



# 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)



2024  
ANNUAL REPORT

## IMPORTANT NOTICE

- I. The Board, the Supervisory Committee and the Directors, Supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report and confirm that there are no false information, misleading statements or material omissions in this annual report.
- II. The Directors were present at the 21th meeting of the ninth session of the Board.
- III. The financial reports of the Group and the Company for the year ended 31 December 2024 were prepared in accordance with the China Accounting Standards for Business Enterprises, which were audited by WUYIGE Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.
- IV. Mr.Li Xiaojun (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) declared that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this annual report.
- V. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

As audited and confirmed by WUYIGE Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB2,835,496,163.51 in 2024. Based on the net profit of the Company of RMB1,114,566,368.85 in 2024, a 10% statutory surplus reserve in the amount of RMB111,456,636.89 is provided, with the addition of the undistributed profit carried over from 2024 in the amount of RMB8,389,265,344.67, and after deducting a total of RMB1,868,033,800.40 in cash dividends for the year 2023 and the mid-term of 2024, the undistributed profits at the end of 2024 amounted to RMB7,524,341,276.23.

Upon deliberation 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 dividend of RMB0.40 (tax inclusive) to all shareholders for every share. As of 31 December 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 was proposed, and the undistributed profits shall be carried forward to the next distribution. There will not be any capitalization of capital reserve for 2024.

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

- VI. Forward-looking statements such as plans for the future and development strategy contained in this annual report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- VII. 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 annual report
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company.
- IX. The Company does not have more than half of the Directors who cannot guarantee the truthfulness, accuracy and completeness of this annual report disclosed by the Company.
- X. Warning on Significant Risks

During the Reporting Period, there are no significant risks that have substantive and significant effect on the production and operation of the Group. Various risks the Group might face in the production and operation and corresponding measures have been detailed in this annual report. Please refer to " (3) POTENTIAL CHALLENGES AND RISKS" under "6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT" set out in the section headed "III MANAGEMENT DISCUSSION AND ANALYSIS" in this annual report.

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

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## DOCUMENTS AVAILABLE FOR INSPECTION

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

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

Company/the Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)
PRC or China	the People's Republic of China
Reporting Period/Year/ the current year	from 1 January 2024 to 31 December 2024
After the Reporting Period	being 1 January 2025 to 13 March 2025
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Director	the director of the Company
Supervisory Committee	the supervisory committee of the Company
Supervisor	the supervisor of the Company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEX	The Stock Exchange of Hong Kong Limited
Company law	Company law of the People's Republic of China
Securities law	Securities law of the People's Republic of China
Articles of Association	the articles of association of the Company
Listing Rules of HKEX	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Listing Rules of SSE	the Listing Rules of The Shanghai Stock Exchange
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules of The Stock Exchange of Hong Kong Limited
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司), the controlling Shareholder of the Company
GPC	Guangzhou Pharmaceutical Company Limited (廣州藥業股份有限公司)



## Definitions

Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司), the subsidiary of the Company
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司), the subsidiary of the Company
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司), the subsidiary of the Company
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司), the subsidiary of the Company
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), the subsidiary of the Company
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), the subsidiary of the Company
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司), the subsidiary of the Company
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), the subsidiary of the Company
Guangxi Ying Kang	Guangxi Baiyunshan Yingkang Pharmaceutical Company Limited (廣西白雲山盈康藥業有限公司), the subsidiary of the Company
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司), the subsidiary of the Company
WLJ Catering Company	Guangzhou WLJ Catering Management Development Co., Ltd. (廣州王老吉餐飲管理發展有限公司), the subsidiary of the Company
GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), the subsidiary of the Company
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司), the subsidiary of the Company
Guangyao Supply Chain	Guangyao 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), the subsidiary of the Company
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司), the subsidiary of the Company
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司), the subsidiary of the Company

Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (廣州白雲山光華製藥股份有限公司), the subsidiary of the Company
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司), the subsidiary of the Company
Baiyunshan Biological	Guangzhou Baiyunshan Biological Products Co., Ltd. (廣州白雲山生物製品股份有限公司), the subsidiary of the Company
WLJ Ya'an Company	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司), the subsidiary of WLJ Great Health
Weiling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司), the subsidiary of the Company
Bai Di Biological	Guangzhou Baiyunshan Bai Di Biological Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司), the subsidiary of the Company
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司), the subsidiary of the Company
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司), the subsidiary of the Company
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), the subsidiary of the Company
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company (廣州白雲山醫療器械投資有限公司), the subsidiary of the Company
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司), the subsidiary of the Medical Instrument Investment Company
Baiyunshan Chinese Medicine Hospital	Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd. (廣州白雲山中醫院有限公司), the subsidiary of the Baiyunshan Chinese Medicine Hospital
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), the subsidiary of the Baiyunshan Medical and Healthcare Industry Company
Haima Company	Guangzhou Pharmaceutical Haima Brand Integration and Marketing Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司), the subsidiary of the Company
Zhuhai Hengqin Pharmaceutical Industry Park Company	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司), the subsidiary of the Company
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學制藥(珠海)有限公司), the subsidiary of the Company

## 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), the subsidiary of the Company
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), the subsidiary of the Baiyunshan Yihu Company
Chuangying Company	Guangzhou Chuangying Baiyunshan Intellectual Property Co., Ltd. (廣州創贏廣藥白雲山知識產權有限公司), the subsidiary of the Company
Hanchao Company	Guangdong Hanchao Traditional Chinese Medicine Technology Co., Ltd. (廣東漢潮中藥科技有限公司), the subsidiary of the Company
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), the branch of the Company
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), the branch of the Company
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠), the branch of the Company
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司), the Joint Venture of the Company
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司), the Joint Venture of the Company
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), the associated enterprise of the Company
Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司), the associated enterprise of the Company
Hua Cheng	Guangzhou Hua Cheng Pharmaceutical Co., Ltd. (廣州花城藥業有限公司), the subsidiary of GPHL
Baiyunshan Cultural Company	Guangzhou Baiyunshan Cultural Industry Co., Ltd. (廣州白雲山文化產業有限公司), the subsidiary of GPHL
Guangyao Group (Macau) Company	Guangyao Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司), the subsidiary of GPHL
Bencao Craft Brewery Company	Guangyao Baiyunshan Bencao Craft Brewery (Guangzhou) Co., Ltd. (廣藥白雲山本草精釀啤酒(廣州)有限公司), the subsidiary of GPHL

Yixintang Pharmaceutical	Yixintang Pharmaceutical Group Co., Ltd. (一心堂藥業集團股份有限公司)
GMP	the English abbreviation of Good Manufacturing Practice and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system formulated with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly
OEM	Original Equipment Manufacturer
OTC	the English abbreviation of Over The Counter, and it means the over-the-counter drug.
Drug Registration	the drug supervision and administration department conducts the systematic evaluation of the safety, effectiveness and quality controllability of the drugs proposed for sale in accordance with legal procedures, and approves drug clinical studies, production of drugs or imports of drugs, which include the approval of the content in the evidence documents of applications for changes of drug approval and the appendix
National Essential Drug List	the National Essential Drug List (the 2018 version) (《國家基本藥物目錄(2018年版)》), which is the basis for medical institutions to prepare and use drugs. The drugs in the Essential Drug List are those adapted to the basic medical and health needs, and are featured by appropriate dosage and form as well as reasonable price and supply and availability are guaranteed to the public
National Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (the 2024 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年版)》), being the national standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC

## Definitions

GP Capital	Guangzhou GP Capital Private Equity Fund Management Co., Ltd. (廣州廣藥資本私募基金管理有限公司)
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))
GP Venture Capital Fund	Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership) (廣州廣藥產投生物醫藥創業投資基金(有限合夥))
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 Financial Highlights

## 1. COMPANY PROFILE

- (1) Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited  
English Name Abbreviation: GYBYS  
Legal Representative: Li Xiaojun
- (2) Secretary to the Board: Huang Xuezheng  
Securities representative: Huang Ruimei  
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Telephone: (8620) 6628 1218/ 6628 1216  
Fax: (8620) 6628 1229  
E-mail: huangxz@gybys.com.cn/ huangrm@gybys.com.cn
- (3) Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Registered address and office before the change: No  
Postal code: 510130  
Website: <http://www.gybys.com.cn>  
E-mail: [sec@gybys.com.cn](mailto:sec@gybys.com.cn)  
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two, Lippo Center, 89 Queensway, Hong Kong
- (4) Designated newspapers for information, disclosure and website: Shanghai Securities News (《上海證券報》) [www.cnstock.com](http://www.cnstock.com)  
Securities Times (《證券時報》) [www.stcn.com](http://www.stcn.com)  
China Securities Journal (《中國證券報》) [www.cs.com.cn](http://www.cs.com.cn)  
Securities Daily (《證券日報》) [www.zqrb.cn](http://www.zqrb.cn)  
Website designated by the CSRC for publishing the annual report: <http://www.sse.com.cn>  
Website of the HKEX for publishing the annual report: <http://www.hkex.com.hk>  
Place for inspection of the annual report: The secretariat of the Company
- (5) Stock exchanges, names and codes of the Company's shares: A Shares: SSE  
Stock Code: 600332 Stock Abbreviation: BAIYUNSHAN  
H Shares: HKEX  
Stock Code: 00874 Stock Abbreviation: BAIYUNSHAN PH
- (6) Other information:  
First registration date: 1 September 1997  
First place of registration: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Date of registration of change: 5 February 2025  
Place of registration of change: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Unified social credit code: 9144010163320680X7  
Auditors and its address: Name: WUYIGE Certified Public Accountants LLP  
Address: Room 1504, No. 1 College International Building, Zhichun Road, Haidian District, Beijing  
Whose signatures are given: He Xiaojuan, Xia Ling

# Company Profile and Financial Highlights

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

### (1) Principal financial data

Principal financial data	2024	2023	Year on year increase/ (decrease) (%)	2022	2021	2020
Income from operations (RMB'000)	<b>74,992,820</b>	75,515,404	(0.69)	70,788,155	69,014,052	61,673,702
Net profit attributable to the shareholders of the Company (RMB'000)	<b>2,835,496</b>	4,055,679	(30.09)	3,966,522	3,719,878	2,915,245
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	<b>2,356,431</b>	3,635,521	(35.18)	3,319,308	3,306,416	2,627,691
Net cash flow from operating activities (RMB'000)	<b>3,442,427</b>	4,103,625	(16.11)	6,999,076	5,673,497	585,185
Total profit (RMB'000)	<b>3,607,580</b>	5,110,498	(29.41)	5,043,244	4,723,071	3,739,082
Principal financial data	As at 31 December 2024	As at 31 December 2023	Year on year increase/ (decrease) (%)	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Net assets attributable to the shareholders of the Company (RMB'000)	<b>35,904,528</b>	34,919,281	2.82	32,065,125	29,062,184	26,144,843
Total assets (RMB'000)	<b>81,683,612</b>	78,586,878	3.94	74,665,299	66,117,790	59,760,063
Total liabilities (RMB'000)	<b>43,913,976</b>	41,909,054	4.78	41,027,441	34,791,121	31,554,796
Equity attributable to the shareholders of the Company per share (RMB)	<b>22.08</b>	21.48	2.82	19.72	17.88	16.08
Total equity (RMB'000)	<b>1,625,791</b>	1,625,791	–	1,625,791	1,625,791	1,625,791

# Company Profile and Financial Highlights

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

### (2) Principal financial indicators

	2024	2023	Year on year increase/ (decrease) (%)	2022	2021	2020
Basic earnings per share (RMB/Share)	<b>1.744</b>	2.495	(30.09)	2.440	2.288	1.793
Diluted earnings per share (RMB/Share)	<b>1.744</b>	2.495	(30.09)	2.440	2.288	1.793
Basic earnings per share after deducting non-recurring items (RMB/Share)	<b>1.449</b>	2.236	(35.18)	2.042	2.034	1.616
Weighted average return on net assets ratio (%)	<b>7.99</b>	12.07	A decrease of 4.08 percentage points	12.97	13.46	11.55
Ratio of weighted average return on net assets after deducting non-operating items (%)	<b>6.64</b>	10.82	A decrease of 4.18 percentage points	10.85	11.96	10.41
Ratio on total equity attributable to shareholders of the Company (%)	<b>7.90</b>	11.61	A decrease of 3.71 percentage points	12.37	12.80	11.15
Ratio on total equity attributable to shareholders of the Company to total assets (%)	<b>43.96</b>	44.43	A decrease of 0.47 percentage point	42.95	43.96	43.75
Gearing ratio (%)	<b>53.76</b>	53.33	An increase of 0.43 percentage point	54.95	52.62	52.80

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

Explanation of principal accounting data and financial indicators

☐ Applicable    ☒ Not Applicable

# Company Profile and Financial Highlights

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

☐ Applicable    ☒ Not Applicable

## 4. PRINCIPAL FINANCIAL DATA OF 2024 ON QUARTERLY BASIS

	The first quarter (January- March) (RMB'000)	The second quarter (April-June) (RMB'000)	The third quarter (July- September) (RMB'000)	The fourth quarter (October- December) (RMB'000)
Income from operations	22,946,212	18,096,603	18,017,185	15,932,820
Net profit attributable to the shareholders of the Company	1,958,118	591,447	609,412	(323,481)
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,833,541	507,291	514,998	(499,400)
Net cash flow from operating activities	(3,138,187)	1,101,446	1,285,378	4,193,789

The explanation for the difference between the quarterly data and the disclosed periodic reports' data

