	(share)		
Guangzhou Pharmaceutical Holdings Limited	732,305,103		Ordinary shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,767,142		Overseas listed foreign shares	219,767,142
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	67,576,183		Ordinary shares denominated in RMB	67,576,183
China Securities Finance Corporation Limited	47,277,962		Ordinary shares denominated in RMB	47,277,962
Hong Kong Securities Clearing Company Limited	38,482,025		Ordinary shares denominated in RMB	38,482,025
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	17,267,952		Ordinary shares denominated in RMB	17,267,952
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	10,571,357		Ordinary shares denominated in RMB	10,571,357
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136		Ordinary shares denominated in RMB	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636		Ordinary shares denominated in RMB	8,680,636
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	8,662,836		Ordinary shares denominated in RMB	8,662,836
Top ten shareholders in the buyback special account			Not applicable	
Explanation on the above shareholders' entrustment voting right, entrusted voting right and abandonment of voting right			Not applicable	
Explanation on the connection or persons acting in concert among the above shareholders	(1)	According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients;		
	(2)	The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Measures for the Management of Mergers and Acquisitions of Listed Companies".		
Preferred shareholders with their voting rights restored and the number of shares they hold			Not applicable	

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS (Continued)

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

Information on the shareholders holding more than 5% of shares in issue, the top ten shareholders and the top ten shareholders not subject to selling restrictions participating in the refinancing and securities lending business

Applicable Not applicable

Information on the shareholders holding more than 5% of shares in issue, the top ten shareholders and the top ten shareholders not subject to selling restrictions participating in the refinancing and securities lending business

Shareholders (full name)	The shareholdings of ordinary account and credit account at the beginning of the Reporting Period		The outstanding shares of refinancing and securities lending business at the beginning of Reporting Period		The shareholdings of ordinary account and credit account at the end of the Reporting Period		The outstanding shares of refinancing and securities lending business at the end of Reporting Period	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
	(share)	(%)	(share)	(%)	(share)	(%)	(share)	(%)
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	18,093,752	1.11	600,000	0.04	17,267,952	1.06	0	0
China Construction Bank Corporation – E fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	10,566,457	0.65	16,200	0.001	10,571,357	0.65	35,000	0.002

Changes of the top ten shareholders and the top ten shareholders not subject to selling restrictions compared with last period due to refinancing lending/restitution

Applicable Not applicable

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

Applicable Not applicable

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

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

Applicable Not applicable

(D) As at 30 June 2024, the interests and short positions held by the persons (other than the Directors, Supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held <i>(share)</i>	Capacity	Approximate % of the total issued domestic shares <i>(%)</i>	Approximate % of the total issued H shares <i>(%)</i>
Guangzhou Pharmaceutical Holdings Limited	A shares	732,305,103 (Long position)	Beneficial owner	About 52.09	–
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	A shares	67,576,183 (Long position)	Beneficial owner	About 4.81	–
Norges Bank	H shares	35,281,000 (Long position)	Beneficial owner	–	About 16.04
Citigroup Inc ^(Note 1 and Note 2)	H shares	24,347,338 (Long position)	Other ^(Note 2)	–	About 11.07
		334,000 (Short position)	–	–	About 0.15
		24,008,920 (Lending pool)	Approved lending agent	–	About 10.91
LSV ASSET MANAGEMENT	H shares	9,330,111 (Long position)	Investment manager	–	About 4.24
		3,856,000 (Long position)	Other ^(Note 3)	–	About 1.75

Changes in Share Capital and Shareholders

B. INFORMATION ON SHAREHOLDERS *(Continued)*

(D) *(Continued)*

Notes:

1. According to the notice of corporate substantial shareholders submitted by the Citigroup Inc.:
 - (1) Interests in long position in 338,418 H shares and interests in short position in 334,000 H shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 90% by Citigroup Financial Products Inc. ("Citigroup Financial"). Citigroup Financial was owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings") and Citigroup Holdings was wholly owned by Citigroup Inc. Therefore, Citigroup Bahamas, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup Markets under the SFO.
 - (2) Interests in long position in 24,008,920 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 conclusion, Citigroup Inc. directly or indirectly held a long position of 24,347,338 H shares in the Company, of which 338,418 shares were indirectly held via its controlled corporations, interests in short position in 334,000 H Shares were indirectly held by Citigroup Inc. and 24,008,920 H shares in the Company were held by Citigroup Inc. in the capacity of approved lending agent. In which 2,000 long position H shares in the Company are unlisted derivatives to be settled in cash.
3. Interests in long position in 2,682,000 H shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in long position in 304,000 H shares in the Company were held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund") and interests in long position in 870,000 H shares in the Company were held by LSV International(AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT separately controls the 100% general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund. Therefore, LSV 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 30 June 2024, 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 and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

Changes in Share Capital and Shareholders

C. INFORMATION ON DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT

(A) Changes in shares (A shares) held by the current and former Directors, Supervisors and senior management

Name	Position	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period (share)	Reasons for change
Yang Jun	Vice chairperson (acting as chairperson since 22 July 2024)	0	0	0	N/A
Cheng Ning	Vice chairperson	0	0	0	N/A
Liu Juyan	Executive Director	0	0	0	N/A
Zhang Chunbo	Executive Director	0	0	0	N/A
Wu Changhai	Executive Director	0	0	0	N/A
Li Hong	Executive Director, General Manager	0	0	0	N/A
Chen Yajin	Independent non-executive Director	0	0	0	N/A
Huang Min	Independent non-executive Director	0	0	0	N/A
Wong Lung Tak Patrick	Independent non-executive Director	0	0	0	N/A
Sun Baoqing	Independent non-executive Director	0	0	0	N/A
Cai Ruiyu	Chairperson of the Supervisory Committee	0	0	0	N/A
Cheng Jinyuan	Supervisor	0	0	0	N/A
Jian Huidong	Supervisor	0	0	0	N/A
Huang Haiwen	Deputy general manager	0	0	0	N/A
Zheng Haoshan	Deputy general manager	0	0	0	N/A
Zheng Jianxiong	Deputy general manager	2,300	2,300	0	Note
Huang Xuezhen	Secretary to the Board	0	0	0	N/A
Liu Fei	Financial Officer	0	0	0	N/A
Li Chuyuan	Chairperson (resigned on 22 July 2024)	0	0	0	N/A

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

Changes in Share Capital and Shareholders

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

(B) Information on grant of incentives to the Directors, Supervisors and senior management during the Reporting Period

Applicable Not applicable

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

As at 30 June 2024, none of the Directors, Supervisors and chief executive of the Company had any 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 deemed or deemed to be owned 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.

D. EMPLOYEES OF THE GROUP

(A) At the end of the Reporting Period, the number of employees on the payroll register of the Group was 28,760. The total salary payment for the first half of 2024 was approximately RMB2.036 billion.

(B) The remuneration policy

The remuneration of the employees of the Group includes salary, subsidies, bonuses and other fringe benefits such as five social insurances and one housing fund, enterprise annuity and supplementary medical insurance. The Group, while complying with the relevant laws and regulations, paid different rate of remuneration for different employees, based on their performance, qualification, position and other factors. Meanwhile, the Group provides two paths for employees' career development, namely professional channel and management channel, as a breakthrough to the predicament in the talent development due to limited management positions, so that outstanding professionals can receive enough recognition and incentives in the professional channel. In addition, the Group provides employee care such as staff shuttle buses, talent flats and various interest activity groups. The Group adheres to equal employment, values multicultural integration, respects the diverse background of each enterprise, treats employees of different nationalities, races, religious beliefs, genders and ages fairly, and firmly opposes any form of discrimination.

Changes in Share Capital and Shareholders

D. EMPLOYEES OF THE GROUP *(Continued)*

(C) Employees training plan

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

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

F. PUBLIC FLOAT

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

G. PRE-EMPTIVE RIGHTS

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

H. THE COMPANY DID NOT HOLD ANY TREASURY SHARES (INCLUDING ANY TREASURY SHARES HELD OR DEPOSITED WITH THE CENTRAL CLEARING AND SETTLEMENT SYSTEM) AND NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES PURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S LISTED SECURITIES (INCLUDING SALE OF TREASURY SHARES) DURING THE REPORTING PERIOD. THE COMPANY DID NOT HAVE MATERIAL ACQUISITION OR DISPOSAL OF ANY SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES.

Relevant Information on Preferred Shares

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

Relevant Information on Bonds

DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY BONDS.

Consolidated Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Current assets:			
Cash at bank and on hand	V.1	16,225,312,104.65	21,308,844,204.44
Financial assets held for trading	V.2	4,000,000.00	4,000,000.00
Derivative financial assets		–	–
Notes receivable	V.3	689,744,996.56	870,884,277.92
Accounts receivable	V.4	16,719,610,403.35	15,112,494,798.69
Accounts receivable financing	V.5	3,929,323,925.32	3,614,318,262.22
Advances to suppliers	V.6	708,489,026.15	818,359,584.97
Other receivables	V.7	1,059,017,904.96	878,488,529.23
Including: Interest receivable		–	–
Dividends receivable	V.7	1,500,000.00	61,263,627.92
Inventories	V.8	10,751,102,676.63	11,507,099,742.41
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets	V.9	254,950,003.63	159,360,467.41
Other current assets	V.10	1,598,522,880.96	1,709,863,857.80
Total current assets		51,940,073,922.21	55,983,713,725.09
Non-current assets:			
Debt investment	V.11	9,525,159,269.21	6,536,371,536.43
Other debt investment		–	–
Long-term receivables		–	–
Long-term equity investment	V.12	1,801,208,706.70	1,805,641,584.30
Other equity instrument investment	V.13	104,194,132.46	103,811,737.94
Other non-current financial assets	V.14	1,006,381,920.06	1,005,936,165.09
Investment properties	V.15	146,782,364.46	169,774,679.12
Fixed assets	V.16	4,424,550,998.08	4,379,797,422.14
Construction in progress	V.17	2,690,364,076.29	2,405,171,721.70
Bearer biological assets	V.18	1,930,950.00	2,105,655.00
Oil and gas assets			
Right-of-use assets	V.19	676,541,564.55	728,902,362.98
Intangible assets	V.20	2,856,101,215.34	2,886,413,941.35
Development expenditure	VI.2	351,784,901.77	309,893,312.45
Goodwill	V.21	830,854,604.98	829,473,066.90
Long-term prepaid expenses	V.22	184,892,068.16	189,876,764.45
Deferred tax assets	V.23	1,219,385,254.12	1,163,548,295.53
Other non-current assets	V.24	210,454,868.36	86,445,793.62
Total non-current assets		26,030,586,894.54	22,603,164,039.00
Total Assets		77,970,660,816.75	78,586,877,764.09

Consolidated Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Current liabilities:			
Short-term borrowings	V.26	9,242,343,632.60	7,799,035,643.76
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable	V.27	3,336,181,202.96	3,844,035,975.33
Accounts payable	V.28	11,952,437,927.25	11,841,831,852.37
Advances from customers	V.29	5,960,836.72	
Contract liabilities	V.30	1,449,634,327.13	5,429,885,396.19
Employee benefits payable	V.31	1,038,995,350.57	1,068,998,831.85
Taxes payable	V.32	443,407,282.10	386,552,287.00
Other payables	V.33	5,779,079,848.44	4,919,241,645.67
Including: Interest payable	V.33	–	–
Dividends payable	V.33	213,876,683.31	62,206,330.91
Liabilities held for sales		–	–
Current portion of non-current liabilities	V.34	849,642,196.54	249,828,503.72
Other current liabilities	V.35	153,789,720.49	695,880,365.06
Total current liabilities		<u>34,251,472,324.80</u>	<u>36,235,290,500.95</u>
Non-current liabilities:			
Long-term borrowings	V.36	3,255,043,414.31	3,323,717,917.22
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities	V.37	538,161,660.25	578,192,461.09
Long-term payables	V.38	19,666,964.60	19,971,964.60
Long-term employee benefits payable	V.39	295,354.75	293,264.21
Provisions	V.40	59,394,015.87	55,930,935.37
Deferred income	V.41	1,020,651,106.12	1,001,429,861.00
Deferred tax liabilities	V.23	655,992,715.75	639,528,919.04
Other non-current liabilities	V.42	54,176,704.96	54,698,033.81
Total non-current liabilities		<u>5,603,381,936.61</u>	<u>5,673,763,356.34</u>
Total Liabilities		<u>39,854,854,261.41</u>	<u>41,909,053,857.29</u>

Consolidated Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Shareholders' equity:			
Share capital	V.43	1,625,790,949.00	1,625,790,949.00
Other equity instruments		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Capital surplus	V.44	10,113,721,706.21	10,105,714,430.90
Less: Treasury shares			
Other comprehensive income	V.45	(19,365,524.34)	(24,344,469.59)
Special reserve			
Surplus reserve	V.46	2,252,061,704.14	2,252,789,227.30
Undistributed profits	V.47	22,291,178,690.38	20,959,330,809.10
Total equity attributable to shareholders of the parent company		36,263,387,525.39	34,919,280,946.71
Minority interest		1,852,419,029.95	1,758,542,960.09
Total Shareholders' Equity		38,115,806,555.34	36,677,823,906.80
Total Liabilities and Shareholders' Equity		77,970,660,816.75	78,586,877,764.09

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Income Statement

January to June 2024

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

Item	Notes	Current period	Prior period
I. Operating income	V.48	41,042,815,087.95	39,970,330,587.93
Less: Operating costs	V.48	33,244,055,666.85	31,645,497,412.24
Taxes and surcharges	V.49	168,053,875.53	173,845,071.46
Selling and distribution expenses	V.50	3,119,415,170.54	3,263,109,748.52
General and administrative expenses	V.51	1,212,873,491.87	1,199,468,387.87
R&D expenses	V.52	391,145,311.41	400,573,995.79
Financial expenses	V.53	(59,668,916.74)	(39,681,640.87)
Including: Interest expense	V.53	213,346,142.39	225,453,050.91
Interest income	V.53	278,159,615.53	270,967,777.04
Add: Other income	V.54	184,412,396.76	81,323,507.16
Investment income ("-" for loss)	V.55	157,448,550.83	176,422,078.39
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.55	11,109,142.58	72,049,845.07
Gains on termination of financial assets measured at amortized cost ("-" for loss)	V.55	(7,289,089.90)	(5,870,048.86)
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)	V.56	445,754.97	44,053,710.42
Impairment losses in respect of credit ("-" for loss)	V.57	(82,128,562.51)	(100,488,916.74)
Impairment losses in respect of assets ("-" for loss)	V.58	(1,316,286.19)	4,021,314.75
Gains on disposal of assets ("-" for loss)	V.59	293,002.28	439,942.15
II. Operating profit ("-" for loss)		3,226,095,344.63	3,533,289,249.05
Add: Non-operating income	V.60	15,605,783.79	9,161,401.77
Less: Non-operating expenses	V.61	12,297,751.70	9,759,081.36
III. Total profit ("-" for loss)		3,229,403,376.72	3,532,691,569.46
Less: Income tax expenses	V.62	561,371,344.39	610,948,519.48

Consolidated Income Statement

January to June 2024

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

Item	Notes	Current period	Prior period
IV. Net profit ("-" for net loss)		2,668,032,032.33	2,921,743,049.98
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		2,668,032,032.33	2,921,743,049.98
2. Net profit from discontinued operation ("-" for loss)		–	–
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		2,549,565,302.08	2,811,248,056.83
2. Minority interest ("-" for loss)		118,466,730.25	110,494,993.15
V. Other comprehensive income, net of tax		5,246,550.74	(501,345.28)
Other comprehensive income, net of tax attributable to the parent company's shareholders	V.45	4,978,945.25	(390,846.88)
(I) Other comprehensive income that will not be reclassified to profit or loss	V.45	325,035.35	(5,280,975.02)
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.45	325,035.35	(5,280,975.02)
4. Change in fair value of the company's own credit risk		–	–
(II) Other comprehensive income that may be reclassified into profit or loss		4,653,909.90	4,890,128.14
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.45	(1,383,869.08)	(4,122,818.96)
3. The amount of financial assets reclassified into other comprehensive income		–	–
4. Provision for credit loss of other debt investments	V.45	4,064,662.04	3,015,878.54
5. Cash flow hedge reserve		–	–
6. Difference arising from the translation of foreign currency financial statements	V.45	1,973,116.94	5,997,068.56
7. Others		–	–
Other comprehensive income, net of tax attributable to minority shareholders	V.45	267,605.49	(110,498.40)

Consolidated Income Statement

January to June 2024

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

Item	Notes	Current period	Prior period
VI. Total comprehensive income		<u>2,673,278,583.07</u>	<u>2,921,241,704.70</u>
1.Total comprehensive income attributable to shareholders of the parent company		2,554,544,247.33	2,810,857,209.95
2.Total comprehensive income attributable to minority shareholders		118,734,335.74	110,384,494.75
VII. Earnings per share (EPS):			
1. Basic earnings per share	XVII.2	1.568	1.729
2. Diluted earnings per share	XVII.2	1.568	1.729

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Cash Flow

January to June 2024

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

Item	Notes	Current period	Prior period
I. Cash flow from operating activities:			
Cash receipts from the sale of goods and the rendering of services		35,313,325,321.90	34,903,594,782.22
Receipts of taxes refunds		3,415,030.65	13,731,196.79
Other cash receipts relating to operating activities	V.63	716,940,776.62	551,155,845.85
Subtotal of cash inflow from operating activities		36,033,681,129.17	35,468,481,824.86
Cash payments for goods purchased and services received		32,004,779,648.87	29,679,143,224.56
Cash payments to and on behalf of employees		3,097,316,974.26	2,967,516,288.27
Payments of all types of taxes		1,678,408,943.99	1,756,671,059.69
Other cash payments relating to operating activities	V.63	1,289,916,056.64	1,805,861,523.34
Subtotal of cash outflow from operating activities		38,070,421,623.76	36,209,192,095.86
Net cash flow from operating activities		(2,036,740,494.59)	(740,710,271.00)
II. Cash flow from investing activities:			
Cash receipts from returns of investments		115,000,000.00	1,310,779,217.52
Cash receipts from returns on investments		63,562,110.17	199,459,644.08
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		756,368.83	5,103,109.86
Net cash receipts from the disposals of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities	V.63	1,035.36	32,063.05
Subtotal of cash inflow from investment activities		179,319,514.36	1,515,374,034.51
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		564,671,386.16	759,293,360.38
Cash payments to acquire investments		3,527,761,463.65	1,711,259,088.65
Net cash payments for acquisitions of subsidiaries and other business units		1,565,411.30	–
Other cash payments relating to investing activities		–	–
Subtotal of cash outflow from investment activities		4,093,998,261.11	2,470,552,449.03
Net cash flow from investing activities		(3,914,678,746.75)	(955,178,414.52)

Consolidated Statement of Cash Flow

January to June 2024

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		21,200,000.00	19,960,000.00
Including: cash receipts from minorities making investment in subsidiaries		21,200,000.00	19,960,000.00
Cash receipts from borrowing		7,063,481,997.99	6,481,627,302.81
Other cash receipts relating to financing activities	V.63	356,539.34	2,423,604,835.06
Subtotal of cash inflow from financing activities		7,085,038,537.33	8,925,192,137.87
Cash repayments of amounts borrowed		5,092,547,890.19	4,715,914,116.66
Cash payments for distribution of dividends, profits or interest expenses		1,240,658,012.88	1,212,303,973.50
Including: payments for distribution of dividends or profit to minorities of subsidiaries		21,076,463.14	4,568,858.66
Other cash payments relating to financing activities	V.63	156,750,969.65	2,321,985,926.86
Subtotal of cash outflow from financing activities		6,489,956,872.72	8,250,204,017.02
Net cash flow from financing activities		595,081,664.61	674,988,120.85
IV. Effect of foreign exchange rate changes on cash and cash equivalents		4,280,947.37	3,763,022.04
V. Net increase in cash and cash equivalents	V.64	(5,352,056,629.36)	(1,017,137,542.63)
Add: opening balance of cash and cash equivalents	V.64	19,823,543,794.72	20,804,699,012.64
VI. Closing balance of cash and cash equivalents	V.64	14,471,487,165.36	19,787,561,470.01

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Consolidated Statement of Changes in Shareholders' Equity

January to June 2024

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

Item	Current period										Total Shareholders' Equity	
	Equity attributable to the Shareholders of Parent Company											
	Other equity instruments				Less: Treasury shares		Other Comprehensive Income		Undistributed profits			Subtotal
Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits			
I. Balance at 31 December 2023	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(24,344,469.59)	2,252,789,227.30	20,959,330,008.10	34,919,280,946.71	1,738,542,960.09	36,677,823,906.80
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-
Contribution of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2024	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(24,344,469.59)	2,252,789,227.30	20,959,330,008.10	34,919,280,946.71	1,738,542,960.09	36,677,823,906.80
III. Increase (decrease) in the current year ("+" for losses)	-	-	-	-	8,007,275.31	-	4,978,945.25	(777,523.16)	1,331,847,881.28	1,344,105,578.68	93,876,089.86	1,437,982,648.54
(1) Total comprehensive income	-	-	-	-	8,007,275.31	-	4,978,945.25	(777,523.16)	2,549,565,302.08	2,554,544,247.33	118,734,335.74	2,673,278,583.07
(2) Shareholders' contributions and reduction in capital	-	-	-	-	8,007,275.31	-	-	(777,523.16)	-	7,229,752.15	(15,263,444.17)	(7,989,692.02)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	8,007,275.31	-	-	(777,523.16)	-	7,229,752.15	(15,263,444.17)	(7,989,692.02)
(3) Profit distribution	-	-	-	-	-	-	-	-	(1,217,717,420.80)	(1,217,717,420.80)	(9,388,821.71)	(1,227,306,242.51)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal compensation of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2024	1,625,790,949.00	-	-	-	10,113,721,706.21	-	(19,365,524.34)	2,252,061,704.14	22,291,178,890.38	36,263,387,525.39	1,852,419,029.95	38,115,806,555.34

Principal in charge of accounting: **Liu Fei**
 Head of accounting department: **Wu Chuling**

Legal representative: **Yang Jun**

Consolidated Statement of Changes in Shareholders' Equity

January to June 2024

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

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity		
	Other equity instruments					Preferred							
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity	
I. Balance at 31 December 2022	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(12,900,928.58)	-	2,084,386,972.83	18,262,133,246.76	32,065,124,770.91	1,572,733,308.31	33,637,858,079.22
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Combination of businesses under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2023	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(12,900,928.58)	-	2,084,386,972.83	18,262,133,246.76	32,065,124,770.91	1,572,733,308.31	33,637,858,079.22
III. Increase / (decrease) in the current year ("+" for losses)	-	-	-	-	-	-	(30,846.88)	-	-	-	-	116,400,464.77	1,737,178,700.04
(1) Total comprehensive income	-	-	-	-	-	-	(30,846.88)	-	-	-	-	110,384,494.75	2,907,241,704.70
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(1,190,078,974.68)	(1,190,078,974.68)	(5,317,492.42)	(1,195,396,467.10)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,190,078,974.68)	(1,190,078,974.68)	(5,317,492.42)	(1,195,396,467.10)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	(8,026,537.56)	(8,026,537.56)
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	-	-	-	-	-	-	-	-	-	-	-	(8,026,537.56)	(8,026,537.56)
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2023	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(13,291,775.46)	-	2,084,386,972.83	19,883,302,428.91	33,685,933,065.18	1,689,133,773.08	35,375,066,779.26

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Current assets:			
Cash at bank and on hand		3,227,960,695.62	4,816,246,821.06
Financial assets held for trading		–	–
Derivative financial assets		–	–
Notes receivable		131,809,751.71	281,805,022.63
Accounts receivable	XVI.1	232,477,070.51	160,933,122.74
Accounts receivable financing		1,402,874,893.84	372,176,838.83
Advances to suppliers		5,746,959.06	15,823,403.07
Other receivables	XVI.2	413,969,725.89	508,400,266.29
Including: Interest receivable		–	–
Dividends receivable	XVI.2	153,397,700.00	213,161,327.92
Inventories		439,523,684.25	481,677,074.29
Contract assets		–	–
Assets held for sales		–	–
Current portion of non-current assets		–	–
Other current assets		254,046,560.00	260,904,934.49
Total current assets		6,108,409,340.88	6,897,967,483.40
Non-current assets:			
Debt investments		6,598,883,218.46	5,110,644,132.00
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments	XVI.3	13,543,421,317.88	13,543,303,375.27
Other equity instrument investments		104,194,132.46	103,811,737.94
Other non-current financial assets		986,064,581.42	981,882,999.57
Investment properties		167,337,735.56	171,606,817.57
Fixed assets		413,138,551.87	430,845,766.80
Construction in progress		1,046,549,892.22	841,717,730.94
Bearer biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		25,978,173.34	27,521,136.23
Intangible assets		1,851,471,739.99	1,862,499,485.32
Development expenditure		6,265,818.14	6,339,966.90
Goodwill		–	–
Long-term prepaid expenses		5,593,726.32	5,766,830.06
Deferred tax assets		203,107,416.36	199,972,505.48
Other non-current assets		43,522,026.90	38,401,790.89
Total non-current assets		24,995,528,330.92	23,324,314,274.97
Total Assets		31,103,937,671.80	30,222,281,758.37

Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Current liabilities:			
Short-term borrowings		250,000,000.00	250,000,000.00
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Notes payable		–	–
Accounts payable		336,119,994.65	398,043,280.96
Advances from customers		7,568.81	44,931.23
Contract liabilities		111,617,199.62	205,815,322.47
Employee benefits payable		131,372,686.54	104,504,103.01
Taxes payable		93,055,445.91	55,575,395.70
Other payables		7,570,793,560.50	6,240,462,093.48
Including: Interest payable		–	–
Dividends payable		166,146,605.23	1,264,940.14
Liabilities held for sales		–	–
Current portion of non-current liabilities		13,377,897.23	13,804,885.92
Other current liabilities		16,694,021.17	28,091,070.54
Total current liabilities		8,523,038,374.43	7,296,341,083.31
Non-current liabilities:			
Long-term borrowings		97,510,000.00	97,520,000.00
Bonds payable		–	–
Including: Preferred stock		–	–
Perpetual bond		–	–
Lease liabilities		14,334,301.35	16,073,237.60
Long-term payables		7,777,684.39	7,777,684.39
Long-term employee benefits payable		–	–
Provisions		1,020,722,569.19	922,641,569.19
Deferred income		86,278,751.10	68,085,002.83
Deferred tax liabilities		72,455,474.20	61,916,477.36
Other non-current liabilities		58,926,156.46	59,232,906.35
Total non-current liabilities		1,358,004,936.69	1,233,246,877.72
Total Liabilities		9,881,043,311.12	8,529,587,961.03

Balance Sheet

30 June 2024

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

Item	Notes	30 June 2024	31 December 2023
Shareholders' equity:			
Share capital		1,625,790,949.00	1,625,790,949.00
Other equity instruments		-	-
Including: Preferred stock		-	-
Perpetual bond		-	-
Capital surplus		9,819,327,969.93	9,819,327,969.93
Less: Treasury shares		-	-
Other comprehensive income		(21,546,223.62)	(21,871,258.97)
Special reserve		-	-
Surplus reserve		1,880,180,792.71	1,880,180,792.71
Undistributed profits		7,919,140,872.66	8,389,265,344.67
Total Shareholders' Equity		<u>21,222,894,360.68</u>	<u>21,692,693,797.34</u>
Total Liabilities and Shareholders' Equity		<u>31,103,937,671.80</u>	<u>30,222,281,758.37</u>

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Income Statement

January to June 2024

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

Item	Notes	Current period	Prior period
I. Operating income	XVI.4	2,080,096,952.51	2,257,325,099.88
Less: Operating costs	XVI.4	663,456,984.91	767,456,467.38
Taxes and surcharges		21,053,768.94	25,408,736.11
Selling and distribution expenses		416,855,977.25	475,125,080.45
General and administrative expenses		201,984,082.62	200,680,501.32
R&D expenses		143,587,019.60	147,873,803.69
Financial expenses		(41,386,471.95)	(61,897,413.00)
Including: Interest expense		4,693,803.73	8,105,264.15
Interest income		46,143,923.40	70,077,314.39
Add: Other income		20,954,460.78	15,790,355.14
Investment income ("-" for loss)	XVI.5	172,682,886.45	234,218,679.28
Including: Share of profit or loss of associates and joint ventures	XVI.5	10,070,064.21	74,610,859.49
Gains on termination of financial assets measured at amortized cost	XVI.5	–	(2,402,025.39)
Gains on hedging of net exposure ("-" for loss)		–	–
Gains from changes in fair value ("-" for loss)		4,181,581.85	43,456,267.38
Impairment losses in respect of credit ("-" for loss)		(1,018,341.13)	(1,510,490.29)
Impairment losses in respect of assets ("-" for loss)		(3,590,327.89)	4,410,834.60
Gains on disposal of assets ("-" for loss)		–	–
II. Operating profit ("-" for loss)		867,755,851.20	999,043,570.04
Add: Non-operating income		463,448.67	470,747.07
Less: Non-operating expenses		2,215,885.16	1,260,559.12
III. Total profit ("-" for loss)		866,003,414.71	998,253,757.99
Less: Income tax expenses		118,410,465.92	137,159,101.39
IV. Net profit ("-" for net loss)		747,592,948.79	861,094,656.60
1. Net profit from continuing operations ("-" for loss)		747,592,948.79	861,094,656.60
2. Net profit from discontinued operation ("-" for loss)		–	–

Income Statement

January to June 2024

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

Item	Notes	Current period	Prior period
V. Other comprehensive income, net of tax		325,035.35	(5,280,975.01)
(1) Other comprehensive income that will not be reclassified to profit or loss		325,035.35	(5,280,975.01)
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		325,035.35	(5,280,975.01)
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		–	–
		747,917,984.14	855,813,681.59
VI. Total comprehensive income			
VII. Earnings per share (EPS):			
1. Basic earnings per share		–	–
2. Diluted earnings per share		–	–

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Statement of Cash Flow

January to June 2024

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

Item	Notes	Current period	Prior period
I. Cash flow arising from operating activities:			
Cash receipts from the sale of goods and the rendering of services		845,914,872.33	1,316,723,330.41
Receipts of taxes refunds		1,135.02	174,788.10
Other cash receipts relating to operating activities		270,907,936.09	288,804,548.94
Subtotal of cash inflow from operating activities		1,116,823,943.44	1,605,702,667.45
Cash payments for goods purchased and services received		95,856,057.98	110,430,569.64
Cash payments to and on behalf of employees		273,578,391.73	252,039,796.34
Payments of all types of taxes		223,763,766.46	320,699,281.20
Other cash payments relating to operating activities		200,809,161.60	232,582,052.72
Subtotal of cash outflow from operating activities		794,007,377.77	915,751,699.90
Net cash flow from operating activities		322,816,565.67	689,950,967.55
II. Cash flow from investing activities:			
Cash receipts from returns of investments		–	1,154,311,713.85
Cash receipts from returns on investments		668,482,449.47	785,334,358.54
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		21,021.77	125,852.89
Net cash received from disposal of subsidiaries and other business units		–	–
Other cash receipts relating to investing activities		2,784,160.36	3,399,135.27
Subtotal of cash inflow from investment activities		671,287,631.60	1,943,171,060.55
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		118,350,982.21	57,811,307.15
Cash payments to acquire investments		1,402,400,000.00	1,141,930,088.65
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities		–	–
Subtotal of cash outflow from investment activities		1,520,750,982.21	1,199,741,395.80
Net cash flow from investing activities		(849,463,350.61)	743,429,664.75

Statement of Cash Flow

January to June 2024

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

Item	Notes	Current period	Prior period
III. Cash flow from financing activities:			
Cash receipts from investors making investment in the enterprise		–	–
Cash receipts from borrowing		–	–
Other cash receipts relating to financing activities		–	–
Subtotal of cash inflow from financing activities		–	–
Cash repayments of amounts borrowed		10,000.00	26,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		1,054,449,680.90	1,034,200,548.66
Other cash payments relating to financing activities		7,064,253.20	7,149,400.00
Subtotal of cash outflow from financing activities		1,061,523,934.10	1,067,349,948.66
Net cash flow from financing activities		(1,061,523,934.10)	(1,067,349,948.66)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		–	–
V. Net increase in cash and cash equivalents		(1,588,170,719.04)	366,030,683.64
Add: opening balance of cash and cash equivalents		4,816,131,414.66	5,383,220,433.89
VI. Closing balance of cash and cash equivalents		3,227,960,695.62	5,749,251,117.53

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Statement of Changes in Shareholders' Equity

January to June 2024

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

Item	Current period										Total Shareholders' Equity
	Other equity instruments					Less: Treasury shares					
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits		
I. Balance at 31 December 2023	1,625,790,949.00	-	-	-	9,819,327,969.93	(21,871,258.97)	-	1,880,180,792.71	8,389,265,344.67	21,692,693,797.34	
Adjustments in accounting policies	-	-	-	-	-	-	-	-	-	-	
Correction of prior year errors	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2024	1,625,790,949.00	-	-	-	9,819,327,969.93	(21,871,258.97)	-	1,880,180,792.71	8,389,265,344.67	21,692,693,797.34	
III. Increase / (decrease) in the current year ("+" for losses)											
(1) Total comprehensive income	-	-	-	-	-	325,035.35	-	-	(470,124,472.01)	(65,799,436.66)	
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	325,035.35	-	-	747,592,948.79	747,917,984.14	
2. 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	-	-	-	-	-	-	-	-	(12,717,420.80)	(12,717,420.80)	
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	(12,717,420.80)	(12,717,420.80)	
3. Others	-	-	-	-	-	-	-	-	-	-	
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	
2. Current utilization	-	-	-	-	-	-	-	-	-	-	
(6) Others	-	-	-	-	-	-	-	-	-	-	
IV. Balance at 30 June 2024	1,625,790,949.00	-	-	-	9,819,327,969.93	(21,546,223.62)	-	1,880,180,792.71	7,919,140,872.66	21,222,894,360.68	

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Statement of Changes in Shareholders' Equity

January to June 2024

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

Item	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
I. Balance at 31 December 2023	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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2024	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
III. Increase (decrease) in the current year ("+" for losses)											
(1) Total comprehensive income	-	-	-	-	-	-	(5,280,975.01)	-	-	(328,984,318.08)	(334,265,293.09)
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	(5,280,975.01)	-	-	861,094,656.60	855,813,681.59
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(1,190,078,974.68)	(1,190,078,974.68)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,190,078,974.68)	(1,190,078,974.68)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carryforward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2024	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(20,337,619.85)	-	1,711,778,538.24	7,734,739,711.00	20,871,293,548.32

Legal representative:
Yang Jun

Principal in charge of accounting:
Liu Fei

Head of accounting department:
Wu Chuling

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION

1. Company overview

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

According to the Circular Tigaisheng [1997] No.145 issued by the State Commission for Restructuring the Economic Systems and Circular Zhengweifa [1997] No.56 issued by the Securities Regulatory Commission of the State Council, the 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.