☐ Applicable    ☒ Not Applicable

# Company Profile and Financial Highlights

## 5. NON-RECURRING ITEMS AND AMOUNTS

Non-recurring Items	Amount in 2024 (RMB'000)	Notes (if applicable)	Amount in 2023 (RMB'000)	Amount in 2022 (RMB'000)
Gains and losses from the disposal of non-current assets, including the reversal of previously recognized impairment provisions	8,821	/	26,167	15,109
Government grants recognized in current profit or loss, except for those closely related to the company's normal business operations, in compliance with national policies, received based on standardized criteria, and having a continuous impact on the company's profit or loss.	221,801	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.	246,659	480,552
Gains and losses arising from fair value changes and disposal of financial assets and financial liabilities held by non-financial enterprises, except for effective hedging activities related to the company's normal business operations	318,311	/	249,805	98,077
Interest income from funds provided to non-financial enterprises recognized in current profit or loss	-	/	-	-
Gains and losses from entrusted loans to external parties	-	/	-	-
Profit and Loss from externally commissioned loans	-	/	-	-
Losses arising from force majeure events, such as natural disasters	-	/	-	-
Reversal of impairment provisions for individually tested accounts receivable	6,862	/	14,867	28,151
Gains arising when the investment cost of acquiring a subsidiary, associate, or joint venture is lower than the fair value of the identifiable net assets at the time of acquisition	-	/	-	-
Net profit or loss from the beginning of the period to the merger date for subsidiaries acquired in a business combination under common control	-	/	-	-
Gains and losses from non-monetary asset exchanges	-	/	-	-



# Company Profile and Financial Highlights

## 5. NON-RECURRING ITEMS AND AMOUNTS (Continued)

Non-recurring Items	Amount in 2024 (RMB'000) Notes (if applicable)	Amount in 2023 (RMB'000)	Amount in 2022 (RMB'000)
Gains and losses from debt restructuring	- /	-	-
One-time expenses incurred due to the discontinuation of related business activities, such as employee severance payments	- /	-	-
One-time impacts on current profit or loss due to adjustments in tax, accounting, or other legal regulations	- /	-	-
One-time recognition of share-based payment expenses due to the cancellation or modification of an equity incentive plan	- /	-	-
Gains and losses from changes in the fair value of share-based payments settled in cash after the vesting date	- /	-	-
Gains and losses from fair value changes in investment properties measured using the fair value model	- /	-	-
Gains from transactions with significantly unfair pricing	- /	-	-
Gains and losses from contingent events unrelated to the company's normal business operations	- /	-	-
Management fees earned from entrusted operations	- /	-	-
Other non-operating income and expenses not covered by the above items	13,354 /	(13,184)	(27,083)
Other gains and losses that meet the definition of non-recurring profit or loss	18,049 /	-	161,777
Less: Amount of income tax influence	(97,199) /	(90,819)	(91,360)
Amount of minority equity impact (after income tax)	(10,934) /	(13,337)	(18,009)
Total	<u>479,065</u>	<u>420,158</u>	<u>647,214</u>

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

☐ Applicable    ☒ Not Applicable

# Company Profile and Financial Highlights

## 6. CHANGES IN SHAREHOLDERS' EQUITY IN 2024 (CONSOLIDATED)

Items	Share capital (RMB'000)	Capital reserve (RMB'000)	Other comprehensive income (RMB'000)	Surplus reserve (RMB'000)	Undistributed profits (RMB'000)	Total shareholders' equity attributable to the parent company (RMB'000)
Opening balance	1,625,791	10,105,714	(24,344)	2,252,789	20,959,331	34,919,281
Additions	–	8,008	10,504	110,729	2,835,496	2,964,737
Deductions	–	–	–	–	1,979,490	1,979,490
Closing balance	1,625,791	10,113,722	(13,840)	2,363,518	21,815,337	35,904,528

## 7. ITEMS RELATED TO FAIR VALUE MEASUREMENT

Items	Balance at the beginning of the Reporting Period (RMB'000)	Balance at the end of the Reporting Period (RMB'000)	Changes during the Reporting Period (RMB'000)	Impact on the profit for the Reporting Period (RMB'000)
Financial assets held for trading	4,000	–	(4,000)	654
Other equity instrument investments	103,812	104,181	369	–
Other non-current financial assets	1,005,936	531,000	(474,936)	139,937
Total	<u>1,113,748</u>	<u>635,181</u>	<u>(478,567)</u>	<u>140,591</u>

## 8. OTHERS

☐ Applicable    ☒ Not Applicable

# Management Discussion and Analysis

## 1. DESCRIPTION AND ANALYSIS OF OPERATION

In 2024, amid the accelerated transformation of the pharmaceutical and healthcare industry, the Group steadily advanced its various initiatives, actively responded to changes in the economic environment and industry policies, promoted the integrated development of the digital economy and the pharmaceutical and healthcare sector, and drove the sustained growth of its business.

During the Reporting Period, the Group achieved operating revenue of RMB74,992,820,000, a year-on-year decrease of 0.69%; total profit reached RMB3,607,580,000, a year-on-year decrease of 29.41%; and net profit attributable to the Company's shareholders was RMB2,835,496,000, a year-on-year decrease of 30.09%. Compared to 2023, the year-on-year decline in the Group's operating performance is primarily due to: (1) During the Reporting Period, the Group's major business segments experienced a year-on-year decline in operating performance due to persistent factors such as insufficient effective demand, accelerated industry transformation, changes in industry policies, and intense market competition; (2) During the Reporting Period, in accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Company made a provision for asset impairment of RMB386 million on its long-term equity investment in Yixintang Pharmaceutical, thereby reducing the total profit for the Year.

During the Reporting Period, the Group focused on advancing the following key initiatives:

- (1) Actively promoting the development of Great Southern TCM by strengthening the varieties and solidifying foundations. During the Reporting Period, as industry policies such as medicine centralized procurement and healthcare reform continued to deepen, the Great Southern TCM further intensified its focus on resource aggregation, fostered key varieties and product lines, continuously optimized the product portfolio to enhance brand influence; deepened market penetration by accelerating the expansion of terminal sales networks and focusing on e-commerce growth to enhance product turnover; optimized development of specialty active pharmaceutical ingredients and intensified international expansion. During the Reporting Period, the sales revenue of several key products saw significant year-over-year growth, including Yang Yin Qing Fei Gao, Yang Yin Qing Fei Mixture, Paracetamol, Caffein, Artificial Cow-bezoar and Chlorphenamine Maleate Capsules, Cefixime series (including raw materials), Mi Lian Chuan Bei Pi Pa Gao, Qing Kai Ling series, She Dan Chuan Bei Ye, Xiao Chai Hu Granules, and She Dan Chuan Bei Pi Pa Gao.
- (2) Focusing on deepening market penetration and exploring new sources to enhance the development momentum of the Great Health. In 2024, facing macroeconomic fluctuations, a sustained slowdown in consumer growth, increasingly fierce market competition, and weather conditions such as rainy days, the Great Health targeted the ready-to-drink market, expanded dining consumption, seized opportunities in festive banquet scenes, developed mainstream international markets, continued youth-oriented branding, and accelerated channel expansion including e-commerce to actively open up markets and promote product turnover. Meanwhile, the Great Health continued to adhere to the product structure of one core with multi-elements by launching new products such as herbal tea with original flavor, rose flavored herbal tea, freesia flavored herbal tea, and houttuynia flavored herbal tea, to capture emerging consumer scenarios.

# Management Discussion and Analysis

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

- (3) Seizing opportunities and enhancing integration to promote steady growth in the Great Commerce. In 2024, with the deepening of the medical reform, the medical circulation field shows a trend of increasing the concentration degree and intensifying the stock competition. The Great Commerce continuously strengthened its marketing system led by service capabilities, continuously improving the distribution network layout and strengthening the capacity building of variety expansion, terminal access and commercial operation to solidify the foundation of pharmaceutical wholesale business. By leveraging dual-channel operations, the Great Commerce vigorously develop prescription retail business and promote the integration of retail and wholesale, online and offline resources. We also actively expand the medical device retail businesses and venture into healthy products such as aesthetic medicine products, special medical food and nutrition products to enhance the influence of medical devices. Additionally, we continued to drive the development of import and export businesses for medicine, strengthening cooperation with Servier Group of France. Notably, the targeted drug Vorasidenib for treating glioblastoma was successfully applied in Boao Lecheng, Hainan as it was used for treating the first patient in Asia. Furthermore, we continue to expand the drug import and export business in Guangdong, Hong Kong and Macao.
- (4) Strengthening the foundation of the basis for the development of the Great Medical Care by enhancing construction and branding. In 2024, Baiyunshan Hospital continuously improved its discipline construction and service quality by establishing new departments such as Internal Medicine Division III, Hematology Outpatient Clinic, and Oncology Department through collaborative partnerships, enhancing overall medical service capabilities. The Baiyunshan Internet Hospital realized mobile medical insurance settlement. Runkang Confinement Company deepened upstream and downstream industry collaborations, continuously improving brand influence.
- (5) Boosting research and quality management efficiency by expanding pipelines and enhancing innovation. During the Reporting Period, the Group firstly further enhanced its research platform capacity by adding 3 provincial platforms, 5 national qualifications, and 10 provincial qualifications. Notably, Baiyunshan Han Fang was honored as a “Little Giant” enterprise for specialization and innovation by the Ministry of Industry and Information Technology (MIIT), and Han Chao Company received CASL (China Accredited Seed Laboratory) certification for national crop seed quality inspection. Secondly, the Group expanded R&D pipelines. As at the end of 2024, the Group possessed over 200 candidate projects covering new TCM, generic drugs, innovative drugs & chemical drugs, biosimilars, and medical devices. Additionally, the Group and the joint ventures won 1 National Science and Technology Progress Award and 3 provincial awards, including the National Science and Technology Progress Award for HWBYS’s “Integrated Innovation and Support System Creation and Application of Traditional Chinese Medicine Quality Testing Technology.” Thirdly, the Group also strengthened quality management, and promoted the digitalization of quality management tools to improve quality management system. During the Year, the Group and the joint ventures received approximately 200 quality management awards, with Zhong Yi winning the 2023 National Pharmaceutical Industry Quality Craftsmanship Enterprise.
- (6) Continuously enhancing capital operations and promoting industrial fund activities. In 2024, GP Corp. continued to push for listing on NEEQ and opportunistically on the Beijing Stock Exchange, and the application for listing on the NEEQ has been accepted. WBA GP Fund added 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) as a limited partner, expanding the fund size to RMB1 billion. GP Venture Capital Fund added Guangzhou State-owned Enterprise Innovation Fund Co., Ltd. (廣州國企創新基金有限公司) as a limited partner.

# Management Discussion and Analysis

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

- (7) Digitalization-empowered upgrading to drive development with digital technologies. During the Reporting Period, the Group launched four digitalization projects, including decision-making, management, operations, and business, actively promoted the “Four Digitalization” platform initiative to empower new industrialization efforts, thereby building a unified data platform to enhance industrial digitalization levels. The Group continued to advance pharmacovigilance system construction, with 14 subsidiaries launching the system and processing over 8,100 individual safety reports. “Traditional Chinese Medicine Networking and Intelligent Integration Innovation Application Project” of Zhong Yi was selected for the MIIT Industrial Internet Pilot Demonstration List, becoming the only short-listed pharmaceutical company in Guangzhou.
- (8) Strengthening foundational management, optimizing and refining operational processes and decision-making mechanisms, enhancing risk prevention and mitigation capabilities, and reinforcing the safety accountability framework, thereby driving stable and orderly operations of the Group.

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

### (1) Situation of Industry development

The pharmaceutical industry constitutes an important part of the national economy of China, and is a strategic emerging industry related to the national economy and people's livelihood, economic development and national security. The pharmaceutical industry has the characteristics of weak periodicity, high investment, high risk, high technical barriers, strict supervision, etc. Following the continuous growth of China's economy and the improvement of people's living standards, the demand for healthcare is constantly growing, and the pharmaceutical industry is receiving increasing attention. 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.

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 policies 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. As an important direction for the development of new quality productive forces, the bio-pharmaceutical industry has been highly valued by the national and local governments, and relevant supporting policies have been introduced successively, creating sound conditions for the development of the industry. 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.



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

*(Continued)*

### (1) Situation of Industry development *(Continued)*

In 2024, the pharmaceutical industry as a whole was in a period of accelerated transformation, the development environment and competition situation of the domestic pharmaceutical industry were still grim, the pace of industrial restructuring was accelerated, and the national and local volume-based procurement continued to expand and deepen. 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. The pharmaceutical industry was still under overall pressure. In 2024, according to data from the website of the National Bureau of Statistics, the operating revenue of pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB2,529.85 billion, maintaining the same as corresponding period of 2023, and the total profit reached RMB342.07 billion, representing a year-on-year decrease of 1.1%. The operating revenue of liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB1,588.06 billion, representing a year-on-year increase of 2.8%, and the total profit reached RMB328.72 billion, representing a year-on-year increase of 7.1%. 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.

### (2) The industry position of the Company

The Group is one of the largest pharmaceutical enterprises in China. With years of careful construction and high-quality development, the Group has basically realized the whole industrial chain layout of the bio-pharmaceutical and health industry. With profound historical heritage, abundant industrial resources, comprehensive full-industry-chain layout, strong brand matrix and research and development ability of continuous innovation, the Group steadily ranked the head of the industry. A number of the Group's core products have secured the top position in their respective niche markets, and have propelled the globalization process through international certifications. In the future, the Company will continue to focus on core responsibilities and main business, strengthen scientific research and innovation, promote market development, consolidate the domestic leading position and expand the global influence.

# Management Discussion and Analysis

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

(Continued)

### (3) The impact of policies related to the industry and the Group's response measures

#### 1) The impacts of pharmaceutical policies and regulations and the response measures

##### ① *The release of Special Provisions on the Administration of Registration of Traditional Chinese Medicine (《中藥註冊管理專門規定》)*

The National Medical Products Administration issued Special Provisions on the Administration of Registration of Traditional Chinese Medicine, expatiating the research and manufacturing, registration and administration of new TCM drugs in such aspects as categorized registration and premarket approval of TCM, reasonable application of experience and evidence for use in human, innovative drugs of TCM, improved new drugs of TCM, compound preparation of traditional classic formula TCM, drugs of same name and same formula, post-marketing change, registration standards for TCM, drug name, instructions, etc.

Response measures: The Group will pursue innovative research and development in TCM in compliance with relevant policies and regulations. Based on the classification of TCM registration, the Group will choose the R&D pathway or model tailored to characteristics of each variety, aiming to expedite the registration process for TCM.

##### ② *The release of Standardization Action Plan for Traditional Chinese Medicine (2024–2026 (《中醫藥標準化行動計劃(2024–2026年)》))*

On 31 July 2024, the National Administration of Traditional Chinese Medicine released the Standardization Action Plan for Traditional Chinese Medicine (2024–2026). The plan is guided by the principles of coordinated planning, demand orientation, quality priority, and application focus. It aims to systematically outline policy measures to promote the high-quality development of TCM standardization. The plan focuses on accomplishing six key tasks. In terms of TCM-related standards, it will involve the formulation of 30 technical specifications for seed and seedling cultivation, wild tending, semi-wild cultivation, and ecological planting of Chinese medicinal materials, as well as standards for commodity grading and quality specifications of authentic medicinal materials. Additionally, it will establish comprehensive evaluation standards for proprietary Chinese medicines.

Response measures: The Group will continuously enhance product quality, optimize the standard system, and promote the internationalization of TCM standard. We will also enhance our standardized research capabilities to drive the overall high-quality development of the TCM industry.

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

(Continued)

### (3) The impact of policies related to the industry and the Group's response measures

(Continued)

#### 1) The impacts of pharmaceutical policies and regulations and the response measures (Continued)

##### ③ *The release of Special Regulations for the Administration of Traditional Chinese Medicine Standards (《中藥標準管理專門規定》)*

On 9 July 2024, the National Medical Products Administration (NMPA) issued the Special Regulations for the Administration of Traditional Chinese Medicine Standards. Building on the general provisions of the Drug Standard Administration Measures, these regulations further refine and clarify the requirements for TCM standard management by categorizing TCM products based on their attributes, such as Chinese medicinal materials, prepared herbal pieces, herbal extracts, formula granules, and proprietary Chinese medicines. These regulations emphasize that the research and formulation of standards for Chinese medicinal materials should focus on the study and inheritance of traditional quality evaluation methods, and also encourage systematic evaluation and research on the quality characteristics of authentic medicinal materials.

Response measures: In accordance with the Special Regulations for the Administration of Traditional Chinese Medicine Standards, the Group will strengthen its quality management system. Starting from the source, we will standardize and enhance the quality control technical standards for TCM germplasm resources, focusing on holistic quality control methods and continuously improving the TCM quality standard system. We will actively apply for participating in drafting and managing projects related to the formulation and revision of national TCM standards, thereby increasing our influence and competitiveness within the industry.

#### 2) The impacts of medical insurance policies and regulations and the response measures

##### ① *Centralized procurement becomes routine and institutionalized*

In December 2024, the State-organized Joint Drug Procurement Office released the results of the tenth round of state-organized drug procurement, which included 62 selected drugs and their prices. This procurement covers a wide range of therapeutic areas, including hypertension, diabetes, cancer, cardiovascular and cerebrovascular diseases, infections, and mental health conditions. Since 2018, the National Healthcare Security Administration has conducted ten rounds of state-organized drug procurement program, incorporating a total of 435 drugs into the program.

Response measures: The Group will continue to actively advance generic drug consistency evaluation initiatives to further enhance production and management efficiency, effectively reduce manufacturing costs, and strengthen product competitiveness. We will proactively participate in state-organized volume-based procurement (VBP) tenders to continuously increase market share of relevant products. Simultaneously, we are making comprehensive preparations for the inclusion of TCM in centralized procurement programs. Additionally, leveraging our strengths in pharmaceutical distribution, we will actively engage in providing logistics services for drugs procured under the state-organized VBP program.

# Management Discussion and Analysis

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

(Continued)

### (3) The impact of policies related to the industry and the Group's response measures

(Continued)

#### 2) The impacts of medical insurance policies and regulations and the response measures (Continued)

##### ② Strengthen the oversight of medical insurance funds

In April 2024, the National Healthcare Security Administration, along with five other government agencies, issued the Notice on Launching a Special Campaign to Rectify Illegal Activities Involving Healthcare Insurance Funds. The notice introduces a comprehensive plan for a nationwide campaign aimed at addressing illegal and irregular activities involving medical insurance funds. The campaign focuses on conducting thorough investigations and rectifications of various types of fraudulent and illegal activities within the medical insurance sector. This comprehensive crackdown aims to vigorously combat insurance fraud, draw lessons from identified cases to strengthen long-term regulatory mechanisms, and elevate the quality and effectiveness of healthcare fund supervision to new heights.

Response measures: The Group will proactively align with policy requirements and collaborate with government agencies on healthcare fund supervision initiatives. In parallel, in alignment with these policy requirements, we will further enhance our business operation systems and supervision management processes to ensure standardized medical service delivery practices.

##### ③ The release of National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2024年)》)

On 28 November 2024, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security jointly announced the release of the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2024) · with the addition of 91 new drugs, a focus on medications that have been newly approved or had their instructions updated within the past five years, orphan drugs for rare diseases, pediatric medications and generics encouraged by the state, as well as essential medicines. Following the appropriate procedures, this adjustment covers drugs for conditions such as cancer, chronic diseases like diabetes, rare diseases, anti-infective medications, TCM, and other therapeutic areas. Additionally, 43 drugs that have been clinically replaced or have not been produced or supplied for a long time were removed from the catalog.

Response measures: In response to the adjustments to the list of medicines covered by the medical-insurance system, the Group will proactively align with policy directives, taking the clinical value as the core, strengthening the cooperation with medical institutions, jointly carrying out clinical research, and optimizing the product structure and research and development strategy to enhance the core competitiveness of the Group.

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

(Continued)

### (3) The impact of policies related to the industry and the Group's response measures

(Continued)

#### 3) The impacts of healthcare policies and the response measures

- ① *The release of Key Tasks for Deepening the Reform of the Medical and Health System in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》)*

On 3 June 2024, the General Office of the State Council issued the Key Tasks for Deepening the Reform of the Medical and Health System in 2024, outlining seven priority areas to drive coordinated development and governance of healthcare insurance, medical services, and pharmaceutical sectors. The specific requirements involved four aspects as follows: 1. strengthening accountability of local governments at various levels for comprehensively deepening healthcare reform. This includes consolidating and improving mechanisms for advancing reforms, and exploring the establishment of unified and efficient policy coordination, information connectivity, and regulatory collaboration among healthcare insurance, medical services, and pharmaceuticals. 2. Promoting the Sanming healthcare reform model: this involves expanding the scope of and improving the quality of centralized procurement for drugs and medical consumables, furthering reforms in medical service pricing, payment methods under medical insurance, and salary systems in public hospitals. 3. Further improving the public health service system. 4. Promoting high-quality development of public hospitals.

Response measures: The Group will align with requirements outlined in the document by capitalizing on market opportunities while optimizing our cost structure. We will actively participate in the medicine VBP program, and strengthen quality control measures to enhance the market competitiveness of our products.

- ② *The release of Notice on Issuing the 2.0 Version of DRG ((Diagnosis-related Group) and DIP (Diagnosis-intervention Packet) Payment Grouping Schemes and Advancing Related Work (《關於印發按病組(DRG)和病種分值(DIP)付費2.0版分組方案並深入推進相關工作的通知》)*

On 23 July 2024, the National Healthcare Security Administration released the Notice on Issuing the 2.0 Version of DRG (Diagnosis-related Group) and DIP (Diagnosis-intervention Packet) Payment Grouping Schemes and Advancing Related Work. The notice emphasizes the need to establish efficient and effective payment mechanisms, actively promoting reforms in the multi-faceted medical insurance payment system, with a focus on DIP payment. It also specifies that starting from 2025, all coordinated regions will use the unified grouping version, allowing local authorities to adjust their sub-DRP and DIP based on regional realities while maintaining national consistency.

Response measures: The Group will closely monitor the details and adjustments of the grouping schemes, and strengthen research and development innovation and increase investment in research and development to meet the clinical demand for more precise and efficient treatments.



# Management Discussion and Analysis

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

(Continued)

### (3) The impact of policies related to the industry and the Group's response measures

(Continued)

#### 3) The impacts of healthcare policies and the response measures (Continued)

##### ③ *The release of Guiding Opinions on Promoting High-quality Development of Integrated Medical and Elderly Care Services* (《關於促進醫養結合服務高質量發展的指導意見》)

On 12 December 2024, the National Health Commission, Ministry of Civil Affairs, National Healthcare Security Administration, National Administration of Traditional Chinese Medicine, and the National Disease Control Administration jointly issued the Guiding Opinions on Promoting High-quality Development of Integrated Medical and Elderly Care Services. The guiding opinions aims to promote high-quality development of integrated medical and elderly care services, and facilitate the healthy aging, thus continuously enhancing the sense of gain and well-being among the elderly.

Response measures: In combination with the policy orientation and aging market demand, the Group constructs a comprehensive solution under the combination of medical and nursing care from the perspective of product research and development, service mode innovation and industrial chain coordination.

#### 4) The impacts of policies for high-quality development in manufacturing and the response measures

The Ministry of Industry and Information Technology (MIIT) and six other authorities issued the Guiding Opinions on Accelerating Green Development in Manufacturing, the Guidelines for Enhancing Supply Chain Management in Manufacturing Enterprises (Trial) and the Special Action Plan for Digital Empowerment of Small and Medium-sized Enterprises (2025-2027) respectively in February, May and December 2024. These policies explicitly require manufacturing enterprises to build outstanding quality capabilities, undergo digital transformation, leverage artificial intelligence and other digital technologies, strengthen green and low-carbon development, and promote industrial integration and mutual promotion. The ultimate goal is to facilitate the transformation and upgrading of traditional manufacturing enterprises.

Response measures: The Group will actively respond to the national requirements for high-quality economic development by aligning with the policy guidelines. We will comprehensively promote initiatives focusing on quality improvement, product research and innovation, carrying out digital economy development, and applications of new technologies to promote green and low-carbon production in enterprises.

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

(Continued)

### (4) Periodic characteristics

The products and services of the pharmaceutical industry are essentially necessities and are generally unaffected or only minimally affected by economic cycles, making the industry typically considered to be weakly cyclical. Among the businesses of the Group, the sales of certain medicines in the Great Southern TCM exhibit a certain degree of seasonality as seasonal diseases such as flu have a higher incidence of morbidity in a specific period of time, and are rapidly prevalent after the outbreak and therefore there is a seasonal surge in demand for drugs that prevent and treat such diseases. The demand for the current main product of the Great Health, namely Wang Lao Ji herbal tea, relates to seasons to a certain extent. The sales will significantly increase when the weather is hot. In addition, as the Group rigorously explored the sales channels of the gift market for major festivals, the sale of the Wang Lao Ji herbal tea has increased during major festivals. The business of the Greater Commerce does not exhibit prominent cyclical characteristics.

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

### (1) Main business and Products

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

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

There are 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 323 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Xiao Ke Pill, Hua Tuo Zai Zao Pill, Qing Kai Ling series, Mi Lian Chuan Bei Pi Pa Gao, Compound Danshen Tablet series, Nao Xin Qing Tablet series, Xia Sang Ju Granule, Zhuang Yao Jian Shen Pill, Bao Ji series, An Gong Niu Huang Pill, Ban Lan Gen Granule series, Da Shen Kou Yan Qing Granule, Compound Ban Lan Gen Granule series, Yang Yin Qing Fei Pill, Shu Jin Jian Yao Pill, etc. The Group boasts clear brand and variety in propriety Chinese patent medicine in southern China and throughout the country.

# Management Discussion and Analysis

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

(Continued)

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

#### (i) Great Southern TCM (Pharmaceutical manufacturing business) (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 famous trademark "Kang Zhi Ba (抗之霸)", striving to create a market image as the number one brand of oral anti-bacterial and anti-inflammatory drugs in China. The chemical medicine preparations of the Group and its joint ventures include Sildenafil Citrate Tablets (Trade name "Jin Ge (金戈)"), Cefuroxime Sodium for Injection, Paracetamol Caffeine and Aspirin Powder, Multivitamin For Injection(12), Amoxicillin, Cefixime series(include raw medicine), Amoxicillin and Clavulanate Potassium, Clindamycin Phosphate Injection, Paracetamol, Cefthiamidine, Cefpiramide, Cefprozil, etc.

#### (ii) Great Health Industry

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

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

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

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

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

#### (iv) Great Medical Care

The Great Medical Care of the Group is at the stage of development and investment expansion. The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicles and used various means, including new establishment, joint venture and cooperation 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, the Group have invested/held equity interest in a number of projects including Baiyunshan Hospital, Baiyunshan Traditional Chinese Medicine Hospital, Runkang Confinement Company, Baiyunshan Yihu Company and Baiyunshan Jianhu Company etc.

### (2) Operating model

#### (i) Great Southern TCM

##### 1) Procurement Model

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

# Management Discussion and Analysis

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

(Continued)

### (2) Operating model (Continued)

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

##### 1) Procurement Model (Continued)

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

##### 2) Production Model

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

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

(Continued)

### (2) Operating model (Continued)

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

##### 3) Sales Model

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

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

###### ② Sales platform

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

In addition, the Group has proactively adapted itself to new economy, innovated new models, actively built up e-commerce marketing system and developed the e-commerce business, strengthened the integrated development of online and offline channels, and leveraged e-commerce platforms, WeChat mini-programs, new media, and other internet channels to enrich sales model scenarios and expand the product sales coverage. For instance, GP Corp. actively created a new "Internet +" pharmacy retail mode; Guangyao Baiyunshan flagship store has set up e-commerce terminal sales platforms at Tmall and JD. com.

#### (ii) Great Health Industry

##### 1) Procurement Model

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

##### 2) Production Model

The Company's subsidiaries organize production in strict accordance with relevant national laws and regulations through self-built production capacity and OEM, etc., to ensure the quality and safety of the whole process of raw material base, raw and auxiliary materials, packaging materials, personnel and equipment, finished products and consumer use from planting and harvesting, production and manufacturing to consumer use.

# Management Discussion and Analysis

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

*(Continued)*

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

#### (ii) Great Health Industry *(Continued)*

##### 3) Sales Model

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

#### (iii) Great Commerce

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

GP Corp., the core enterprise of the Great Commerce, is responsible for the pharmaceutical distribution business of the Group, including the wholesale and retail business. Its retail business are developed through "Jian Min" pharmaceutical retail chains, GPC Prescription Pharmacy retail chain and Guangyao Chenfei Pharmacy. Guangyao Supply Chain serves as a centralized procurement platform for the Group, providing bulk purchasing services for raw materials, auxiliary materials, and packaging materials, while also conducting select import-export operations. Cai Zhi Lin leverages its advantages in the field of TCM to develop the businesses of production and sale of Chinese herbal medicines and TCM decoction-piece products.