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

1. Company overview *(Continued)*

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 GPLH and The People's Government of Guangzhou 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.

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 30 August 2024.

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation

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

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

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as “Xing Qun”)	Direct holding
Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhong Yi”)	Direct holding
Guangzhou Baiyunshan Zhong Sheng Great Health Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (hereinafter referred to as “Chen Li Ji”)	Direct holding
Guangzhou Baiyunshan Chen Li Ji Great Health Industry Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (hereinafter referred to as “Guangzhou Han Fang”)	Direct holding
Guangyao Hanfang (Zhuhai Hengqin) Pharmaceutical Co., Ltd.	Indirect holding
Tibet Guangyao Hanfang Ganoderma lucidum Industry Co., Ltd.	Indirect holding
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct holding
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (hereinafter referred to as “Qi Xing”)	Indirect holding
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (hereinafter referred to as “Jing Xiu Tang”)	Direct holding
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Indirect holding
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as “Pan Gao Shou”)	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as “Wang Lao Ji”)	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Pharmaceutical Co, Ltd.	Indirect holding

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
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 (Hainan) Medical Technology 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
Guangyao (Ya’an) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangxi) Pharmaceutical Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
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
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

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangyao Jilin 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
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) 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
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

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as “Yi Gan”)	Direct holding
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (hereinafter referred to as “BYS M&H Industry”)	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as “Xing Zhu”)	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as “Wang Lao Ji Investment”)	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as “WLJ Catering”)	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as “Tian Xin”)	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as “Guang Hua”)	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

Notes to the Financial Statements

For January – June 2024

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

I. GENERAL INFORMATION *(Continued)*

2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
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
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Logistics Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Shantou) Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Huizhou) Co., Ltd.	Indirect holding
Guangyao Mudanjiang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Zhanjiang) Co., Ltd.	Indirect holding
Dongguan Guangyao Baokang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Liangshan) Co., Ltd.	Indirect holding

Notes to the Financial Statements

For January – June 2024

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

II. BASIS OF PREPARATION

1. Basis of Preparation

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”), 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 requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited and disclosure provisions under the Hong Kong Companies Ordinance.

2. Going Concern

The Company has the ability to continue as a going concern for at least the next 12 months from the end of this reporting period. There is no significant event affecting its ability to continue as a going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries are engaged in pharmaceutical operations. Based on the characteristics of the Company’s actual productions and operations, the Company and its subsidiaries have determined several specific accounting policies and accounting estimates for revenue recognition and other transactions and events according to ASBE. For more details, please refer to Note III. 29 “Revenue”. For description of significant accounting judgments and estimates made by the management, please refer to Note III. 36 “Significant Accounting Judgment and Estimates”.

1. Statement of Compliance with ASBE

The financial statements have been prepared in accordance with the *Accounting Standards for Business Enterprises*, present truly and completely the Company’s financial position as of 30 June 2024, 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 2024 to 30 June 2024.

Notes to the Financial Statements

For January – June 2024

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

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

3. Operating Cycle

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

4. Functional Currency

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

5. Methods and Criteria for Determining Importance Standards

(1) The importance of financial statement items

This Company determines the importance of financial statement items based on whether they affect the economic decisions of financial statement users. Both the nature and the amount of financial statement items are considered. The importance of the nature of financial statement items is based on factors such as whether they pertain to routine operating activities, lead to changes in profit or loss, or affect regulatory indicators that have a significant impact on financial condition and operating results. The importance of the amount of financial statement items is based on whether the related items constitute more than 3% of net assets or net profits.

Notes to the Financial Statements

For January – June 2024

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

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

5. Methods and Criteria for Determining Importance Standards *(Continued)*

(2) The importance of detailed items in the financial statement notes.

Item	Importance Standard
Significant long-term equity investments, other equity instruments, other non-current financial assets	Single external investment activity amount constitutes more than 3% of total net assets
Significant long-term borrowings, short-term borrowings	Single borrowing activity amount constitutes more than 3% of total net assets
Significant contingent liabilities	Single asset guarantee or mortgage activity amount constitutes more than 3% of total net assets
Significant impairment losses on assets, credit impairment losses, gains on asset disposal	Single asset write-off amount constitutes more than 3% of net profit
Significant revenues, costs	Single revenue or cost amount constitutes more than 3% of total net assets
Other significant asset categories	Single asset item amount constitutes more than 3% of total net assets
Other significant liability categories	Single liability item amount constitutes more than 3% of total net assets
Other significant profit and loss categories	Single profit or loss item amount constitutes more than 3% of net profit

Notes to the Financial Statements

For January – June 2024

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

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

6. Business Combination

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

(1) Business combination under common control

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

6. Business Combination *(Continued)*

(2) Business combination not under common control

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

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

Notes to the Financial Statements

For January – June 2024

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

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

6. Business Combination *(Continued)*

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

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

For the business combinations not under common control and completed through multiple transactions, according to *Notice of the Ministry of Finance of the People's Republic of China on Issuing Interpretations No.5 on Accounting Standards for Business Enterprises* (Caikui [2012] No.19) and the criteria about "package deal" in Article 51 of *Accounting Standards for Business Enterprises No.33 – Consolidated Financial Statements*, 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. 17 "Long-term Equity Investment"; if they are not included in "package deal", relevant accounting treatment shall be conducted differently in separate financial statements and consolidated financial statements.

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

Notes to the Financial Statements

For January – June 2024

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

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

6. Business Combination *(Continued)*

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

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

7. Criteria for Determining Control and Preparation Method for Consolidated Financial Statements

(1) Criteria for Determining Control

The scope of consolidation of consolidated financial statements is determined based on control. An investee entity possessing the following three elements is considered to be controlled: having power over the investee entity, enjoying variable returns from participating in the activities of the investee entity, and having the ability to use power over the investee entity to affect the number of returns.

(2) The method for preparation of consolidated financial statements

① *Uniform accounting policies for parent and subsidiary companies, and uniform balance sheet dates and accounting periods for parent and subsidiary companies.*

When preparing consolidated financial statements, if the accounting policies or accounting periods adopted by subsidiaries differ from those of the Group, necessary adjustments are made to the financial statements of subsidiaries in accordance with the Group's accounting policies and accounting periods. For subsidiaries acquired through business combinations not under common control, adjustments are made to their financial statements based on the fair value of identifiable net assets recognized on the acquisition date.

Notes to the Financial Statements

For January – June 2024

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

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

7. Criteria for Determining Control and Preparation Method for Consolidated Financial Statements *(Continued)*

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

② *Offsetting items in consolidated financial statements.*

Consolidated financial statements are based on the financial statements of the parent company and subsidiaries, and internal transactions between the parent company and subsidiaries, and between subsidiaries, are eliminated. Minority interests, representing portions of equity not owned by the parent company, are presented as “Minority Interests” under the equity item in the consolidated balance sheet. Long-term equity investments held by subsidiaries in the parent company are treated as treasury stock of the parent company and deducted from equity. They are presented as “Deduction: Treasury Stock” under the equity item in the consolidated balance sheet.

③ *Accounting treatment for subsidiaries acquired through business combinations.*

For subsidiaries acquired through business combinations under common control, it is deemed that such subsidiaries have been acquired since the date control was obtained by the ultimate controlling party, and their assets, liabilities, operating results, and cash flows are included in the consolidated financial statements from the beginning of the period of combination. For subsidiaries acquired through business combinations not under common control, adjustments are made to their individual financial statements based on the fair value of identifiable net assets recognized on the acquisition date when preparing consolidated financial statements.

④ *Accounting treatment for disposal of subsidiaries.*

In the case of partial disposal of long-term equity investments in subsidiaries without loss of control, in the consolidated financial statements, the difference between the disposal proceeds and the share of net assets continuously calculated by the subsidiary since the date of purchase or combination is adjusted to capital surplus. If the capital surplus is insufficient, it is deducted from retained earnings. If control over the investee is lost due to the disposal of partial equity investments and other reasons, the remaining equity is remeasured at fair value as of the date of loss of control when preparing consolidated financial statements. The consideration received for the disposal of equity plus the difference between the fair value of the remaining equity and the share of net assets continuously calculated based on the original ownership proportion since the date of purchase or combination is recognized as investment income for the period of loss of control, and goodwill is also reduced. Other comprehensive income related to the original equity investment in the subsidiary is converted into investment income for the period when control is lost.

Notes to the Financial Statements

For January – June 2024

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

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

8. 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. 17. (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.

9. Recognition Criteria for Cash and Cash Equivalents

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

Notes to the Financial Statements

For January – June 2024

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

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

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

(1) Methods for Translation of Foreign Currency Transactions

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

The foreign currency adopted in the foreign currency financial statements for overseas operation shall be translated into RMB as per the following methods: Assets and liabilities on the balance sheet shall be translated at the spot rate at the balance sheet date; shareholders’ equity items shall be translated at the spot rate occurred except for the item of “undistributed profit”. The income and expense items in the profit statement shall be translated at the average rate in the current year. The opening balance of undistributed profits are the closing balance of undistributed profits translated at the prior year; for closing balance of undistributed profits, each item shall be calculated and presented as per the translated profits; and the difference between the asset items and the sum of liability items and shareholders’ equity items after translation shall be recognized into other comprehensive incomes as translation difference from translation of foreign financial statements. When disposing overseas operation and losing the control, difference arising from the translation of foreign currency financial statements, which are presented under shareholders’ equity in the balance sheet and related to the overseas operation, shall be transferred to the profit or loss for the current year in whole or in proportion of the disposed overseas operation.

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

For the preparation of consolidated financial statements, when the disposal of all shareholders' equities with respect to the overseas operations by the Company, as well as parts of equity investments, results in a lost in control over the overseas operations, the Company shall convert the difference, which is presented under the items of the owner's equities of the parent company in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the profit or loss of the period for disposal.

When overseas operational control is retained but the proportion of overseas operational equity held by the Company decreases due to disposal of partial equity investments or other reasons, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be recognized as minority shareholder equity. The difference shall not be transferred into current profit or loss. In the event that the disposed overseas operation involves partial equities of affiliated enterprises and joint ventures, the difference arising from translation of foreign currency relevant to the disposed portion of such overseas operation will be transferred into the current profit or loss for disposal as per the disposed proportion of overseas operation.

Notes to the Financial Statements

For January – June 2024

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

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

11. 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.

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.

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

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

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 January – June 2024

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

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

11. 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 January – June 2024

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

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

11. 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 January – June 2024

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

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

11. Financial Instruments *(Continued)*

(4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall terminate the recognition of such financial liability (or part thereof). The company (borrower) signs an agreement with the lender to replace the original financial liability by assuming the new financial liability. If the contract terms of the new financial liability and the original financial liability are substantially different, the company shall terminate the confirmation of the original financial liability and simultaneously confirm a new financial liability. If the company materially modifies the contract terms of the original financial liabilities (or part thereof), the original financial liabilities shall be terminated, and a new financial liability shall be recognized according to the revised terms.

Where the recognition of financial liabilities (or part thereof) is terminated, the company shall recognize the difference between its book value and the consideration paid (including the transferred non-cash assets or liabilities) into the current profit and loss.

(5) Offsetting of financial assets and liabilities

When the company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable, at the same time, the company plans to net or cash at the same time when the financial assets and liquidation of the financial liability, financial assets and financial liabilities to offset each other after amount listed in the balance sheet. In addition, financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other.

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

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

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

(7) Equity instruments

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

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

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments

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

① *The recognition method of provision for impairment*

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(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).

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

⑤ *Method for determining the credit loss of financial assets*

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

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

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

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

- ① Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

If the default risk of a financial instrument is low, the debtor's ability to fulfill its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment over a long period of time, the borrower may not necessarily reduce the performance of its contractual cash flow obligations, this financial instrument should be considered as lower credit risk.

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

11. Financial Instruments *(Continued)*

(8) Impairment of Financial Instruments *(Continued)*

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

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

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

Aging	expected credit loss rate of aging portfolio (%)
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00

Notes to the Financial Statements

For January – June 2024

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Financial Instruments (Continued)

(8) Impairment of Financial Instruments (Continued)

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

③ Methods for measuring loss provisions for other financial assets

For financial assets other than the above, such as: debt investment, other debt investment, other receivables, long-term receivables except lease receivables, etc., the company measures loss provisions in accordance with the general method, that is, the “three-stage” model.

The company divides other receivables into several portfolios based on the nature of the payment and calculates the expected credit loss on the basis of the portfolio.

the basis for the portfolio as follows:

Other receivables portfolio 1: Aging portfolio

Other receivables portfolio 2: Portfolio of financial assets with extremely low credit risk

Other receivables portfolio 3: Related party portfolio

Other receivables portfolio 4: deposit portfolio

Portfolio (aging portfolio): expected credit loss rate:

Aging	expected credit loss rate of aging portfolio on other receivables (%)
Within 1 year (including 1 year, the same below)	1.00
1 to 2 years	10.00
2 to 3 years	30.00
3 to 4 years	50.00
4 to 5 years	80.00
More than 5 years	100.00

Notes to the Financial Statements

For January – June 2024

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

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

12. Notes Receivables

Please refer to Note III, 11 “Financial Instruments” 8(5) ② for accounts receivable measured by expected credit losses on a portfolio basis.

13. Receivables Financing

Please refer to Note III, 11 “Financial Instruments” for the recognition basis, measurement method, and termination criteria of financial assets and liabilities.

14. Other Receivables

Please refer to Note III, 11 “Financial Instruments” 8(5) ③ for accounts receivable measured by expected credit losses on a portfolio basis.

15. Inventories

(1) Category of inventories

Inventories mainly includes materials in transit, raw materials, work in progress, Semi-finished goods, finished goods, low-value consumables, packaging materials, Consigned processing material, goods on consignment, commodity stocks, goods in transit, etc.

(2) Method/formula used to assign cost for inventories

The inventory shall be initially measured at actual costs when acquired. The cost of inventory comprises all costs of purchase, costs of conversion and other costs. Cost is determined using the weighted average method. The cost of finished goods, commodity stocks and work in progress comprises raw material, direct labor and overhead allocated based on normal capacity.

(3) The perpetual inventory system is adopted

(4) Amortization method for low value consumables

Low-value consumables are amortized by the immediate write-off amortization method upon usage. Packaging materials are amortized by the immediate write-off amortization method upon usage.

Notes to the Financial Statements

For January – June 2024

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

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

15. Inventories *(Continued)*

(5) 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.

16. 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 January – June 2024

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

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

16. 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.

Notes to the Financial Statements

For January – June 2024

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

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

17. 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. 11. Financial instrument for accounting policies.

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

Notes to the Financial Statements

For January – June 2024

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

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

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

(1) Recognition of Investment Cost

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

③ Minority Equity Purchase

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

④ Disposal of Long-term Equity Investment

In the consolidated financial statements, the parent company disposes the long-term equity investment of the subsidiary without losing control right. The difference between the disposing amount and the net asset of the subsidiary enjoyed correspondingly in disposing long-term equity investment is recorded into shareholder's equity; If the parent company loses its control right on the subsidiary due to the disposal of the long-term equity investment of the subsidiary, the relevant accounting policy as indicated in Note III, 7 (2) "Method for Preparation of Consolidated Financial Statements" shall be followed for handling.

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

Where the Company's common control or significant influence over the investee is lost due to the disposal of partial equity investment, the residual equity after disposal will change to be calculated by standard of recognition and measurement of financial instruments, the balance between the fair value and book value thereof on the date the common control or significant influence is lost shall be included into current profit or loss. Other comprehensive income recognized by calculating original equity investment by equity method shall go through accounting treatment on the same basis on which the investee directly disposes the relevant assets or liabilities when ceasing to use equity method; for the shareholder's equity recognized by other changes on shareholder's equity rather than net profit or loss, other comprehensive income and profit distribution of the investee shall be transferred into current investment income when ceasing to use equity method.

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

18. 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. 24 "Long-term Asset Impairment" for the methods of impairment test and preparing provisions for the impairment of investment property.

When an owner-occupied property or an inventory are transferred into an investment property, or when an investment property is transferred into an owner-occupied property, the book value prior to the transfer is recognized as the book value after the transfer.

Notes to the Financial Statements

For January – June 2024

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

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

18. Investment Property *(Continued)*

When an investment property is transferred into an owner-occupied property, the investment property is reclassified as fixed asset or intangible asset since the date of transfer. When the purpose of an owner-occupied property is transferred to generate rent or receive capital gain, the fixed asset or the intangible asset is transferred to investment property since the date of transfer. After the transfer, investment property measured at cost, recognizes the book value prior to the transfer as the book value after the transfer; for investment property transferred to be measured under fair value model, the fair value at the transfer date shall be recognized as the book value after transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the book value of the asset and shall be recognized in profit or loss in the period of the retirement or disposal.

19. Fixed Assets

(1) Recognition Criteria of Fixed Assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Notes to the Financial Statements

For January – June 2024

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

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

19. 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. 24 “Long-term Asset Impairment”.

Notes to the Financial Statements

For January – June 2024

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

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

19. Fixed Assets *(Continued)*

(4) Disposal of Fixed Assets

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.

20. 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. 24 "Long-term Asset Impairment" for the impairment test method and impairment provision method of construction in progress.

Notes to the Financial Statements

For January – June 2024

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

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

21. Borrowing Costs

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

22. Biological assets

Bearer biological assets

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

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

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

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

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

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

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

Notes to the Financial Statements

For January – June 2024

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

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

22. Biological assets *(Continued)*

Bearer biological assets *(Continued)*

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

23. Intangible Assets

(1) The valuation method for 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.

(2) The useful life, its determination basis, estimation situation, amortization method or review procedure

The useful life of limited-life intangible assets is amortized according to the following table, and at the end of the year, a review of the useful life and amortization method of intangible assets is conducted. If there is a difference from the original estimate, appropriate adjustments are made. Intangible assets with uncertain useful life are not amortized, but at the end of the year, the service life is reviewed, and when there is conclusive evidence that the useful life is limited, the useful life is estimated.

Notes to the Financial Statements

For January – June 2024

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

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

23. Intangible Assets *(Continued)*

(2) The useful life, its determination basis, estimation situation, amortization method or review procedure *(Continued)*

The useful life and determination basis of limited-life intangible assets and the amortization method:

Asset Category	Useful Life (Years)	Basis for Determining Useful Life	Amortization Method
Land Use Rights	20-50	Duration of Land Use Rights	Straight-Line
Patent Rights	5-20	Estimated Beneficial Life	Straight-Line
Non-patented Technology	5-20	Estimated Beneficial Life	Straight-Line
Trademark Rights	5-10	Estimated Beneficial Life	Straight-Line
Software	2-10	Estimated Beneficial Life	Straight-Line

At the end of the year, a review is conducted for the useful life and amortization method of intangible assets with limited useful life. If changes occur, they are treated as accounting estimate changes. Additionally, based on the available information, intangible assets for which there is conclusive evidence indicating the inability to reasonably estimate their useful life is classified as intangible assets 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.

(3) 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.

Notes to the Financial Statements

For January – June 2024

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

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

23. Intangible Assets *(Continued)*

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

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

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

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.

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

Please refer to Note III. 24 “Long-term Asset Impairment” for the impairment test method and impairment provision method of intangible asset.

Notes to the Financial Statements

For January – June 2024

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

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

24. Long-term Asset Impairment

The Company assesses impairment indicators for fixed asset, construction in progress, the intangible asset with limited-service life, the investment properties measured at cost pattern, the long-term equity investment in subsidiaries, associates and joint ventures and the non-current and non-financial asset, such as goodwill on the balance sheet date. If the Company finds evidence on asset impairment, the recoverable amount of the asset shall be measured, and impairment test shall be conducted. Impairment test shall be conducted annually for goodwill, the intangible asset with uncertain service life and the intangible asset not reaching available condition, no matter there is impairment indication.

Where the measurement result of the impairment test indicates that an asset's recoverable amount is lower than its book value, impairment reserve shall be withdrawn based on its differences and recorded into the impairment loss. The recoverable amount shall be determined on the basis of the higher one of the net amounts of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is recognized based on the price as stipulated in the sales agreement in the fair transaction; where there is no sales agreement but there is an active market of assets, the fair value is recognized based on the price bidden by the buyer of the asset; where there is no sales agreement and no active market of assets, the fair value of an asset shall be estimated in light of the best information available of asset. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the assets into a marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Asset impairment provision is calculated and recognized based on single asset. In case of the difficulty to estimate the recoverable amount of single asset, the recoverable amount of asset group is recognized in accordance with the asset group that such asset belongs to. The asset group refers to the minimum asset portfolio that can independently generate cash inflow.

When conducting impairment test for goodwill separately listed in financial statements, the book value of the goodwill shall be apportioned to asset groups or asset group portfolios which are expected to benefit from the synergistic effect of business combination. When the test result indicates that the recoverable amount of asset groups or asset group portfolios containing goodwill apportioned is less than its book value, relevant impairment loss of goodwill shall be recognized. The impairment loss of goodwill shall offset the book value of the portion of goodwill apportioned to the asset groups or asset group portfolios, and then offset the book value of other assets according to the proportion of the book value of other asset in asset groups or asset group portfolios after deducting the goodwill.

Once the above asset impairment loss is confirmed, the part that the value is restored in the future period is not allowed to be transferred back.

Notes to the Financial Statements

For January – June 2024

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

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

25. 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.

26. 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.

27. Employee Benefits

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

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

Notes to the Financial Statements

For January – June 2024

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

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

27. Employee Benefits *(Continued)*

The domestic enterprises of the Company pay basic pension insurance and unemployment insurance for employees according to the relevant regulations of the local government. In the accounting period in which the employees of the Company's domestic enterprises provide services to the Company, the payment shall be calculated according to the local payment base and proportion, and confirmed as liabilities, which are included in current profit or loss or related asset costs.

In addition to the basic pension insurance, most of the domestic enterprises of the Company have established an enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The company pays the enterprise annuity according to a certain proportion of the total wages of the employees, and the corresponding expenses are included in the current profit and loss or related asset costs.

The Company's Hong Kong company, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, provides mandatory provident fund contributions to eligible Hong Kong employees in accordance with the *Mandatory Provident Fund Schemes Ordinance* of Hong Kong. The cost settlement of all plans is deducted from the income statement for the relevant period. The planned assets are held independently by independently managed funds and managed separately from the assets of the Company. At the same time, according to the *Employment Ordinance* of Hong Kong, for an employee who is eligible to receive a long service payment at the time of termination of employment, such payment shall be made when the employment is terminated. The Guangzhou Pharmaceutical Baiyunshan Hong Kong Company has made provision for long-term service payments that are expected to be paid in the future. The provision is calculated based on the estimation of the best service wages might be earned by the employee for rendering of services to the Company as of the settlement date.

Where the labor relationship with employees is terminated prior to the expiration of the labor contract with employees, or compensation suggestions are made to encourage employees to accept the cutback voluntarily, the employee payroll liabilities incurred by the dismissal welfare shall be recognized and recorded into the current profit or loss when the Company cannot withdraw unilaterally the dismissal welfare provided for the termination plan of labor relations or cutback suggestions, or when the Company recognizes the cost related to reorganization involving the payment of dismissal welfare, whichever is earlier. However, if it is anticipated that the dismissal welfare cannot be fully paid within 12 months after the end of the annual report period, such welfare shall be handled as other long-term Employee Payroll.

The internal retirement plan for employee shall be treated by the same principle as the above dismissal welfare. The Company will pay the salary and contribute social insurance for the internal retirement from the service stopped to be provided by such employee to normal retirement. Such fee is recorded in the current profit or loss (dismissal welfare) when conforming to the reorganization condition of estimated liability.

Notes to the Financial Statements

For January – June 2024

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

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

27. Employee Benefits *(Continued)*

Accounting treatment shall be conducted on other long-term employee payrolls provided to employees by the Company according to defined contribution plans if such plans are conformed, and besides, accounting treatment shall be conducted according to defined benefit plans.

28. 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.

29. Revenue

If the following conditions are met by the contract between the Company and the customer, revenue is recognized when the customer obtains control over relevant products: (a) the parties to the contract have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred have been specified in the contract; (c) the entity can identify the payment terms for the goods or services to be transferred; (d) the contract has commercial substance, such as the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract; and (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Notes to the Financial Statements

For January – June 2024

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

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

29. Revenue *(Continued)*

At the starting date of contract, the Company recognizes individual performance obligations in the contract, and allocates transaction price into each individual performance obligation based on the relevant proportion of the price of good promised in each individual performance obligation when selling separately. The influence of factors such as variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and customer consideration payables are taken into consideration when determining the transaction price.

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

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

Notes to the Financial Statements

For January – June 2024

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

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

29. Revenue *(Continued)*

The specific principles and measurement methods for revenue recognition determined by business type within this group are as follows:

(1) Sales of Goods:

Contracts with customers typically involve the transfer of goods, constituting the sole performance obligation. Revenue is recognized by the Group at the point in time when the following criteria are met: the present right to payment for the goods, transfer of the significant risks and rewards of ownership, transfer of legal title of the goods, transfer of physical possession of the goods, and customer acceptance of the goods.

Specific methods for revenue recognition:

- ① Revenue is recognized when the Group delivers the goods to the agreed-upon location, and the customer confirms receipt by signing, and payment is received or evidence of payment is obtained.
- ② Revenue is recognized when the customer picks up the goods themselves, confirms receipt by signing, and payment is received or evidence of payment is obtained.

(2) Rendering of Services:

As the Group's performance results in the immediate acquisition and consumption of the economic benefits by the customer, the Group treats its performance obligations as being fulfilled over time. Revenue is recognized based on the progress of performance over a given period.

30. Contract Costs

Contract costs include incremental costs incurred to obtain a contract and costs incurred to fulfill contracts. Incremental costs incurred to obtain a contract ("costs to obtain a contract") are costs that would not have been incurred if the contract had not been obtained. If it is expected that these costs will be recoverable, the Company recognizes them as an asset.

Costs incurred to fulfill a contract that do not fall within the scope of other accounting standards for inventory and meet the following conditions are recognized as an asset as contract fulfillment costs: these costs are directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar costs), costs borne explicitly by the customer, and other costs incurred solely because of the contract; these costs increase the resources expected to be used to fulfill the contract obligations; and it is expected that these costs will be recoverable.

Notes to the Financial Statements

For January – June 2024

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

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

30. Contract Costs *(Continued)*

Contract fulfillment costs recognized as assets by the Company are amortized over a period not exceeding one year or one normal operating cycle, and are included in the “Inventories” item in the balance sheet at initial recognition; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

Contract acquisition costs recognized as assets by the Company are included in the “Other current assets” item in the balance sheet at initial recognition if the amortization period does not exceed one year or one normal operating cycle; if the amortization period exceeds one year or one normal operating cycle, they are included in the “Other non-current assets” item in the balance sheet at initial recognition.

The assets recognized for contract acquisition costs and contract fulfillment costs are amortized on the same basis as the related revenue recognition and recognized in the current period’s profit or loss. If the amortization period for the asset formed by incremental costs incurred to obtain a contract does not exceed one year, it is recognized in profit or loss when incurred.

If there is an excess of the carrying amount of assets related to contract costs over the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated costs to be incurred to transfer those goods, the Company recognizes the excess as an impairment provision for assets and recognizes it as an impairment loss.

If factors that led to impairment in previous periods change, resulting in the excess mentioned above being higher than the carrying amount of the asset, the Company shall reverse the previously recognized impairment provision for the asset and recognize it in profit or loss for the current period. However, after reversal, the carrying amount of the asset shall not exceed the carrying amount of the asset on the date of reversal assuming no impairment provision was made.

31. 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.

Notes to the Financial Statements

For January – June 2024

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

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

31. Government Grants *(Continued)*

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.

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.

Notes to the Financial Statements

For January – June 2024

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

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

31. Government Grants *(Continued)*

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.

32. Deferred Tax Assets/Deferred Tax Liabilities

(1) Current Income Tax

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

(2) Deferred tax assets and deferred tax liabilities

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

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

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

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

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

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

(3) Tax expenses

Tax expenses include current tax and deferred tax.

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

Notes to the Financial Statements

For January – June 2024

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

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

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

(4) Offset of Income Tax

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

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

33. 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, 19 “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, 24 “long-term asset impairment”).

Notes to the Financial Statements

For January – June 2024

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

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

33. Lease *(Continued)*

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

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

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

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

When there is a change in the scope, consideration and term of lease other than the terms of the original contract, the company shall treat the change of lease as a separate lease or not as a separate lease according to the circumstances. If it is not a separate lease, the company shall, on the effective date of the lease change, re-measure the lease liability according to the present value calculated by the lease payment amount after the change and the revised discount rate, and adjust the book value of the right to use assets accordingly. If the carrying value of the right to use assets has been reduced to zero, but the leasing liabilities still need to be further reduced, the company shall record the remaining amount into the current profits and losses.

Notes to the Financial Statements

For January – June 2024

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

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

33. Lease *(Continued)*

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

① *leasing classification*

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

② *operating lease*

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

③ *financial lease*

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

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

Notes to the Financial Statements

For January – June 2024

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

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

34. Other Important Accounting Policies and Accounting Estimates

(1) Discontinued operation

Discontinued operation 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. 16. “Assets Held for Sale and Disposal Company”.

35. Changes in Significant Accounting Policies and Accounting Estimates

On October 25, 2023, the Ministry of Finance issued the “Interpretation No. 17 of Accounting Standards for Business Enterprises” (hereinafter referred to as “Interpretation No. 17”), which standardizes the “Classification of Current Liabilities and Non-Current Liabilities,” “Disclosure of Supplier Financing Arrangements,” and “Accounting Treatment of Sale and Leaseback Transactions.”

(1) Classification of Current Liabilities and Non-Current Liabilities

Interpretation No. 17 stipulates that if a company does not have the substantive right to defer the settlement of a liability for more than one year after the balance sheet date, the liability shall be classified as a current liability. For liabilities that meet the criteria for non-current classification, they shall still be classified as non-current liabilities, even if the company intends or plans to settle them within one year after the balance sheet date or has already settled them early between the balance sheet date and the date of financial report approval. For liabilities arising from loan arrangements with contractual conditions, the classification shall consider the following circumstances regarding whether the company has the right to defer settlement as of the balance sheet date: ① Contractual conditions that the company must comply with as of or before the balance sheet date, which affect the classification of the liability as current or non-current on the balance sheet date; ② Contractual conditions that the company must comply with after the balance sheet date, which are irrelevant to the classification of the liability as of the balance sheet date. If the terms of the liability require settlement through the delivery of the company's own equity instruments at the counterparty's discretion, and the company classifies this option as an equity instrument and recognizes it separately as part of a compound financial instrument's equity component, the classification of the liability as current or non-current will not be affected by this clause.

Notes to the Financial Statements

For January – June 2024

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

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

35. Changes in Significant Accounting Policies and Accounting Estimates *(Continued)*

(1) Classification of Current Liabilities and Non-Current Liabilities *(Continued)*

The Group is to implement the provisions on “Classification of Current Liabilities and Non-Current Liabilities” under Interpretation No. 17 starting from January 1, 2024. The implementation of this policy change is expected to have no impact on financial data.

(2) Disclosure of Supplier Financing Arrangements

Interpretation No. 17 stipulates that supplier financing arrangements (also known as supply chain financing, accounts payable financing, or reverse factoring arrangements, hereinafter referred to as “supplier financing arrangements”) should have the following characteristics: one or more financing providers offer funds to pay the company’s suppliers, and the company agrees to repay the financing provider on or after the date the supplier receives the payment according to the terms and conditions of the arrangement. Compared with the original payment due date, supplier financing arrangements extend the company’s payment period or accelerate the supplier’s collection period. Arrangements that solely provide credit enhancement (such as financial guarantees like letters of credit used as collateral) and tools that the company uses to directly settle accounts payable with suppliers (such as credit cards) are not considered supplier financing arrangements.

When disclosing information related to supplier financing arrangements in notes to the cash flow statement prepared according to the “Accounting Standards for Business Enterprises No. 31 – Cash Flow Statement,” companies shall aggregate and disclose relevant information about such arrangements. When disclosing liquidity risk information in accordance with the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments,” companies shall consider whether they have obtained or have access to credit extensions through supplier financing arrangements for deferred payment or early payment to suppliers. When identifying concentrations of liquidity risk according to the “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments,” companies shall consider the concentration of financial liabilities originally payable to suppliers that result from supplier financing arrangements.

The Group is to implement the provisions on the “Disclosure of Supplier Financing Arrangements” under Interpretation No. 17 starting from January 1, 2024, and will apply this accounting policy change prospectively.

Notes to the Financial Statements

For January – June 2024

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

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

35. Changes in Significant Accounting Policies and Accounting Estimates *(Continued)*

(3) Accounting Treatment of Sale and Leaseback Transactions

Interpretation No. 17 stipulates that if the asset transfer in a sale and leaseback transaction qualifies as a sale, the lessee shall subsequently measure the right-of-use asset arising from the sale and leaseback according to the provisions of Article 20 of the “Accounting Standards for Business Enterprises No. 21 – Leases” (hereinafter referred to as the “Lease Standards”) and shall subsequently measure the lease liability according to Articles 23 to 29 of the Lease Standards. When the lessee subsequently measures the lease liability arising from the sale and leaseback, the method used to determine the lease payments or revised lease payments should not result in recognizing gains or losses related to the right-of-use obtained through the leaseback (except for gains or losses related to partial or full lease termination due to a reduction in the lease scope or lease term caused by a lease modification).

The Group is to implement the provisions on the “Accounting Treatment of Sale and Leaseback Transactions” under Interpretation No. 17 starting from January 1, 2024. The implementation of this policy change is expected to have no impact on financial data.

36. Significant Accounting Judgments and Estimates

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

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

Notes to the Financial Statements

For January – June 2024

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

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

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

The following are the critical judgments that the Company has made in the process of judging, evaluating and assuming as at balance sheet date:

(1) Revenue recognition

As stated in Note III. 29 – 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 January – June 2024

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

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

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

(3) Provision for decline in value of inventories

The Company accrues inventory falling price reserves of inventories with higher cost than net realizable value and obsolete and unsalable inventories according to their cost and net realizable value, whichever is lower, based on inventory accounting policies. The impairment of inventory to net realizable value is based on the evaluation of its sale ability and net realizable value. The identification of impairment of inventory calls for the management to make judgment and estimation after receiving sound evidence and considering the purpose of holding the inventory and the influence factors of events after balance sheet date. Difference between the actual results and the original estimation will be calculated, provided or reversed by the influence on the book value of inventories and inventory falling price reserves in the estimated change period.

(4) Fair value of financial instruments

The Company recognizes the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an investment in equity instruments or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

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

The Company will judge whether there exists indication showing that the impairment might incur on non-current assets rather than financial assets on the balance sheet date. Except impairment test conducted each year, when there exists indication of impairment, then impairment test should be conducted too for intangible asset that service life is uncertain. Impairment test should be conducted on non-current assets rather than financial assets if the Company finds evidence that book value is unrecoverable.

When the book value of assets or asset group is higher than recoverable amount, which is the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, it indicates that the impairment incurs.

Notes to the Financial Statements

For January – June 2024

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

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

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

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

Net amount of the fair value minus disposal expense should be determined by reference to sales agreement price or observable market price of similar assets in fair transaction minus incremental cost directly attributable to such assets disposed.

Upon estimation of current value of future cash flow, significant judgment on production, sale price, related operation cost and discount rate for current value calculation is required. The Company may use all attainable relevant information upon estimation of the recoverable amounts, including estimation on the capacity, sale price and relevant operation cost made based on reasonable and supportable hypothesis.

The Company will test if the goodwill suffers from impairment at least once a year. It requires estimation of the current value of future cash flow for asset groups or their combinations with good will distributed. Upon estimation of future cash flow, the Company needs to estimate cash flow generated by future asset groups or their combinations and meanwhile choose proper discount rate to recognize the current value of future cash flow.

(6) Depreciation and Amortization

The Company calculates and accrues depreciation and amortization by the method of line within service life after considering the remaining value of investment properties, fixed assets and intangible assets. The Company periodically reviews service life to decide the amount to be included into each report period of depreciation and amortization expenses. Service life is recognized by the Company based on past experience for the same type of assets together with anticipated technological updates. If past estimation has been significantly changed, expenses for depreciation and amortization should be adjusted in the future.

(7) Deferred tax assets

If it is highly possible that there is enough taxable profit to offset losses, the Company recognizes deferred income assets for all unused taxation losses. It requires huge judgment of the management of the Company to estimate the time and amount of future taxable profit together with tax payment planning strategy to decide the amount of deferred income tax assets to recognized.

Notes to the Financial Statements

For January – June 2024

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

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

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

(8) Income Taxes

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

(9) Provisions

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

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

Notes to the Financial Statements

For January – June 2024

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

IV. TAXES

1. Main Tax Types and Tax Rate

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

According to the “Announcement on Value-Added Tax Incremental Deduction Policy for Advanced Manufacturing Enterprises” (Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Administration of Taxation), from January 1, 2023, to December 31, 2027, advanced manufacturing enterprises are allowed to deduct 5% of the deductible input VAT amount to offset the payable VAT amount, the Company as well as Xingqun Pharmaceutical, Zhongyi Pharmaceutical, Chenliji Pharmaceutical Factory, Guangzhou Hanfang, Jingxiutang Pharmaceutical, Guangyao General Institute, Pangaoshou Pharmaceutical, Wanglaoji Pharmaceutical, Wanglaoji Great Health, Guangxi Yingkang, Mingxing Pharmaceutical, Tianxin Pharmaceutical, Guanghua Pharmaceutical, Weiling Pharmaceutical, Guangdong Hanchao and Guangzhou Jinge are entitled to enjoy the aforementioned VAT incremental deduction policy.

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, Guangdong Hanchao, 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., Guangzhou Pharmaceutical Information Technology Co., Ltd., Weiling, Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Calculated and paid at 15% of the taxable income
The Group’s domestic subsidiaries other than the above-mentioned enterprises	Calculated and paid at 25% of the taxable income
The Group’s enterprises located in Hong Kong	Calculated and paid at 16.5% of the taxable income
The Group’s enterprises located in Macao	Calculated and paid at 3% – 12% of the taxable income

Notes to the Financial Statements

For January – June 2024

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

IV. TAXES (Continued)

2. Important Tax Preferential Treatments and Approval Documents

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New 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. GR202344004122), Xing Qun (No. GR202344002036), Zhong Yi (No. GR202344010147), Chen Li Ji (No. GR202344005874), Guangzhou Han Fang (No. GR202344010098), Qi Xing (NO. GR202344004761), Jing Xiu Tang (No. GR202344007214), Pan Gao Shou (No. GR202344009572), Wang Lao Ji (No. GR202344003015), Guang Dong Han Chao (No. GR202344003019), Tian Xin (No. GR202344004253), Guang Hua (No. GR202244001816), Ming Xing (No. GR202344008105), Guangyao General Institute (No. GR202144002939), Guangxi Ying Kang (No. GR202145001254), Baiyunshan Weiling Pharmaceutical Co., Ltd. (No. GR202244012147), Guangzhou Pharmaceutical Information Technology Co., Ltd. (No. GR202344009159).

Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) pharmaceutical Import and Export Co., Ltd., WLJ Great Health and Guizhou Wanglaoji 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 2024.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	637,541.12	538,527.39
Cash at bank	14,443,797,650.85	19,810,319,063.95
Other currency balance (note)	1,780,876,912.68	1,497,986,613.10
Total	16,225,312,104.65	21,308,844,204.44
Including: Total amount of cash kept in foreign countries	207,398,975.83	192,479,407.37

Notes: Other currency balance RMB1,780,877 thousand (31 December 2023: RMB1,497,987 thousand) is comprised of the Group's third-party payment accounts, deposits, foreign exchange deposits, credit card deposits, letters of credit, guarantee deposits, term deposits, large denomination certificates of deposit, housing funds, bank acceptance bill deposit, frozen account funds and the others.

As on 30 June 2024, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,749,094 thousand (31 December 2023: RMB1,485,300 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	1,132,383,878.58	1,259,367,488.50
Term deposit, Certificate of deposit	453,286,252.84	33,242,191.79
Frozen account funds	77,578,750.79	75,105,135.48
Deposit for Letters of credit	62,606,221.96	51,483,738.44
Guarantee deposits	22,243,484.97	62,888,186.67
Housing funds	936,434.79	935,628.48
Other	59,116.51	2,278,040.36
Total	1,749,094,140.44	1,485,300,409.72

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Transactional financial assets

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

3. Notes Receivable

(1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	526,353,676.07	748,381,650.93
Commercial acceptance notes	165,110,454.52	126,667,368.93
Less: Bad debt reserves	1,719,134.03	4,164,741.94
Total	689,744,996.56	870,884,277.92

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 RMB2,040,267 thousand.

(2) No pledged notes receivable at the period end

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

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

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	–	289,278,773.60
Commercial acceptance notes	23,842,150.54	–
Total	23,842,150.54	289,278,773.60

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 of this amount, RMB23,842 thousand of the above-mentioned unexpired but discounted commercial acceptances. Having entered into a non-recourse supplementary agreement with the bank, the group has transferred almost all the risks and rewards of the above commercial acceptance and is no longer involved.

- (4) As on 30 June 2024, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB285,743 thousand (31 December 2023: RMB549,725 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	25 Jan 2024	25 Jul 2024	25,000,000.00
Customer 2	14 Mar 2024	14 Sept 2024	10,086,657.29
Customer 3	30 May 2024	29 Aug 2024	8,102,681.95
Customer 4	29 Apr 2024	29 Jul 2024	6,744,934.03
Customer 5	27 Jun 2024	27 Dec 2024	5,007,000.00

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

- (5) As on 30 June 2024, bank acceptance notes discounted by the Group but not matured was RMB3,535 thousand (31 December 2023: RMB205 thousand). The Notes details are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	18 Mar 2024	18 Sept 2024	2,000,000.00
Customer 2	1 Apr 2024	1 Oct 2024	1,138,482.60
Customer 3	26 Apr 2024	26 Oct 2024	290,430.80
Customer 4	11 Apr 2024	11 Oct 2024	106,525.20

- (6) As on 30 June 2024, commercial acceptance notes discounted by the Group but not matured was RMB23,842 thousand (31 December 2023: RMB18,560 thousand). The Notes details are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	27 Mar 2024	20 Jul 2024	13,622,482.08
Customer 2	11 Jun 2024	20 Sept 2024	9,832,300.46
Customer 3	27 Mar 2024	20 Jul 2024	196,468.00
Customer 4	11 Jun 2024	20 Sept 2024	190,900.00

Note: The above-mentioned unexpired but discounted commercial acceptance notes was RMB23,842 thousand. The group has entered into a non-recourse supplementary agreement with the bank. Therefore, the group has transferred the above commercial acceptance bill almost all the risks and rewards, no longer involved.

- (7) As on 30 June 2024 and 31 December 2023, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

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

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	691,464,130.59	100.00	1,719,134.03	0.25	689,744,996.56
Including: portfolio 1	165,110,454.52	23.88	1,719,134.03	1.04	163,391,320.49
portfolio 2	526,353,676.07	76.12	-	-	526,353,676.07
Total	<u>691,464,130.59</u>	<u>100.00</u>	<u>1,719,134.03</u>	<u>0.25</u>	<u>689,744,996.56</u>

Cont.

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	875,049,019.86	100.00	4,164,741.94	0.48	870,884,277.92
Including: portfolio 1	126,667,368.93	14.48	4,164,741.94	3.29	122,502,626.99
portfolio 2	748,381,650.93	85.52	-	-	748,381,650.93
Total	<u>875,049,019.86</u>	<u>100.00</u>	<u>4,164,741.94</u>	<u>0.48</u>	<u>870,884,277.92</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(8) 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	Closing balance		
	Book balance	Provision for bad debts	Expected credit loss (%)
Within one year	164,354,571.47	1,643,545.72	1.00
1 to 2 years	755,883.05	75,588.31	10.00
Total	<u>165,110,454.52</u>	<u>1,719,134.03</u>	<u>1.04</u>

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

Item	Closing balance		
	Notes receivable	Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	526,353,676.07	–	–
Total	<u>526,353,676.07</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes Receivable (Continued)

(9) Provision for bad debts

Item	Closing balance of last year	Current Movement			Closing balance
		Provision	Return or Recovery	Pay-off or write off	
Provision for bad debts of notes receivable	4,164,741.94	(2,445,607.91)	–	–	1,719,134.03
Total	<u>4,164,741.94</u>	<u>(2,445,607.91)</u>	<u>–</u>	<u>–</u>	<u>1,719,134.03</u>

(10) No Notes receivable actually written off during this year.

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	15,340,029,810.64	14,091,285,020.44
1 to 2 years	1,459,429,599.95	1,130,613,239.71
2 to 3 years	292,113,775.90	214,868,845.04
3 to 4 years	95,437,375.35	60,863,494.35
4 to 5 years	24,210,028.38	22,715,935.81
Over 5 years	229,607,111.37	238,247,352.09
Subtotal	<u>17,440,827,701.59</u>	<u>15,758,593,887.44</u>
Less: Provision for bad debts	<u>721,217,298.24</u>	<u>646,099,088.75</u>
Total	<u>16,719,610,403.35</u>	<u>15,112,494,798.69</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Category	Closing balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	313,473,476.76	1.80	274,644,211.17	87.61	38,829,265.59
Accounts receivable subject to provision by portfolio	17,127,354,224.83	98.20	446,573,087.07	2.61	16,680,781,137.76
Including: portfolio 1	17,127,354,224.83	98.20	446,573,087.07	2.61	16,680,781,137.76
Total	<u>17,440,827,701.59</u>	<u>100.00</u>	<u>721,217,298.24</u>	<u>4.14</u>	<u>16,719,610,403.35</u>

(Cont.)

Category	Closing balance of last year				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	Amount
Accounts receivable subject to separate provision	300,785,138.65	1.91	272,093,309.92	90.46	28,691,828.73
Accounts receivable subject to provision by portfolio	15,457,808,748.79	98.09	374,005,778.83	2.42	15,083,802,969.96
Including: portfolio 1	15,457,808,748.79	98.09	374,005,778.83	2.42	15,083,802,969.96
Total	<u>15,758,593,887.44</u>	<u>100.00</u>	<u>646,099,088.75</u>	<u>4.10</u>	<u>15,112,494,798.69</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

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

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	Litigation is involved. Please refer to Note XV (8). 1. (2) ①(g)
Customer 2	46,051,659.94	8,039,480.01	17.46	Amount is expected to be unrecoverable fully.
Customer 3	25,686,364.29	25,686,364.29	100.00	Litigation is involved. Please refer to Note XV (8). 1. (2) ①(d) (e)
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved. Please refer to Note XV (8). 1. (2) ①(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 XV (8). 1. (2) ①(j)
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved. Please refer to Note XV (8). 1. (2) ①(k)
Customer 8	8,170,856.57	7,353,770.91	90.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 9	4,130,812.22	4,130,812.22	100.00	Amount is expected to be unrecoverable fully.
Customer 10	4,122,456.00	4,122,456.00	100.00	Litigation is involved, which has been decided and is in the implementation stage
Others	22,684,038.10	22,684,038.10	100.00	Amount is expected to be unrecoverable fully.
Total	<u>313,473,476.76</u>	<u>274,644,211.17</u>	-	-

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

② Accounts receivable subject to provision by portfolio

Portfolio 1 : aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss (%)	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	15,294,057,637.46	152,940,529.94	1.00	14,058,577,529.75	140,582,785.78	1.00
1 to 2 years	1,459,100,495.23	145,910,049.57	10.00	1,129,781,256.43	112,978,103.71	10.00
2 to 3 years	268,900,601.40	80,670,180.42	30.00	173,313,252.54	51,993,975.78	30.00
3 to 4 years	68,328,936.84	34,164,468.49	50.00	49,384,910.03	24,692,455.04	50.00
4 to 5 years	20,393,476.39	16,314,781.14	80.00	14,966,707.60	11,973,366.10	80.00
Over 5 years	16,573,077.51	16,573,077.51	100.00	31,785,092.44	31,785,092.44	100.00
Total	<u>17,127,354,224.83</u>	<u>446,573,087.07</u>	—	<u>15,457,808,748.79</u>	<u>374,005,778.85</u>	—

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Category	Closing balance of last year	Current movement				Closing balance
		Provision	Return or recovery	Pay-off or write-off	Other decreases	
Provision for bad debts of accounts receivable	646,099,088.75	94,231,464.08	18,602,276.52	510,978.07	—	721,217,298.24
Total	646,099,088.75	94,231,464.08	18,602,276.52	510,978.07	—	721,217,298.24

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	18,049,400.00	It is expected to be unrecoverable	return based on the litigation outcome	court-ordered payment

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

Item	Amount written off
Accounts receivable written off	510,978.07

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

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

Company	Closing balance	Proportion to total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	296,830,313.14	1.70	2,968,303.13
Customer 2	266,376,525.19	1.53	2,693,222.71
Customer 3	261,588,326.24	1.50	2,647,035.18
Customer 4	256,643,499.66	1.47	2,733,352.49
Customer 5	246,999,550.23	1.42	3,065,356.81
Total	<u>1,328,438,214.46</u>	<u>7.62</u>	<u>14,107,270.32</u>

5. Receivables Financing

(1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	2,040,267,445.57	2,068,412,933.36
Accounts receivable	<u>1,889,056,479.75</u>	<u>1,545,905,328.86</u>
Total	<u>3,929,323,925.32</u>	<u>3,614,318,262.22</u>

(2) Financing of receivables pledged at the end of the period

Item	Amount pledged
Bank acceptance notes	<u>66,540,554.00</u>
Total	<u>66,540,554.00</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables Financing (Continued)

(3) Receivables financing that is endorsed or discounted at the end of the period but is not yet due at the balance sheet date

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes	<u>2,695,284,015.06</u>	—
Total	<u><u>2,695,284,015.06</u></u>	<u>—</u>

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	699,942,803.14	98.79	807,813,231.35	98.71
1 to 2 years	4,394,322.45	0.62	6,595,875.04	0.81
2 to 3 years	2,458,206.22	0.35	2,421,500.94	0.29
Over 3 years	<u>1,693,694.34</u>	<u>0.24</u>	<u>1,528,977.64</u>	<u>0.19</u>
Total	<u><u>708,489,026.15</u></u>	<u><u>100.00</u></u>	<u><u>818,359,584.97</u></u>	<u><u>100.00</u></u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Advances to suppliers (Continued)

(2) The top five suppliers by balances are as follows:

Company	Closing balance	Proportion to total closing balance of advances to suppliers (%)
Supplier 1	79,496,880.68	11.22
Supplier 2	34,651,102.29	4.89
Supplier 3	33,027,451.22	4.66
Supplier 4	30,057,332.86	4.24
Supplier 5	26,910,790.27	3.80
Total	<u>204,143,557.32</u>	<u>28.81</u>

7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable	–	–
Dividends receivable	1,500,000.00	61,263,627.92
Other receivables	<u>1,057,517,904.96</u>	<u>817,224,901.31</u>
Total	<u>1,059,017,904.96</u>	<u>878,488,529.23</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(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")	1,500,000.00	61,263,627.92
Less: Provision for bad debts	–	–
Total	<u>1,500,000.00</u>	<u>61,263,627.92</u>

(2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	955,123,719.68	712,572,951.85
1 to 2 years	27,111,991.42	31,741,882.72
2 to 3 years	51,637,445.56	51,523,504.43
3 to 4 years	21,068,561.59	15,578,834.27
4 to 5 years	8,957,446.83	9,653,996.37
Over 5 years	39,435,098.02	38,985,653.43
Subtotal	<u>1,103,334,263.10</u>	<u>860,056,823.07</u>
Less: Provision for bad debts	<u>45,816,358.14</u>	<u>42,831,921.76</u>
Total	<u>1,057,517,904.96</u>	<u>817,224,901.31</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	784,554,646.17	623,746,434.07
Margin, deposit and down payment	156,244,152.77	130,881,425.94
Advances to employees	31,721,324.85	29,001,473.93
Receivables due from related parties	8,499,499.81	8,191,528.76
Petty cash	5,581,568.35	832,352.96
Others	116,733,071.15	67,403,607.41
Total	<u>1,103,334,263.10</u>	<u>860,056,823.07</u>

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 2024	12,669,737.29	–	30,162,184.47	42,831,921.76
Opening balance on 1 Jan 2024 in current period	–	–	–	–
– Transition to Second stage	–	–	–	–
– Transition to Third stage	(30,434.29)	–	30,434.29	–
– Revert to Second stage	–	–	–	–
– Revert to First stage	–	–	–	–
Provision at current period	2,984,436.38	–	–	2,984,436.38
Reversal of bad debt provision at current period	–	–	–	–
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance on 30 June. 2024	<u>15,623,739.38</u>	<u>–</u>	<u>30,192,618.76</u>	<u>45,816,358.14</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

④ Provision for bad debts

Item	Closing balance of last year	Current movement			Other Less	Closing balance
		Provision	Return of recovery	Pay-off or write-off		
Provision for bad debts of other receivables	42,831,921.76	2,984,436.38	-	-	-	45,816,358.14
Total	42,831,921.76	2,984,436.38	-	-	-	45,816,358.14

⑤ There is no significant return or recovery of bad debt reserves in the current period.

⑥ There is no actual write-off of other receivables in the current period

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other Receivables (Continued)

(2) Other receivables (Continued)

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	67,146,450.39	Within 1 year	6.09	671,464.50
Other receivables 2	Performance compensation	52,872,680.00	Within 1 year	4.79	-
Other receivables 3	Purchase rebates receivable from suppliers	39,037,886.38	Within 1 year 1 to 2 years Over 5 years	3.54	382,664.95
Other receivables 4	Purchase rebates receivable from suppliers	38,316,291.79	Within 1 year	3.47	382,914.69
Other receivables 5	Purchase rebates receivable from suppliers	34,574,955.63	Within 1 year	3.13	287,617.33
Total	-	<u>231,948,264.19</u>	-	<u>21.02</u>	<u>1,724,661.47</u>

⑧ The Group had no other receivables related to government grants for this period.

⑨ The Group had no other receivables derecognized due to the transfer of financial assets for this period.

⑩ This period has no other amounts related to assets or liabilities arising from continued involvement in the transfer of other receivables (such as securitization or factoring) for this period.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Inventories

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

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories		Book balance	Provision for decline in value of inventories	
		Book value			Book value	
Raw materials	1,013,536,882.85	14,496,729.96	999,040,152.89	930,337,507.35	15,158,999.49	915,178,507.86
Turnover materials	167,588,736.84	2,905,995.88	164,682,740.96	186,084,878.41	2,566,543.95	183,518,334.46
Consignment processing material	23,012,117.38	536,772.68	22,475,344.70	27,741,920.80	342,817.05	27,399,103.75
Work in progress	604,933,650.70	2,316,505.16	602,617,145.54	784,909,960.26	-	784,909,960.26
Commodity stocks	9,017,979,764.58	55,692,472.04	8,962,287,292.54	9,652,916,934.59	56,823,098.51	9,596,093,836.08
Total	<u>10,827,051,152.35</u>	<u>75,948,475.72</u>	<u>10,751,102,676.63</u>	<u>11,581,991,201.41</u>	<u>74,891,459.00</u>	<u>11,507,099,742.41</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	Other	Reversed	Written-off	
Raw materials	15,158,999.49	813.93	-	663,083.46	-	14,496,729.96
Commodity stocks	56,823,098.51	4,454,953.61	-	5,585,580.08	-	55,692,472.04
Turnover materials	2,566,543.95	501,586.93	-	162,135.00	-	2,905,995.88
Consignment processing material	342,817.05	193,955.63	-	-	-	536,772.68
Work in progress	-	2,316,505.16	-	-	-	2,316,505.16
Total	<u>74,891,459.00</u>	<u>7,467,815.26</u>	<u>-</u>	<u>6,410,798.54</u>	<u>-</u>	<u>75,948,475.72</u>

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

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

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	254,950,003.63	159,360,467.41
Total	254,950,003.63	159,360,467.41

The important debt investments are as follows:

Item	Closing balance			
	Par value	nominal interest rate	effective rate of interest; true rate of interest	date due
Time deposit	100,000,000.00	3.50%	3.50%	9 Dec 2024
Certificate of deposit	95,000,000.00	3.55%	3.55%	4 Jan 2025
Certificate of deposit	20,000,000.00	3.55%	3.55%	14 Mar 2025
Certificate of deposit	10,000,000.00	3.55%	3.55%	8 Apr 2025
Time deposit	10,000,000.00	2.75%	2.75%	3 Feb 2025
Total	235,000,000.00	—	—	—

Cont.

Item	Closing balance			
	Par value	nominal interest rate	effective rate of interest; true rate of interest	date due
Time deposit	100,000,000.00	3.50%	3.50%	9 Dec 2024
Time deposit	10,000,000.00	2.85%	2.85%	9 Jun 2024
Time deposit	10,000,000.00	2.75%	2.75%	22 Jun 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	14 Mar 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	11 Apr 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	25 Apr 2024
Total	150,000,000.00	—	—	—

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Current Assets

Item	Closing balance	Closing balance of last year
Input VAT to be certified	797,377,314.82	203,349,888.45
Certificate of deposit	603,107,166.67	569,795,815.08
Value-added tax debit balance outstanding	124,454,699.92	842,837,845.29
Prepaid income tax	28,633,019.29	48,331,799.20
Refunds payable	2,895,601.10	3,859,286.05
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Others	40,556,681.77	40,190,826.34
Total	<u>1,598,522,880.96</u>	<u>1,709,863,857.80</u>

Note: According to the notice of Haifuzhengfang [2015] No. 2, Haizhengbankexiezi [2015] No. 1 and Haizhengbankexiezi [2016] No.1, Guangzhou Qi Xing Pharmaceutical Factory and Qi Xing Pharmaceutical, subsidiary of the Group, have ceased production and moved out of the building for whole relocation before September 2015. The values of the land and houses, machinery and equipment and inventories for compensation shall be appraised with a professional appraisal report. The transfer to relevant government departments begun on June 29, 2020.

11. Debt investment

(1) Classification of debt investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Certificate of deposit held to maturity	4,928,740,450.84	-	4,928,740,450.84	4,572,661,793.28	-	4,572,661,793.28
Fixed deposit held to maturity	4,596,418,818.37	-	4,596,418,818.37	1,963,709,743.15	-	1,963,709,743.15
Total	<u>9,525,159,269.21</u>	-	<u>9,525,159,269.21</u>	<u>6,536,371,536.43</u>	-	<u>6,536,371,536.43</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Equity Investment

Investee	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		
I. Joint ventures									
HMBYS	250,281,122.25	-	-	(10,925,078.43)	-	-	-	-	239,356,043.82
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	72,907,995.47	-	-	8,807,960.28	-	-	-	-	80,915,945.75
Chengdu Hejien	16,737,190.31	-	-	40,280.20	-	-	-	-	16,777,470.51
Subtotal	339,926,298.03	-	-	(2,876,837.95)	-	-	-	-	337,049,460.08
II. Associates									
Guangzhou Guangqiao Industry Investment Equity Investment Partnership (Limited Partnership)	82,707,922.32	-	-	(1,716,985.39)	-	-	-	-	80,990,936.93
Jinying Fund Management Co., Ltd	85,108,404.81	-	-	150,930.33	-	-	-	-	85,259,335.14
Guangzhou Baiyunshan Weiji Medical Investment Management Co., Ltd.	2,084,840.52	-	-	4,887.65	-	-	-	-	2,089,728.17
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred as "Yi Xin Tang")	794,271,683.03	-	-	14,606,726.87	-	(12,352,121.60)	-	-	796,526,288.30
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	80,060,802.40	-	-	(2,810,994.98)	-	-	-	-	77,249,807.42
Guangdong Guangqiao Jishen Equity Investment Fund Management Co., Ltd.	5,744,157.67	-	-	79,685.96	-	-	-	-	5,823,843.63

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Long-term Equity Investment (Continued)

Investee	Closing balance of last year	Change in the current period						Closing balance	Closing balance of provision for impairment
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits		
Guangzhou Guanggao Jizang equity investment partnership (limited partnership)	39,823,785.14	-	-	(1,734,612.91)	-	-	-	38,089,172.23	-
Guangzhou Dufen Health Industry Co., Ltd.	75,262.85	-	-	(114.67)	-	-	-	75,148.18	-
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	39,559,328.96	-	-	(705,562.99)	-	-	-	38,853,765.97	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	171,872.02	-	-	(2,504.44)	-	-	-	169,367.58	-
Wobolan Guanggao (Guangzhou) Equity investment partnership (limited partnership)	336,107,226.55	-	-	2,924,626.52	-	-	-	339,031,853.07	-
Subtotal	1,465,715,286.27	-	-	10,796,081.95	-	(12,352,121.60)	-	1,464,159,246.62	-
Total	1,805,641,584.30	-	-	7,919,244.00	-	(12,352,121.60)	-	1,801,208,706.70	-

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Other Equity Instruments investments

(1) Other Equity Instruments investments

Item	Closing balance of last year	Change in the current period					Closing balance
		Increase	Decrease	Gains included in other composite income	Losses included in other composite income	Other	
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,050,000.00	-	-	-	-	-	10,050,000.00
Yilin Bio-industry Co., Ltd	637,755.40	-	-	14,859.52	-	-	652,614.92
Sino-Israel Bio-industry Investment Fund	93,123,982.54	-	-	367,535.00	-	-	93,491,517.54
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	-	-	-	-	-
Total	103,811,737.94	-	-	382,394.52	-	-	104,194,132.46

Cont.