As at 31 December 2024, the Group had 157 retail chain pharmacy outlets, mainly located in Guangdong and Hainan and other provinces. Among those, there were 60 "Jian Min" pharmacy outlets which specialized in traditional Chinese medicines, Western medicine, medical apparatus and medical equipment, 65 "GPC Prescription Pharmacy" which specialized in the retail of prescription drugs, 21 chain stores of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd and 11 retail stores of branch/subsidiary of GP Corp.. Meanwhile, a total of 79 retail pharmacies have obtained the qualification of "double channel" designated retail pharmacies, and have become "double channel" demonstration pharmacies in many places.



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

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

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

- 1) Products: The Group has formed complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-inflammatory, cooling and detox, parenteral nutrition, coughing, bone-setting and pain relief, rheumatism and bone pain, andrology, gynaecological and paediatric medication, and nurturing and health. The Group has more than 40 forms and nearly 2,000 specifications and over 90 exclusive products.
- 2) Brands: Currently, the Group possesses more than 3,000 well-known brands and trademarks, including "BYS" and "Wang Lao Ji", and trademarks of 10 nationally renowned brands, 22 renowned brands in Guangdong Province and 27 renowned brands in Guangzhou City. Among which, the brand awareness and reputation of have a greater impact and appeal among consumers in the country, and is one of the most valuable pharmaceutical brands in the country. After completion of The Material Assets Reorganization in 2013 and non-public offering of A Shares in 2015, the Group promoted the grand brand strategy on the basis of integrating brand resources, implementing the changes in brand marketing model from developing individual brands to grouping brands under one umbrella with collective strategy, with four business segments with unique characteristics, namely, Great Southern TCM, Great Health, Great Commerce and Great Medical Care. The Group has expanded its coverage of brand value from traditional medical products to new Great Health products.

(ii) The Group possesses long history in Chinese traditional medicine and cultural soft power. The Group has 12 time-honored brand enterprises in Chinese pharmaceutical industry, among which Chen Li Ji, Zhong Yi, Pan Gao Shou, Jing Xiu Tang, Cai Zhi Lin, Wang Lao Ji, Xing Qun, Qi Xing, Ming Xing and Guang Hua have been established for over a hundred years. Also, the Group has 6 products admitted as the nation's Intangible Cultural Heritage, namely "Xia Sang Ju" (夏桑菊) of Xing Qun, "Da Shen Kou Yan Qing (大神口焮清)" of BYS, Wang Lao Ji herbal tea, the traditional Chinese medicine culture of each of Chen Li Ji and Pan Gao Shou as well as the "Production Technology of Bao Zi Tang Bao Ying Dan (保滋堂保嬰丹製作技藝)" of Zhong Yi. The Group had established a number of platforms for TCM culture dissemination, such as 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), to splendid culture of Chinese medicine and rebuilding the famous brands of Chinese medicine.

(iii) The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of the Group has formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of Chinese herbal medicine supply, the Group has adopted a location-specific approach by selecting cultivation bases across the country. Together with its joint ventures, the Group owns over 80 GAP-certified herbal planting bases and has established a centralized procurement platform for raw materials and auxiliary supplies. This ensures consistent quality and reliable supply of medicinal ingredients while effectively controlling production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has built an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs noble prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.

# Management Discussion and Analysis

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

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

- (iv) The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, autonomous regions and municipality directly under the central government across the country, including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.
- (v) The Group has an ever-improving technological innovation system. The Group has continuously strengthening the construction of platforms for many years, improving the scientific research innovation system. As at the end of the Reporting Period, the Group and its joint ventures have 5 state level research and development institutions(including 1 national level corporate technical center),2 postdoctoral workstations, 15 provincial level corporate technical centers,18 provincial level engineering technical centers, 4 provincial engineering research centers, 5 provincial level key laboratories, 1 provincial level engineering laboratory, 1 provincial Traditional Chinese medicine innovation center, 1 provincial new research and development institution, 16 municipal level corporate technical centers,15 municipal level engineering technical research and development centers, 5 municipal level key laboratories and 1 municipal level high-class research institution. The Group has research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology including automatic control and online testing, Chinese preparation medicine, supercritical CO2 extraction, reversal extraction, separation by macroporous adsorption resin, quality control of Chinese medicine by chromatographic fingerprinting, synthesis and technology of cephalosporins antibiotic APIs, sterile powder production technology and preparation medicine technology, leading position in nationwide.
- (vi) The Group has a forward-thinking, high quality, reasonably structured and extremely innovative team of talents. In recent years, the Group has insisted on attracting talents with 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. Currently, the Group has formed a strong high-level talent team with 3 Nobel Laureates, more than 20 domestic double-hired academicians and Chinese medicine master people, 3 State Council Special Allowance experts in-service, over a hundred doctors and postdoctorales, and 300 senior experts and above.

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

# Management Discussion and Analysis

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

### (1) Analysis of principal operations

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

Items	The Reporting Period (RMB'000)	The corresponding period of 2023 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2023 (%)
Revenue	74,992,820	75,515,404	(0.69)
Include: income from principal operations	74,778,519	75,274,869	(0.66)
Cost of sales	62,472,769	61,328,110	1.87
Include: cost from principal operations	62,389,614	61,265,910	1.83
Selling and distribution expenses	5,619,619	6,104,738	(7.95)
General and administrative expenses	2,407,634	2,421,540	(0.57)
Research and development expenses	763,770	782,144	(2.35)
Financial expenses	38,229	(19,561)	295.44
Profit before tax	3,607,580	5,110,498	(29.41)
Net profit attributable to shareholders of the Company	2,835,496	4,055,679	(30.09)
Net cash flow from operating activities	3,442,427	4,103,625	(16.11)
Net cash flow from investing activities	(5,963,946)	(3,114,859)	(91.47)
Net cash flow from financing activities	(1,006,221)	(1,978,001)	49.13
Gains from changes in fair value	24,654	38,637	(36.19)
Impairment losses in respect of assets ("-" for loss)	(407,283)	(3,521)	(11,466.94)
Non-operating income	40,304	29,276	37.67

# Management Discussion and Analysis

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

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

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

Notes:

- (1) The year-on-year increase in financial expenses is due to: the impact of declining market interest rates, resulting in a decrease in deposit interest income for the Company and its subsidiaries compared to the same period last year.
- (2) The year-on-year decrease in net profit attributable to the Company's shareholders is due to: (1) reduced profits at the Company's subsidiaries caused by macroeconomic fluctuations and increasingly intense market competition; (2) the Company's provision for impairment of long-term equity investments.
- (3) The year-on-year change in net cash flow from investing activities is due to: the Company's subsidiaries increased their purchases of bank time deposits and large-denomination certificates of deposit compared to the same period last year, resulting in an increase in net cash outflow from investing activities.
- (4) The year-on-year change in net cash flow from financing activities is due to: (1) no redemption of ultra-short-term financing bonds by the Company's subsidiaries during the year; (2) Bank borrowings by the Company's subsidiaries increased year-on-year, resulting in a decrease in net cash outflow from financing activities.
- (5) The year-on-year decrease in gains from changes in fair value is due to: a decrease in the fair value of financial assets held by the Company's subsidiaries as of the end of the Reporting Period compared to the same period last year.
- (6) The year-on-year change in asset impairment losses is due to: (1) During the Reporting Period, the Company made a provision for impairment of long-term equity investments in Yixintang Pharmaceutical of RMB386 million in accordance with the Accounting Standards for Business Enterprises; (2) The year-on-year increase in provisions for inventory write-down by the Company's subsidiaries.
- (7) The year-on-year increase in non-operating income is due to: an increase in litigation compensation received by the Company's subsidiaries compared to the same period last year.

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

☐ Applicable    ☒ Not Applicable

# Management Discussion and Analysis

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

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

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

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

Industries	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/(Decrease) over the same period of 2023 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2023 (%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2023
Great Southern TCM	9,756,131	(10.40)	5,185,268	(7.10)	46.85	A decrease of 1.89 percentage points
Great Health	9,705,343	(12.70)	5,520,854	(10.67)	43.12	A decrease of 1.29 percentage points
Great Commerce	54,549,541	3.39	51,041,184	4.01	6.43	A decrease of 0.56 percentage point
Others	767,504	51.48	642,308	48.77	16.31	An increase of 1.52 percentage points
Total	74,778,519	(0.66)	62,389,614	1.83	16.57	A decrease of 2.04 percentage points

Types of products	Results of principal operations by product					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/(Decrease) over the same period of 2023 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2023 (%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2023
Chinese patent medicine	6,066,081	(3.26)	3,568,536	1.14	41.17	A decrease of 2.56 percentage points
Chemical medicine	3,690,050	(20.10)	1,616,732	(21.25)	56.19	An increase of 0.64 percentage point
Total of Great Southern TCM	9,756,131	(10.40)	5,185,268	(7.10)	46.85	A decrease of 1.89 percentage points

# Management Discussion and Analysis

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

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

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

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

Regions	Results of principal operations by regions					
	Income from principal operations	Increase/(Decrease) over the same period of 2023	Cost of principal operation	Increase/(Decrease) over the same period of 2023	Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	(%)	Cost of principal operations (RMB'000)	(%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2023 (percentage point)
Southern China	55,585,385	(0.50)	47,760,689	1.17	14.08	A decrease of 1.42 percentage points
Eastern China	6,237,916	(1.30)	4,712,119	4.06	24.46	A decrease of 3.89 percentage points
Northern China	3,338,990	(5.76)	2,464,777	1.36	26.18	A decrease of 5.19 percentage points
North-Eastern China	2,104,630	9.87	1,822,961	12.92	13.38	A decrease of 2.34 percentage points
South-Western China	5,235,953	4.62	3,797,812	11.85	27.47	A decrease of 4.68 percentage points
North-Western China	2,000,412	(12.28)	1,577,145	(11.19)	21.16	A decrease of 0.97 percentage point
Exports	275,233	(20.06)	254,111	(18.95)	7.67	A decrease of 1.27 percentage points

# Management Discussion and Analysis

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

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

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

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

Sales models	Results of principal operations by sales model					
	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2023 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2023 (%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2023
Industrial model	19,461,474	(11.57)	10,706,121	(8.97)	44.99	A decrease of 1.57 percentage points
Commercial model	54,549,541	3.39	51,041,185	4.01	6.43	A decrease 0.56 percentage point
Other model	767,504	51.48	642,308	48.77	16.31	An increase of 1.52 percentage points

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



# Management Discussion and Analysis

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

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

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

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

Main products	Production	Sales	Inventory	Production increase/ (decrease) over the same period of 2023 (%)	Sales increase/ (decrease) over the same period of 2023 (%)	Inventory increase/ (decrease) over the same period of 2023 (%)
Sildenafil Citrate Tablet (thousand tablets)	95,908.01	87,851.90	24,201.14	1.33	(13.17)	49.78
Xiao Chai Hu Granule (thousand boxes)	45,431.56	44,109.96	7,214.96	3.35	1.60	19.50
Zi ShenYu Tai Pill (thousand boxes/thousand bottles)	9,954.54	9,584.85	2,062.54	14.38	19.64	61.00
Xiao Ke Pill (thousand bottles)	33,177.13	31,277.68	7,698.52	(16.12)	(17.63)	27.42
Cefuroxime Sodium for Injection (thousand bottles)	117,234.20	109,094.83	9,997.87	11.90	10.59	11,208.53
Hua TuoZai Zao Pill (thousand boxes)	7,425.79	7,459.72	1,848.14	(0.75)	0.95	5.56
Qing Kai Ling series (thousand packs/thousand pieces/ thousand grains)	625,658.00	599,735.49	138,394.89	(12.32)	0.31	37.88
Paracetamol Caffeine and Aspirin series (thousand boxes)	33,286.59	30,291.42	4,362.07	20.44	1.33	62.77
Mi Lian Chuan Bei Pi Pa Gao(thousand bottles)	21,902.00	22,243.48	3,471.54	(0.78)	19.18	(3.41)
Xia Sang Ju Granis (thousand packs)	261,965.57	288,780.68	52,802.29	(26.62)	(12.95)	(33.88)

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

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

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

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

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

- ① The inventory of Sildenafil Citrate Tablet rose year-on-year due to intensified market competition with continuously increase of competing products and changes in the promotion strategy, which lead to the year-on-year decline in sales and a year-on-year increase in inventory.
- ② The reason of year-on-year rise in inventory of Zi Shen Yu Tai Pill is that the product this year to strengthen market promotion and product marketing efforts, boosting both production and sales. Anticipating future demand, the production subsidiary stocked up in advance, leading to a year-on-year increase in inventory.
- ③ The inventory of Cefuroxime Sodium for Injection rose year-on-year as a result of increased demand driven by adjustments to COVID-19 control policies and the ongoing flu season. Increased inventory turnover led to a significant decline in stock by the end of 2023. In 2024, the subordinate enterprises scheduled production and stocking based on sales forecasts, which helped bring inventory to a more reasonable level, resulting in a year-on-year increase.
- ④ The year-on-year increase in the inventory of Qing Kai Ling series was driven by the manufacturing subsidiary's anticipation of higher future demand, leading to proactive stockpiling to ensure timely market supply amid the continued high incidence of flu cases, which lead to a year-on-year increase in inventory.
- ⑤ The inventory of Paracetamol Caffeine and Aspirin series rose year-on-year, as the Company's subsidiary adjusted production and stocking based on demand, optimizing inventory levels which led to a year-on-year increase in inventory as at the end of the Reporting Period.
- ⑥ The inventory of Xia Sang Ju Granules decreased year-on-year, as overall demand for the product normalized in 2024, leading to a decline in sales. Consequently, the production subsidiaries adjusted their output, resulting in a decrease in inventory as at the end of the Reporting Period.