Item	Dividend income recognized in the current period	Gains accrued to other composite income	Losses accruing to other composite income	Reasons designated as measured at fair value and their changes included in other comprehensive income
South China Center for Innovative Pharmaceuticals Co., Ltd.	-	50,000.00	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	-	184,433.02	-	Long-term holdings for strategic purposes
Sino-Israel Bio-industry Investment Fund	-	-	(23,130,977.96)	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	(7,677,876.51)	Long-term holdings for strategic purposes
Total	-	234,433.02	(30,808,854.47)	-

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Other Non-Current Financial Assets

Item	Closing balance	Closing balance of last year
Financial assets classified at FVTPL for this year	1,006,381,920.06	1,005,936,165.09
Including: Debt instrument investment	496,152,893.17	488,559,816.67
Equity instrument investment	510,229,026.89	517,376,348.42
Total	1,006,381,920.06	1,005,936,165.09

Important other non-current financial assets are as follows:

Types	Item	Closing balance	Closing balance of last year
Debt instrument investment	Certificate of deposit	496,152,893.17	488,559,816.67
Equity instrument investment	Guangzhou Baxter Medical Supply	229,000,000.00	229,000,000.00
Equity instrument investment	C.Q. Pharmaceutical Holding Co., Ltd	126,582,647.10	129,181,880.10
Total	—	851,735,540.27	846,741,696.77

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment Properties

(1) Investment property measured using the cost model

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Opening balance	293,034,852.63	19,867,393.15	20,942,478.56	333,844,724.34
2. Increase	12,118,140.95	-	648,699.61	12,766,840.56
(1) Purchase	-	-	648,699.61	648,699.61
(2) Changes in foreign exchange rate	44,203.26	-	-	44,203.26
(3) Inventory, fixed assets and transferred from working in progress	12,073,937.69	-	-	12,073,937.69
3. Decrease	6,586,829.71	-	-	6,586,829.71
(1) Disposal	-	-	-	-
(2) transferred into inventory, fixed assets and working in progress	631,822.17	-	-	631,822.17
(3) Other	5,955,007.54	-	-	5,955,007.54
4. Closing balance	298,566,163.87	19,867,393.15	21,591,178.17	340,024,735.19
II. Accumulated depreciation and amortization				
1. Opening balance	152,541,477.37	11,528,567.85	-	164,070,045.22
2. Increase	29,602,007.06	183,185.95	-	29,785,193.01
(1) Provision or amortization	6,704,272.42	183,185.95	-	6,887,458.37
(2) Changes in foreign exchange rate	24,583.74	-	-	24,583.74
(3) Inventory, fixed assets and transferred from working in progress	22,873,150.90	-	-	22,873,150.90
3. Decrease	612,867.50	-	-	612,867.50
(1) Disposal	-	-	-	-
(2) Transferred into inventory, fixed assets and working in progress	612,867.50	-	-	612,867.50
4. Closing balance	181,530,616.93	11,711,753.80	-	193,242,370.73

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment Properties (Continued)

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

Item	Buildings	Land use right	Working in progress	Total
III. Provision for impairment				
1. Opening balance	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	117,035,546.94	8,155,639.35	21,591,178.17	146,782,364.46
2. Opening balance of book value	<u>140,493,375.26</u>	<u>8,338,825.30</u>	<u>20,942,478.56</u>	<u>169,774,679.12</u>

① Depreciation is RMB6,704 thousand from Jan to June 2024 (Jan to June 2023: RMB6,260 thousand). Amortization is RMB183 thousand in Jan to June 2024 (Jan to June 2023: RMB168 thousand).

② All of the investment properties with land use right are located in Mainland China with useful life vary from 20 to 50 years.

16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	4,456,702,209.86	4,411,948,633.92
Disposal of fixed assets	-	-
Less: Provision for impairment	32,151,211.78	32,151,211.78
Total	4,424,550,998.08	4,379,797,422.14

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Fixed Assets (Continued)

(1) Fixed assets

① Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	4,339,921,560.14	3,542,633,725.26	134,140,878.98	362,798,848.91	396,709,866.98	70,488,679.20	8,846,693,559.47
2. Increase	122,965,929.54	136,538,490.05	6,973,125.71	10,225,799.80	17,752,961.50	2,739,630.23	297,195,936.83
(1) Purchases	1,102,077.31	38,868,342.87	4,782,140.06	4,648,410.13	12,181,323.95	60,878.77	61,643,173.09
(2) Transfer of construction, use assets, development expenditure, investment real estate	121,806,865.57	96,848,427.18	986,985.65	5,577,389.67	5,566,029.11	2,678,751.46	233,464,448.64
(3) Changes in foreign exchange rate	56,986.66	-	-	-	5,608.44	-	62,595.10
(4) Other	-	821,720.00	1,204,000.00	-	-	-	2,025,720.00
3. Decrease	14,589,843.00	28,101,304.94	6,521,892.74	2,916,589.77	6,252,619.09	-	58,382,249.54
(1) Disposal or scrap	2,327,874.31	27,781,318.29	6,521,892.74	2,916,589.77	6,252,619.09	-	45,800,294.20
(2) Changes in foreign exchange rate	-	-	-	-	-	-	-
(3) Turn out of construction, use assets, development expenditure, investment real estate	12,064,036.70	-	-	-	-	-	12,064,036.70
(4) Other	197,931.99	319,986.65	-	-	-	-	517,918.64
4. Closing balance	4,448,297,646.68	3,651,070,910.37	134,592,111.95	370,108,058.94	408,210,209.39	73,228,309.43	9,085,507,246.76
II. Accumulated depreciation							
1. Opening balance	1,805,779,623.18	2,012,947,498.69	82,010,272.78	224,377,111.96	259,969,356.35	49,661,062.59	4,434,744,925.55
2. Increase	76,135,277.74	142,037,923.77	4,194,700.83	14,336,218.05	19,991,679.05	1,789,103.12	258,484,902.56
(1) Provision	75,496,851.94	142,037,923.77	4,194,700.83	14,336,218.05	19,989,151.31	1,789,103.12	257,843,949.02
(2) Changes in foreign exchange rate	25,558.30	-	-	-	2,527.74	-	28,086.04
(3) transfer of investment properties/use assets, etc.	612,867.50	-	-	-	-	-	612,867.50
3. Decrease	23,256,953.36	26,679,572.35	6,166,326.51	2,379,050.38	5,942,888.61	-	64,424,791.21
(1) Disposal or scrap	383,802.46	26,679,572.35	6,166,326.51	2,379,050.38	5,942,888.61	-	41,551,640.31
(2) transferred to investment properties	22,873,150.90	-	-	-	-	-	22,873,150.90
4. Closing balance	1,858,657,947.56	2,128,305,850.11	80,038,647.10	236,334,279.63	274,018,146.79	51,450,165.71	4,628,805,036.90

Notes to the Financial Statements

For January – June 2024

(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
III. Provision for impairment							
1. Opening balance	11,767,229.72	4,659,119.84	-	15,723,362.22	1,500.00	-	32,151,211.78
2. Increase	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
(2) Transfer of construction	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-	-
(1) Disposal or scrap	-	-	-	-	-	-	-
(2) Turn out of construction	-	-	-	-	-	-	-
4. Closing balance	11,767,229.72	4,659,119.84	-	15,723,362.22	1,500.00	-	32,151,211.78
IV. Book value							
1. Closing balance of book value	2,577,872,469.40	1,518,105,940.42	54,553,464.85	118,050,417.09	134,190,562.60	21,778,143.72	4,424,550,998.08
2. Opening balance of book value	<u>2,522,374,707.24</u>	<u>1,525,027,106.73</u>	<u>52,130,606.20</u>	<u>122,698,374.73</u>	<u>136,739,010.63</u>	<u>20,827,616.61</u>	<u>4,379,797,422.14</u>

Notes:

- ① The original price of transferring from construction in progress to fixed assets from Jan to June 2024 is RMB232,833 thousand (Jan to June 2023: RMB193,735 thousand).
- ② The original price of fixed assets increased RMB63 thousand due to exchange rate fluctuations, and accumulated depreciation increased RMB28 thousand from Jan to June 2024 (Jan to June 2023: RMB334 thousand and 204 thousand).
- ③ Fixed assets depreciation accrued in Jan to June 2024 is RMB257,844 thousand (Jan to June 2023: RMB312,011 thousand), which is comprised of depreciation in operating cost RMB96,859 thousand, depreciation in selling expenses RMB78,727 thousand, depreciation in general and administrative expenses RMB61,275 thousand and depreciation in R&D expenditure RMB20,983 thousand (Jan to June 2023: RMB182,653 thousand, RMB71,831 thousand, RMB38,420 thousand and RMB19,108 thousand).

Notes to the Financial Statements

For January – June 2024

(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)

② Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	303,490.06	–	127,123.30	/
Machinery and equipment	12,222,565.12	8,362,124.96	1,733,694.86	2,126,745.30	/
Total	<u>12,653,178.48</u>	<u>8,665,615.02</u>	<u>1,733,694.86</u>	<u>2,253,868.60</u>	/

③ There is no fixed asset leased out under operating lease in this period

④ Fixed assets which do not have a certificate of property right

Item	Amount without Property Ownership Certificate	Reasons for Unsettled Property Ownership Certificate
Buildings	553,508,122.71	Processing but necessary procedures were not complete
Total	<u>553,508,122.71</u>	

⑤ As on 30 June 2024, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, has buildings with the original costs of HKD8,893 thousand and the net book value of HKD5,883 thousand (Converted into RMB5,369 thousand), and investment property with the original costs of HKD6,843 thousand and the net value of HKD3,008 thousand (Converted into RMB2,745 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 USD409 thousand and EUR945 thousand from the Bank of China (Hong Kong) Co., Ltd.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	2,704,071,279.74	2,418,878,925.15
Construction material	–	–
Less: Provision for impairment	13,707,203.45	13,707,203.45
Total	<u>2,690,364,076.29</u>	<u>2,405,171,721.70</u>

(1) Construction in progress

① Basic information of the Construction in progress

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	2,704,071,279.74	13,707,203.45	2,690,364,076.29	2,418,878,925.15	13,707,203.45	2,405,171,721.70
Total	<u>2,704,071,279.74</u>	<u>13,707,203.45</u>	<u>2,690,364,076.29</u>	<u>2,418,878,925.15</u>	<u>13,707,203.45</u>	<u>2,405,171,721.70</u>

Notes to the Financial Statements

For January – June 2024

(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 (Continued)

(2) Changes of significant construction in progress in the current year

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment(%)	Project progress(%)	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	657,043,179.77	76,103,170.87	-	-	733,146,350.64	75.92	90.75	-	-	-	Self-raised funds, issuing shares
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	768,552,600.00	542,075,573.45	121,311,236.34	-	-	663,386,809.79	92.62	95.92	-	-	-	Self-raised funds, issuing shares
Ming Xing relocation improvement	686,410,000.00	474,183,388.78	40,340,644.84	-	-	514,524,033.62	93.16	96.00	-	-	-	Self-raised funds, issuing shares
Baiyunshan Heji public relocation project	699,521,600.00	119,725,309.26	80,714,188.90	-	-	200,439,498.16	37.76	37.76	-	-	-	Self-raised funds, issuing shares
Lanzhou production base	350,000,000.00	80,043,595.77	22,147,858.92	-	-	102,191,454.69	40.25	54.00	-	-	-	Self-raised funds
New plant construction project	426,135,900.00	91,325,177.57	8,827,825.23	3,728,939.30	-	96,424,063.50	30.68	30.68	-	-	-	Self-raised funds
Baiyun Base Logistics Project, Phase II.Q	615,124,000.00	11,014,362.35	30,062,324.46	831,196.18	-	40,245,490.63	6.68	6.68	-	-	-	Self-raised funds
New Factory R & D Workshop project	66,940,000.00	24,324,796.29	7,621,779.02	-	-	31,946,575.31	47.72	60.00	-	-	-	Self-raised funds
Nansha Base Project	750,000,000.00	27,063,834.83	1,079,806.02	-	-	28,143,640.85	76.97	89.02	-	-	-	Self-raised funds, issuing shares
Intelligent three-dimensional warehouse project	102,740,000.00	22,957,671.11	3,890,514.91	-	-	26,848,186.02	28.70	40.00	-	-	-	Self-raised funds
Biotech Island Science and Technology Museum Exhibition Project	28,250,000.00	-	22,230,131.58	-	-	22,230,131.58	78.69	91.07	-	-	-	Self-raised funds
Food supporting production line project	42,400,000.00	22,172,989.05	-	-	-	22,172,989.05	86.15	95.00	-	-	-	Self-raised funds
Head Factory upgrading Project of Science and Technology Innovation Center	77,420,000.00	16,787,964.77	5,383,814.90	-	-	22,171,779.67	31.15	40.00	-	-	-	Self-raised funds
Main Plant Water Storage Cooling Project	29,870,000.00	8,571,646.51	6,612,402.82	-	-	15,184,049.33	55.32	55.32	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(B)	54,000,000.00	12,224,181.56	1,778,580.00	-	77,375.29	13,925,386.27	45.18	45.18	-	-	-	Self-raised funds
Production line expansion project	20,356,000.00	12,737,415.46	510,579.60	-	-	13,247,995.06	65.08	70.00	-	-	-	Self-raised funds
Intelligent Traditional Chinese Medicine Decoction System	17,350,000.00	6,141,592.93	4,606,194.69	-	-	10,747,787.62	61.95	61.95	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(A)	48,550,000.00	32,890,271.28	2,546,551.53	28,180,178.82	-	7,256,643.99	84.70	84.70	-	-	-	Self-raised funds
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	114,685,505.69	796,955.04	114,103,114.75	-	1,379,345.98	96.35	98.85	1,102,800.00	-	-	Self-raised funds, issuing shares
Shantou Li Xiaojie Beverage Canning Production Line	20,000,000.00	8,474,336.29	8,261,946.89	16,736,283.18	-	-	83.68	100.00	-	-	-	Self-raised funds
Total	-	2,284,442,792.72	444,826,506.56	163,579,712.23	77,375.29	2,565,612,211.76	-	-	1,102,800.00	-	-	-

Note: ① Other decreases in construction in progress for this period mainly relate to amounts transferred from construction in progress to long-term deferred expenses and other items within the Group.

Notes to the Financial Statements

For January – June 2024

(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 (Continued)

(3) There is no new provision for impairment of construction in progress in current period.

(4) *Impairment of construction in progress*

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Vial production line	11,699,669.07	–	–	11,699,669.07	Equipment idling
Equipment to be installed	1,755,800.00	–	–	1,755,800.00	Production equipment could not be put into operation
Guanghua Wastewater Treatment Plant Expansion Project	251,734.38	–	–	251,734.38	Project suspension
Total	<u>13,707,203.45</u>	<u>–</u>	<u>–</u>	<u>13,707,203.45</u>	

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	1,572,345.00	1,572,345.00
2. Increase	174,705.00	174,705.00
(1) Provision	174,705.00	174,705.00
3. Decrease	–	–
4. Closing balance	1,747,050.00	1,747,050.00
III. Book value		
1. Closing balance of book value	1,930,950.00	1,930,950.00
2. Opening balance of book value	<u>2,105,655.00</u>	<u>2,105,655.00</u>

Notes to the Financial Statements

For January – June 2024

(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	1,245,399,960.22	60,016,128.72	1,305,416,088.94
2. Increase	69,298,839.38	2.64	69,298,842.02
(1) New lease	69,298,839.38	2.64	69,298,842.02
3. Decrease	64,790,384.14	6,573,867.43	71,364,251.57
(1) Disposal	64,379,959.37	6,573,867.43	70,953,826.80
(2) Turn out of construction in progress, right-of- use assets, development expenditure, investment properties	–	–	–
(3) Other	410,424.77	–	410,424.77
4. Closing balance	1,249,908,415.46	53,442,263.93	1,303,350,679.39
II. Accumulated depreciation			
1. Opening balance	534,373,065.70	42,140,660.26	576,513,725.96
2. Increase	119,513,845.71	2,868,476.78	122,382,322.49
(1) Provision	119,513,845.71	2,868,476.78	122,382,322.49
3. Decrease	69,058,068.11	3,028,865.50	72,086,933.61
(1) Disposal	68,820,953.51	3,028,865.50	71,849,819.01
(2) Turn out of construction in progress, right-of- use assets, development expenditure, investment properties	–	–	–
(3) Other	237,114.60	–	237,114.60
4. Closing balance	584,828,843.30	41,980,271.54	626,809,114.84
III. Book value			
1. Closing balance of book value	665,079,572.16	11,461,992.39	676,541,564.55
2. Opening balance of book value	<u>711,026,894.52</u>	<u>17,875,468.46</u>	<u>728,902,362.98</u>

Note: The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current period, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note V. (66) Lease.

Notes to the Financial Statements

For January – June 2024

(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	1,398,577,939.14	45,923,757.46	64,508,666.68	1,562,434,531.60	127,793,900.00	374,945,561.29	3,574,184,356.17
2. Increase	-	776,699.02	-	-	-	9,341,673.60	10,118,372.62
(1) Purchase	-	776,699.02	-	-	-	8,292,472.30	9,069,171.32
(2) Internal R&D	-	-	-	-	-	1,049,201.30	1,049,201.30
(3) Other	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	47,286.89	47,286.89
(1) Disposal	-	-	-	-	-	47,286.89	47,286.89
(2) Into Investment Real Estate	-	-	-	-	-	-	-
(3) Other	-	-	-	-	-	-	-
4. Closing balance	1,398,577,939.14	46,700,456.48	64,508,666.68	1,562,434,531.60	127,793,900.00	384,239,948.00	3,584,255,441.90
II. Accumulated amortization							
1. Opening balance	275,513,273.12	33,586,325.36	51,419,624.57	32,936,691.71	-	293,277,584.02	686,733,498.78
2. Increase	15,973,914.85	575,602.14	2,628,410.18	28,185.23	-	21,223,900.76	40,430,013.16
(1) Provision	15,973,914.85	575,602.14	2,628,410.18	28,185.23	-	21,223,900.76	40,430,013.16
(2) Other	-	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	46,201.42	46,201.42
(1) Disposal	-	-	-	-	-	46,201.42	46,201.42
(2) Into Investment Real Estate	-	-	-	-	-	-	-
(3) Other	-	-	-	-	-	-	-
4. Closing balance	291,487,187.97	34,161,927.50	54,048,034.75	32,964,876.94	-	314,455,283.36	727,117,310.52
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	1,107,090,751.17	12,085,185.94	10,460,631.93	1,528,886,081.66	127,793,900.00	69,784,664.64	2,856,101,215.34
2. Opening balance of book value	1,123,064,666.02	11,884,089.06	13,089,042.11	1,529,102,467.48	127,793,900.00	81,479,776.68	2,886,413,941.35

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible Assets (Continued)

(1) Intangible assets (Continued)

Note:

- ① All of the lands and relevant land use right in the intangible assets are located in Mainland China with useful life vary from 20 to 50 years.
- ② The amortization amount from Jan to June 2024 was RMB40,430 thousand (Jan to June 2023: RMB51,830 thousand), which included in the current profit or loss RMB40,430 thousand.

21. Goodwill

(1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
GP Corp.	932,349,003.84	-	-	-	-	932,349,003.84
Guangzhou Baiyunshan Hospital	9,216,610.56	-	-	-	-	9,216,610.56
San Gong Zai	3,900,000.00	-	-	-	-	3,900,000.00
Guangyao Haima	2,282,952.18	-	-	-	-	2,282,952.18
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	-	1,381,538.08	-	-	-	1,381,538.08
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
Total	948,224,323.50	1,381,538.08	-	-	-	949,605,861.58

(2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
GP Corp.	118,275,499.68	-	-	-	-	118,275,499.68
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
Total	118,751,256.60	-	-	-	-	118,751,256.60

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other decrease	Closing balance
Decoration expenses	150,384,447.82	13,709,105.56	22,783,495.26	–	141,310,058.12
GMP reconstruction expenses	8,138,960.76	1,563,790.78	1,457,611.98	–	8,245,139.56
Computer system expenses	1,290,076.56	263,727.85	394,665.68	–	1,159,138.73
Others	30,063,279.31	10,647,975.20	6,533,522.76	–	34,177,731.75
Total	<u>189,876,764.45</u>	<u>26,184,599.39</u>	<u>31,169,295.68</u>	–	<u>184,892,068.16</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred Tax Assets and Deferred Tax Liabilities

(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:				
Provision for credit impairment	744,119,807.67	181,270,072.52	686,347,605.79	164,750,221.94
Provision for decline in value of inventories	65,269,263.40	13,175,768.06	71,421,846.88	14,358,633.44
Provision for impairment of construction in progress	13,707,203.45	2,056,080.52	13,707,203.45	2,056,080.52
Provision for impairment of fixed assets	15,124,071.59	2,285,762.16	15,124,071.60	2,285,762.16
Fixed assets depreciation differences between accounting and tax law	69,351,529.50	16,784,497.21	69,351,529.50	16,784,497.21
Intangible assets depreciation differences between accounting and tax law	7,500,928.34	1,125,139.25	7,566,492.55	1,134,973.88
Other equity instruments investments	30,958,854.53	4,643,828.18	31,326,389.53	4,698,958.43
Other non-current financial assets	29,174,565.87	4,376,184.88	26,308,299.73	3,946,244.96
Employee benefits payable	135,353,766.77	22,552,653.30	130,586,371.04	20,973,160.16
Other payables	1,584,668,844.18	310,904,904.91	1,503,296,233.08	293,845,954.58
Lease liabilities	802,545,907.63	193,337,987.83	769,522,010.11	204,500,225.21
Provisions	942,640,074.20	141,396,011.13	942,640,074.20	141,396,011.13
Deductible tax losses	569,596,141.28	105,947,973.90	570,407,520.44	101,848,279.77
Deferred income	642,064,850.90	100,520,796.18	622,469,750.54	97,384,854.64
Impact on total profit arising from elimination	474,800,394.01	98,564,206.88	333,344,860.48	71,621,543.31
Others	105,562,966.77	20,443,387.21	112,920,789.04	21,962,894.19
Total	<u>6,232,439,170.09</u>	<u>1,219,385,254.12</u>	<u>5,906,341,047.96</u>	<u>1,163,548,295.53</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Deferred tax liabilities:				
Other receivables	1,020,222,378.00	255,055,594.50	922,141,378.00	230,535,344.50
Right-to-use assets	789,094,320.03	185,842,955.29	824,013,981.52	198,062,070.21
Book value of the appreciated intangible assets and fixed assets in business combination	529,938,991.25	120,889,233.67	516,364,864.85	126,351,598.56
Other non-current financial assets	222,266,868.13	33,340,030.22	222,266,868.13	33,340,030.22
Fixed assets depreciation differences between accounting and tax law	100,752,388.79	15,116,651.43	98,639,272.56	15,726,413.47
Book value of amortization provided for intangible assets appreciation	8,372,797.60	1,268,249.64	8,446,777.60	1,286,744.64
Book value of depreciation provided for fixed assets appreciation	1,307,172.00	196,075.80	7,080,182.06	1,062,027.31
Other equity instruments investments	234,433.00	35,164.95	219,573.53	32,936.03
Others	289,166,743.96	44,248,760.25	219,415,904.28	33,131,754.10
Total	<u>2,961,356,092.76</u>	<u>655,992,715.75</u>	<u>2,818,588,802.53</u>	<u>639,528,919.04</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(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	59,154,085.35	53,275,363.77
Deductible losses	812,749,296.59	696,522,654.98
Total	871,903,381.94	749,798,018.75

(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
2024	79,605,604.36	79,605,604.36	/
2025	89,666,175.18	89,666,175.18	/
2026	118,880,928.69	118,880,928.69	/
2027	234,887,073.08	234,887,073.08	/
2028	165,880,061.08	173,482,873.67	/
2029	123,829,454.20	–	/
Total	812,749,296.59	696,522,654.98	–

24. Other Non-current Assets

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	210,454,868.36	–	210,454,868.36	86,445,793.62	–	86,445,793.62
Total	210,454,868.36	–	210,454,868.36	86,445,793.62	–	86,445,793.62

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Ownership or Use Right restricted Assets

Item	Closing balance				Closing balance of last year			
	Book balance	Book value	Restricted type	Conditions	Book balance	Book value	Restricted type	Conditions
Cash at bank and on hand	1,749,094,140.44	1,749,094,140.44	Freeze/Fixed deposit	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund, fixed deposit	1,485,300,409.72	1,485,300,409.72	Freeze/Fixed deposit	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund, fixed deposit
Accounts receivable	-	-	-	-	246,188,345.02	246,188,345.02	Pledge	Pledge to a bank
Notes receivable	289,278,773.60	289,278,773.60	Endorsed/Discounted	Endorse or discounted to the bank	549,930,337.37	549,930,337.37	Endorsed/Discounted	Endorse or discounted to the bank
Receivables financing	66,540,554.00	66,540,554.00	Pledge	Pledge to a bank	19,454,304.41	19,454,304.41	Pledge	Pledge to a bank
Fixed assets	8,116,367.41	5,369,494.04	Credit collateral	Mortgage to a bank	5,298,668.34	5,298,668.34	Credit collateral	Mortgage to a bank
Investment real estate	6,245,111.93	2,745,431.16	Credit collateral	Mortgage to a bank	2,673,349.00	2,673,349.00	Credit collateral	Mortgage to a bank
Total	<u>2,119,274,947.38</u>	<u>2,113,028,393.24</u>			<u>2,308,845,413.86</u>	<u>2,308,845,413.86</u>		

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Short-term Borrowings

(1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	8,688,926,481.68	7,107,375,293.48
Bills Discounted	553,417,150.92	691,660,350.28
Total	9,242,343,632.60	7,799,035,643.76

Note: As on 30 June 2024, the weighted average annual interest rate of short-term borrowings is 2.5843% (31 December 2023: 2.9043%).

(2) The Group had no overdue short-term borrowings as on 30 June 2024.

27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	3,322,581,202.96	3,830,435,975.33
Commercial acceptance notes	13,600,000.00	13,600,000.00
Total	3,336,181,202.96	3,844,035,975.33

Note: As on 30 June 2024, amount expected to be matured within a year is RMB3,336,181 thousand (31 December 2023: RMB3,844,036 thousand).

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts Payable

(1) The aging of accounts payable is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	11,452,726,854.26	11,344,110,275.40
Over 1 year	499,711,072.99	497,721,576.97
Total	11,952,437,927.25	11,841,831,852.37

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	27,065,125.99	Payment terms not satisfied
Supplier 2	21,441,267.51	Payment terms not satisfied
Supplier 3	21,056,067.99	Payment terms not satisfied
Supplier 4	16,664,570.82	Payment terms not satisfied
Supplier 5	16,513,402.67	Payment terms not satisfied
Total	102,740,434.98	

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Advances from customers

Item	Closing balance	Closing balance of last year
Within 1 year (including 1 year)	5,960,836.72	–
Over 1 year	–	–
Total	<u>5,960,836.72</u>	<u>–</u>

30. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	1,446,927,341.19	5,427,410,233.10
Medical payment received in advance	2,706,985.94	2,475,163.09
Total	<u>1,449,634,327.13</u>	<u>5,429,885,396.19</u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	1,412,094,196.06	5,389,786,225.94
Over 1 year	37,540,131.07	40,099,170.25
Total	<u>1,449,634,327.13</u>	<u>5,429,885,396.19</u>

(3) The Group had no significant contract liabilities with aging over 1 year as on 30 June 2024 and 31 December 2023.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee Benefits Payable

(1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	1,064,932,402.86	2,774,814,726.52	2,802,860,848.21	1,036,886,281.17
Post-employment benefits-set up a deposit plan	3,598,958.99	289,207,059.54	290,851,949.13	1,954,069.40
Termination benefits	467,470.00	3,291,706.91	3,604,176.91	155,000.00
Total	<u>1,068,998,831.85</u>	<u>3,067,313,492.97</u>	<u>3,097,316,974.25</u>	<u>1,038,995,350.57</u>

(2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	1,014,174,146.09	2,407,092,911.14	2,432,780,458.08	988,486,599.15
Employee welfare	4,218,622.40	71,035,484.40	71,108,065.41	4,146,041.39
Social Insurance premium	47,968.43	97,678,325.72	97,644,701.24	81,592.91
Including: Medical insurance premium	44,994.10	89,796,269.17	89,771,103.18	70,160.09
Industrial injury insurance premium	2,533.21	7,469,452.00	7,460,993.51	10,991.70
Maternity insurance premium	441.12	412,604.55	412,604.55	441.12
Housing funds	1,305,998.10	156,274,569.17	156,219,264.31	1,361,302.96
Labor-union expenditure and employee education funds	17,594,484.05	36,613,599.38	39,430,447.94	14,777,635.49
Non-monetary welfare	–	153,141.66	153,141.66	–
Housing allowance	27,311,675.63	5,474,209.30	5,066,122.36	27,719,762.57
Other short-term benefits	279,508.16	492,485.75	458,647.21	313,346.70
Total	<u>1,064,932,402.86</u>	<u>2,774,814,726.52</u>	<u>2,802,860,848.21</u>	<u>1,036,886,281.17</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. 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	116,201.51	207,268,628.30	207,192,378.35	192,451.46
Unemployment insurance premiums	5,476.93	10,574,116.43	10,569,123.82	10,469.54
Enterprise annuity	3,072,226.05	62,190,287.73	63,580,185.44	1,682,328.34
Others	405,054.50	9,174,027.08	9,510,261.52	68,820.06
Total	<u>3,598,958.99</u>	<u>289,207,059.54</u>	<u>290,851,949.13</u>	<u>1,954,069.40</u>

(4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	467,470.00	3,291,706.91	3,604,176.91	155,000.00
Total	<u>467,470.00</u>	<u>3,291,706.91</u>	<u>3,604,176.91</u>	<u>155,000.00</u>

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of June 2024. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next half of the year.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	215,944,921.08	249,263,554.98
Value-added tax	177,029,363.07	89,315,243.43
Property tax	12,344,908.10	2,652,408.61
Urban maintenance and construction tax	10,998,844.63	5,209,015.26
Stamp duty	10,798,658.03	13,443,851.71
Individual income tax	5,813,256.43	21,311,730.41
Educational surcharge	4,748,232.91	2,279,254.94
Local education surcharge	3,128,789.76	1,445,140.22
Land use tax	2,296,574.60	140.88
Others	303,733.49	1,631,946.56
Total	<u>443,407,282.10</u>	<u>386,552,287.00</u>

33. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	–	–
Dividends payable	213,876,683.31	62,206,330.91
Other payables	5,565,203,165.13	4,857,035,314.76
Total	<u>5,779,079,848.44</u>	<u>4,919,241,645.67</u>

(1) Interest payable

Nil

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

(2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	164,861,926.75	155,202.86
Domestic public shares	1,284,633.47	1,109,692.27
Minority shareholders	47,730,078.08	60,941,390.77
BYS Group	45.01	45.01
Total	<u>213,876,683.31</u>	<u>62,206,330.91</u>

(3) Other payables

① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Accounts payable to external entities	2,043,052,449.23	1,463,261,700.02
Sales discounts	1,747,560,831.45	1,569,035,459.89
Accrued expenses	891,377,677.96	897,187,982.31
Margin, deposit, and down payment received	562,233,959.86	579,058,689.15
Epidemic prevention supplies turnover fund	63,945,432.52	57,707,402.07
Accruals for fixed assets	38,888,143.14	128,440,296.71
Funds received temporarily from employees	31,556,089.32	19,043,952.13
Current accounts to related parties	19,493,159.92	22,322,317.66
Others	167,095,421.73	120,977,514.82
Total	<u>5,565,203,165.13</u>	<u>4,857,035,314.76</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

(3) Other payables (Continued)

② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Advertisement and promotion expenses	354,328,783.78	220,666,704.85
Freight expenses	189,728,243.33	245,137,740.16
Terminal expenses	122,825,719.62	210,301,651.55
Research and development expenditures	71,468,539.85	40,760,609.69
Travel expenses	24,615,505.10	24,814,899.61
Conference expenses	21,760,602.95	27,384,843.04
Utilities expenses	18,459,651.70	14,732,820.88
Rental expenses	5,814,830.44	5,979,326.85
Trademark fee	4,700,000.00	5,478,612.37
Agency fee	2,463,241.51	5,470,452.83
Consulting fee	695,695.26	1,189,882.18
Others	74,516,864.42	95,270,438.30
Total	<u>891,377,677.96</u>	<u>897,187,982.31</u>

③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	4,894,384,844.62	4,261,509,991.86
Over 1 year	670,818,320.51	595,525,322.90
Total	<u>5,565,203,165.13</u>	<u>4,857,035,314.76</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables (Continued)

(3) Other payables (Continued)

④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	<u>50,799,158.82</u>	Not to the settlement period
Total	<u><u>50,799,158.82</u></u>	

34. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 36)	<u>639,947,326.96</u>	36,450,938.12
Lease liabilities due within 1 year (Note V. 37)	<u>209,694,869.58</u>	<u>213,377,565.60</u>
Total	<u><u>849,642,196.54</u></u>	<u><u>249,828,503.72</u></u>

35. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	<u>153,789,720.49</u>	<u>695,880,365.06</u>
Total	<u><u>153,789,720.49</u></u>	<u><u>695,880,365.06</u></u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term Borrowings

(1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	3,894,990,741.27	3,360,168,855.34	/
Less: Long-term borrowings due within 1 year (Note V. 34)	639,947,326.96	<u>36,450,938.12</u>	/
Total	<u>3,255,043,414.31</u>	<u>3,323,717,917.22</u>	/

Note: As on 30 June 2024, the average annual rate of long-term borrowings is 2.7098% (as on 31 December 2023: 2.4805%).

(2) The Group had no overdue long-term borrowings as on 30 June 2024.

37. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	747,856,529.83	791,570,026.69
Less: Amount due within 1 year (Note V. 34)	209,694,869.58	<u>213,377,565.60</u>
Total	<u>538,161,660.25</u>	<u>578,192,461.09</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<u>19,666,964.60</u>	<u>19,971,964.60</u>
Total	<u><u>19,666,964.60</u></u>	<u><u>19,971,964.60</u></u>

(1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<u>17,393,650.77</u>	<u>17,393,650.77</u>
Department of Finance of Guangxi Zhuang Autonomous Region	<u>2,264,426.47</u>	<u>2,264,426.47</u>
State Administration of Medicine	<u>–</u>	<u>305,000.00</u>
Others	<u>8,887.36</u>	<u>8,887.36</u>
Total	<u><u>19,666,964.60</u></u>	<u><u>19,971,964.60</u></u>

39. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	<u>295,354.75</u>	<u>293,264.21</u>
Total	<u><u>295,354.75</u></u>	<u><u>293,264.21</u></u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	42,852,268.52	–	512,725.17	42,339,543.35	Note ①
Estimated loss on return of products	10,793,666.85	–	–	10,793,666.85	Estimated based on the disposal assets agreement. It has not been settled yet
Pending litigation	2,285,000.00	4,555,805.67	580,000.00	6,260,805.67	The expected loss due to the proceedings
Total	<u>55,930,935.37</u>	<u>4,555,805.67</u>	<u>1,092,725.17</u>	<u>59,394,015.87</u>	–

Note:

- ① The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 30 June 2014, and employee benefits are accrued consequently.

41. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	1,001,429,861.00	109,876,197.36	90,654,952.24	1,020,651,106.12	Government funding
Total	<u>1,001,429,861.00</u>	<u>109,876,197.36</u>	<u>90,654,952.24</u>	<u>1,020,651,106.12</u>	–

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. 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 changes	Closing balance	Asset related/ Income related
Government grants related to assets	650,086,446.38	22,470,889.00	55,987.32	17,921,896.35	-	-	-	654,579,451.71	
Including:									
Technology funds granted by the government	65,497,657.75	2,589,847.00	-	6,062,402.79	-	-	-	62,025,101.96	Asset related
Compensation for relocation	224,417,508.93	-	36,498.78	-	-	-	-	224,381,010.15	Asset related
Special project funds for environmental protection	1,859,177.09	344,700.00	-	86,400.84	-	-	-	2,117,476.25	Asset related
Construction funds for innovation platform and laboratory	27,472,181.06	-	-	1,145,554.71	-	-	-	26,326,626.35	Asset related
Land support funds granted by the government	56,694,581.57	-	-	1,753,471.20	-	-	-	54,941,110.37	Asset related
Support funds for industrial development	213,768,951.72	17,410,622.00	-	7,777,149.39	-	-	-	223,402,424.33	Asset related
Others	60,376,388.26	2,125,720.00	19,488.54	1,096,917.42	-	-	-	61,385,702.30	Asset related
Government grants related to income	351,343,414.62	87,405,308.36	-	71,403,989.51	193,954.11	488,433.53	(590,691.42)	366,071,654.41	
Including:									
Technology funds granted by the government	108,165,999.53	8,214,850.00	-	11,335,455.78	188,679.24	488,433.53	-	104,368,280.98	Income related
Special Funds for technology export development	-	-	-	-	-	-	-	-	Asset related
Medical industrial research project funds	-	-	-	-	-	-	-	-	Asset related
Special fund for innovative enterprises	15,611,156.57	4,083,800.00	-	6,851,148.66	-	-	-	12,843,807.91	Income related
Compensation for relocation	160,000,000.00	-	-	-	-	-	-	160,000,000.00	Income related
Support funds for industrial development	17,200,000.00	231,000.00	-	231,000.00	-	-	-	17,200,000.00	Income related
Others	50,366,258.52	74,875,658.36	-	52,986,385.07	5,274.87	-	(590,691.42)	71,659,565.52	Income related
Total	1,001,429,861.00	109,876,197.36	55,987.32	89,325,885.86	193,954.11	488,433.53	(590,691.42)	1,020,651,106.12	-

Notes to the Financial Statements

For January – June 2024

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

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

42. 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.	50,225,000.00	50,225,000.00
Pending output VAT	3,951,704.96	4,473,033.81
Total	54,176,704.96	54,698,033.81

Note: Performance obligation according to the agreement and the Article as the subsidiaries of the Group acquired 50% shares of Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Share capital

Item	Closing balance of last year	Changes in the current period (+, -)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Shares held by state-owned companies	-	-	-	-	-	-	-
Shares held by other domestic investors	-	-	-	-	-	-	-
shares held by State-owned legal persons	-	-	-	-	-	-	-
Other shares held by domestic capital Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Shares held by foreign investors	-	-	-	-	-	-	-
Total restricted shares	-	-	-	-	-	-	-
Unrestricted shares	-	-	-	-	-	-	-
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	-	1,405,890,949.00
Domestically-listed shares held by foreign investors	-	-	-	-	-	-	-
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	-	219,900,000.00
Others	-	-	-	-	-	-	-
Total Unrestricted shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00
Total shares	1,625,790,949.00	-	-	-	-	-	1,625,790,949.00

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
Share premium	9,048,269,635.38	8,007,275.31	–	9,056,276,910.69
Other capital reserves	1,057,444,795.52	–	–	1,057,444,795.52
Including: Capital reserve transferred under previous accounting system	<u>24,955,836.66</u>	<u>–</u>	<u>–</u>	<u>24,955,836.66</u>
Total	<u>10,105,714,430.90</u>	<u>8,007,275.31</u>	<u>–</u>	<u>10,113,721,706.21</u>

Note: The pharmaceutical company acquired a 30% stake from minority shareholders of its subsidiary, resulting in an increase of RMB8,007,275.31 in this period.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other Comprehensive Income

Item	Closing balance of last year	Current period					Closing balance
		Current amount before tax	Less: profit or loss transferred from other comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	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	(20,452,213.73)	382,394.52	-	-	57,359.17	325,035.35	-
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	(21,900,395.54)	382,394.52	-	-	57,359.17	325,035.35	(21,575,360.19)
II. Other comprehensive income that may be reclassified into profit or loss	(3,892,255.86)	5,904,314.88	-	-	982,799.49	4,653,909.90	761,654.04
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	6,028,214.82	1,973,116.94	-	-	-	1,973,116.94	8,001,331.76
Change in fair value of investments in other debt instruments	(19,335,703.96)	(2,029,348.54)	-	-	(507,337.14)	(1,383,869.08)	(20,719,573.04)
Provision for credit impairment of other debt investments	9,386,096.71	5,960,546.48	-	-	1,490,136.63	4,064,662.04	13,450,758.75
Total other comprehensive income	(24,344,469.59)	6,286,709.40	-	-	1,040,158.66	4,978,945.25	(19,365,524.34)

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	2,133,863,609.81	–	727,523.16	2,133,136,086.65
Discretionary surplus reserve	<u>118,925,617.49</u>	<u>–</u>	<u>–</u>	118,925,617.49
Total	<u>2,252,789,227.30</u>	<u>–</u>	<u>727,523.16</u>	2,252,061,704.14

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.
- ③ The reduction of RMB727,523.16 is due to the Medical and Healthcare Industry Company's acquisition of a 49% minority stake in its subsidiary, Runkang Confinement Company, reflecting the difference between the purchase price of the minority stake and the book value of the corresponding minority shareholders' equity.

47. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	20,959,330,809.10	18,262,133,346.76
Adjustments to opening balance of undistributed profits at the current period (Add: +; Less: -)	–	–
Undistributed profits at the beginning of current year after adjustments	20,959,330,809.10	18,262,133,346.76
Add: Net profit attributable to shareholders of the parent company for the current period	2,549,565,302.08	4,055,678,691.49
Less: Appropriation of statutory surplus reserve	–	168,402,254.47
Appropriation of discretionary surplus reserve	–	–
Ordinary share dividends payable	1,217,717,420.80	1,190,078,974.68
Ordinary shares dividends converted to share capital	–	–
Closing balance of undistributed profits	<u>22,291,178,690.38</u>	<u>20,959,330,809.10</u>

Note: According to the resolution of the 2023 annual general meeting held on 30 May 2024, the Company shall issue cash dividends to all shareholders at RMB0.749 per share (tax included), RMB1,217,717,420.80 in total, based on the 1,625,790,949 outstanding shares at the year-end of 2023.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Operating Income and Operating Costs

(1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	40,939,646,545.07	33,206,751,842.75	39,832,673,959.84	31,621,172,922.54
Other businesses	103,168,542.88	37,303,824.10	137,656,628.09	24,324,489.70
Total	<u>41,042,815,087.95</u>	<u>33,244,055,666.85</u>	<u>39,970,330,587.93</u>	<u>31,645,497,412.24</u>

(2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	6,182,517,384.87	3,108,092,739.44	6,311,374,875.15	3,086,203,537.22
Great Health	6,537,825,789.43	3,727,628,886.70	7,047,787,265.67	3,907,821,843.11
Great Commerce	27,819,358,464.34	26,040,534,934.18	26,214,730,101.22	24,410,565,397.51
Others	399,944,906.43	330,495,282.43	258,781,717.80	216,582,144.70
Total	<u>40,939,646,545.07</u>	<u>33,206,751,842.75</u>	<u>39,832,673,959.84</u>	<u>31,621,172,922.54</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Operating Income and Operating Costs (Continued)

(3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	29,742,587,366.38	25,198,881,944.93	29,176,787,270.48	24,347,677,949.65
Eastern China Area	3,600,749,787.03	2,556,256,669.62	3,458,159,489.22	2,334,422,184.51
Northern China Area	1,995,182,473.57	1,350,138,456.00	1,960,885,963.24	1,256,710,699.04
Northeast Area	1,022,660,668.12	858,945,950.06	729,143,662.26	572,198,047.15
Southwest Area	3,281,409,016.47	2,257,497,563.18	3,131,931,279.31	2,068,489,397.92
Northwest Area	1,157,070,671.91	859,342,359.79	1,211,424,314.37	891,617,692.86
Export	139,986,561.59	125,688,899.17	164,341,980.96	150,056,951.41
Total	<u>40,939,646,545.07</u>	<u>33,206,751,842.75</u>	<u>39,832,673,959.84</u>	<u>31,621,172,922.54</u>

(4) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Leases of assets	40,343,150.53	4,799,449.43	24,303,369.23	6,403,787.24
E-commerce platform and store service fee	8,145,778.53	–	53,567,955.52	–
Technical service income	7,530,136.39	540,811.98	1,083,224.12	182,103.16
Consulting fee	5,267,722.38	–	8,963,232.66	14,433.96
Property management fee	5,137,270.03	4,978,669.50	5,221,550.56	1,616,451.31
Sales of materials	3,540,734.03	2,427,581.96	4,108,190.24	2,259,978.42
Trademark fee income	1,265,970.73	–	1,232,037.74	–
Collection of utility on behalf of others	1,171,098.31	1,357,512.09	997,861.50	3,086,774.15
Service income	61,179.95	102,900.32	2,475,318.26	1,132,968.83
Others	30,705,502.00	23,096,898.82	35,703,888.26	9,627,992.63
Total	<u>103,168,542.88</u>	<u>37,303,824.10</u>	<u>137,656,628.09</u>	<u>24,324,489.70</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	68,165,655.54	75,674,785.94
Stamp duty	32,360,376.30	27,433,101.55
Education surcharge	29,250,051.28	32,493,003.78
Local education surcharge	19,501,422.02	21,597,365.89
House property tax	15,600,447.63	13,228,657.11
Land use tax	2,903,359.48	3,107,543.72
Vehicle and vessel use tax	87,737.25	88,018.86
Others	184,826.03	222,594.61
Total	168,053,875.53	173,845,071.46

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

50. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	1,582,191,884.10	1,574,864,166.64
Advertising and promotion fees	658,027,523.23	772,890,302.70
Sales and service fees	458,530,006.94	464,490,731.81
Depreciation expenses	138,852,240.61	141,836,958.56
Freight and miscellaneous charges	73,665,189.17	96,801,898.21
Traveling expenses	72,806,085.13	69,020,496.67
Conference expenses	23,227,900.11	42,744,669.81
Office expenses	17,119,295.51	18,346,574.58
Rental expenses	13,431,492.10	12,086,876.77
Others	81,563,553.64	70,027,072.78
Total	3,119,415,170.54	3,263,109,748.52

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. General and administrative expenses

Item	Current period	Prior period
Employee benefits	832,223,488.56	819,138,105.02
Depreciation expenses	94,223,910.60	86,816,408.87
Amortization	69,189,107.04	69,970,944.46
Office expenses	38,237,546.81	36,950,072.85
Repairing expenses	18,951,672.38	15,573,743.96
Utilities	14,412,106.42	14,235,788.83
Agency fees	13,423,018.97	8,501,782.68
Traveling expenses	10,565,379.09	10,881,270.39
Consulting	9,196,163.20	10,678,038.09
Freight and miscellaneous charges	7,284,718.81	7,253,411.30
Conference expenses	4,756,217.61	3,330,817.45
Rental expenses	3,531,413.61	3,441,118.02
Insurance premium	3,058,358.50	2,757,447.72
Trademark license fees	1,925,888.91	7,059,372.66
Others	91,894,501.36	102,880,065.57
Total	<u>1,212,873,491.87</u>	<u>1,199,468,387.87</u>

52. Research and development expenditures

Item	Current period	Prior period
Employee benefits	168,529,504.23	171,060,518.12
Special research and development	69,421,788.54	90,158,935.89
Raw materials	32,346,667.99	27,427,537.78
Trial production expenses	55,988,821.34	31,347,602.37
Depreciation expenses	20,990,772.97	19,108,030.00
Clinical trial expenses	4,720,886.98	10,182,874.36
Amortization cost	2,467,976.07	3,830,157.72
Technique research expenses	583,962.73	5,610,108.59
Others	36,094,930.56	41,848,230.96
Total	<u>391,145,311.41</u>	<u>400,573,995.79</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Financial expenses

Item	Current period	Prior period
Interest expenses	213,346,142.39	225,453,050.91
Including: Interest expenses related to lease	16,828,347.44	17,554,709.64
Less: interest revenue	278,159,615.53	270,967,777.04
Exchange gains/(losses)	(5,303,780.37)	(3,398,288.25)
Service charge of finance institutions	9,209,764.57	8,797,906.59
Others	1,238,572.20	433,466.92
Total	<u>(59,668,916.74)</u>	<u>(39,681,640.87)</u>

54. Other Income

Item	Current period	Prior period
Government grants	184,412,396.76	81,323,507.16
Total	<u>184,412,396.76</u>	<u>81,323,507.16</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Other Income (Continued)

Government subsidies included in other income:

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period	Asset related/ income related
Technology funds granted by the government	6,062,402.79	8,190,118.61	–	Asset related
Construction funds for innovation platform and laboratory	1,145,554.71	52,640.90	–	Asset related
Government land support funds	1,753,471.20	1,753,471.20	–	Asset related
Support funds for industrial development	7,777,149.39	4,384,079.69	–	Asset related
Special project fund for environmental protection	86,400.84	87,711.64	–	Asset related
Others	1,096,917.42	1,009,311.99	–	Asset related
Subtotal	17,921,896.35	15,477,334.03	–	–
Technology funds granted by the government	12,235,519.41	28,466,481.00	12,235,519.41	Income related
Special fund for innovative enterprises	6,851,148.66	–	6,851,148.66	Income related
Support funds for industrial	1,141,000.00	4,713,714.96	1,141,000.00	Income related
Additional Deduction for Value-Added Tax	57,513,478.96	1,683,961.30	–	Income related
Others	88,749,353.38	30,982,015.87	88,749,353.38	Income related
Subtotal	166,490,500.41	65,846,173.13	108,977,021.45	–
Total	184,412,396.76	81,323,507.16	108,977,021.45	–

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	11,109,142.58	72,049,845.07
Investment income from disposal of long-term equity investment	–	8,100,231.62
Dividend income during the holding year of other equity instruments	–	3,182,137.46
Investment income during the holding period of other non-current financial assets	35,032,051.46	11,195.82
Interest income from finance products and structured deposits	128,196,091.36	118,038,756.24
Derecognition income of financial assets measured at amortized cost	(7,289,089.90)	(5,870,048.86)
Others	(9,599,644.67)	(19,090,038.96)
Total	<u>157,448,550.83</u>	<u>176,422,078.39</u>

56. 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	–	–
Other non-current financial assets	445,754.97	44,053,710.42
Total	<u>445,754.97</u>	<u>44,053,710.42</u>

57. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	2,445,607.91	190,075.72
Loss on bad debts of accounts receivable	(75,629,187.56)	(94,943,438.81)
Loss on bad debts of accounts receivables financing	(5,960,546.48)	(4,422,577.81)
Loss on bad debts of other receivables	(2,984,436.38)	(1,312,975.84)
Total	<u>(82,128,562.51)</u>	<u>(100,488,916.74)</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	(1,316,286.19)	4,021,314.75
Total	(1,316,286.19)	4,021,314.75

59. 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	293,002.28	439,942.15	293,002.28
Including: Gains from disposal of fixed assets	83,135.86	(149,598.59)	83,135.86
Gains from disposal of right-of-use assets	209,866.42	589,540.74	209,866.42
Total	293,002.28	439,942.15	293,002.28

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. 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
Compensation income	8,990,264.35	3,022,538.06	8,990,264.35
Income from sale of scrap	2,974,759.97	2,987,010.76	2,974,759.97
Debt forgiveness	1,218,493.56	551,696.49	1,218,493.56
Penalty income	544,384.16	689,168.62	544,384.16
Proceed from damage and scrapping of non-current assets	310,670.29	667,080.15	310,670.29
Government grant	56,987.32	56,587.32	56,987.32
Others	1,510,224.14	1,187,320.37	1,510,224.14
Total	<u>15,605,783.79</u>	<u>9,161,401.77</u>	<u>15,605,783.79</u>

(2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	36,498.78	36,498.78	Asset related
Others	19,488.54	19,488.54	Asset related
Subtotal	<u>55,987.32</u>	<u>55,987.32</u>	–
Others	1,000.00	600.00	Income related
Subtotal	<u>1,000.00</u>	<u>600.00</u>	–
Total	<u>56,987.32</u>	<u>56,587.32</u>	–

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Non-operating expenses

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Public welfare donation expenditure	4,054,042.82	5,046,759.74	4,054,042.82
Losses on damage and scrapping of non-current assets	1,677,899.95	1,289,500.65	1,677,899.95
Penalty and overdue fines	1,246,939.08	559,510.54	1,246,939.08
Inventory loss	581.81	8,352.31	581.81
Others	5,318,288.04	2,854,958.12	5,318,288.04
Total	<u>12,297,751.70</u>	<u>9,759,081.36</u>	<u>12,297,751.70</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Income Tax Expenses

(1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	601,784,664.91	593,690,602.71
Deferred tax expenses	(40,413,320.52)	17,257,916.77
Total	561,371,344.39	610,948,519.48

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

Item	Current period
Total profit	3,229,403,376.72
Income tax expenses calculated at statutory/applicable rates	484,410,506.50
Tax effect of different rates applicable to subsidiaries	46,539,010.29
Adjustment effect of income tax of prior period	6,195,473.62
Tax effect of non-taxable income	(9,243,089.42)
Tax effect of costs, expenses and losses not deductible for tax purposes	6,469,482.54
Tax effect of use of deductible loss of previously unrecognized DTA	(3,136,771.72)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	50,793,001.63
Tax effect of R&D expenditure deduction	(20,656,269.05)
Income tax expenses	561,371,344.39

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Items in the Cash Flow Statement

(1) Cash for operating activities

① Cash received from other operating activities

Item	Current period	Prior period
Interest income	278,159,615.53	270,967,777.04
Government grant	147,450,229.30	75,586,268.44
Other operating income	103,168,542.88	137,656,628.09
Non-operating income	5,848,494.77	7,695,294.50
Others	182,313,894.14	59,249,877.78
Total	716,940,776.62	551,155,845.85

② Cash paid to other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	741,243,512.54	1,329,273,002.39
Cash paid for general and administrative expenses	415,548,144.09	391,022,561.30
Financial expenses – bank charges	9,209,764.57	8,797,906.59
Others	123,914,635.44	76,768,053.06
Total	1,289,916,056.64	1,805,861,523.34

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Items in the Cash Flow Statement (Continued)

(2) Cash for investing activities

① Cash received from Important investing activities

Item	Current period	Prior period
Cash received from large certificates of deposit/Time deposit	115,000,000.00	1,187,390,000.00
Cash received from sold shares	–	123,389,217.52
Cash received from dividends	59,481,293.20	144,791,013.85
Interest received from fixed deposits/certificates of deposit	4,080,816.97	54,668,630.23
Total	<u>178,562,110.17</u>	<u>1,510,238,861.60</u>

② Cash paid to Important investing activities

Item	Current period	Prior period
Deposit time deposit/large deposit certificate	3,527,761,463.65	1,375,000,000.00
Units outside investment	–	336,259,088.65
Total	<u>3,527,761,463.65</u>	<u>1,711,259,088.65</u>

③ Cash received from other investing activities

Item	Current period	Prior period
Interest received	1,035.36	32,063.05
Total	<u>1,035.36</u>	<u>32,063.05</u>

④ Cash paid to other investing activities

Nil

Notes to the Financial Statements

For January – June 2024

(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 for financing activities

① Cash received from other financing activities

Item	Current period	Prior period
Return of deposit for notes (Note)	–	2,123,622,762.36
Received ultra-short-term financing bonds	–	299,955,000.00
Other	356,539.34	27,072.70
Total	356,539.34	2,423,604,835.06

Note: The payment of guarantee deposit for notes payable related to the purchase of goods is classified as cash flow from operating activities.

② Cash paid to other financing activities

Item	Current period	Prior period
Deposit for notes paid (Note)	–	1,584,663,474.49
Lease payment	126,739,498.00	137,313,313.97
Minority shareholders' equity payment	27,833,332.40	–
Ultra-short-term financing bonds payment	–	600,000,000.00
Other	2,178,139.25	9,138.40
Total	156,750,969.65	2,321,985,926.86

Note: The payment of guarantee deposit for notes payable related to the purchase of goods is classified as cash flow from operating activities.

Notes to the Financial Statements

For January – June 2024

(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 for financing activities (Continued)

③ Changes in liabilities arising from fund-raising activities

Item	Closing balance of last year	Increase		Decrease		Closing balance
		Cash changes	Non-cash movements	Cash changes	Non-cash movements	
Short-term borrowing	7,799,035,643.76	6,309,388,083.00	3,145,389,155.05	7,979,095,243.28	32,374,005.93	9,242,343,632.60
Dividends payable	62,206,330.91	-	1,223,193,633.74	1,071,523,281.34	-	213,876,683.31
Non-current liabilities due within one year	249,828,503.72	-	724,712,475.62	124,898,782.80	-	849,642,196.54
Other current liabilities	695,880,365.06	-	153,789,720.49	-	695,880,365.06	153,789,720.49
Long-term borrowing	3,323,717,917.22	754,093,914.99	2,333,470.94	203,395,500.00	621,706,388.84	3,255,043,414.31
Lease liabilities	578,192,461.09	-	83,026,001.14	20,050,715.20	103,006,086.78	538,161,660.25
Total	12,708,861,221.76	7,063,481,997.99	5,332,444,456.98	9,398,963,522.62	1,452,966,846.61	14,252,857,307.50

Notes to the Financial Statements

For January – June 2024

(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)

- ④ **Does not involve current cash income and expenditure, but affects the enterprise's financial position or may affect the enterprise's cash flow in the future significant activities and financial impact.**

Item	Current period	Prior period
Accounts Payable Financing Factoring (Note ①)	2,927,644,691.32	2,267,065,611.22
Accounts Payable to Yunxin Platform (Note ②)	<u>238,999,729.39</u>	<u>285,426,040.53</u>

Note ① The subsidiary of the Group has initiated a payable financing business with the bank. The subsidiary applies to the bank, and on the due date of the payable, the bank directly pays the supplier on behalf of the subsidiary. At the end of the agreed financing period, the subsidiary repays the corresponding amount to the bank. When the bank pays the supplier, the subsidiary ceases to recognize the related payable and simultaneously forms a liability to the bank, which does not involve cash inflow. When the subsidiary repays the corresponding amount to the bank at maturity, it involves cash outflow and is recorded in the cash flow from operating activities.

② The group's subsidiary has initiated a supply chain factoring business with Zhongqi Yunlian (Beijing) Financial Information service Co., Ltd. Within the credit line, our subsidiary issues "Yunxin" (a digital voucher for accounts receivable claims) to suppliers via Zhongqi Yunlian's electronic service platform. Upon receipt, suppliers can choose to finance these digital vouchers or hold them until maturity for payment, with the subsidiary committing to unconditional and full repayment at maturity. After issuing these digital vouchers, the subsidiary ceases to recognize the payable accounts to suppliers and instead records other payables to the Zhongqi Yunlian's platform, which does not involve cash inflow. When the subsidiary repays the corresponding amounts to the Zhongqi Yunlian's platform at maturity, it involves cash outflow and is recorded in the cash flow from operating activities.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement

(1) Supplementary information of cash flow statement

Item	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,668,032,032.33	2,921,743,049.98
Add: Provision for assets impairment	1,316,286.19	(4,021,314.75)
Impairment loss in respect of credit	82,128,562.51	100,488,916.74
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	287,632,644.33	318,328,649.37
Depreciation of right-of-use assets	122,382,322.49	146,139,149.70
Amortization of intangible assets	40,430,013.16	48,545,149.78
Amortization of long-term prepaid expenses	31,169,295.68	25,795,342.27
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(293,002.28)	(439,942.15)
Losses on scrapping of fixed assets ("-" refers to income)	1,367,229.66	622,420.50
Loss on changes in fair value ("-" refers to income)	(445,754.97)	(44,053,710.42)
Financial expenses ("-" refers to income)	213,346,142.39	225,453,050.91
Investment losses ("-" refers to income)	(164,737,640.73)	(176,422,078.39)
Decrease in deferred tax assets ("-" refers to income)	(55,836,958.59)	(23,412,797.16)
Increase in deferred tax liabilities ("-" refers to income)	16,463,796.71	39,332,964.22
Decrease in inventories ("-" refers to income)	754,940,049.06	1,515,663,397.95
Decrease of operating receivables ("-" refers to income)	(2,258,976,631.75)	(1,328,970,498.93)
Increase of operating payables ("-" refers to income)	(3,775,658,880.78)	(4,505,502,020.62)
Others ("-" refers to income)	-	-
Net cash flow from operating activities	(2,036,740,494.59)	(740,710,271.00)

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement (Continued)

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

Item	Current period	Prior period
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	–	–
Convertible company bonds due within one year	–	–
Fixed assets held under finance leases	–	–
3. Net changes in cash and cash equivalents		
Cash at the end of period	14,471,487,165.36	19,787,561,470.01
Less: Cash at the beginning of year	19,823,543,794.72	20,804,699,012.64
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	(5,352,056,629.36)	(1,017,137,542.63)

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary Information of Cash Flow Statement (Continued)

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

Item	Amount
1. Cash and cash equivalents paid for business combinations occurring in the current period:	1,915,200.00
Less: Cash and cash equivalents held by the subsidiary on the acquisition date	349,788.70
Add: Cash and cash equivalents paid in the current period for business combinations occurring in prior periods	–
Net cash paid for acquiring subsidiaries	<u>1,565,411.30</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	14,471,487,165.36	19,823,543,794.72
Including: Cash on hand	637,541.12	538,527.39
Bank deposits that are readily available for payment	14,443,797,650.85	19,810,319,063.95
Other cash that are readily available for payment	27,051,973.39	12,686,203.38
II. Cash equivalents	–	–
Including: Debt investment maturing within three months	–	–
III. Closing balance of cash and cash equivalents	14,471,487,165.36	19,823,543,794.72
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	–	–

Notes to the Financial Statements

For January – June 2024

(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)

(5) Monetary funds not classified as cash and cash equivalents

Item	Current period	Prior period	Reason
Accrued interests	4,730,798.85	–	Accrued interest Not readily available
Fixed deposits	453,286,252.84	33,242,191.79	for payment Not readily available
Other deposits	1,295,807,887.60	1,452,058,217.93	for payment
Total	<u>1,753,824,939.29</u>	<u>1,485,300,409.72</u>	–

65. Foreign Currency Funds Items

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand	–	–	198,499,100.14
Including: USD	25,298,040.15	7.1268	180,294,072.54
HKD	19,866,609.15	0.9127	18,132,254.17
Euro	8,851.45	7.6617	67,817.15
AUD	1,040.02	4.7650	4,955.70
JPY	13.00	0.0447	0.58
Accounts receivable	–	–	1,864,182.01
Including: USD	109,448.28	7.1268	780,016.00
HKD	1,187,866.78	0.9127	1,084,166.01
Other receivables	–	–	1,492,160.32
Including: USD	96,200.00	7.1268	685,598.16
HKD	883,710.05	0.9127	806,562.16
Accounts payable	–	–	139,226,887.80
Including: USD	7,710,943.68	7.1268	54,954,353.42
HKD	92,333,224.92	0.9127	84,272,534.38
Short-term borrowings	–	–	24,642,900.00
Including: HKD	<u>27,000,000.00</u>	<u>0.9127</u>	<u>24,642,900.00</u>

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Lease

(1) As Lessee

Item	Amount
The variable lease payments not included in the measurement of lease liabilities and recognized in the relevant asset cost or current period expenses	71,620.76
Including: the portion generated from sale and leaseback transactions	–
The simplified treatment of short-term lease expenses recognized in the relevant asset cost or current period expenses	21,629,902.05
The simplified treatment of low-value asset lease expenses recognized in the relevant asset cost or current period expenses (excluding short-term lease expenses of low-value assets)	806,496.07
Total cash outflows related to lessee	<u>144,755,907.16</u>

(2) As Lessor

① Operating lease

Item	Lease income	Including: Income relating to variable lease payments not included in lease receipts
Income from House rentals	39,894,911.45	–
Income from rental of machinery. and equipment	<u>312,171.80</u>	–
Total	<u>40,207,083.25</u>	–

② Financial Leasing

Nil.

Notes to the Financial Statements

For January – June 2024

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Lease (Continued)

(3) Confirm profit and loss of financial lease sales as manufacturer or distributor

Nil.