# Management Discussion and Analysis

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

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

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

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

☐ Applicable ☒ Not Applicable

##### 4) Analysis of cost

Industrial	Components	Results by industry		Results by industry		Increase/ (decrease) over the same period of 2023 (%)	Explanation of the situation
		2024	Proportion of operation cost (%)	2023	Proportion of operation cost (%)		
Manufacturing business	Raw material	7,888,378	73.68	8,744,832	74.20	(9.79)	/
	Fuel	169,028	1.58	170,673	1.45	(0.96)	/
	Labor cost	413,495	3.86	423,812	3.60	(2.43)	/
	Others	2,235,220	20.88	2,444,651	20.75	(8.57)	/
Pharmaceutical distribution business	Cost of purchase	51,041,185	100.00	49,072,585	100.00	4.01	/
Others	Other cost	642,308	100.00	409,357	100.00	56.91	During the Reporting Period, the business volume of the Company's subsidiaries, such as Baiyunshan Hospital, increased year- on-year, leading to a corresponding rise in costs.

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

☐ Applicable ☒ Not Applicable

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

☐ Applicable ☒ Not Applicable

# Management Discussion and Analysis

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

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

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

##### 7) Major suppliers and sales

##### ① Major sales

During the Year, sales by the Group to the top five customers amounted to RMB8,111,483,000 (2023: RMB8,144,181,000), representing approximately 10.85% of the total sales (2023: 10.82%) of the Group for the Year. The sales to the largest customer amounted to RMB2,047,492,000 (2023: RMB2,136,527,000), representing 2.74% (2023: 2.84%) of the total sales of the Group for the Year. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

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

☐ Applicable    ☒ Not Applicable

# Management Discussion and Analysis

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

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

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

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

##### ② Major suppliers

During the Year, purchases by the Group from the top five suppliers amounted to RMB9,984,583,000 (2023: RMB8,046,524,000), representing approximately 15.59% of the total purchases (2023: 12.95%) of the Group for the Year. The purchases from the largest supplier amounted to RMB2,436,612,000 (2023: RMB1,971,415,000), representing 3.80% (2023: 3.17%) of the total purchases of the Group for the Year. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

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

☒ Applicable   ☐ Not applicable

During the year, there were new suppliers among the top 5 suppliers:

No.	Name of suppliers	Proportion of the total purchases of the Group for the Year	
		The amount of purchases (RMB'000)	(%)
1	Supplier 1	1,894,073	2.96
2	Supplier 2	1,575,407	2.46

During the Reporting Period, there is no heavy reliance on a few number of suppliers or customers. During the Year, to the knowledge of the Directors, none of the Directors, their associates or shareholders who held more than 5% of the Company's total issued share capital (excluding treasury shares) had any interest in any of the top five customers and suppliers as were mentioned above.

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

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

#### (iii) Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB5,619,619,000 (2023: RMB6,104,738,000), representing a decrease of approximately 7.95% as compared with last year.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,407,634,000 (2023: RMB2,421,540,000), representing a decrease of approximately 0.57% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB763,770,000 (2023: RMB782,144,000), representing a decrease of approximately 2.35% as compared with last year.

During the Reporting Period, the Group's financial expenses were approximately RMB38,229,000 (2023: RMB19,561,000), representing an increase of approximately 295.44% as compared with last year.

During the Reporting Period, the Group's income tax expenses were approximately RMB606,849,000 (2023: RMB851,170,000), representing a decrease of approximately 28.70% as compared with last year.

#### (iv) Research and development expenses

##### 1) Research and development expenses

✓ Applicable    ☐ Not applicable

Cost of research and development expenses in the current year (RMB'000)	763,770
Capitalization of research and development expenses in the current year (RMB'000)	64,637
Total research and development expenses (RMB'000)	828,407
Ratio of research and development expenses to income from operations (%)	4.26
Ratio of total research and development expenses to net assets (%)	2.19
Ratio of the capitalization of research and development expenses (%)	7.80

Note: The above R&D investment ratio refers to the proportion relative to the industrial main business revenue.

# Management Discussion and Analysis

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

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

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

##### 2) Research and development staff

☒ Applicable   ☐ Not applicable

The amount of research and development staff of the Company 542

Proportion of research and development staff of the Company (%) 1.93

Educational level of research and development staff	
Categories of educational level	Total amount
Doctor degree	50
Master degree	205
Bachelor degree	227
Completion of specialized education	58
Completion of general secondary education & under	2

Age structure of research and development staff	
Categories of age	Total amount
Below 30 years old (<30)	227
30-40 years old (≥30, <40)	245
40-50 years old (≥40, <50)	48
50-60 years old (≥50, <60)	22
60 years old and above 60	0

##### 3) Detailed description

☐ Applicable   ☒ Not Applicable

##### 4) Reasons for significant changes in R&D personnel structure and their impact on the Company's future development

☐ Applicable   ☒ Not Applicable



# Management Discussion and Analysis

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

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

#### (v) Cash flow

☒ Applicable   ☐ Not applicable

Items	The Reporting Period (RMB'000)	The corresponding period of 2023 (RMB'000)	Increase/ (Decrease) as compared with the same period of 2023 (%)	Reasons
Net cash flow from operating activities	3,442,427	4,103,625	(16.11)	/
Net cash flow from investing activities	(5,963,946)	(3,114,859)	(91.47)	The Company's subsidiaries increased their purchases of bank time deposits and large-denomination certificates of deposit compared to the same period last year.
Net cash flow from financing activities	(1,006,221)	(1,978,001)	49.13	(1) No redemption of ultra-short-term financing bonds occurred at the Company's subsidiaries during the year; (2) Bank borrowings by the Company's subsidiaries increased year-on-year.

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

☐ Applicable   ☒ Not Applicable

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

### (3) Analysis of financial conditions

#### (i) Liquidity

As at 31 December 2024, the current ratio of the Group was 1.48 (31 December 2023: 1.55), and its quick ratio was 1.15 (31 December 2023: 1.23). Accounts receivable turnover rate was 5.25 times (31 December 2023: 5.45 times), representing a decrease of 3.74% as compared with the corresponding period of 2023. Inventory turnover rate was 5.10 times (31 December 2023: 5.49 times), representing a decrease of 7.11% as compared with the corresponding period of 2023.

#### (ii) Financial resources

As at 31 December 2024, cash and cash equivalents of the Group amounted to RMB16,302,939,000 (31 December 2023: RMB19,823,544,000), of which approximately 99.80% and 0.20% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2024, the Group had bank borrowings of RMB13,260,569,000 (31 December 2023: RMB11,159,204,000), including short-term borrowings of RMB9,122,982,000 (31 December 2023: RMB7,799,036,000), current portion of non-current liabilities of RMB1,332,048,000 (31 December 2023: RMB36,451,000) and long-term borrowings of RMB2,805,539,000 (31 December 2023: RMB3,323,718,000).

#### (iii) Capital structure

As at 31 December 2024, the Group's current liabilities amounted to RMB38,915,689,000 (31 December 2023: RMB36,235,291,000), representing a decrease of 7.40% as compared with the corresponding period of 2023, and its long-term liabilities was RMB4,998,286,000 (31 December 2023: RMB5,673,763,000), with a decrease of 11.91% as compared with the corresponding period of 2023. The shareholders' equity attributable to the shareholders of the Company amounted to RMB35,904,528,000 (31 December 2023: RMB34,919,281,000), with an increase of 2.82% as compared with the corresponding period of 2023.

#### (iv) Capital expenditure

The Group expects the capital expenditure for 2025 to be approximately RMB2.014 billion (2024: RMB1.550 billion), which would be mainly applied in the construction of research and development bases, the construction of production bases and upgrade of equipments, etc. The Group will raise funds through internal resources and bank borrowings to meet the capital expenditure requirements and support daily operations. As of the date of this summary, the Company has no plans for fundraising activities within the next year. The Company's management will prudently assess the need for fundraising activities based on market conditions, funding requirements, and changes in development strategies. If there are any fundraising plans in the future, the Company will strictly comply with the Listing Rules of HKEX and SSE and promptly disclose relevant information to shareholders and the public.

# Management Discussion and Analysis

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

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

#### (v) Assets and liabilities

Items	As at 31 December 2024 (RMB'000)	Proportion of the total assets (%)	As at 31 December 2023 (RMB'000)	Proportion of the total assets (%)	Increase/ (decrease) over the corresponding period of 2023 (%)	Reasons for changes
Financial assets held for trading	0	0.00	4,000	0.01	(100.00)	During the Reporting Period, the bank financial products held by the Company's subsidiaries matured.
Notes receivable	553,920	0.68	870,884	1.11	(36.40)	During the Reporting Period, the Company's subsidiaries received fewer bills from the sale of goods.
Dividends receivable	1,500	0.00	61,264	0.08	(97.55)	During the Reporting Period, the Company received dividends from its joint ventures.
Current portion of non-current assets	3,783,356	4.63	159,360	0.20	2,274.09	Large-denomination certificates of deposit held by the Company and its subsidiaries with an original term of over one year, but with a remaining term of less than one year at the end of the Reporting Period, were reclassified from "debt investments" to this item.
Other non-current financial assets	531,000	0.65	1,005,936	1.28	(47.21)	Large-denomination certificates of deposit held for sale by the Company's subsidiaries with an original term of over one year, but with a remaining term of less than one year at the end of the Reporting Period, were reclassified from this item to "non-current assets due within one year."
Bearer biological assets	1,121	0.00	2,106	0.00	(46.77)	During the Reporting Period, the Company's subsidiaries made provisions for impairment of productive biological assets.
Other non-current assets	212,699	0.26	86,446	0.11	146.05	During the Reporting Period, prepayments for construction projects by the Company's subsidiaries increased year-on-year.
Advances from customers	4,548	0.01	0	0.00	100.00	During the Reporting Period, the Company's subsidiaries recorded new advance receipts for leases.

# Management Discussion and Analysis

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

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

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

Items	As at 31 December 2024 (RMB'000)	Proportion of the total assets (%)	As at 31 December 2023 (RMB'000)	Proportion of the total assets (%)	Increase/ (decrease) over the corresponding period of 2023 (%)	Reasons for changes
Taxes payable	248,911	0.30	386,552	0.49	(35.61)	During the Reporting Period, unpaid corporate income tax and value-added tax by the Company's subsidiaries decreased year-on-year compared to the end of the previous year.
Current portion of non-current liabilities	1,522,617	1.86	249,829	0.32	509.47	During the Reporting Period, long-term borrowings by the Company's subsidiaries with a remaining term of less than one year were reclassified from "long-term borrowings" to this item, resulting in a year-on-year increase in this item.
Other comprehensive income	(13,840)	(0.02)	(24,344)	(0.03)	43.15	During the Reporting Period, (1) the fair value changes of financial assets held by the Company and its subsidiaries increased; (2) the foreign exchange translation differences of the Company's subsidiaries increased.

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

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates. Changes in exchange rates will affect the value of assets, liabilities and foreign investment entities denominated in foreign currencies, and will indirectly cause changes in the Group's revenue or cash flows for a certain period. During the Reporting Period, the fluctuations in exchange rates did not have significant impacts on the results of operation and cash flow of the Group. The Group will continue to pay attention to the foreign exchange risks that may exist in the process of foreign exchange settlement.

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

As at 31 December 2024, cash and cash equivalents of the Group amounted to RMB16,302,939,000 with a decrease of RMB3,520,605,000 as compared with the beginning of 2024. Net cash flow from operating activities amounted to RMB3,442,427,000 with a year-on-year decrease of RMB661,198,000.

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

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

#### (viii) Contingent liabilities

As at 31 December 2024, the Group had no material contingent liabilities.

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

As at 31 December 2024, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, as secured by buildings of fixed assets with the original value amounting to HKD8,893,000 and net value of HKD5,830,000, and by investment properties with the original value amounting to HKD6,843,000 and net value of HKD2,950,000, had obtained the overdraft amounting to HKD300,000, and letter of credit and 90-day credit in the total amount of HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd.. Unexpired letter of credit of USD0 in value had also been obtained.

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

As at 31 December 2024, the bank loans of the Group amounted to RMB13,260,569,000 (31 December 2023: RMB11,159,204,000), with an increase of RMB2,101,364,000 as compared with the beginning of 2024. The above bank loans included short-term borrowings of RMB9,122,982,000, long-term borrowings of RMB2,805,539,000 and current portion of non-current liabilities of RMB1,332,048,000.

#### (xi) Gearing ratio

As at 31 December 2024, the Group's gearing ratio (total liabilities/total assets  $\times$  100%) was 53.76% (31 December 2023: 53.33%).

#### (xii) Material investment

As at 31 December 2024, except for those disclosed in "significant non-equity investment" of "(5) Investment situation" and "(v) Assets and liabilities" of "(3) Analysis of financial conditions" of "5. Circumstances of the operation during the Reporting Period" in the section headed "III Management Discussion and Analysis" in this Report, the Group did not have any other material additional investment.

#### (xiii) Overseas assets

☒ Applicable   ☐ Not applicable

##### 1) Asset size

Among which, overseas assets account for RMB483,009,000, representing 0.59% of total assets.

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

☐ Applicable   ☒ Not Applicable

# Management Discussion and Analysis

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

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

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

☐ Applicable ☒ Not Applicable

#### (xv) Others

☐ Applicable ☒ Not Applicable

### (4) Analysis of industry operation information

☒ Applicable ☐ Not applicable

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

#### Analysis of the operational information in the pharmaceutical manufacturing industry

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

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

☒ Applicable ☐ Not applicable

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

##### ① Chinese patent medicine

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

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

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

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

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

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

##### ① Chinese patent medicine *(Continued)*

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

##### ② Chemical medicine

In recent years, encouraged by various medical policies, including the consistency evaluation for generic drugs, the adjustment to the National Medical Insurance Catalogue (《國家醫保目錄》), and the shortened review and approval process for innovative drug, the innovation-driven transformation of chemical medicines has been accelerated. In terms of raw material medicine, the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展的實施方案》) clearly proposed to promote the innovation and upgrading of production technology, the green and low-carbon transformation of the industry as well as the optimization and adjustment of the industrial structure. In terms of generic drugs, the consistency evaluation was advanced steadily, and China's national centralized volume-based procurement of medical products tended to be normalized. In terms of innovative drugs, the Accelerations of Procedures for the Review of Marketing Applications for Innovative Drugs (for Trial Implementation)(《藥審中心加快創新藥上市申請審評工作程式(試行)》) and the Regulations for the Implementation of the Drug Administration Law(《藥品管理法實施條例》) clearly showed the determination to encourage the development of new drug research. The above-mentioned policies and regulations will affect the operation and development of the chemical drug enterprises, and production enterprises with extreme homogeneity will face significant challenges, while innovative drugs and generic drugs which have passed consistency evaluation will embrace new development opportunities.