VI. RESEARCH AND DEVELOPMENT EXPENSES

1. Listed by Nature of Expenses

Items	Current period	Prior period
Employee salaries and benefits	183,591,677.75	180,050,728.02
Specialized research and development expenses	69,421,788.54	89,960,916.09
Testing and trial production expenses	56,919,220.82	31,250,514.99
Raw materials	43,250,744.21	35,537,095.48
Depreciation expenses	25,746,926.89	20,672,258.02
Amortization expenses	4,939,607.67	3,830,157.72
Clinical trial expenses	4,720,886.98	10,182,874.36
Technological research expenses	1,323,533.07	5,808,128.39
Others	44,171,716.10	38,656,686.23
Total	<u>434,086,102.03</u>	<u>415,949,359.30</u>
Including: Expense of research and development expenditures	391,145,311.41	400,573,995.79
Capitalized research and development expenditures	<u>42,940,790.62</u>	<u>15,375,363.51</u>

Notes to the Financial Statements

For January – June 2024

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

VI. RESEARCH AND DEVELOPMENT EXPENSES (Continued)

2. Development expenses for research projects meeting capitalization criteria

Items	Opening balance	Increase in the current year		Decrease in the current year			Closing balance
		Internal development expenses	Others	Recognition as intangible assets	Transfer to current period profit and loss	Others	
Freeze-dried human rabies vaccine (Vero cell) PM strain project	302,407,682.92	40,277,732.04	-	-	-	-	342,685,414.96
Innovation project	6,339,966.90	975,052.54	-	1,049,201.30	-	-	6,265,818.14
Products and industrialization of probiotic fermentation-based food and medicine	-	1,162,771.95	-	-	-	-	1,162,771.95
Research and application of quality standards for <i>Fritillaria</i> and <i>Dalbergia odorifera</i>	406,468.85	89,574.12	-	-	-	-	496,042.97
Research and application of fermentation process of <i>Cordyceps militaries</i> powder	309,626.19	128,053.73	-	-	-	-	437,679.92
Research and development of processing technology for Chinese medicinal materials under low temperature conditions	286,639.38	36,560.68	-	-	-	-	323,200.06
Research and development of herbal medicine crushing and integrated equipment under normal temperature conditions	142,928.21	82,366.31	-	-	-	-	225,294.52
Research on the fermentation process and standard formulation for high-yield <i>Monacolin K</i> -producing red yeast rice products	-	188,679.25	-	-	-	-	188,679.25
Total	309,893,312.45	42,940,790.62	-	1,049,201.30	-	-	351,784,901.77

Notes to the Financial Statements

For January – June 2024

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

VI. RESEARCH AND DEVELOPMENT EXPENSES (Continued)

2. Development expenses for research projects meeting capitalization criteria (Continued)

① Significant Capitalized Research and Development Projects

Items	Research and Development Progress	Estimated Completion Time	Expected Economic Benefits Generation Method	Commencement of Capitalization	Specific Basis
Freeze-dried human rabies vaccine (Vero cell) PM strain project	The project has completed the commercial-scale process validation study for PM strain lyophilized rabies vaccine (Vero cells) and is currently undergoing market registration application.	2024.12	After successful research and development, obtaining the drug registration certificate for the PM strain, establishing industrial-scale production, and realizing sales revenue.	2019.3	After entering the Phase III clinical trial stage of research and development (subject to approval documents from relevant regulatory authorities).
Research and application of quality standards for <i>Fritillaria</i> and <i>Dalbergia odorifera</i>	Ongoing	2024.7	Essential process technology required for the production of the product	2023.5	The results have been applied to productization.
Research and application of fermentation process of <i>Cordyceps militaris</i> powder	Ongoing	2024.8	Essential process technology required for the production of the product	2023.4	The results have been applied to productization.
Research and development of processing technology for Chinese medicinal materials under low temperature conditions	Ongoing	2024.7	Essential process technology required for the production of the product	2023.6	The results have been applied to productization.
Research and development of herbal medicine crushing and integrated equipment under normal temperature conditions	Ongoing	2024.8	Essential process technology required for the production of the product	2023.5	The results have been applied to productization.
Products and industrialization of probiotic fermentation-based food and medicine	Ongoing	2026.4	Essential process technology required for the production of the product	2024.3	The results have been applied to productization.
Research on the fermentation process and standard formulation for high-yield Monacolin K-producing red yeast rice products	Ongoing	2025.9	Essential process technology required for the production of the product	2024.5	The results have been applied to productization.

② Impairment provision for development expenses

Nil

Notes to the Financial Statements

For January – June 2024

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

VI. RESEARCH AND DEVELOPMENT EXPENSES (Continued)

3. Significant Outsourced In-Process Projects

Nil

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

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

(1) Basic information on acquisition

Name	Equity acquisition date	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Purchase date	Basis for determining the purchase date	Income of the acquired party from the purchase date to the end of the reporting period	Net profit of the acquired party from the purchase date to the end of the reporting period	Cash flow of the acquired party from the purchase date to the end of the reporting period
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	1 Apr 2024	1,915,200.00	100%	Equity transfer	1 Apr 2024	Obtain control	33,581.41	(235,816.06)	977,334.06

(2) Acquisition cost and goodwill

	Guangyao (Ya'an) Pharmaceutical Co., Ltd.
Acquisition cost	
Cash	1,915,200.00
Total Acquisition Cost	<u>1,915,200.00</u>
Less: Acquired Recognizable Net Asset Fair Value Shared Goodwill/Merger Costs Less Than Acquired Recognizable Net Asset Fair Value Share	533,661.92
	<u><u>1,381,538.08</u></u>

- ① Method for determining the fair value of the acquisition cost: The fair value of non-cash assets in the consideration for the acquisition of Guangyao (Ya'an) Pharmaceutical Co., Ltd. has been determined based on the valuation results provided by Guozhonglian Asset Appraisal and Real Estate Valuation Co., Ltd. using the income approach.

Notes to the Financial Statements

For January – June 2024

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

VII. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

1. Business combination not under the common control during the current period. (Continued)

(3) Identifiable assets and liabilities of the acquired party at the acquisition date

Item	Guangyao (Ya'an) Pharmaceutical Co., Ltd.	
	Fair value	Book value
Assets:	1,110,693.80	1,110,693.80
Cash funds	349,788.70	349,788.70
Accounts receivable	755,396.10	755,396.10
Advance payments	5,509.00	5,509.00
Liabilities:	577,031.88	577,031.88
Taxes payable	167,031.88	167,031.88
Other payables	410,000.00	410,000.00
Including: Dividends payable	408,000.00	408,000.00
Net assets	533,661.92	533,661.92
Less: Minority interest	–	–
Acquired net assets	<u>533,661.92</u>	<u>533,661.92</u>

- ① Method for determining the fair value of identifiable assets and liabilities: The fair value of the net assets of Guangyao (Ya'an) Pharmaceutical Co., Ltd. has been determined based on the valuation results provided by Guozhonglian Asset Appraisal and Real Estate Valuation Co., Ltd. using the asset-based approach.

2. Business combination under common control occurring in the current period

Nil

3. Counter purchase in the period

Nil

4. Equity of subsidiaries sold in the period

Nil

Notes to the Financial Statements

For January – June 2024

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

VII. CHANGE IN THE SCOPE OF CONSOLIDATION *(Continued)*

5. Other reasons for changes in the scope of consolidation

Compared to the previous year, during the current period, the consolidated Group experienced an increase of 3 new subsidiaries due to other reasons and a decrease of 1 subsidiary. The reasons for these changes are as follows:

- (1) In January 2024, the Company's subsidiary, Caizhilin Pharmaceutical Co., Ltd., deregistered its subsidiary Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.
- (2) In April 2024, the Company's subsidiary, Guangyao Sichuan Medicine Co., Ltd., acquired Guangyao Pharmaceutical (Ya'an) Medicine Co., Ltd. The registered capital of the acquired company is RMB5 million, with Guangyao Sichuan Medicine Co., Ltd. holding a 100% share of the registered capital.
- (3) In April 2024, the Company's subsidiary, Hainan Guangyao Chenfei Medicine Co., Ltd., established Guangyao (Hainan) Medical Technology Co., Ltd. The registered capital of the new company is RMB20 million, with Hainan Guangyao Chenfei Medicine Co., Ltd. contributing 100% of the registered capital.
- (4) In June 2024, the Company's subsidiary, Guangyao Heilongjiang Medicine Co., Ltd., established Guangyao Jilin Medicine Co., Ltd. The registered capital of the new company is RMB50 million, with Guangyao Heilongjiang Medicine Co., Ltd. holding 100% of the registered capital.

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES

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 Jiujigong 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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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	
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
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	1,025.76	–	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
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	552,000.00	–	90.92	Business combination not under common control

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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 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
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 (Hainan) Medical Technology Co., Ltd.	Haikou	Haikou	Limited liability company	Professional Technical Services	20,000.00	–	90.92	Establishment or Investment
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	214,000.00	–	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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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	
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	Ya'an	Ya'an	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Business combination not under common control
Guangyao (Guangxi) Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical trading	50,000.00	–	90.92	Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Business combination not under common control
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
Guangyao Pharmacy (Guangdong) 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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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	
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 Heilongjiang Pharmaceutical Co., Ltd.	Harbin	Harbin	Limited liability company	Wholesale	100,000.00	–	46.37	Establishment or Investment
Guangyao Jilin Pharmaceutical Co., Ltd.	Changchun	Changchun	Limited liability company	Wholesale	50,000.00	–	42.16	Establishment or Investment
Guangyao (Shaoguan) Pharmaceutical Co., Ltd.	Shaoguan	Shaoguan	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Establishment or Investment
Guangzhou Pharmaceutical Logistic Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Loading offloading and warehouse	20,000.00	–	90.92	Establishment or Investment
Guangyao (Shantou) Pharmaceutical Co., Ltd.	Shantou	Shantou	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Establishment or Investment
Guangyao (Huizhou) Pharmaceutical Co., Ltd.	Huizhou	Huizhou	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Establishment or Investment
Guangyao Mudangjiang Pharmaceutical Co., Ltd.	Mudangjiang	Mudangjiang	Limited liability company	Pharmaceutical trading	5,000.00	–	46.37	Establishment or Investment
Guangyao (Zhanjiang) Pharmaceutical Co., Ltd.	Zhanjiang	Zhanjiang	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Establishment or Investment
Dongguan Guangyao Baokang Pharmaceutical Co., Ltd.	Dongguan	Dongguan	Limited liability company	Pharmaceutical trading	5,000.00	–	90.92	Establishment or Investment
Guangyao (Liangshan) Pharmaceutical Co., Ltd.	Liangshan	Liangshan	Limited liability company	Pharmaceutical trading	9,000.00	–	46.37	Establishment or Investment
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 Guangyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00	–	60.00	Establishment or Investment

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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 Baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00	–	100.00	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	42,900.00	–	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	–	100.00	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
WJ 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
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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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 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	69,000.00	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	-	100.00	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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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 Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00	–	Establishment or Investment
WLJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00	–	80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49	–	Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00	–	100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48	–	Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00	–	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

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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	
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	693,470.00	100.00	–	Establishment or Investment
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	–	51.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	674,173.50	–	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	19,000.00	100.00	–	Establishment or Investment

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (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 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
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	5,000.00	100.00	–	Establishment or Investment
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	66,000.00	100.00	–	Establishment or Investment
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	500,000.00	100.00	–	Establishment or Investment

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 Jiuji Gong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd., Guangyao Heilongjiang Pharmaceutical Co., Ltd., Guangyao Jilin Pharmaceutical Co., Ltd., Guangyao (Liangshan) Pharmaceutical Co., Ltd., Guangyao Mudanjiang 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 Biology, but because it holds the majority of the board seats of Baiyunshan Biology, it is included in the scope of consolidation.

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

② Significant non-wholly owned subsidiaries

Subsidiary	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividend paid to minority shareholders in the current period	Closing balance of minority shareholders' equity
GP Corp.	9.08%	31,474,527.23	–	772,641,965.61

③ Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
GP Corp.	31,963,272,312.32	2,459,840,963.14	34,423,113,275.46	23,328,165,434.84	3,722,546,861.61	27,050,712,296.45
			Closing balance of last year			
Subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	29,239,755,190.01	2,423,503,211.61	31,663,258,401.62	20,764,065,745.19	3,833,666,624.44	24,597,732,369.63

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (Continued)

1. Equity in subsidiaries (Continued)

③ Primary financial information of significant non-wholly owned subsidiaries (Continued)

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	<u>27,847,884,010.11</u>	<u>310,491,548.56</u>	<u>313,439,947.01</u>	<u>(1,404,626,235.16)</u>
Subsidiary	Previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	<u>26,259,822,759.24</u>	<u>293,162,481.38</u>	<u>289,762,451.96</u>	<u>(1,362,776,455.96)</u>

Notes to the Financial Statements

For January – June 2024

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

VIII. EQUITY IN OTHER ENTITIES (Continued)

2. Summary for financial information of insignificant associates and joint ventures

(1) Summary financial information of unimportant joint ventures and associates

Item	Closing balance/ Current period	Opening balance/ Prior period
Joint ventures:		
Total book balance of investments	337,049,460.08	339,926,298.03
Calculated by rate of interests held:		
– Net profit	(4,119,353.20)	54,927,751.77
– Other comprehensive income	–	–
– Total comprehensive income	(4,119,353.20)	54,927,751.77
Associates:		
Total book balance of investments	1,464,159,246.62	1,465,715,286.27
Calculated by rate of interests held:		
– Net profit	11,625,662.49	24,317,659.53
– Other comprehensive income	–	–
– Total comprehensive income	11,625,662.49	24,317,659.53

(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

For January – June 2024

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

IX. GOVERNMENT GRANTS

1. Government Grants Recognized as Receivable

None

2. Liabilities Related to Government Grants

Items	Opening Balance	Current period grants	Amount included in non-operating income	Transferred to Other Income	Other Changes	Ending Balance	Related to Assets/Income
Deferred Income	650,086,446.38	22,470,889.00	55,987.32	17,921,896.35	-	654,579,451.71	Related to Assets
Deferred Income	351,343,414.62	87,405,308.36	-	71,403,989.51	(1,273,079.06)	366,071,654.41	Related to Income
Total	<u>1,001,429,861.00</u>	<u>109,876,197.36</u>	<u>55,987.32</u>	<u>89,325,885.86</u>	<u>(1,273,079.06)</u>	<u>1,020,651,106.12</u>	-

3. Government grants recognized in the current period's profit or loss

Item	The amount incurred in the current period	The amount incurred in the previous period
Related to Assets	17,977,883.67	15,533,321.35
Related to Income	166,491,500.41	65,846,773.13
Total	<u>184,469,384.08</u>	<u>81,380,094.48</u>

Notes to the Financial Statements

For January – June 2024

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

X. 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. Risks of Financial Instruments

(1) Market risk

① Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group's foreign exchange risk is mainly related to the US Dollar, the Euro, the Japanese Yen, the Hong Kong Dollar and Australian Dollar. Except that the purchase and sale of several subsidiaries of the Group are in US dollars, Euros, Japanese Yen, Hong Kong dollars and Australian dollars, the Group's other major business activities are settled in Renminbi ("RMB"). As on 30 June 2024, 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	198,499,100.14	194,083,665.66
Accounts receivable	1,864,182.01	5,252,003.15
Other receivables	1,492,160.32	1,400,896.39
Total financial assets in foreign currency	201,855,442.47	200,736,565.20
Short-term borrowings	24,642,900.00	33,143,695.09
Accounts payable	139,226,887.80	104,219,076.41
Total financial liabilities in foreign currency	163,869,787.80	137,362,771.50

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risks of Financial Instruments *(Continued)*

(1) Market risk *(Continued)*

① Foreign exchange risk *(Continued)*

Note:

- A. Each subsidiary within the group is responsible for managing its own foreign currency transactions and foreign currency assets and liabilities to the extent possible in order to minimize the foreign exchange risk.
- B. As on 30 June 2024, 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 RMB2,849 thousand (As on 31 December 2023: approximately RMB4,753 thousand).

② Interest rate risk

As on 30 June 2024, the Group's long-term interest-bearing debt balance was RMB3,252,710 thousand. If the annual interest rate increased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB5,629 thousand (As on 31 December 2023 net profit will decrease: RMB7,524 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 instrument investment	–	–
Other non-current financial assets	<u>135,404,984.40</u>	<u>142,175,153.91</u>
Total	<u><u>135,404,984.40</u></u>	<u><u>142,175,153.91</u></u>

As on 30 June 2024, 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 RMB11,498 thousand (As on 31 December 2023: net profit will increase or decrease by RMB11,088 thousand). The management believes that 10% reasonably reflects the reasonable range of possible changes in the value of equity instruments in the next year.

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risks of Financial Instruments *(Continued)*

(2) Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, accounts receivable financing 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, notes receivable and accounts receivable financing, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

(3) Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

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:

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

1. Risks of Financial Instruments (Continued)

3. Liquidity risk (Continued)

Item	Closing balance					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	9,319,990,052.36	-	-	-	-	9,319,990,052.36
Notes payable	3,336,181,202.96	-	-	-	-	3,336,181,202.96
Accounts payable	11,952,437,927.25	-	-	-	-	11,952,437,927.25
Other payables	5,779,079,848.44	-	-	-	-	5,779,079,848.44
Current portion of non-current liabilities	863,112,050.99	-	-	-	-	863,112,050.99
Long-term borrowings	91,699,618.17	2,481,205,844.68	840,421,563.48	-	-	3,413,327,026.33
Lease liabilities	-	164,475,560.16	292,548,414.19	173,465,753.12	-	630,489,727.48
Long-term payables	-	-	-	19,666,964.60	-	19,666,964.60
Subtotal	<u>31,342,500,700.16</u>	<u>2,645,681,404.84</u>	<u>1,132,969,977.67</u>	<u>193,132,717.72</u>	<u>-</u>	<u>35,314,284,800.40</u>

(cont.)

Item	Closing balance of last year					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	No fixed maturity date	
Financial liabilities:						
Short-term borrowings	7,841,491,460.01	-	-	-	-	7,841,491,460.01
Notes payable	3,844,035,975.33	-	-	-	-	3,844,035,975.33
Accounts payable	11,841,831,852.37	-	-	-	-	11,841,831,852.37
Other payables	4,919,241,645.67	-	-	-	-	4,919,241,645.67
Current portion of non-current liabilities	410,107,500.95	-	-	-	-	410,107,500.95
Long-term borrowings	95,122,699.56	1,599,915,776.79	1,807,789,004.76	-	-	3,502,827,481.11
Lease liabilities	-	173,428,149.47	311,073,660.15	195,714,793.84	-	680,216,603.47
Long-term payables	-	-	-	19,971,964.60	-	19,971,964.60
Subtotal	<u>28,951,831,133.89</u>	<u>1,773,343,926.26</u>	<u>2,118,862,664.91</u>	<u>215,686,758.44</u>	<u>-</u>	<u>33,059,724,483.51</u>

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Financial Asset Transfers

(1) Types of Transfer

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Termination confirmation	Basis for Termination Confirmation
Asset Securitization	Accounts receivable financing	909,374,533.89	Yes	Has transferred substantially all of its risks and rewards
Endorsement	Accounts receivable financing	2,295,143,930.09	Yes	Has transferred substantially all of its risks and rewards
Discounting	Accounts receivable financing	400,140,084.97	Yes	Has transferred substantially all of its risks and rewards
Discounting	Notes Receivable	23,842,150.54	Yes	Has transferred substantially all of its risks and rewards
Factoring	Accounts Receivable	141,895,413.64	Yes	Has transferred substantially all of its risks and rewards
Endorsement	Notes Receivable	285,743,335.00	No	Has retained substantially all of the risks and rewards, including the credit risk associated with them.
Discounting	Notes Receivable	3,535,438.60	No	Has retained substantially all of the risks and rewards, including the credit risk associated with them.
Total	–	<u>4,059,674,886.73</u>	–	–

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Financial Asset Transfers *(Continued)*

(2) Financial assets terminated due to transfer

Category of Financial Assets	Transfer Method	Amount of Financial Assets Terminated	Gains and Losses Related to Termination
Accounts receivable financing	Transfer	909,374,533.89	(9,599,644.67)
Accounts receivable financing	Endorsement	2,295,143,930.09	–
Accounts receivable financing	Discounting	400,140,084.97	(1,840,511.59)
Notes receivable (note)	Discounting	23,842,150.54	(189,673.76)
Accounts Receivable	Factoring	141,895,413.64	(1,968,329.23)

Note: The Group has entered into a non-recourse supplementary agreement with the bank for the above-mentioned commercial acceptance bills that have been discounted but not yet matured, amounting to RMB23,842 thousand. As a result, the Group has transferred substantially all the risks and rewards of these commercial acceptance bills and no longer retains involvement.

(3) Continued involvement in transferred financial assets

Category of Financial Assets	Asset Transfer Method	Amount of Assets Formed through Continued Involvement	Amount of Liabilities Formed through Continued Involvement
Notes receivable	Endorsement	285,743,335.00	285,743,335.00
Notes receivable	Discounting	3,535,438.60	3,535,438.60

Notes to the Financial Statements

For January – June 2024

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

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Financial Asset Transfers *(Continued)*

(3) Continued involvement in transferred financial assets *(Continued)*

Financial Assets Transferred but Not Fully Derecognized:

As of June 30, 2024, the carrying amount of the accepted bills endorsed to suppliers for settling accounts payable is RMB285,743 thousand (December 31, 2023: RMB549,725 thousand), and the carrying amount of the discounted accepted bills with banks is RMB3,535 thousand (December 31, 2023: RMB205 thousand). The Group has assessed that it has not transferred substantially all of the risks and rewards, so the Group has not derecognized these receivables. Consequently, the Group continues to recognize accounts receivable of RMB289,278 thousand and simultaneously recognizes short-term borrowings and accounts payable of RMB289,278 thousand due to continued involvement. The maximum loss that the Group could incur from these endorsed or discounted receivables is equal to their carrying amount, i.e., RMB289,278 thousand. The undiscounted cash flows required to potentially repurchase these endorsed or discounted receivables also equal their carrying amount. The receivables balance as of June 30, 2024, will mature before December 31, 2024.

Financial Assets Derecognized but with Continued Involvement:

As of June 30, 2024, the carrying amount of the accepted bills endorsed to suppliers for settling accounts payable is RMB2,295,144 thousand (December 31, 2023: RMB2,563,376 thousand), and the carrying amount of the discounted accepted bills is RMB400,140 thousand (December 31, 2023: RMB785,514 thousand). As of June 30, 2024, the maturity period is 1 to 12 months. According to relevant provisions of the Negotiable Instruments Law, if the accepting bank refuses payment, the holder can exercise recourse against any one, several, or all of the bill debtors, including the Group (referred to as “continued involvement”). The Group believes that it has transferred substantially all of the risks and rewards, so it has fully derecognized these and the related settled accounts payable and recognized discount expenses. The maximum loss from continued involvement and repurchase is equal to their carrying amount. The Group considers that the fair value of continued involvement is not significant.

From January to June 2024, the Group recognized discount expenses of RMB1,841 thousand (2023: RMB3,136 thousand) on the transferred date. The Group has no any income or expense related to continued involvement in derecognized financial assets for the current year and cumulatively. Endorsements and discounts occurred roughly evenly during the period, and their distribution was also roughly balanced.

Notes to the Financial Statements

For January – June 2024

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

XI. 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	-	4,000,000.00
1. Financial assets designated at FVTPL	-	4,000,000.00	-	4,000,000.00
(1) Debt instrument investments	-	4,000,000.00	-	4,000,000.00
B. Accounts receivable financing	-	-	3,929,323,925.32	3,929,323,925.32
C. Other equity instrument investments	-	-	104,194,132.46	104,194,132.46
D. Other non-current financial assets	135,404,984.40	496,152,893.17	374,824,042.49	1,006,381,920.06
1. Financial assets measured at FVTPL	135,404,984.40	496,152,893.17	374,824,042.49	1,006,381,920.06
(1) Debt instrument investments	-	496,152,893.17	-	496,152,893.17
(2) Equity instrument investments	135,404,984.40	-	374,824,042.49	510,229,026.89
Total assets continuously measured at fair value	135,404,984.40	500,152,893.17	4,408,342,100.27	5,043,899,977.84

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

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

Notes to the Financial Statements

For January – June 2024

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

XI. DISCLOSURE OF FAIR VALUE *(Continued)*

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

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 period.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

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

Item	Closing fair value	Valuation method	Significant unobservable input	Relationship between Unobservable Inputs and Fair Value Changes
Accounts receivable financing	2,040,267,445.57	Discounted Cash Flow Method	Expected Discount Rate (0.46%)	Lower discount rate leads to higher fair value
	1,889,056,479.75	Discounted Cash Flow Method	Discount Rate (1.70%)	Lower discount rate leads to higher fair value
Other Equity Instrument Investments	94,144,132.46	Based on Share of Invested Entity's Net Assets	Value of Net Assets (Totaling RMB384,259,869.73)	Higher net assets result in higher fair value
	10,050,000.00	Analytical Method Based on Invested Entity's Financial Statements	Incremental Value of Long-term Equity Investment in Invested Entity (RMB2,059,325.17)	Higher incremental value of long-term equity investment leads to higher fair value
Other Non-current Financial Assets	145,824,042.49	Value of Related Investments' Net Assets	Value of Net Assets (Totaling RMB819,273,616.10)	Higher net assets result in higher fair value
	229,000,000.00	Discounted Cash Flow Method	Forecasted Growth Rate (Detailed Forecast Period Growth Rate of 2%, Perpetual Growth Rate of 0%), Dividend Rate (10.95%), Discount Rate (13.70%)	Higher forecasted growth rate leads to higher fair value; higher dividend rate leads to higher fair value; higher discount rate leads to lower fair value.

Notes to the Financial Statements

For January – June 2024

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

XI. DISCLOSURE OF FAIR VALUE (Continued)

5. Continuous third hierarchy Fair Value Measurement Projects: Reconciliation Information Between the Beginning and Ending Book Values and Sensitivity Analysis of Unobservable Inputs

① Reconciliation Information for Continuous third hierarchy Fair Value Measurement Projects

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	
(1) Accounts receivable financing	3,614,318,262.22	-	-	(22,034,455.85)	(10,567,232.27)	3,189,552,619.78	2,841,945,268.56	3,929,323,925.32
(2) Other equity instrument investments	103,811,737.94	-	-	-	382,394.52	-	-	104,194,132.46
(3) Other non-current financial assets	375,201,194.51	-	-	(377,152.02)	-	-	-	374,824,042.49
Including: Financial assets measured at FVTPL	375,201,194.51	-	-	(377,152.02)	-	-	-	374,824,042.49
① Equity instrument investments	375,201,194.51	-	-	(377,152.02)	-	-	-	374,824,042.49
Total	4,093,331,194.67	-	-	(22,411,607.87)	(10,184,837.75)	3,189,552,619.78	2,841,945,268.56	4,408,342,100.27

Notes to the Financial Statements

For January – June 2024

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

XII. 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 The People's Government of Guangzhou, which is located in P.R.C.

2. Subsidiaries of the Group

Please refer to Note VIII. 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 "VIII. 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
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	Associates

Notes to the Financial Statements

For January – June 2024

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

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

4. Other Related Parties without Control Relationship

Other related parties	Relationship with the 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
GPHL Digital Economy Research Institute (hereinafter referred to as the "Digital Research Institute")	Controlled by the same parent company
Guangyao Baiyunshan Bencao Craft Brewery Co., Ltd. (hereinafter referred to as "Bencao Craft Brewery Company")	Controlled by the same parent company
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Guangyao Capital")	Controlled by the same parent company
Guangzhou Pharmaceutical Glass Co., Ltd. Kang Mei Pharmaceutical	Controlled by the same parent company Joint venture of the parent company

Notes to the Financial Statements

For January – June 2024

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

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

5. Related Party Transactions

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods, Receiving of services:							
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	73,960,475.61	0.18	105,220,702.04	0.35
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	59,552,963.88	0.15	68,498,544.21	0.23
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	40,528,868.23	0.10	259,740,127.46	0.86
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	12,386,860.31	0.03	17,693,407.62	0.06
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	3,701,127.51	0.01	3,048,067.05	0.01
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	2,141,221.65	0.01	153,912.38	0.00
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	46,173.62	0.00	18,877.60	0.00
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	-	-	6,204,862.32	0.02
Subtotal				<u>192,317,690.81</u>	<u>-</u>	<u>460,578,500.68</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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	Purchase of goods	Other goods	Market price	310,717.66	0.00	-	-
Bencao Craft Brewery Company	Purchase of goods	Other goods	Market price	106,269.67	0.00	-	-
Subtotal				416,987.33		-	
HWBYS	Acceptance of service	Publicity fee	Market price	12,998,549.84	1.98	7,990,578.91	1.03
Kang Mei Pharmaceutical	Acceptance of service	Publicity fee	Market price	18,113.21	0.00	-	-
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	-	-	1,032,498.11	0.13
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	-	-	109,266.53	0.01
Hua Cheng	Acceptance of service	Publicity fee	Market price	-	-	98,352.00	0.01
Chuang Mei	Acceptance of service	Publicity fee	Market price	-	-	92,350.15	0.01
GPHL	Acceptance of service	Publicity fee	Market price	-	-	70,375.00	0.01
Subtotal				13,016,663.05	-	9,393,420.70	-

Notes to the Financial Statements

For January – June 2024

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

XII. 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	Acceptance of service	Consigned processing	Market price	13,512,429.20	2.05	-	-
Subtotal				<u>13,512,429.20</u>	<u>-</u>	<u>-</u>	<u>-</u>
Guangyao Capital	Acceptance of service	Funds service	Market price	2,235,772.19	0.34	-	-
Subtotal				<u>2,235,772.19</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total				<u>221,499,542.58</u>	<u>-</u>	<u>469,971,921.38</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Sales of good, Rendering of services:							
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	148,846,407.40	0.36	77,065,650.22	0.19
HWBYS	Sales of good	Medicinal material or medicine	Market price	103,915,842.16	0.25	85,305,241.00	0.21
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	66,252,849.03	0.16	33,748,514.29	0.08
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	55,941,749.72	0.14	72,402,257.03	0.18
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	48,176,275.17	0.12	76,351,731.20	0.19
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	14,779,007.88	0.04	9,137,273.16	0.02
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	1,143,044.25	0.00	279,651.59	0.00
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	-	-	203,142,601.84	0.51
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	-	-	289,506.67	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	-	-	6,345.14	0.00
Subtotal				439,055,175.61	-	557,728,772.14	-

Notes to the Financial Statements

For January – June 2024

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

XII. 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	Sales of good	Other	Market price	854,851.30	0.00	-	-
GPHL	Sales of good	Other	Market price	330,796.46	0.00	-	-
Hua Cheng	Sales of good	Other	Market price	105,752.21	0.00	-	-
Kang Mei	Sales of good	Other	Market price	61,348.99	0.00	-	-
Pharmaceutical							
Baiyunshan Yi	Sales of good	Other	Market price	27,164.61	0.00	-	-
Xin Tang							
Bencao Craft	Sales of good	Other	Market price	16,371.68	0.00	-	-
Brewery Company							
Baxter Qiao Guang	Sales of good	Other	Market price	9,275.00	0.00	-	-
Subtotal				<u>1,405,560.25</u>	<u>-</u>	<u>-</u>	<u>-</u>
HWBYS	Rendering of services	Advertising agency service	Market price	25,635,488.00	86.31	23,501,240.47	83.44
Hua Cheng	Rendering of services	Advertising agency service	Market price	2,320,017.29	7.81	2,569,098.68	9.12
GPHL	Rendering of services	Advertising agency service	Market price	318,913.40	1.07	133,732.54	0.47
Kang Mei	Rendering of services	Advertising agency service	Market price	235,849.06	0.79	-	-
Pharmaceutical							
Guangzhou	Rendering of services	Advertising agency service	Market price	215,849.06	0.73	-	-
Baiyunshan Culture Industry Co., Ltd.							
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	9,433.96	0.03	50,026.41	0.18
Subtotal				<u>28,735,550.77</u>	<u>-</u>	<u>26,254,098.10</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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	Consigned processing	Market price	8,173,615.57	6.07	7,808,007.99	5.27
Hua Cheng	Rendering of services	Consigned processing	Market price	7,887,436.53	5.86	16,175,900.14	10.91
Subtotal				<u>16,061,052.10</u>	<u>-</u>	<u>23,983,908.13</u>	<u>-</u>
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	598,622.58	0.47	473,658.16	0.00
HWBYS	Collecting trademark fee	Right to use trademark	Market price	280,424.97	0.22	357,493.18	0.00
Subtotal				<u>879,047.55</u>	<u>-</u>	<u>831,151.34</u>	<u>-</u>
HWBYS	Rendering of services	Research and development services	Market price	637,735.84	3.79	54,716.97	0.01
Subtotal				<u>637,735.84</u>	<u>-</u>	<u>54,716.97</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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)
Baxter Qiao Guang	Rendering of services	Other	Market price	2,109,958.05	0.32	2,594,995.10	0.34
HWBYS	Rendering of services	Other	Market price	605,192.45	0.09	330,779.30	0.04
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	408,877.35	0.06	496,496.77	0.06
Chengdu Hejian	Rendering of services	Other	Market price	319,202.52	0.05	222,025.22	0.03
Hua Cheng	Rendering of services	Other	Market price	76,842.00	0.01	101,490.57	0.01
GPHL (Macao) International Development Industry Co., Ltd.				69,944.91	0.01	-	-
Southern Anti-Tumor Company	Rendering of services	Other	Market price	17,581.24	0.00	-	-
Subtotal				<u>3,607,598.52</u>	<u>-</u>	<u>3,745,786.96</u>	<u>-</u>
Total				<u>490,381,720.64</u>	<u>-</u>	<u>612,598,433.64</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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	212	518
Other companies under the same parent company	Venue for working	101	–
Joint Venture	Warehouse, Plant	1,910	1,874
Associates	Office building	110	4

Notes to the Financial Statements

For January – June 2024

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

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Related Party Transactions (Continued)

(3) Related leases (Continued)

② The Group as the lessee

Unit: Thousand Yuan Currency: RMB

Lessor	Types of leased assets	Lease costs for simplified short-term leases and low value asset leases		Rent paid	
		Amount incurred in the current period	Amount incurred in the prior period	Amount incurred in the current period	Amount incurred in the prior period
Controlling shareholder	Venue for working, Warehouse	1,614	2,315	806	717
Joint Venture	Venue for working, Warehouse, shops	–	–	2,999	2,835
Associates	Venue for working, Warehouse, shops	–	–	6	–
		<u>–</u>	<u>–</u>	<u>6</u>	<u>–</u>

(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
163	145	–	4,499
111	228	–	–
<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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 RMB1,904 thousand from Jan to June 2024 (from Jan to June 2023: RMB1,680 thousand). The Group's key management personnel of current period include 12 persons, such as directors, general manager, vice general manager, secretary to the Board and finance director (from Jan to June 2023: 11 persons). Among them, 6 received their salaries from the Company (from Jan to Jun 2023: 5 persons).