# Management Discussion and Analysis

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

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

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

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

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

##### ② Chemical medicine *(Continued)*

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

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

✓ Applicable ☐ Not applicable

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

✓ Applicable ☐ Not applicable

# Management Discussion and Analysis

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

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

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

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

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

Products Name	Therapeutic Area	Indications/Functions	Term of Invention Patent	Classification of Drugs Registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the National Essential Drug List	Whether to be included in the National Medical Insurance Catalogue	Whether to be included in the Provincial Medical Insurance Catalogue
Sildenafil Citrate Tablet	Drugs for men	The product is indicated for treatment of erectile dysfunction (ED)	From 29 April 2002 to 28 April 2022	Chemical medicine	No	Yes	No	No	No	No
Xiao Chai Hu Granule	Drugs used in internal	Relieving exterior syndrome, dispelling heat and soothing the liver and regulating stomach	From 18 October 2011 to 17 October 2031	Chinese patent medicine	No	No	No	No	Yes	No
Zi Shen Yu Tai Pill	Drugs used in internal	Kidney-nourishing, spleen-invigorating, primordial Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage)	From 27 August 2004 to 27 August 2024	Chinese patent medicine	No	Yes	No	Yes	Yes	No
Xiao Ke Pill	Drugs used in internal	Diabetes caused by deficiency of both qi and yin; type-II diabetes	From 31 March 2006 to 31 March 2026	Chinese patent medicine	No	Yes	No	Yes	Yes	No
Cefuroxime Sodium for Injection	Antimicrobial drug	Suitable for the treatment and prevention of infection caused by specific microbial strains in the following diseases: respiratory tract infection, ear, nose and throat infection, urinary tract infection, skin and soft tissue infection, septicemia, meningitis, gonorrhea, bone and joint infection, puerperium and gynecological infection.	From 20 January 2009 to 19 January 2029	Chemical medicine	No	Yes	No	Yes	Yes	No
Hua tuo zai zao Pill	Drugs used in internal	The product is indicated for blood-activating and stasis-eliminating, eliminating phlegm and freeing channels and promoting qi circulation and relieving pain.	No	Chinese patent medicine	No	Yes	No	Yes	Yes	No

# Management Discussion and Analysis

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

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

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

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

##### 2) Basic information of principal medicine (products) *(Continued)*

Products Name	Therapeutic Area	Indications/Functions	Term of Invention Patent	Classification of Drugs Registration	Whether it is protected traditional medicine	Whether it is prescription drug	Whether it is new product during the Reporting Period	Whether to be included in the National Essential Drug List	Whether to be included in the National Medical Insurance Catalogue	Whether to be included in the Provincial Medical Insurance Catalogue
Qing Kai Ling series	Drugs used in internal	Clearing heat and detoxifying, calming and calming. It is mainly used to treat fever, irritability, sore throat and other symptoms caused by external wind and heat, as well as upper respiratory tract infection, viral cold, acute tonsillitis, acute pharyngitis and other diseases.	From August 2013 to February 2043	Chinese patent medicine	No	Granules are prescription drugs; other forms are double cross varieties.	No	No for oral liquid dosage form; Yes for other dosage forms.	No for oral liquid dosage form; Yes for other dosage forms.	Yes
Paracetamol, Caffeine and Aspirin series	Drug for analgesia, antipyretic, anti-inflammatory, anti-rheumatism, anti-gout	It is used for fever caused by common cold or influenza, and also used to relieve mild to moderate pain such as headache, arthralgia, migraine, toothache, muscle pain, neuralgia, dysmenorrhea	From January 2019 to January 2039	Chemical medicine	No	No	No	No	No	No
Mi Lian Chuan Bei Pi Pa Gao	Drugs used in internal	Clear heat and moisten the lung, cough and asthma, qi and phlegm. It is suitable for lung dryness cough, phlegm, chest tightness, sore throat, hoarse voice.	No	Chinese patent medicine	No	No	No	No	No	No
Xia Sang Ju Series	Drugs used in internal	Clear liver bright eyes, wind and heat dissipation, dehumidification, solution sore poison. It is used for wind heat cold, red headache, dizziness tinnitus, sore throat, malignant boils and other diseases, and can be used as a refreshing drink.	From August 2024 to June 2044.	Chinese patent medicine	No	No	No	No	No	No

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

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

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

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

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

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

☒ Applicable   ☐ Not applicable

As at the end of the Reporting Period, according to the National Medical Insurance Catalogue(2024 version) (《國家醫保目錄》(2024版)), a total of 323 varieties of the Group and joint ventures were included in the National Medical Insurance Catalogue. During the Reporting Period, there were 2 products of which the indication limits was adjusted and 1 product exited. The details are as follow:

Number	Product name product	Type of product	Indications/Functions	Adjustment Type
1	An Gong Niu Huang Pill	Chinese patent medicine	Clearing heat and detoxifying, calming convulsions and awakening the mind. It is used for febrile diseases where pathogenic factors have entered the pericardium, manifesting as high fever, convulsions, delirium, and unconsciousness; as well as for stroke-induced coma, encephalitis, meningitis, toxic encephalopathy, cerebral hemorrhage, and septicemia presenting with the aforementioned symptoms.	Restricted to emergency or hospitalized patients.
2	Zi Xue Granules	Chinese patent medicine	Warm-clearing and heat-resolving, calming convulsions and tranquilizing the mind. It is used for unconsciousness and delirium in febrile diseases, as well as high fever and convulsions.	Restricted for use in emergency rescue situations involving high fever and convulsions.
3	Xiang Sha Zhi Shu Pill	Chinese patent medicine	Spleen deficiency with qi stagnation, epigastric and abdominal distension and discomfort, poor appetite, and loose stools.	Exit

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

Pursuant to the National Essential Drug List implemented on 1 November 2018, as at the end of the Reporting Period, a total of 143 varieties of the Group and joint ventures were included in the National Essential Drug List, which has no change to the end of the previous year.

# Management Discussion and Analysis

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

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

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

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

##### 4) Situation of the centralized purchase of drugs through bidding

✓ Applicable    ☐ Not applicable

Product name	Bidding price or price range	Total actual purchases of medical institutions
Zi Shen Yu Tai Pill (5g*6packs)	RMB82.665 to RMB82.670 per box	3,185,589 boxes
Cefuroxime Sodium for injection	0.25g: RMB3.67 per bottle 0.75 g: RMB8.5 per bottle 1.5 g: RMB14.45 per bottle	112,401,270 bottle (calculated by 0.75g/bottle)

##### 5) Important medicinal materials involved in major TCM products

Major TCM products of the Group include Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Xiao Ke Pill, Hua Tuo Zai Zao Pill, Qing Kai Ling Series, Mi Lian Chuan Bei Pi Pa Gao, Xia Sang Ju Series, Zhuang Yao Jian Shen Pill, Bao Ji Series, An Gong Niu Huang Pill, etc.. The important medicinal materials involved and supply are as follows:

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Chai Hu Granule	Guang Hua	Chinese thoroughwort, scutellaria baicalensis, codonopsis pilosula, ginger pinellia etc.	Purchasing by Invitation to Bid	The price of Chinese thoroughwort, scutellaria baicalensis, codonopsis pilosula and ginger pinellia decreased, leading the decline in purchase cost.
Zi Shen Yu Tai	Zhong Yi	Cuscuta, chao ren, rehmannia, codonopsis pilosula, macrocephalae rhizoma, dipsacus root etc.	Purchasing by Invitation to Bid	The prices of rehmannia, codonopsis pilosula and macrocephalae rhizoma fell, while the prices of other varieties maintained stable, and the overall procurement cost decreased.
Xiao Ke Pill	Zhong Yi	Trichosanthes, corn beard, schisandra chinensis, rehmannia glutinosa, radix puerariae, etc.	Purchasing by Invitation to Bid	The purchasing cost of rehmannia glutinosa, schisandra chinensis and trichosanthes declined, while the prices of other varieties maintained stable, and the overall procurement cost decreased.
Hua Tuo Zai Zao Pill	Qi Xing	Ligusticum sinense, evodia, angelica, paeonia, radix ophiopogonis, angelica sinensis, etc.	Purchasing by Invitation to Bid	The price of radix ophiopogonis and angelica sinensis fell, while the prices of other varieties maintained stable, and the overall procurement cost decreased.

# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Qing Kai Ling Series	Ming Xing	Wild honeysuckle flower, indigowoad root, gardenia, powder of buffalo horn	Purchasing by Invitation to Bid	The price of wild honeysuckle flower, indigowoad root fell, while gardenia increased, leading to the decrease in overall cost.
Mi Lian Chuan Bei Pi Pa Gao	Pan Gao Shou	Fritillaria cirrhosa D. Don, loquat leaf, tangerine peel	Purchasing by Invitation to Bid	The price of fritillaria cirrhosa D. Don declined, thus the overall price decreased.
Xia Sang Ju Series	Xing Quan	Prunella vulgaris, wild chrysanthemum flower, folium mor, etc	Purchasing by Invitation to Bid	The price of prunella vulgaris, wild chrysanthemum flower, folium mor changed slightly, therefore the overall cost maintained stable.
Zhuang Yao Jian Shen Pill	Chen Li Ji	Cibotii rhizoma, kadsura coccinea, philippine flemingia root, radix millettiae speciosae, etc.	Purchasing by Invitation to Bid	The market price of radix millettiae speciosae changed slightly, the price of kadsura coccinea rose slightly, while the price of other varieties such as Cibotii rhizoma fell, the overall cost decreased slightly..
Bao Ji Series	Wang Lao Ji	Gambir plant, magnolia officinalis, costutoot, mongolian snakegourd root, trichosanthin patchouli, radix pueriae, angelica dahurica, mint, poria cocos, etc.	Purchasing by Invitation to Bid	The price of magnolia officinalis, costutoot, mongolian snakegourd root, radix pueriae, and mint was stable, the price of gambir plant, trichosanthin patchouli and poria cocos fell, leading to the decrease in overall purchase cost.
An Gong Niu Huang Pill	Zhong Yi	Breeded bezoar in vitro, artificial musk, etc.	Breeded bezoar in vitro and Artificial musk are exclusive supplied, and other materials are purchased by bidding	The price of breeded bezoar in vitro, artificial musk and other materials was stable, leading to the stability in overall purchase cost.

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

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable    ☐ Not applicable

Main therapeutic areas	Product name	Operating income (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Changes of operating income compared with last year (%)	Changes of operating costs compared with last year (%)	Changes of gross profit margin compared with last year (%)
Drugs used in internal	Xiao Chai Hu Granule	582,036.46	244,070.50	58.07	10.99	4.19	2.74
	Zi Shen Yu Tai Pill	454,874.94	98,073.21	78.44	5.29	20.63	(2.74)
	Xiao Ke Pill	401,465.76	197,326.98	50.85	(23.45)	(14.56)	(5.12)
	Hua Tuo Zai Zao Pill	323,570.28	148,619.12	54.07	0.52	6.94	(2.76)
	Qing Kai Ling series	322,587.89	164,756.89	48.93	9.13	8.07	0.50
Antimicrobial drugs	Cefuroxime sodium for injection	377,270.21	230,932.35	38.79	8.56	(1.61)	6.33
	Amoxicillin series	178,705.18	122,626.65	31.38	(36.65)	(37.15)	0.55
Andrology medication	Sildenafil Citrate Tablet	1,034,088.97	89,772.88	91.32	(19.81)	(15.55)	(0.44)
Drugs for easing pain, clearing heat, and resisting inflammation, wind-damp and gout suppressants	Paracetamol Caffeine and Aspirin series	286,182.25	124,879.00	56.36	7.72	(7.99)	7.45

Note: The reason for the year-on-year decline in the operating income and operating cost of Amoxicillin series is that the product's demand decreases as affected by market factors such as the upgrade of the national limit antibiotic policy and the competition of substitutes, leading to the decline in production and sales and a year-on-year decrease of the operating income and operating cost.

Explanation:

✓ Applicable    ☐ Not applicable

# Management Discussion and Analysis

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

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

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

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

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

During the Reporting Period, the gross profit margin of the principal operation of the Company was 16.58% among which, the gross profit margin of the Great Southern TCM was 46.95%. The relatively significant difference in gross profit margin between the Great Southern TCM of the Company and the companies in the same industry mentioned below was mainly due to the difference in the products structure and the significant difference in the gross profit margins of principal products.

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

Stock code	Abbreviation	Operation revenue (RMB'000)	Overall gross profit margin (%)
600511	China National Medicines Co., Ltd.	49,696,045.53	8.03
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	260,295,088.94	12.04
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	41,399,539.59	47.84
600085	Beijing Tongrentang Co.,Ltd	17,860,891.46	47.29
000538	Yunnan Baiyao Group Co.,Ltd.	39,111,292.16	26.51

Notes:

A. The above data of relevant companies in the same industry is obtained from their annual reports in 2023.

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



# Management Discussion and Analysis

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

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

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

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

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

☒ Applicable   ☐ Not applicable

The Group has always placed great emphasis on and continuously advanced the research and development as well as innovation of our products, focusing on innovative drugs, quality consistency evaluation of generic drugs, secondary development of products and development of food and healthcare food, etc., and carried out the scientific research through combining imported projects and independent research and achieved certain results. During the Reporting Period, the Group vigorously promoted scientific research and innovation, enhanced efforts in its intellectual property right related work and made remarkable achievements, mainly including:

##### ① Products in research

As at the end of the Reporting Period, the Group possessed over 200 candidate projects including product pipelines such as novel TCM, generic and innovative chemical drugs, biosimilars, medical devices, and more, with over ten Class 1 innovative drugs among them.

# Management Discussion and Analysis

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

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

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

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

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

##### ② Science and Technology Awards

During the Reporting Period, the Group and its joint ventures obtained 5 national scientific research awards and 3 provincial science and technology awards, the details are as follows:

Classification Level	Name f of Winner	Winning Project	Award
State-level	HWBYS	Integrated Innovation and Support System Creation and Application of Traditional Chinese Medicine Quality Testing Technology	The second prize of National Science and Technology Progress Award
	Chemical Pharmaceutical Factory and the Company	Preparation method and applications of C3 methylene nitrogen-containing heterocycle substituted amidino thioacetamido cephalosporins	The 25th China Patent Excellence Award
	Baiyunshan General Factory	A macrocyclic kinase inhibitor	The 25th China Patent Excellence Award
	Chen Li Ji	Divided dissolution type of Spleen-tonifying and Intestine-benefiting Pill and its preparation method	The 25th China Patent Excellence Award
	Wang Lao Ji	An integrated equipment for convenient discharging, slicing, and drying of Chinese medicinal herbs	The 25th China Patent Excellence Award
Provincial level	The Company	Breakthrough in key technologies for male health treatment drug development and innovative industrialization upgrade	The Second Prize of Guangdong Province Science and Technology Progress Award
	Han Chao Company	Discovery and structural optimization of key technologies for the active components in Traditional Chinese Medicine and its industrialization demonstration	The Second Prize of Guangdong Province Science and Technology Progress Award
	Cai Zhi Lin	Establishment of a key technology system for the conservation and utilization of karst medicinal plant resources in Guangxi and its industrialization demonstration	The Second Prize for Science and Technology Progress Award of the Guangxi Zhuang Autonomous Region

##### ③ Patents and intellectual property rights

During the Reporting Period, the Group and its joint ventures had applied for a total of 194 patents, which included 104 invention patents, 34 utility model patents and 56 design patents, and obtained 123 granted patents which included 78 invention patents, 18 utility model patents and 27 design patents.

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable    ☐ Not applicable

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Industrialization project for lyophilized human rabies vaccine (Vero Cell) of PM strain	Lyophilized human rabies vaccine (Vero Cell)	Category 3.3 of biological products	Prevention of rabies	Yes	No	Professional and technical review stage of registration data
Phase I clinical study of BYS 10 tablets in new drug class 1 of anti-tumor Trk inhibitor	BYS 10 tablets (RET inhibitor)	Class 1 of chemical drug	RET gene fusion in mutant solid tumors	Yes	No	Phase I of clinical
Phase Ia clinical trial of class 1 new drug of anti-tumor Trk inhibitor; phase Ib clinical trial of class 1 new drug of anti-tumor Trk inhibitor	HG 030 tablets (TRK inhibitor)	Class 1 of chemical drug	NTRK fusion mutations and ROS1 fusion mutation-positive solid tumors	Yes	No	Phase Ib of clinical
Preclinical and phase II clinical studies of Yang Yin Shu Gan Granules in class 1.1 of new Traditional Chinese Medicine, and research and development of Yang Yin Shu Gan Granules in class 1.1 of Traditional Chinese Medicine based on famous doctors' prescriptions for the treatment of ovarian insufficiency	Yang Yin Shu Gan Granules	Class 1.1 of Traditional Chinese Medicine	The formula functions to nourish yin and soothe the liver, harmonize and nourish the 'Tian Gui' (a concept in traditional Chinese medicine referring to a substance essential for reproductive functions), and is primarily indicated for the treatment of Premature Ovarian Insufficiency (POI) with the syndrome pattern of kidney deficiency and liver stagnation	Yes	No	Phase II of clinical
Development of oseltamivir phosphate dry suspension (75mg, 45mg, 30mg)	Oseltamivir phosphate dry suspension	Class 3 of chemical drug	Indicated for the treatment of influenza A and B in adults and children aged 2 weeks and older	Yes	No	The project has completed the registration and listing application.

# Management Discussion and Analysis

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

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

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

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

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

R&D Program (including consistency evaluation)	Name of the medicine (product)	Registered classification	Indications or functional indications	Prescription or not	Whether it is protected by traditional Chinese medicine (if involved)	The stage of development (registration)
Preclinical research on LBZ-18, an innovative Traditional Chinese Medicine for the treatment of cancer-related fatigue	LBZ-18	Class 1.2 of Traditional Chinese Medicine	Tonifying Qi and Strengthening the Spleen. Used for the treatment of cancer-related fatigue in tumor patients	No	No	The project has completed the professional review of the clinical trial application.
Research on biosimilars of semaglutide/semaglutide injection	Semaglutide injection	Class 3.3 of biologicals	Indicated for glycemic control in adult patients with type 2 diabetes mellitus who have not achieved adequate glycemic control on diet and exercise plus metformin and/or sulfonylureas	Yes	No	Preclinical

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

☒ Applicable    ☐ Not applicable

During the Reporting Period, the Group obtained 2 notifications of medicine clinical trial approval, 6 notifications of approval for marketing application of chemical raw materials(including pharmaceutic adjuvant), 7 medicine registration certificates, 30 notices of approval for medicine supplementary applications, which will further enrich the Company's product varieties, increase the Company's products reserves, expand the Company's overseas businesses and promote the competitiveness of products.

# Management Discussion and Analysis

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

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

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

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

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

Product name	Marketing authorization holder/Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions
Ke Gan Li Yan Oral Liquid	Wang Lao Ji	Class 2.3 new TCM drug	The product has properties for dispelling wind-heat, clearing heat, detoxifying, and alleviating throat discomfort. It is primarily used for treating colds characterized by wind-heat invasion and internal heat disturbance. The current approval is for conducting confirmatory clinical trials for the treatment of acute pharyngitis (wind-heat syndrome).
		Supplementary application	The product has properties for dispelling wind-heat, clearing heat, detoxifying, and alleviating throat discomfort. It is used for treating colds characterized by wind-heat invasion and internal heat disturbance. This supplementary application expands the approved use to include children aged 3 to 13 years.
Sunitinib Malate	Chemical Pharmaceutical Factory	Chemical raw medicine	The primary indications for this medication include the treatment of gastrointestinal Stromal Tumors (GIST) that have failed to respond to or are intolerant of imatinib mesylate therapy, inoperable advanced renal cell carcinoma (RCC) and advanced pancreatic and other endocrine tumors.
Cefixime	Chemical Pharmaceutical Factory	Chemical raw medicine	Treatment of infections of the respiratory, urinary and biliary tracts caused by sensitive bacteria.
Tenofovir Alafenamide Fumarate Tablets	Chemical Pharmaceutical Factory	Chemical raw medicine	Used to suppress hepatitis B virus.
Sildenafil Citrate	Chemical Pharmaceutical Factory	Chemical raw medicine	Used to treat erectile dysfunction in men.
Egg Yolk Lecithin (for injection)	Baiyunshan Han Fang	Pharmaceutical excipients	Cardiovascular system medications.
Sodium Oleate (for injection)	Baiyunshan Han Fang	Pharmaceutical excipients	Cardiovascular system medications.
Tadalafil Tablets (10mg)	Baiyunshan General Factory	Class 4 of chemical drugs	Indicated for the treatment of erectile dysfunction in men.
Tadalafil Tablets (20mg)			
Cefdinir Granules (50mg)	Tian Xin	Class 4 of chemical drugs	Infections caused by strains of staphylococcus spp, streptococcus spp, pneumococcus spp, streptococcus pepticus, propionibacterium spp, neisseria gonorrhoeae, catamorium spp, escherichia coli, klebsiella spp, streptococcus chimericus, prevotella spp, and haemophilus influenzae that are susceptible to cefdinir.

# Management Discussion and Analysis

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

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

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

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

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

Product name	Marketing authorization holder/Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions
Xia Sang Ju Granules	Xing Qun	Macao-proprietary Chinese medicine registration	The product has properties of clearing liver heat and improving, dispelling wind and relieving heat, eliminating dampness and alleviating arthralgia, and detoxifying and treating skin sores. It is used for conditions such as wind-heat common cold, red and painful eyes, headaches, hypertension, dizziness and tinnitus, sore throat, and boils and carbuncle. Additionally, it can be used as a cooling beverage.
Xiao Ke Pill	Zhong Yi	Macao-pre-approval of import drug	Indicated for the treatment of wasting-thirst disorder caused by deficiency of both qi and yin; Type II diabetes mellitus.
Pearl Powder (Baiyunshan Qi Xing)	Qi Xing	Macao-proprietary Chinese medicine registration	The product has properties for calming the mind and improving vision by removing eye clouding and is indicated for the treatment of symptoms such as palpitations, insomnia, and the presence of eye clouding (corneal opacity).
Gliclazide Tablets	Guang Hua	Chemical medicine	Indicated for use in adult patients with type 2 diabetes mellitus whose blood glucose levels are not adequately controlled by diet, exercise, and weight loss alone.
Dopamine hydrochloride Injection (2ml:20mg) Dopamine hydrochloride Injection (5ml:100mg)	Ming Xing	Consistency evaluation of the quality and efficacy of generic drug	Indicated for the treatment of shock syndrome caused by myocardial infarction, trauma, endotoxemic sepsis, cardiac surgery, renal failure, congestive heart failure, and other conditions; particularly useful when shock remains uncorrected despite adequate fluid resuscitation, especially in cases with oliguria and normal or low peripheral vascular resistance.
Nitroglycerin Injection (1ml:5mg)	Ming Xing	Consistency evaluation of the quality and efficacy of generic drug	Indicated for blood pressure control in patients during cardiac or surgical procedures, or for the treatment of unstable angina and occult congestive heart failure.
Oxytocin Injection (1ml: 5 units) Oxytocin Injection (1ml: 10 units)	Ming Xing	Consistency evaluation of the quality and efficacy of generic drug	Indicated for induction of labor, augmentation of labor, and for controlling postpartum or post-abortion uterine bleeding due to uterine atony or poor uterine involution; also used to assess placental reserve function (oxytocin challenge test).
Cefepime hydrochloride for Injection (0.5g) Cefepime hydrochloride for Injection (1.0g)	Tian Xin	Consistency evaluation of the quality and efficacy of generic drug	This medication is indicated for the treatment of moderate to severe infections caused by susceptible bacteria in adults and children aged 2 months to 16 years.
Cefazolin Sodium for Injection (0.5g) Cefazolin Sodium for Injection (1.0g)	Tian Xin	Consistency evaluation of the quality and efficacy of generic drug	Indicated for the treatment of infections caused by susceptible bacteria, including otitis media, bronchitis, pneumonia, and other respiratory tract infections, urinary tract infections, skin and soft tissue infections, bone and joint infections, as well as for prophylactic use before surgical procedures.

# Management Discussion and Analysis

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

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

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

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

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

Product name	Marketing authorization holder/Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions
Cefazoxime Sodium for Injection (0.5g) Cefazoxime Sodium for Injection (1.0g)	Baiyunshan General Factory · Tian Xin	Consistency evaluation of the quality and efficacy of generic drug	Indicated for the treatment of infections caused by susceptible bacteria, including lower respiratory tract infections, urinary tract infections, intra-abdominal infections, pelvic infections, sepsis, skin and soft tissue infections, bone and joint infections, meningitis caused by streptococcus pneumoniae or haemophilus influenzae, and uncomplicated gonorrhea.
Cefixime Tablets (50mg) Cefixime tablets (0.1g)	Baiyunshan General Factory	Consistency evaluation of the quality and efficacy of generic drug	For the treatment of infections in the respiratory, urinary, and biliary tracts caused by susceptible bacteria.
Cefuroxime Sodium for Injection (0.5g) Cefuroxime Sodium for Injection (0.75g) Cefuroxime Sodium for Injection (1.0g) Cefuroxime Sodium for Injection (1.5g)	Baiyunshan General Factory	Consistency evaluation of the quality and efficacy of generic drug	Indicated for the treatment of infections caused by susceptible bacteria, including respiratory tract infections, ear, nose, and throat infections, urinary tract infections, skin and soft tissue infections, bone and joint infections, obstetric and gynecological infections, gonorrhea, and other infections.
Azithromycin Capsules (0.25g)	Baiyunshan General Factory	Consistency evaluation of the quality and efficacy of generic drug	Indicated for the treatment of acute pharyngitis and acute tonsillitis caused by streptococcus pyogenes; sinusitis, otitis media, acute bronchitis, and exacerbations of chronic bronchitis caused by susceptible bacteria; and pneumonia caused by streptococcus pneumoniae, haemophilus influenzae, and mycoplasma pneumoniae.
Sildenafil Citrate Tablets (20mg)	Baiyunshan General Factory	Class 4 of chemical drugs	This dosage form is indicated for the treatment of pulmonary arterial hypertension in adults.
Sang Ju Gan Mao Granules	Baiyunshan General Factory	TCM	The product has properties of dispersing wind and clearing heat, promoting lung function and relieving cough. It is for wind-heat cold at the beginning of cold, headache, cough, dry mouth, and sore throat.
Compound Gan Mao Ling Capsules	Zhong Yi	Change of drug marketing authorization holder	Indicated for the treatment of wind-heat cold symptoms including fever, mild aversion to wind and cold, headache, body aches, dry mouth and thirst, nasal congestion with thick nasal discharge, red and swollen throat with pain, cough, and yellowish viscous sputum.
Selaginella Moellendorffii Tablets	Baiyunshan General Factory	Changes of safety and other content in drug inserts	The product has properties for clearing heat and cooling the blood. It is indicated for the treatment of conditions involving blood heat, characterized by symptoms such as scattered purpura (purple spots or patches) under the skin, red tongue, yellow coating on the tongue, and rapid pulse. Specifically, it is used for idiopathic thrombocytopenic purpura presenting with these signs of blood heat.