(8) Other related party transactions

① License Agreement

The Company shall receive a total of RMB280 thousand (from Jan to June 2023: RMB357 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou Baiyunshan Hehuang Great Health from Jan to June 2024.

The Company should receive license fee of "Bai Yun Shan" amounted to RMB599 thousand from Hua Cheng from Jan to June 2024 (from Jan to June 2023: RMB474 thousand).

Notes to the Financial Statements

For January – June 2024

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

XII. 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
Accounts receivable financing:				
Kang Mei	20,856,103.75	–	6,112,509.65	–
Yi Xin Tang	9,925,029.43	–	14,081,152.17	–
Total	30,781,133.18	–	20,193,661.82	–
Accounts receivable:				
HWBYS	81,427,344.30	814,273.43	37,472,149.21	375,068.97
Baiyunshan Yi Xin Tang	50,698,771.39	506,987.70	54,184,385.84	541,843.86
Kang Mei	37,514,741.95	365,269.22	21,126,544.69	204,761.03
Hua Cheng	30,663,298.73	308,804.46	20,186,321.92	201,863.23
Yi Xin Tang	19,055,805.71	212,728.79	30,772,116.74	321,533.88
Chengdu Hejian	8,109,903.35	81,137.59	13,881,932.48	138,819.32
Baxter Qiao Guang	446,987.46	4,469.87	353,423.09	3,534.23
GPHL	96,700.00	1,390.00	78,100.00	781.00
GPHL (Macao)				
International Development Industry Co., Ltd.	12,475.00	124.75	7,976.50	79.77
Baiyunshan Culture Industry	5,944.00	59.44	2,344.00	23.44
Digital Research Institution	–	–	72,000.00	720.00
Total	228,031,971.89	2,295,245.25	178,137,294.47	1,789,028.73

Notes to the Financial Statements

For January – June 2024

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

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Receivables and Payables of Related Parties (Continued)

(1) Receivables (Continued)

Item	Closing Balance		Closing balance of last year	
	Book value	Provision for bad debts	Book value	Provision for bad debts
Advances to suppliers:				
HWBYS	5,868,048.83	-	122,771.93	-
Guangyao Capital	3,875,828.45	-	6,111,600.64	-
Hua Cheng	635,433.29	-	2,158,923.57	-
Yi Xin Tang	30,017.72	-	31,800.00	-
Kang Mei	218.18	-	11,145.26	-
Total	10,409,546.47	-	8,436,241.40	-
Dividends receivable:				
HWBYS	1,500,000.00	-	61,263,627.92	-
Total	1,500,000.00	-	61,263,627.92	-
Other receivables:				
HWBYS	6,297,007.60	-	5,715,299.59	-
Hua Cheng	1,400,447.71	-	1,202,533.13	-
Baxter Qiao Guang	407,029.00	-	596,084.00	-
GPHL	234,830.04	-	533,830.04	-
GPHL (Macao)				
International Development Industry Co., Ltd.	156,657.46	-	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	3,528.00	-	91,782.00	-
Guangzhou Pharmaceutical glass	-	-	52,000.00	-
Total	8,499,499.81	-	8,191,528.76	-

Notes to the Financial Statements

For January – June 2024

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

XII. 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	18,341,220.14	52,709,733.57
Baxter Qiao Guang	–	12,804,304.08
Kang Mei	–	3,451,823.27
Total	<u>18,341,220.14</u>	<u>68,965,860.92</u>
Accounts payable:		
Kang Mei	63,354,326.03	36,682,652.90
Baxter Qiao Guang	21,256,671.35	12,261,936.81
HWBYS	14,082,620.18	21,843,869.26
Yi Xin Tang	9,302,230.87	29,525,664.06
Baiyunshan Yi Xin Tang	401,721.86	521,127.44
Chengdu Hejian	98,187.00	43,310.78
Guangzhou Baiyunshan Herbal Craft Beer Company	91,593.56	–
Hua Cheng	21,759.38	26,246.55
GPHL	–	37,943.04
Total	<u>108,609,110.23</u>	<u>100,942,750.84</u>
Contract liabilities:		
Kang Mei	28,360,781.11	38,047,521.75
HWBYS	1,372,830.61	4,543,565.98
Yi Xin Tang	580,989.12	1,929.24
Baiyunshan Yi Xin Tang	171,675.82	149,861.81
GPHL (Macao) International Development Industry Co., Ltd.	121,207.96	–
Guangzhou Dufen Health Industry Co., Ltd.	32,898.27	32,898.27
Hua Cheng	5,185.84	5,185.84
Total	<u>30,645,568.73</u>	<u>42,780,962.89</u>

Notes to the Financial Statements

For January – June 2024

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

XII. 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 payables:		
GPHL	18,152,095.96	20,930,908.15
HWBYS	7,813,362.79	8,840,367.89
Baxter Qiao Guang	855,600.00	855,600.00
Yi Xin Tang	99,360.00	–
Kang Mei	50,000.00	–
Total	<u>26,970,418.75</u>	<u>30,626,876.04</u>
Other current liabilities:		
Kang Mei	3,685,192.72	4,885,393.84
Yi Xin Tang	73,208.16	250.80
HWBYS	48,042.48	359,238.17
GPHL (Macao) International Development Industry Co., Ltd.	15,757.03	–
Baiyunshan Yi Xin Tang	22,317.85	19,474.58
Guangzhou Dufen Health Industry Co., Ltd.	4,276.78	4,276.78
Hua Cheng	674.16	674.16
Total	<u>3,849,469.18</u>	<u>5,269,308.33</u>
Other non-current liabilities:		
HWBYS	71,764.00	71,764.00
Kang Mei	1,604.93	54,810.07
Yi Xin Tang	53.53	–
Baiyunshan Yi Xin Tang	7.45	7.45
Total	<u>73,429.91</u>	<u>126,581.52</u>

Notes to the Financial Statements

For January – June 2024

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

XIII. COMMITMENTS OR CONTINGENCY

1. Significant Commitments

(1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement	–	–
– Commitment on purchasing long-term assets	1,733,202,836.59	1,757,176,373.87
– Large amount contract	–	–
– Commitments on external investment	–	–
Total	<u>1,733,202,836.59</u>	<u>1,757,176,373.87</u>

(2) As on 30 June 2024, 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	1,530,137,751.98	2,368,715,678.54
Commitments on external investments	–	–
Total	<u>1,530,137,751.98</u>	<u>2,368,715,678.54</u>

② *Fulfillment of commitments for the prior year*

The Group has fulfilled the capital expenditures and operating lease commitments as on 30 June 2024.

Notes to the Financial Statements

For January – June 2024

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

XIII. 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.

Notes to the Financial Statements

For January – June 2024

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

XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

2. Contingencies *(Continued)*

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

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan Technology Co., Ltd., requesting the judgment to confirm the distribution proportion of the gross profit of Jin Ge pharmaceutical sales. As of the reporting date, the lawsuit has 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.

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

XIV. EVENTS AFTER THE BALANCE SHEET DATE

On August 30, 2024, the 14th meeting of the 9th Board of Directors of our company passed the following profit distribution resolution: Based on the total share capital of 1,625,790,949 shares on June 30, 2024, each share will receive a cash dividend of RMB0.40 (tax included), a total of RMB650,316,379.60 in cash dividends will be distributed.

XV. OTHER SIGNIFICANT MATTERS

1. Prior Period Accounting Errors

Nil.

2. Debt restructuring

Nil.

3. Asset replacement

(1) Non-monetary asset exchange

Nil.

(2) Other asset replacement

Nil.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

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 January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments

- ① The segment information for the 6 months ended 30 June 2024 and as of 30 June 2024 is as follows:

Item	Great				Offset between segments	Total
	Southern TCM	Great Health	Great Commerce	Other		
External revenue	6,230,726,779.76	6,544,712,198.86	27,863,107,680.59	404,268,428.74	-	41,042,815,087.95
Inter-segment revenue	181,818,372.29	19,162,126.82	3,826,232,373.33	215,116,338.52	(4,242,329,210.96)	-
Interest income	(45,270,421.71)	(162,681,233.27)	(35,914,342.31)	(34,089,971.71)	(203,646.53)	(278,159,615.53)
Interest expenses	8,106,799.77	4,815,977.07	199,262,647.40	4,072,977.46	(2,912,259.31)	213,346,142.39
Income from investments in associates and joint ventures	(705,677.66)	-	39,070.36	11,275,200.90	500,548.98	11,109,142.58
Impairment losses in respect of credit	(4,264,152.71)	(5,455.75)	(71,666,733.43)	(3,531,951.10)	(2,660,269.52)	(82,128,562.51)
Impairment losses in respect of assets	598,648.21	-	3,041,984.37	19,687.68	(4,976,606.45)	(1,316,286.19)
Depreciation and amortization expenses	161,134,480.00	41,346,425.15	219,454,685.52	36,943,721.03	(166,272.98)	458,713,038.72
Total profit	1,159,446,690.63	1,388,186,444.19	467,840,515.98	312,651,410.87	(98,721,684.95)	3,229,403,376.72
Total assets	19,584,153,306.20	15,140,560,404.87	38,342,375,219.51	28,928,347,894.03	(24,024,776,007.86)	77,970,660,816.75
Total liabilities	9,209,596,282.55	3,919,006,747.56	30,189,863,710.26	7,953,293,198.77	(11,416,905,677.73)	39,854,854,261.41
Long-term equity investment in associates and joint ventures	38,928,914.15	-	16,777,470.51	1,745,502,322.04	-	1,801,208,706.70
Increase in other non-current assets excluding long-term equity investment	440,467,024.01	37,592,807.39	160,943,244.87	122,414,033.44	-	761,417,109.71

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ② The segment information for the 6 months ended 30 June 2023 and as of 31 December 2023 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	6,349,014,552.18	7,053,172,463.96	26,307,441,904.05	260,701,667.74	-	39,970,330,587.93
Inter-segment revenue	91,591,836.40	21,934,035.22	3,805,173,466.40	220,638,386.19	(4,139,337,724.21)	-
Interest income	(44,090,443.99)	(143,052,032.48)	(25,830,411.60)	(57,994,888.97)	-	(270,967,777.04)
Interest expenses	8,166,736.09	9,794,625.51	201,391,240.56	6,986,501.20	(886,052.45)	225,453,050.91
Income from investments in associates and joint ventures	(753,966.18)	-	(140,786.49)	72,833,080.53	111,517.21	72,049,845.07
Impairment losses in respect of credit	(2,909,506.76)	(45,628.63)	(100,606,111.58)	(2,302,466.40)	5,374,796.63	(100,488,916.74)
Impairment losses in respect of assets	8,173,781.25	-	511,160.00	1,057.60	(4,664,684.09)	4,021,314.75
Depreciation and amortization expenses	152,230,749.46	30,317,136.38	240,242,244.12	33,845,196.59	81,106,000.94	537,741,327.49
Total profit	1,145,709,080.52	1,599,453,118.00	415,266,526.80	435,766,436.16	(63,503,592.02)	3,532,691,569.46
Total assets	19,274,927,266.58	18,086,690,870.58	36,144,616,024.10	28,086,119,747.57	(23,005,476,144.74)	78,586,877,764.09
Total liabilities	9,376,786,298.67	8,021,660,800.31	28,321,028,309.71	6,647,036,380.56	(10,457,457,931.96)	41,909,053,857.29
Long-term equity investment in associates and joint ventures	39,634,591.81	-	16,737,190.31	1,749,269,802.18	-	1,805,641,584.30
Increase in other non-current assets excluding long-term equity investment	619,048,887.57	144,051,081.68	244,403,553.58	120,647,783.24	-	1,128,151,306.07

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

6. Information of Segments (Continued)

(2) Reporting financial Information of Segments (Continued)

- ③ The Group's total revenue from external customers in the PRC and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/regions are summarized as follows:

Item	Current period	Previous period
External revenue:		
PRC	40,902,828,526.36	39,805,988,606.97
Other countries/regions	139,986,561.59	164,341,980.96
Total	41,042,815,087.95	39,970,330,587.93

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	14,161,880,923.48	13,779,583,577.94
Other countries/regions	13,585,395.21	13,912,726.07
Total	14,175,466,318.69	13,793,496,304.01

7. Other significant transactions and matters that impact investor decisions

Nil.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters

(1) Litigations of the Group

1) *Legal matters involving the Group and its subsidiary companies*

① Litigations to Branch A of the Group

Litigant Plaintiff: Guangsheng Energy

Defendant: Branch A of the Group

Case facts On 24 April 2014 and 26 May 2014, Guangsheng Energy and Branch A of the Group respectively signed the “Oil Products Purchase and Sales Contract”. Guangsheng Energy has sued the Branch to the People’s Court of Tianhe District on the grounds of sales contract dispute since 2014.

In June 2018, the Provincial Higher People’s Court finally rejected the application of re-examination from Guangsheng Energy.

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”.

On March 15, 2022, Yuexiu District People’s court ruled that Branch A 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.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters

(1) Litigations of the Group

1) Legal matters involving the Group and its subsidiary companies (Continued)

① Litigations to Branch A of the Group (Continued)

On April 1, 2022, Guangsheng Energy filed a re-litigation with the Guangzhou Intermediate People's Court, and the Intermediate People's Court ruled in favor of a branch of the Group. On February 6, 2023, Guangsheng Energy filed a request for retrial with the Guangdong High People's Court. On June 3, 2024, the Guangdong High People's Court rejected Guangsheng Energy's request for retrial.

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. Guangsheng Energy filed for a retrial. On June 3, 2024, the Guangdong Provincial High People's Court rejected Guangsheng's request for retrial.

The legal responsibilities for the Company or its subsidiaries

As of the reporting date, according to the second final judgment, Branch A 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 Branch confirmed that the lawsuit did not cause any loss in combination with the judgment of the lawsuit.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

② Litigations to the Group Subsidiary G

(a) Litigation matters involved in Beijing Da'en Shengge Trading Co., Ltd

Litigant Plaintiff: Beijing Da'en Shengge Trading Co., Ltd.
(one minority shareholder of Subsidiary G)

Defendant: Subsidiary G

Case facts On February 8, 2022, Beijing Da'en Shengge Trading Co., Ltd. (the minority shareholder of Subsidiary G) believed that Subsidiary G abused its position as a major shareholder to infringe its rights and interests. The case involved an amount of RMB23,401.50 thousand 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. On June 5, 2023, an application for retrial was submitted to the Higher People's Court of Fujian Province. On December 18, 2023, received the notice of acceptance of retrial from the retrial court. Currently, it is in the stage of case filing review.

The main content of the court decision The second instance upheld the original judgment, that is, Subsidiary G paid RMB21,981.10 thousand 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 RMB21,981.10 thousand 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.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

1) Legal matters involving the Group and its subsidiary companies (Continued)

② Litigations to the Group Subsidiary G (Continued)

(b) 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 RMB73,763.30 thousand and bear the arbitration fee of the case. The case was heard in the Nansha Hong Kong court room of the Guangzhou Arbitration Commission on October 26, 2022. On October 26, the trial was held as scheduled. On November 16, 2023, received an arbitral tribunal ruling that disagreed with the exchange using self-owned property. Subsidiary G objected to this and applied for reconsideration on November 16, 2023. On November 23, 2023, received the reconsideration ruling, which was a dismissal from the Liwan District People's Court. On December 15, 2023, Subsidiary G applied to the court for objection to the property seizure, but on February 23, 2024, received a ruling from the Liwan Court deeming it unsubstantiated and dismissing it. On February 26, 2024, applied to the arbitral tribunal for reconsideration. On June 21, 2024, the arbitration tribunal extended the deadline for presenting evidence in the case to July 18, 2024. On August 21, 2024, the arbitration tribunal decided to accept the changes proposed in the "Application for Amendment and Additional Arbitration Claims" submitted by Zhongshan Pharmaceutical in July 2024. According to the application, Zhongshan Pharmaceutical amended its arbitration claims as follows: firstly, the originally claimed compensation amount of RMB73,763.20 thousand was revised to RMB94,565.80 thousand; secondly, an additional claim was added, requesting Guangzhou Pharmaceutical to pay overdue payment interest, temporarily calculated at RMB14,975.10 thousand.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

② Litigations to the Group Subsidiary G *(Continued)*

(b) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd *(Continued)*

The main content of the court decision	The case is currently under trial, and no ruling has been issued yet.
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The legal responsibilities for the Company or its subsidiaries	As of the reporting date, 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.
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The impact on the Company's operation and finance	As of the reporting date, Subsidiary G bank account has been frozen with a total of RMB73,763.30 thousand, with the freeze period from September 4, 2023 to September 4, 2024.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

② Litigations to the Group Subsidiary G *(Continued)*

(c) Litigation matters involved in Jimei Construction Equipment Technology Co., Ltd. *(Continued)*

The legal responsibilities for the Company or its subsidiaries	The case is currently in the second-instance stage, and it remains to be seen whether the defendant, Subsidiary G, will be held legally responsible, pending the court's judgment.
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The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case and has made accounting entries as required, with corresponding liabilities expected. In April 2023, Subsidiary G received a Civil Ruling and a Property Preservation Notice regarding the applicant's request for the seizure of Subsidiary G's assets. The court has seized 18.4% of the shares of Jianmin Pharmaceutical held by Subsidiary G, with a freezing period of three years, from April 28, 2023, to April 27, 2026.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

1) Legal matters involving the Group and its subsidiary companies (Continued)

③ Litigations to the Group Branch B

Litigant	Plaintiff: Baogong Logistics Group Co., Ltd. (Baogong Logistics)
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Defendant: Branch B

Case facts	On May 16, 2023, Baogong Logistics Group Co., Ltd. filed a lawsuit against a branch of the Group Branch B, demanding payment of overdue freight charges and late payment penalty, totaling RMB7,037.90 thousand, and requesting the return of the performance bond of RMB1,000.00 thousand, as well as bearing the litigation costs, totaling RMB8,037.90 thousand. The case went to trial on July 6, 2023, and on November 15, 2023, received the judgment of the first instance, ruling that the branch of the Group Branch B, should pay the freight charges of 4,380.40 thousand and the late payment penalty, return the performance bond of RMB1,000.00 thousand, and dismissing other litigation requests. On November 27, 2023, the branch of the Branch B, filed an appeal for the second instance. On June 25, 2024, the appellate court rejected the appeal and upheld the original first-instance judgment. The second-instance ruling is final.
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The main content of the court decision	The appellate court upheld the first-instance judgment. The first-instance judgment ordered that Branch B of the Group pay RMB4,380.40 thousand in freight and late payment penalties, return RMB1,000.00 thousand of the performance bond, and rejected other claims.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

③ Litigations to the Group Branch B *(Continued)*

The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the first-instance judgment ruled that the branch of the Group Branch B, should pay RMB4,380.40 thousand for freight charges and late payment penalties, return the performance bond of RMB1,000.00 thousand, and dismiss other litigation requests.
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The impact on the Company's operation and finance	As of the reporting date, the management of Branch B of the Group has confirmed the relevant liabilities for the case. The case has been concluded.
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④ Litigations to the Group Subsidiary R

Litigant	Plaintiff: Guangzhou Installation Group Co., Ltd. (formerly known as Guangzhou Electromechanical Installation Co., Ltd.)
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Defendant: Subsidiary R

Case facts	On August 4, 2023, Guangzhou Installation Group Co., Ltd. filed for arbitration with the Guangzhou Arbitration Commission, requesting that Subsidiary R pay the remaining project payment of RMB13,759.90 thousand, interest of RMB715.80 thousand, and legal fees of RMB1,000.00 thousand. Additionally, Guangzhou Installation Group Co., Ltd. requested priority repayment from the proceeds of the auction, sale, or discount of the mechanical and electrical installation and clean decoration projects involved in the case. The case was heard on November 13, 2023, and the arbitration award was received on February 29, 2024. Subsidiary R, dissatisfied with the decision, filed an application with the Jieyang Intermediate People's Court on June 7, 2024, requesting non-enforcement of the arbitration award. On June 19, 2024, Subsidiary R received a notice of case acceptance from the Jieyang Intermediate People's Court, which will form a collegiate bench for further review.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

④ Litigations to the Group Subsidiary R *(Continued)*

The main content of the court decision	On February 29, 2024, the arbitration award was received, ruling that Subsidiary R must pay Guangzhou Installation Group Co., Ltd. the remaining project payment (including the performance bond) of RMB13,050.30 thousand, along with overdue payment interest, and compensate Guangzhou Installation Group Co., Ltd. for legal fees of RMB980.00 thousand. The arbitration did not support other arbitration requests from Guangzhou Installation Group Co., Ltd. Guangzhou Installation Group Co., Ltd. was ordered to pay Subsidiary R a penalty of RMB250.00 thousand for breach of contract and compensate Subsidiary R for legal fees of RMB20.00 thousand. The arbitration did not support other counterclaims from Subsidiary R. On June 7, 2024, Subsidiary R filed an application with the Jieyang Intermediate People's Court requesting non-enforcement of the arbitration award. On June 19, 2024, Subsidiary R received a notice of case acceptance from the Jieyang Intermediate People's Court. As of the reporting date, the case is still under trial.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case is still under trial and has not been adjudged.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary R has assessed the case and recognized the corresponding liabilities for the payment obligations it should bear.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

⑤ Litigations to the Group Sub-subsidiary T

Litigant	Plaintiff: Worun (Shenzhen) Biotechnology Co., Ltd.
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	Defendant: Sub-subsidiary T (Parent company is Subsidiary S)
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Case facts	On December 14, 2022, Worun (Shenzhen) Biotechnology Co., Ltd. sued Sub-subsidiary T. According to the complaint, the opposing party claims that Sub-subsidiary T owes them service fees of RMB9,133.40 thousand, overdue interest of RMB1,526.50 thousand, overdue interest for delayed payment of service fees of RMB230.40 thousand, return of the performance bond of RMB500.00 thousand, and all expenses incurred to realize their rights, totaling RMB400.00 thousand. The case went to trial for the first instance on January 25, 2024. On May 27, 2024, the first-instance judgment was rendered. On June 12, 2024, the plaintiff filed an appeal but failed to pay the appeal fees within the specified time. On July 26, 2024, the final ruling was made, and the case was processed as an automatic withdrawal of the appeal by the appellant.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

1) Legal matters involving the Group and its subsidiary companies (Continued)

⑤ Litigations to the Group Sub-subsidiary T (Continued)

The main content of the court decision	First-instance judgment: ① Sub-subsidiary T is required to return the performance bond of RMB500.00 thousand to WoRun (Shenzhen) Biotechnology Co., Ltd. and pay overdue interest (interest is calculated based on RMB500.00 thousand at the one-year loan market quotation rate published by the National Interbank Funding Center from January 9, 2020, to the actual date of settlement). ② Sub-subsidiary T must pay RMB10.00 thousand in legal fees to WoRun (Shenzhen) Biotechnology Co., Ltd. ③ Sub-subsidiary T is responsible for part of the case acceptance fee amounting to RMB9.4702 thousand. ④ The remaining claims of the plaintiff, WoRun (Shenzhen) Biotechnology Co., Ltd., are dismissed.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the judgment, Sub-subsidiary T is required to return the performance bond of RMB500.00 thousand and overdue interest, and to compensate RMB10.00 thousand in legal fees. The remaining claims are not supported.
The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary T has assessed the case and recognized the corresponding liabilities for the payment obligations they are required to fulfill.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

1) Legal matters involving the Group and its subsidiary companies *(Continued)*

⑦ Litigations to the Group Sub-subsidiary V

Litigant	Plaintiff: Shenzhen Keyuan Construction Group Co., Ltd.
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	Defendant: Sub-subsidiary V
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Case facts	On April 1, 2024, Shenzhen Keyuan Construction Group Co., Ltd. filed a lawsuit with the Baiyun District People's Court in Guangzhou, requesting Sub-subsidiary V to pay RMB2,500.20 thousand for project fees and overdue interest, and to compensate the plaintiff RMB28.00 thousand for reasonable legal expenses.
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The main content of the court decision	Has not yet been heard.
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The legal responsibilities for the Company or its subsidiaries	The case has not yet been heard. It remains to be seen whether the defendant, Sub-subsidiary V, will be held legally responsible, pending the court's judgment.
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The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary V has assessed the case and recognized the corresponding liabilities for the payment obligations they are expected to fulfill.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries

① Matters sued by 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 RMB18,049.40 thousand, and part of liquidated damages and attorney fees of RMB150.00 thousand. 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.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(a) Litigation involving Guangxi New Era *(Continued)*

On August 31, 2022, Subsidiary G received a deposit of RMB94.00 thousand 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 an enforcement ruling and notice stating that the court intended to auction the 30% equity in Guangxi Guangyao New Era held by the defendant, Guangxi New Era. In June 2024, Subsidiary G received an enforcement ruling from the Liwan Court and successfully acquired the 30% equity. The equity enforcement procedure has been completed.

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 adjudicated and fully executed. Subsidiary G recovered the principal amount of RMB18,049.40 thousand and partial liquidated damages on July 15, 2024.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by 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)
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	Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd. Liang Hongfen
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Case facts	On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122.50 thousand.
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The main content of the court decision	As of June 30, 2021, Sub-subsidiary K had lost the first- instance judgment. Sub-subsidiary K has appealed to the Intermediate Court. 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 RMB729.30 thousand. 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 October 19, 2022, a ruling was received from the Guangdong Provincial High Court rejecting Sub-subsidiary K's application for retrial. On November 22, 2022, the bankruptcy administrator confirmed that the claim amount of RMB6,272.30 thousand (including default interest) declared by Sub-subsidiary K is classified as ordinary debt. On December 28, 2022, according to the distribution plan, Sub-subsidiary K won't participate in the priority distribution this time and is now awaiting whether there are any other assets available for distribution.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (b) Litigation involving Guangdong Kanglang Pharmaceutical Co., Ltd. and Liang Hongfen (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 date of this report, the case has been verified through the declaration of bankruptcy claims, but is not yet eligible for distribution. The management of Sub-subsidiary K has assessed the situation of the case and anticipates significant difficulty in recovering the accounts receivable. Based on the principle of prudence, a full provision for bad debts is recognized for the entire amount of the accounts receivable.
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- (c) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang")

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)
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	Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang")
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Case facts	The litigation matter where Sub-subsidiary K sued Kang Ai Duo: On 22 October 2021, Sub-subsidiary K filed a case against Kang Ai Duo for arrears of RMB10,140.60 thousand 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.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (c) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”) *(Continued)*

On June 13, 2022, the court accepted the application for compulsory execution of Sub-subsidiary K and filed the case.

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.

As of December 31, 2022, a total of RMB5,442.80 thousand in payments was recovered through litigation preservation and court enforcement, and an additional RMB1,112.70 thousand was recovered through a repayment agreement with Taiantang as the payer, bringing the total recovery to RMB6,555.50 thousand after the case was filed. On May 17, 2023, the court, having found that the defendant had no other assets available for execution, issued and served a ruling terminating the execution to Sub-subsidiary K. On May 28, 2024, Sub-subsidiary K received RMB53.40 thousand in enforcement funds from the court. The court, having found that no other assets were available for execution beyond the aforementioned amount, issued a final ruling on June 3, 2024.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (c) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”) (Continued)

Sub-subsidiary K initiated a lawsuit against Taiantang for failing to fulfill its guaranteed repayment obligations as agreed, seeking immediate payment of the full amount. The case was filed on February 1, 2023. The defendant paid RMB2,634.20 thousand on March 30, 2023, and the parties reached a settlement agreement in court on April 6, 2023. The remaining principal was fully settled by the defendant on September 20, 2023. However, the defendant failed to comply with the settlement agreement, and Sub-subsidiary K applied for compulsory enforcement on August 2, 2023. Since the defendant had no enforceable assets, the court issued a final ruling on March 12, 2024.

The main content of the court decision	In the litigation brought by Sub-subsidiary K against Kang Ai Duo, the first-instance judgment ruled that the defendant, Kang Ai Duo, should pay the plaintiff, Sub-subsidiary K, a sum of RMB10,140.60 thousand as well as related interest.
The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, Sub-subsidiary K has successfully recovered all amounts owed. The management of Sub-subsidiary K has reversed the previously provisioned bad debt reserve. The case has been concluded.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (d) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”)

Litigant Plaintiff: Sub-subsidiary O (its parent company is Subsidiary G)

Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”)

Case facts Lawsuit by Sub-subsidiary O against Kang Aiduo: On October 19, 2021, Sub-subsidiary O filed a lawsuit against Kang Aiduo with the People’s Court of Liwan District, Guangzhou, for overdue payments amounting to RMB43,916.90 thousand and related interest. On December 14, 2021, Sub-subsidiary O received a preservation ruling and notice, with no assets sealed. On April 11, 2022, the first-instance judgment was made, and Sub-subsidiary O applied for enforcement on May 27, 2022. As of June 30, 2024, Sub-subsidiary O has received partial payment of the principal, penalties, and legal fees from Taiantang on behalf of Kang Aiduo.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (d) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”) *(Continued)*

Lawsuit by Sub-subsidiary O against Taiantang: Due to Taiantang’s failure to fulfill its guarantee repayment obligations, Sub-subsidiary O sued Taiantang, demanding immediate payment of the full amount. On January 13, 2023, Sub-subsidiary O filed the case and submitted a preservation application. On March 17, 2023, Sub-subsidiary O received RMB1,000.00 thousand from Taiantang. On March 30, 2023, the court issued a preservation notice, freezing 37.13% of the shares of Taiantang (Haozhou) Chinese Medicine Co., Ltd. held by Guangdong Taiantang Pharmaceutical Co., Ltd. The case was heard on May 6, 2023. On October 10, 2023, the Shantou Intermediate People’s Court issued a ruling for Taiantang’s pre-reorganization, and Sub-subsidiary O filed its claim as required on October 26, 2023. On March 11, 2024, the first-instance judgment supported Subsidiary O’s claims. On April 1, 2024, Sub-subsidiary O applied for enforcement. On April 24, 2024, Sub-subsidiary O received the court’s notice of acceptance for enforcement. On August 9, 2024, Sub-subsidiary O sent a distribution application (regarding the RMB5,896.90 thousand bank deposit of Qilin Pavilion Cultural Bank seized by Subsidiary N) and an auction and sale application (for shares in Taiantang (Haozhou), Hongxing Group, Qilin Investment, as well as land held by Taiantang (Haozhou) and Taiantang) to the enforcement court.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (d) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”) *(Continued)*

The main content of the court decision

In the litigation brought by Sub-subsidiary O against Kang Ai Duo, the first-instance judgment ruled that the defendant, Kang Ai Duo, should pay the plaintiff, Sub-subsidiary O, a sum of RMB43,387.80 thousand as well as related interest.

In the litigation brought by Sub-subsidiary O against Taiantang: In the lawsuit, the first-instance judgment ordered the defendant, Taiantang, to pay the plaintiff, Sub-subsidiary O, RMB21,093.40 thousand in principal plus related interest.

The legal responsibilities for the Company or its subsidiaries

Sub-subsidiary O, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company’s operation and finance

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%.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”).

Litigant	Plaintiff: Sub-subsidiary N (its parent company is Subsidiary G)
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Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”) Guangdong Xinbao Pharmaceutical Technology Co., Ltd. (“Xinbao Pharmaceutical”), Guangdong Hongxing Group Co., Ltd. Hongxing Pharmaceutical Factory (“Hongxing Pharmaceutical Factory”), Chaozhou Qilin Pavilion Cultural Development Co., Ltd. (“Qilin Pavilion Cultural”), Guangdong Hongxing Group Co., Ltd. (“Hongxing Group”)

Case facts	The litigation matter where Sub-subsidiary N sued Kang Ai Duo: On 21 October 2021, Sub-subsidiary N filed a case against Kang Ai Duo for arrears of RMB7,485.70 thousand 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.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”). *(Continued)*

On August 26, 2022, Tai’an Tang repaid RMB200.00 thousand and on September 23, 2022, the final ruling was issued, and on September 28, the distribution plan was issued. On December 29, 2022, Sub-subsidiary N received two bills of exchange endorsed by Tai’an Tang, totaling RMB239.90 thousand. On January 12, 2023, Sub-subsidiary N received a deduction of RMB2,446.50 thousand from Guangzhou Baiyun District People’s Court.

The litigation matter where Sub-subsidiary N sued Taiantang: Due to Taiantang’s failure to fulfill its guarantor repayment obligations as agreed, Sub-subsidiary N filed a lawsuit demanding immediate payment of the entire amount owed. The case was filed in person on February 9, 2023. On June 9, 2023, Sub-subsidiary N applied to the Baiyun Court for supplementary property preservation amounting to RMB5,189.80 thousand, and on June 14, 2023, received the court’s ruling. According to the ruling, the actual frozen amount in the bank account was RMB0.00. During the enforcement process, Subsidiary N provided the court with information about Taiantang’s receivables from patent transfers and equity transfers, and requested the court to freeze the relevant parties’ bank accounts.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”). *(Continued)*

Sub-subsidiary N’s litigation matters against Xinbao Pharmaceutical, Hongxing Pharmaceutical Factory, Qilin Pavilion Cultural, and Hongxing Group are as follows: Sub-subsidiary N alleges that Taiantang’s transfer of pharmaceutical licenses/approval numbers to the defendants constitutes collusion to evade debt. On April 25, 2024, Sub-subsidiary N filed a lawsuit seeking to hold the defendants liable for infringement and to recover debt losses: the principal amount of RMB5,088.20 thousand and the overdue payment penalty (The overdue payment penalty was calculated as 30% above the loan market quotation rate published by the National Interbank Funding Center, based on the principal amount of RMB5,088.20 thousand, accruing from January 12, 2023 to the actual settlement date. As of April 25, 2024, the penalty amount is up to RMB300.10 thousand). the People’s Court of Baiyun District, Guangzhou filed the case on May 9, 2024. On June 11, 2024, Sub-subsidiary N requested the court to deduct the bank account deposits of Qilin Pavilion Cultural in the infringement case involving Xinbao, Hongxing, and Qilin Pavilion.

The main content of the court decision

The litigation matter where Sub-subsidiary N sued Kang Ai Duo: 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 RMB7,479.40 thousand and the interest.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (e) Litigation involving Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. (“Kang Ai Duo”) and Guangdong Taiantang Pharmaceutical Co., Ltd. (“Taiantang”). (Continued)

The litigation matter where Sub-subsidiary N sued Taiantang: On August 3, 2023, Sub-subsidiary N received a first-instance judgment. The judgment ruled that Taiantang should assume joint and several liability towards Sub-subsidiary N for the obligations determined in the civil judgment of the Kang Ai Duo case. The specific amount will be calculated during the execution of the case, as the execution funds situation is subject to dynamic changes. Additionally, the court dismissed other litigation requests made by Sub-subsidiary N. On January 8, 2024, the court issued an assistance execution notice, freezing Qilin Pavilion Culture’s bank account with an amount of RMB5,896.90 thousand. On June 11, 2024, Sub-subsidiary N applied to the court to transfer the frozen bank deposit of RMB5,896.90 thousand from Qilin Pavilion Cultural to Sub-subsidiary N.

In the lawsuit filed by Sub-subsidiary N against Xinbao Pharmaceutical, Hongxing Pharmaceutical Factory, Qilin Pavilion Cultural, and Hongxing Group, the Guangzhou Baiyun District People’s Court accepted the case on May 9, 2024. The court has yet to schedule a hearing, and no judgment has been made yet.

The legal responsibilities for the Company or its subsidiaries

Sub-subsidiary N, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company’s operation and finance

The management of Sub-subsidiary N estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded on the remaining accounts receivable.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (f) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Litigant

Plaintiff: Subsidiary G

Defendant: Zhongshan Pharmaceutical Co., Ltd. (“Zhongshan”), Lianhe Yatai Food Medicine Logistics incorporated Company (“Yatai”), Guangdong Sancai Pharmaceutical (Group) Ltd. (“Sancai”), Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. (“Sancai Shiqi”)

Case facts

On 27 December 2021, Subsidiary G filed a case against Zhongshan for the unpaid commercial bill of RMB129,653.30 thousand and the interest, and requested that Yatai, Sancai and Sancai Shiqi to assume joint liability. 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.

On June 21, 2023, Subsidiary G received a first-instance court judgment. Zhongshan Pharmaceuticals filed an appeal. The second-instance trial began on November 20, 2023, and on January 17, 2024, the second-instance judgment upheld the original judgment. Subsidiary G applied for execution from the court on January 29, 2024. On May 9, 2024, the application for retrial submitted by Zhongshan Pharmaceutical was received. The case is currently in the review stage at the Guangdong High Court.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (f) Litigation involving Zhongshan Pharmaceutical Co., Ltd., Lianhe Yatai Food Medicine Logistics incorporated Company, Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision	On June 21, 2023, the court of first instance received a judgment, which ruled that the defendant Zhongshan Pharmaceutical Co., Ltd. should pay RMB129,653.30 thousand and overdue interest within 7 days of the judgment taking effect. The defendant Guangdong Sancai Pharmaceutical Group Co., Ltd. shall bear joint and several liability and reject the plaintiff's other claims. On January 17, 2024, the second instance upheld the original verdict and rejected Zhongshan Pharmaceutical's appeal. Subsidiary G has applied to the court for execution on January 29, 2024.
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, based on the business conditions of the company and the defendant, and based on the principle of prudence, has made individual provision for bad debts in full for the relevant amounts.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai 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 Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd.

Case facts

On 24 December 2021, Subsidiary G filed a case against Yatai for the unpaid commercial bill of RMB73,263.00 thousand and the interest (Yatai Notes Case). The case opened on May 5, 2022, and received the court’s first-instance judgment on August 29, 2023. The defendant Yatai Foods paid the plaintiff a bill of RMB73,263.00 thousand and interest within ten days from the date of the judgment, and rejected the plaintiff’s other claims. On December 26, 2023, the second instance upheld the original verdict and dismissed the appeal. Apply to the court for enforcement on January 10, 2024. On January 25, 2024, I received the acceptance notice from the court for the execution. On April 1, 2024, the retrial application from Asia-Pacific was received, and the case is under review by the Guangdong High Court. On June 6, 2024, the court issued an enforcement ruling, stating that, aside from the RMB115.00 thousand available for enforcement, no other assets were available for execution. On June 11, 2024, RMB115.00 thousand was received from the court as enforcement payment.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

On January 26, 2022, Subsidiary G sued Yatai Food, requesting payment of RMB72,603.70 thousand and related interest, and requiring Zhongshan Pharmaceutical, Sancai Pharmaceutical, and Sancai Shiqi to bear joint and several liability. (Yatai Sales Contract Case). On May 16, 2023, the first-instance judgment was received from the Liwan Court. Except for the joint and several liability part, the court ruled in favor of subsidiary's litigation claims. On June 2, 2023, Subsidiary G received the appeal letter from the other party. The second-instance judgment was received on October 27, 2023. The second-instance judgment rejected the appeal and upheld the original judgment. The judgment has taken effect. The defendant did not take the initiative to perform within the performance period, and our company has applied to the court for compulsory execution. The amount applied for execution is RMB93,173.00 thousand. On November 22, 2023, I received the court's execution acceptance notice. On February 4, 2024, Lianhe Yatai applied for retrial, and the Guangdong High Court ruled for review. It is now pending to review whether the case will be finally accepted for review.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (g) Litigation involving Lianhe Yatai Food Medicine Logistics incorporated Company, Zhongshan Pharmaceutical Co., Ltd., Guangdong Sancai Pharmaceutical (Group) Ltd., Guangdong Sancai Shiqi Pharmaceutical Co., Ltd. *(Continued)*

The main content of the court decision

On August 29, 2023, the court received the first-instance judgment. The defendant Yatai Foods paid the plaintiff the bill amount of RMB73,263.00 thousand and interest within ten days from the date of the judgment taking effect, and rejected the plaintiff's other claims. The second-instance judgment was received on December 26, 2023. The second-instance judgment was upheld and the appeal was dismissed.

The Yatai Sales Contract case received the first-instance judgment on May 16, 2023, which ruled that the defendant should pay Subsidiary G a payment of RMB72,603.70 thousand and related interest, and rejected Subsidiary G's other claims. The second-instance judgment was received on October 27, 2023. The second-instance judgment rejected the appeal and upheld the original judgment.

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance

As of the reporting date, the management, based on the business conditions of the company and the defendant, and based on the principle of prudence, has made individual provision for bad debts in full for the relevant amounts.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by 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 RMB12,236.70 thousand and relevant interests.

The first-instance judgment was received on May 11, 2023, and the defendant was ordered to pay RMB2,805.80 thousand and interest, and other claims were dismissed. Subsidiary G filed an appeal and received the acceptance notice and summons from the second-instance court on July 24, 2023. The case was heard on October 11, 2023. On April 7, 2024, the court made a second-instance judgment. On April 19, 2024, a notice of acceptance for execution was received from the court. On May 15, 2024, an application to participate in the distribution was submitted to the court. On August 7, 2024, Subsidiary G received a court execution payment of RMB924.60 thousand.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (h) Litigation involving Guangzhou Caishen Custom clothing supply chain management Co., Ltd, Guangzhou Feite Network Technology Co., Ltd. *(Continued)*

The main content of the court decision

The second-instance judgment ordered Guangzhou Caishen Custom Clothing Supply Chain Management Co., Ltd. to return the goods payment of RMB12,236.70 thousand and interest. Guangzhou Feite Network Technology Co., Ltd. is held jointly liable for the judgment. Other claims are dismissed.

The legal responsibilities for the Company or its subsidiaries

Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company's operation and finance

As of the reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by 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 RMB3,026.70 thousand and relevant interests. On March 11, 2022, an application was made for property preservation. The first-instance judgment was received on April 10, 2023. The court rejected all Subsidiary G's claims, and Subsidiary G has filed an appeal. On April 19, 2023, Subsidiary G applied to the court for renewal of seal. The renewal notice was received on May 8, 2023, and the renewal period will be until April 25, 2024. A summons for the second instance was received on June 20, 2023, and the case was heard on July 6, 2023. The second-instance judgment was received on December 21, 2023. The second-instance judgment was upheld and the appeal was dismissed. On May 31, 2024, a petition for retrial was submitted to the Guangdong High People's Court. The court accepted the case on June 1, 2024. It is currently at the review stage, pending a decision on whether the retrial will be accepted for further adjudication.

The main content of the court decision In the first-instance judgment, the court rejected all Subsidiary G's claims.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (i) Litigation involving Guangzhou Weini Technology Development Co., Ltd. (Continued)

The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
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The impact on the Company's operation and finance	As of the report date, the management of Subsidiary G has assessed the case and made provisions for inventory impairment against the relevant inventory.
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- (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)
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	Defendant: Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang.
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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 RMB10,153.30 thousand and related liquidated damages. On November 14, 2022, the People's Court of Weiyang District, Xi'an City made a first-instance judgment. Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. applied for substantive merger, bankruptcy and reorganization, and a hearing has been held. On June 2, 2023, the Intermediate People's Court of Lanzhou City, Gansu Province issued (2023) Gan 01 Po No. 3 Announcement, appointing the bankruptcy administrator of Shaanxi Zhongyou Health Pharmaceutical Co., Ltd. Accordingly, Sub-subsidiary P mailed the claim declaration materials to the manager on June 30, 2023.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by the Group Subsidiary G (Continued)

- (j) Litigation involving Shanxi Zhongyou Health Pharmaceutical Co., Ltd., Gansu Zhongyou Health Pharmaceutical Co., Ltd, Feng Dexiang. (Continued)

The Lanzhou Intermediate People's Court in Gansu Province issued a civil ruling, accepting the bankruptcy reorganization petition for substantive consolidation filed by Gansu Zhongyou Health Management Group Co., Ltd. and 30 other companies.

On June 29, 2024, Sub-subsidiary P decided to vote against the "Reorganization Plan (Draft)" for the consolidated bankruptcy reorganization case involving Gansu Zhongyou Health Management Group Co., Ltd. and the other 30 companies.

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 RMB9,881.40 thousand, lawyer's fees of RMB80.00 thousand and liquidated damages within ten days after this judgment takes effect. ② The defendant Gansu Zhongyou Health Medicine Co., Ltd. shall be jointly and severally liable for this responsibility for repayment; The defendant Shanxi Zhongyou Health Medicine Co., Ltd. shall pay the plaintiff Sub-subsidiary P the amount of RMB272.00 thousand for 2022 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 January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS (Continued)

8. Other significant matters (Continued)

(1) Litigations of the Group (Continued)

2) Matters sued by the Group and its Subsidiaries (Continued)

① Matters sued by 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 RMB8,711.00 thousand 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 RMB6,728.40 thousand as of August 31, 2019, the amount that should be paid by the defendant Kangjian Pharmaceutical Company is RMB1,143.20 thousand 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 RMB5,585.10 thousand, and the interest should be calculated at 2/10,000 per day starting from January 25, 2022.

Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

- (k) Litigation involving Shanxi Kangjian Pharmaceutical Chain Co., Ltd. and its branches *(Continued)*

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.
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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.
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- (l) Litigation matters involving performance betting

Litigant	Plaintiff: Subsidiary G
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	Defendant: Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu and Guo Shuang.
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Case facts	In December 2023, Subsidiary G sued Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang for failing to meet promised performance and required repayment of RMB52,872.70 thousand, and applied for a lawsuit against Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang. And by the time applied to take property preservation. In December 2023, the Liwan District Court took property preservation measures against Shaanxi Taoyunshang Company, Guo Taozhu, and Guo Shuang, freezing bank deposits of RMB124.40 thousand in the name of Guo Taozhu and RMB205.60 thousand in bank deposits in the name of Guo Shuang and 0.86% of the equity share of Subsidiary G held by Shaanxi Taoyunshang Information Technology Co., Ltd. The court accepted the case in March 2024, and a verdict has not yet been reached.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(l) Litigation matters involving performance betting *(Continued)*

The main content of the court decision	The court has not yet decided.
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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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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.
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(m) Litigation matters involving Shaoyang Brain Hospital

Litigant	Plaintiff: Sub-subsidiary M (its parent company is Subsidiary G)
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Defendant: Shaoyang Brain Hospital

Case facts	In November 2023, Sub-subsidiary M filed a lawsuit against Shaoyang Brain Hospital, seeking payment of RMB3,636.90 thousand for goods. Subsequently, on December 4, 2023, Shaoyang Brain Hospital made a payment of RMB659.20 thousand, reducing the outstanding amount to RMB2,977.70 thousand. On March 13, 2024, the parties reached a settlement on the day of the court hearing. As of June 30, 2024, a total of RMB2,109.60 thousand has been recovered. The remaining payment has not been received from Shaoyang Brain Hospital as agreed. On August 21, 2024, Sub-subsidiary M applied to the court for enforcement.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

① Matters sued by the Group Subsidiary G *(Continued)*

(m) Litigation matters involving Shaoyang Brain Hospital *(Continued)*

The main content of the court decision	On March 13, 2024, the parties reached a settlement on the day of the court hearing.
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The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary M, 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, Sub-subsidiary M has recovered part of the payment amounting to RMB2,109.60 thousand.
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② Matters sued by the Group Branch Company B

(a) Lawsuits Involving Baogong Logistics Group Co., Ltd.

Litigant	Plaintiff: Branch B Defendant: Baogong Logistics Group Co., Ltd. (Baogong Logistics)
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Case facts	On February 3, 2023, due to economic losses caused during the performance of the transportation contract, a certain Branch Company B of the group sued Baogong Logistics, requesting a judgment that Baogong Logistics should pay liquidated damages of RMB21,069.90 thousand to a certain branch company B of the group. The trial will begin on June 26, 2023.
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Notes to the Financial Statements

For January – June 2024

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

XV. OTHER SIGNIFICANT MATTERS *(Continued)*

8. Other significant matters *(Continued)*

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

2) Matters sued by the Group and its Subsidiaries *(Continued)*

② Matters sued by the Group Branch Company B *(Continued)*

(a) Lawsuits Involving Baogong Logistics Group Co., Ltd. *(Continued)*

The first-instance judgment was received on October 18, 2023, in which the defendant was ordered to pay liquidated damages of RMB6,410.70 thousand and other claims were dismissed. On October 31, 2023, Branch B, filed an appeal. On June 25, 2024, the appellate court's judgment rejected the appeal and upheld the original first-instance judgment. The appellate decision is final.

The main content of the court decision The first instance verdict ruled that the defendant should pay liquidated damages of RMB6,410.70 thousand and rejected other litigation claims.

The legal responsibilities for the Company or its subsidiaries Branch Company B, 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 report date, the management of Branch B of the Group has confirmed the relevant assets related to the case. In July 2024, the Branch received the compensation payment. The case has been concluded.

(2) No other significant matters

Notes to the Financial Statements

For January – June 2024

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

XVI. 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	234,825,323.74	162,558,709.84
1 to 2 years	–	–
2 to 3 years	–	260,827.92
3 to 4 years	260,827.92	–
4 to 5 years	–	–
Over 5 years	4,252,743.52	4,252,743.52
Total book balance of accounts receivable	239,338,895.18	167,072,281.28
Less: Provision for bad debts	6,861,824.67	6,139,158.54
Total book value of accounts receivable	232,477,070.51	160,933,122.74

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

Category	Closing balance				Book Value Amount
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.09	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio Including: portfolio 1	236,723,441.02	98.91	4,246,370.51	1.79	232,477,070.51
	236,723,441.02	98.91	4,246,370.51	1.79	232,477,070.51
Total	<u>239,338,895.18</u>	<u>100.00</u>	<u>6,861,824.67</u>	<u>2.87</u>	<u>232,477,070.51</u>

(Cont.)

Category	Closing balance of last year				Book Value Amount
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.57	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio Including: portfolio 1	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
Total	<u>167,072,281.28</u>	<u>100.00</u>	<u>6,139,158.54</u>	<u>3.67</u>	<u>160,933,122.74</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. 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>	—	—

② Accounts receivable subject to provision by portfolio

Portfolio 1

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	234,825,323.74	2,348,253.23	1.00	162,558,709.84	1,625,587.10	1.00
Over 5 years	1,898,117.28	1,898,117.28	100.00	1,898,117.28	1,898,117.28	100.00
Total	<u>236,723,441.02</u>	<u>4,246,370.51</u>	—	<u>164,456,827.12</u>	<u>3,523,704.38</u>	—

Notes to the Financial Statements

For January – June 2024

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

XVI. 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	6,139,158.54	722,666.13	–	–	6,861,824.67
Total	<u>6,139,158.54</u>	<u>722,666.13</u>	<u>–</u>	<u>–</u>	<u>6,861,824.67</u>

(3) There is no accounts receivable 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	212,421,449.18	88.75	2,124,214.49
Customer 2	7,212,495.00	3.01	72,124.95
Customer 3	5,641,765.30	2.36	56,417.65
Customer 4	2,115,000.00	0.88	21,150.00
Customer 5	1,500,000.00	0.63	–
Total	<u>228,890,709.48</u>	<u>95.63</u>	<u>2,273,907.09</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

- (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.

2. Other receivables

Item	Closing balance	Closing balance of last year
Dividends receivable	153,397,700.00	213,161,327.92
Other receivables	260,572,025.89	295,238,938.37
Total	413,969,725.89	508,400,266.29

(1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	71,940,605.32	71,940,605.32
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
HWBYS	1,500,000.00	61,263,627.92
Total	153,397,700.00	213,161,327.92

② The Group has no significant dividends receivable with aging over one year for the period.

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	130,024,762.21	48.20	188,504,307.39	61.98
1 to 2 years	45,596,598.50	16.90	12,800,501.45	4.21
2 to 3 years	14,872,815.40	5.51	10,662,512.36	3.51
3 to 4 years	7,443,902.15	2.76	1,969,099.81	0.65
4 to 5 years	40,952.22	0.02	5,822,702.10	1.91
Over 5 years	71,763,996.46	26.61	84,355,141.31	27.74
Subtotal	<u>269,743,026.94</u>	<u>100.00</u>	<u>304,114,264.42</u>	<u>100.00</u>
Less: provision	<u>9,171,001.05</u>	–	<u>8,875,326.05</u>	–
Total	<u>260,572,025.89</u>	–	<u>295,238,938.37</u>	–

② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	237,192,743.94	267,445,768.82
Deposit, rent, advances to employees	3,481,357.90	6,079,002.83
Others	<u>29,068,925.10</u>	<u>30,589,492.77</u>
Total	<u>269,743,026.94</u>	<u>304,114,264.42</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Balance on 2024.01.01	2,483,603.54	–	6,391,722.51	8,875,326.05
Provision at current period	295,675.00	–	–	295,675.00
Recovery at current period	–	–	–	–
Pay-off at current period	–	–	–	–
Write-off at current period	–	–	–	–
Other changes	–	–	–	–
Balance on 2024.6.30	<u>2,779,278.54</u>	<u>–</u>	<u>6,391,722.51</u>	<u>9,171,001.05</u>

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	<u>8,875,326.05</u>	<u>295,675.00</u>	<u>–</u>	<u>–</u>	<u>9,171,001.05</u>
Total	<u>8,875,326.05</u>	<u>295,675.00</u>	<u>–</u>	<u>–</u>	<u>9,171,001.05</u>

⑤ There is no other receivables written off for this period.

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

⑥ The top five amount of the closing balance of other receivables by customers.

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	161,293,530.24	Within 1 year, 5 years above	59.80	-
Other receivables 2	Receivables due from related parties	37,084,679.51	Within 1 year, 1 to 2 years	13.75	-
Other receivables 3	Receivables due from related parties	12,360,985.15	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	4.58	-
Other receivables 4	Receivables due from related parties	9,348,577.18	Within 1 year, 1 to 2 years	3.47	-
Other receivables 5	Receivables due from related parties	3,929,537.63	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years, 5 years above	1.46	-
Total	-	<u>224,017,309.71</u>	-	<u>83.06</u>	<u>-</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(2) Other receivables (Continued)

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

3. Long-term Equity Investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	12,388,469,741.25	171,000,000.00	12,217,469,741.25	12,386,069,741.25	171,000,000.00	12,215,069,741.25
Investment in joint ventures and associates	1,325,951,576.63	-	1,325,951,576.63	1,328,233,634.02	-	1,328,233,634.02
Total	<u>13,714,421,317.88</u>	<u>171,000,000.00</u>	<u>13,543,421,317.88</u>	<u>13,714,303,375.27</u>	<u>171,000,000.00</u>	<u>13,543,303,375.27</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. 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.	4,316,685,769.67	-	-	4,316,685,769.67	-	-
Cai Zhi Lin	294,114,900.00	-	-	294,114,900.00	-	69,000,000.00
Pharmaceutical Import and Export	-	-	-	-	-	-
Guangzhou Bai Di	242,795,812.38	-	-	242,795,812.38	-	47,000,000.00
Wang Lao Ji Great Health	2,300,000,000.00	-	-	2,300,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
Yi Gan	39,000,000.00	2,400,000.00	-	41,400,000.00	-	-
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	630,581,294.18	-	-	630,581,294.18	-	-
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)	439,560,000.00	-	-	439,560,000.00	-	-

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(1) Investment in subsidiaries (Continued)

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	730,143,500.00	-	-	730,143,500.00	-	-
Guangyao Haima	26,500,000.00	-	-	26,500,000.00	-	-
Baiyunshan Pharmaceutical Marketing	40,000,000.00	-	-	40,000,000.00	-	-
Guangyao General Institute	143,000,000.00	-	-	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.	19,000,000.00	-	-	19,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	1,000,000.00	-	-	1,000,000.00	-	-
Guangzhou Baiyunshan International Pharmaceutical Health Industry	300,000,000.00	-	-	300,000,000.00	-	-
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (GZ)	14,788,152.87	-	-	14,788,152.87	-	-
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	150,000,000.00	-	-	150,000,000.00	-	-
Total	<u>12,386,069,741.25</u>	<u>2,400,000.00</u>	<u>-</u>	<u>12,388,469,741.25</u>	<u>-</u>	<u>171,000,000.00</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term Equity Investment (Continued)

(2) Investments in joint ventures and associates

Investee	Closing Balance of last year	Increase	Decrease	Investment gains or losses recognized under equity method	Adjustment to other comprehensive income	The current period		Provision for impairment	Closing balance	Closing balance of provision for impairment
						Changes in other equity	Declaration of the payment of cash dividends or profits			
I. Joint ventures										
HMBYS	242,012,127.52	-	-	(7,732,276.24)	-	-	-	-	234,279,851.28	-
Baxter Qiao Guang	72,907,985.47	-	-	8,007,960.28	-	-	-	-	80,915,945.75	-
Subtotal	314,920,112.99	-	-	275,684.04	-	-	-	-	315,195,797.03	-
II. Associates										
Golden Eagle-Asset Management Co., Ltd. Guangzhou Baiyunshan	85,108,404.81	-	-	150,930.33	-	-	-	-	85,259,335.14	-
Weiye Medical Investment Management Co., Ltd.	2,084,840.52	-	-	4,887.65	-	-	-	-	2,089,728.17	-
Yi Xin Tang	794,271,683.03	-	-	14,606,726.87	-	(12,352,121.60)	-	-	796,526,288.30	-
Baiyunshan Yi Xin Tang Guangdong Guangqiao Jinshe Equity Investment Fund Management Co., Ltd. Guangzhou Handao	80,060,802.40	-	-	(2,810,994.98)	-	-	-	-	77,249,807.42	-
Chinese Medical Technology Co., Ltd. Guangzhou Guangyao Jirzang equity investment partnership (limited partnership)	5,744,157.67	-	-	79,685.96	-	-	-	-	5,823,843.63	-
	6,219,847.46	-	-	(502,242.75)	-	-	-	-	5,717,604.71	-
Subtotal	39,823,785.14	-	-	(1,734,612.91)	-	-	-	-	38,089,172.23	-
	1,013,313,521.03	-	-	9,794,380.17	-	(12,352,121.60)	-	-	1,010,755,779.60	-
Total	1,328,233,634.02	-	-	10,070,064.21	-	(12,352,121.60)	-	-	1,325,951,576.63	-

Notes to the Financial Statements

For January – June 2024

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

XVI. 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	1,867,760,719.96	646,429,163.39	2,033,202,854.05	749,713,556.68
Other businesses	212,336,232.55	17,027,821.52	224,122,245.83	17,742,910.70
Total	<u>2,080,096,952.51</u>	<u>663,456,984.91</u>	<u>2,257,325,099.88</u>	<u>767,456,467.38</u>

(2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	1,867,760,719.96	646,429,163.39	2,033,202,854.05	749,713,556.68
Total	<u>1,867,760,719.96</u>	<u>646,429,163.39</u>	<u>2,033,202,854.05</u>	<u>749,713,556.68</u>

(3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	1,583,207,478.10	493,846,475.50	1,713,853,193.99	550,796,627.77
Eastern China Area	60,875,802.77	38,589,698.60	114,443,434.62	86,652,172.17
Northern China Area	60,319,630.83	38,448,151.78	61,826,769.06	40,101,430.63
Northeast Area	8,627,242.29	4,890,020.17	4,953,961.76	2,511,053.73
Southwest Area	138,634,774.15	60,577,039.56	122,398,537.49	60,455,521.60
Northwest Area	16,095,791.82	10,077,777.78	15,726,957.13	9,196,750.78
Total	<u>1,867,760,719.96</u>	<u>646,429,163.39</u>	<u>2,033,202,854.05</u>	<u>749,713,556.68</u>

Notes to the Financial Statements

For January – June 2024

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

XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	36,565,746.76	39,011,822.88
Investment Income from long-term equity investments under equity method	10,070,064.21	74,610,859.49
Investment Income from disposal of long-term equity investments	–	27,637,468.60
Dividend income from the holding other equity instruments	–	3,182,137.46
Investment income from the holding other non-current financial assets	35,024,864.02	–
Interest income from financial products and structured deposits	91,022,211.46	92,178,416.24
Derecognition income of financial assets measured at amortized cost	–	(2,402,025.39)
Total	<u>172,682,886.45</u>	<u>234,218,679.28</u>

Notes to the Financial Statements

For January – June 2024

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

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit and Loss for the Current year

Item	Amount
1. Profit or loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	(1,074,227.38)
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	109,034,008.77
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	131,124,281.29
4. Reverse of provision for impairment of receivables under individual impairment test	18,602,276.52
5. Gains generated from the amount of the enterprise's investment costs for acquisition of subsidiaries joint ventures and associates lower than the earnings from the fair value of the net identifiable assets of the invested entity that the enterprise should enjoy upon acquisition	–
6. Other non-operating income and expenses except for the above-mentioned items	4,618,274.43
7. Other profit and loss items that meet the definition of non-recurring gains and losses	–
Less: Amount of income tax influence	(47,613,462.34)
Amount of minority equity impact (after income tax)	(5,958,479.16)
Total	<u>208,732,672.13</u>

Note: According to the "Interpretive Announcement No. 1 on Information Disclosure of Companies that Offer Securities to the Public – Non-recurring Profit and Loss (Revised in 2023)", government subsidies related to assets and the additional deduction of value-added tax included in other income are classified as recurring profit and loss in the current period.

Notes to the Financial Statements

For January – June 2024

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

XVII. SUPPLEMENTARY INFORMATION (Continued)

2. Return on Equity and Earnings Per Share

Profits for the current period	Weighted Average Return on Equity (%)		Earnings Per Share			
			Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Net profit attributable to the ordinary shareholders of the Company	7.04	8.40	1.568	1.729	1.568	1.729
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	6.47	7.76	1.440	1.598	1.440	1.598

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd

30.08.2024