# Management Discussion and Analysis

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

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

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

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

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

Product name	Marketing authorization holder/Manufacturing enterprise	Classification of registration/Subject matter of application	Indications/Functions
Zhi Jiang Ning Tablets	Baiyunshan General Factory	Changes of safety and other content in drug inserts	Indicated for promoting qi circulation and resolving stasis, invigorating blood circulation and regulating menstruation, nourishing essence and blood, and reducing blood lipids. It is used for conditions such as angina pectoris, dizziness, tinnitus, limb numbness, hyperlipidemia, or hyperlipidemia combined with hypertension, coronary heart disease, and atherosclerosis.
Bi Yuan Tablets	Baiyunshan General Factory	Changes of safety and other content in drug inserts	Indicated for clearing heat and detoxifying, and promoting nasal patency. It is used for the treatment of chronic rhinitis and sinusitis.
Compound Paracetamol and Amantadine Hydrochloride Capsules	Guangxi Ying Kang	Chemical medicine	Indicated for relieving symptoms such as fever, headache, nasal congestion, and sneezing caused by the common cold and influenza.
Cefaclor for Suspension (0.125g)	Baiyunshan General Factory	Consistency evaluation of the quality and efficacy of generic drug	Indicated for infections caused by susceptible bacteria in the respiratory system, urinary system, ear, nose, and throat (ENT) conditions, as well as skin and soft tissue infections.
Cefixime Dispersible Tablets (0.1g)	Baiyunshan General Factory	Consistency evaluation of the quality and efficacy of generic drug	For the treatment of infections in the respiratory, urinary, and biliary tracts caused by susceptible bacteria.
Cefixime Dispersible Tablets (0.2g)			

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

☐ Applicable ☒ Not applicable

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

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

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



# Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

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

Comparison within the same industry

☒ Applicable   ☐ Not applicable

Stock code	Abbreviation of companies	Amount of the research and in the same industry (RMB'000)	Research and development investment accounted for the proportion of revenue (%)	Research and development investment accounted for the proportion of net assets (%)	Research and development investment accounted for the proportion of capitalization (%)
600511	China National Medicines Co., Ltd.	141,151.78	0.28	0.89	49.56
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	2,602,260.00	1.00	3.80	15.30
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	5,937,000.00	14.34	13.00	26.90
600085	Beijing Tongrentang Co., Ltd.	383,045.45	2.14	2.93	0.00
00538	Yunnan Baiyao Group Co., Ltd.	344,441.46	0.88	0.86	2.45
Average amount of the research and development investment of the same industry during the Reporting Period (RMB'000)					1,881,579
Amount of the research and development investment of the Group during the Reporting Period (RMB'000)					828,407
Research and development investment accounted for the proportion of revenue of the Group during the Reporting Period (%)					4.26
Research and development investment accounted for the proportion of net assets of the Group during the Reporting Period (%)					2.19
Research and development investment accounted for the proportion of capitalization of the Group during the Reporting Period (%)					7.80

# Management Discussion and Analysis

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

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

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

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

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

Comparison within the same industry *(Continued)*

Notes:

- a. The above data of relevant companies in the same industry is obtained from their annual reports in 2023;
- b. The average R&D investment amount in the industry is the arithmetic average of the five companies in the same industry.
- c. The research and development investment accounted for the proportion is the proportion accounted for revenue of industry business.

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

☐ Applicable    ☒ Not Applicable

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable    ☐ Not applicable

R&D project	Company	R&D investment amount (RMB'000)	Expense amount of R&D Investment (RMB'000)	Capitalized amount of R&D investment (RMB'000)	Ratio of R&D investment to revenue (%)	Change in ratio of amount in the Reporting Period compared with the same period of last year (%)	Presentation of condition
Industrialization project for lyophilized human rabies vaccine (Vero Cell) of PM strain	Baiyunshan Biological	65,416.90	0.00	65,416.90	-	(4.21)	/
Phase I clinical study of BYS 10 tablets in new drug class 1 of anti-tumor Trk inhibitor	Baiyunshan General Factory	56,326.94	56,326.94	0	3.06	190.56	In 2024, the project has completed the Phase I dose escalation/expansion and follow-up, leading a year-on-year increase in research and development investment.
Development of oseltamivir phosphate dry suspension (75mg, 45mg, 30mg)	Baiyunshan General Factory	16,494.18	16,494.18	0	0.90	189.51	In 2024, the project has conducted and completed the BE research work, leading a year-on-year increase in research and development investment.
Phase Ib clinical trial of class 1 new drug of anti-tumor Trk inhibitor	Baiyunshan General Factory	13,385.82	13,385.82	0	0.73	(40.84)	In 2023, the project has initiated and completed the main body of the Phase Ia dose escalation, resulting in large investment in research and development. In 2024, the project has commenced the Phase Ib study, leading a decline in research and development investment.
Preclinical and phase II clinical studies of Yang Yin Shu Gan Granules in class 1.1 of new Traditional Chinese Medicine	Guangyao General Institute	10,764.22	10,764.22	0	23.46	28.65	/

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

# Management Discussion and Analysis

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

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

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

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

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

☒ Applicable   ☐ Not applicable

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

##### 2) Analysis of sales expenses

Breakdown of sales expenses

☒ Applicable   ☐ Not applicable

Items	Amount incurred for the Reporting Period (RMB'000)	Percentage of amount incurred for the Reporting Period in the total sales cost (%)
Employee remuneration	2,886,814	51.37
Sales service fee	850,841	15.14
Travelling expenses	159,966	2.85
Office expenses	42,020	0.75
Freight and miscellaneous charges	212,476	3.78
Rental expenses	28,790	0.51
Conference expenses	65,071	1.16
Advertising and promotion fees	930,476	16.56
Depreciation charges	272,309	4.85
Others	170,856	3.04
Total	5,619,619	100.00

# Management Discussion and Analysis

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

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

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

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

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

Comparison within the same industry

☒ Applicable ☐ Not applicable

Stock Code	Stock Abbreviation	Selling and distribution expenses (RMB'000)	Selling and distribution expenses accounted for the proportion of revenue (%)
600511	China National Medicines Co., Ltd.	962,378.29	1.94
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	13,902,191.50	5.34
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	9,712,237.44	23.46
600085	Beijing Tongrentang Co., Ltd.	3,436,631.97	19.24
000538	Yunnan Baiyao Group Co., Ltd.	4,992,157.59	12.76
The average amount of the sales expenses of the same industry (RMB'000)			6,601,119
Total amount of the sales expenses of the Group during the Reporting Period (RMB'000)			5,619,619
Sales expenses accounted for the proportion of revenues of the Group during the Reporting Period (%)			7.49

Notes:

- The above data of relevant companies in the same industry is obtained from their annual reports in 2023;
- The average amount of the sales expenses is the arithmetic average of the five companies in the same industry.

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

☐ Applicable ☒ Not Applicable

#### (iv) Others

☐ Applicable ☒ Not Applicable

# Management Discussion and Analysis

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

### (5) Investment situation

#### Overall analysis of external equity investment

✓ Applicable    ☐ Not applicable

As at the end of the Reporting Period, the external equity investment of the Company amounted to RMB1,507,259,000, with a decrease of RMB298,383,000, as compared with last year, mainly due to: The group has made provisions for impairment of long-term equity investments during the Reporting Period.

#### 1) Significant equity investment

☐ Applicable    ✓ Not Applicable

#### 2) Significant non-equity investment

✓ Applicable    ☐ Not applicable

Name of Investment project	Main Investor	Particulars of Investment Project	Amount of Planned Investment (RMB0000)	Source of Capital	Amount Invested during the Reporting Period (RMB0000)	Accumulated Investment Amount (RMB0000)	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 funds and proceeds	8,390.06	92,492.20	On-site construction has been largely completed, and project acceptance work is currently underway.
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 funds	302.26	328.38	The project is preparing for construction.
GYBYS fashion Traditional Chinese Medicine Valley Tianhua Park Project	Guangzhou Baiyunshan Pharmaceutical and Health Industry Co., Ltd.	Production plant, Chinese medicinal materials warehouse, extraction workshop, quality inspection building, comprehensive warehouse, and power center, among other supporting facilities	320,086.15	Self funds	25.00	24,879.93	The project is preparing for construction.

# Management Discussion and Analysis

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

### (5) Investment situation (Continued)

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

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

✓ Applicable ☐ Not applicable

Classification of assets	Opening balance (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative changes in fair value included in interests (RMB'000)	Impairment accrued in the current period (RMB'000)	Current purchase amount (RMB'000)	Current sale/redeem amount	Other changes (RMB'000)	Closing balance (RMB'000)
Financial assets held for trading	4,000	-	-	-	-	-	(4,000)	-
Other equity instrument investment	103,812	-	(77)	-	446	-	0	104,181
Other non-current financial assets	1,005,936	24,654	-	-	4,000	-	(503,590)	531,000

#### Security investments

✓ Applicable ☐ Not applicable

Type of stock	Stock code	Stock abbreviation	The initial amount of investment (RMB'000)	Capital source	Book value as at the beginning of the Reporting Period (RMB'000)	Current gains and loss on changes in fair value (RMB'000)	Accumulative changes in fair value included in interests (RMB'000)	Current purchase amount (RMB'000)	Current sale amount (RMB'000)	Current investment gains and losses (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Accounting subject
A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	Self-raised funds	1,260	293	-	-	-	-	1,553	Other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical Holding	150,145	Self-raised funds	129,182	10,657	-	-	-	-	139,839	Other non-current financial assets
H Share	02289	Charmacy Pharmaceutical Co., Ltd.	7,568	Self-raised funds	11,733	(2,680)	-	-	-	-	9,053	Other non-current financial assets
Total	/	/	161,418	/	142,175	8,270	-	-	-	-	150,445	



# Management Discussion and Analysis

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

### (5) Investment situation (Continued)

Overall analysis of external equity investment (Continued)

#### 3) Financial assets evaluated at fair value (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) (廣州中以生物產業投資基金合夥企業(有限合夥))	116,622	Self-raised funds	93,124	(115)	(23,613)	446	-	-	93,455	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	404	-	-	-	-	52,752	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	(50)	-	-	-	-	91,481	Other non-current financial assets

Derivative investments

☐ Applicable    ✓ Not Applicable

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

☐ Applicable    ✓ Not Applicable

### (6) Significant asset and equity sales

☐ Applicable    ✓ Not Applicable

# Management Discussion and Analysis

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

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

✓ Applicable    ☐ Not applicable

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Equity directly held by the Company (%)	Income from principal operations (RMB'000)	Profit from principal operations (RMB'000)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sale of pre-packaging food, etc.	900,000.00	100.00	8,763,612	3,741,579	18,857,919	10,867,128	1,104,324
GP Corp.	Pharmaceutical business	Wholesale and retail	2,449,305.50	90.92	54,523,554	3,123,046	34,329,601	7,644,710	559,377

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

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

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

☐ Applicable    ✓ Not Applicable

## 6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

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

✓ Applicable    ☐ Not applicable

- (1) The pharmaceutical market continues to expand, with national policies supporting the development of the biopharmaceutical and healthcare industry. As the population ages, public health awareness increases, and the healthcare security system improves, China's pharmaceutical market has maintained rapid growth, becoming the world's second-largest pharmaceutical market. As one of China's strategic emerging industries, local governments, leveraging their industrial foundations, regional characteristics, and resource advantages, have introduced differentiated and systematic policies to support the development of the biopharmaceutical and healthcare sector.
- (2) Increasingly stringent pharmaceutical regulation is driving companies to improve quality and reduce costs. The pharmaceutical policies have been introduced intensively to accelerate the adjustment of the pharmaceutical industry. These policies impose heightened demands on both the cost control and quality assurance of enterprises. Policies such as volume-based procurement and medical insurance negotiations are driving industry consolidation, with market share increasingly concentrated in leading enterprises with strong R&D capabilities and effective cost control.

# Management Discussion and Analysis

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

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

- (3) Investment and mergers and acquisitions (M&A) in the pharmaceutical industry remain active. The government continues to introduce policies supporting M&A and restructuring, encouraging leading companies to focus on their core businesses and enhance the integration of companies within related industrial chains. The pace of M&A and restructuring in the pharmaceutical industry is accelerating, with M&A characterized by strategic resource complementarity, industrial integration, vertical consolidation, and alliances between strong players increasingly becoming the mainstream approach.
- (4) The innovative development and inheritance of TCM have ushered in a new round of development opportunities. The modernization of TCM research systems, the improvement of TCM review and approval mechanisms, and the registration process are gradually being enhanced. Rapid progress has been made in areas such as the development of TCM talent, brand building, and the increasing recognition of TCM efficacy. These advancements continue to drive the innovative development and inheritance of TCM.
- (5) Innovative drugs are entering a period of growth. The pharmaceutical industry has a strong technological innovation attribute, and driven by technological innovation, pharmaceutical companies will focus on cutting-edge fields, continuously strengthen independent R&D and collaboration, build competitive R&D pipelines, and persistently advance breakthroughs in core technologies as well as the industrialization and application of innovative products.

### (2) Development strategy and annual work plan for year 2025

✓ Applicable    ☐ Not applicable

In 2025, the Group will continue to focus on the strategic positioning of biomedicine and health, leveraging industry advantages to fully explore and revitalize internal resources and assets. Centered on pharmaceutical manufacturing and R&D, the Group will extend, complement, and strengthen industrial chain to continuously build core competitiveness. In 2025, key initiatives will include:

#### (1) Focusing on core responsibilities and businesses, strengthening the pharmaceutical manufacturing supply chain.

Firstly, solidifying the upstream supply chain. The Group will enhance the standardization and regulation of TCM planting bases and continue to build a quality traceability system for the entire TCM supply chain, quality testing of herbal seeds and seedlings and establish research systems for pharmacological quality standards. The group will review API approvals and resume production of high-market-value raw materials, developing specialty APIs to boost competitiveness in this sector.

Secondly, strengthening the midstream supply chain. The Group will deeply analyze industry policies, actively participate in various levels of drug procurement, and develop blockbuster products while reviving dormant varieties. Efforts will be made to rejuvenate legacy brands and categorize development of hospital products. Digital and intelligent empowerment will be reinforced by applying new technologies and equipment to optimize traditional processes and production flows and to enhance automation and intelligence in pharmaceutical manufacturing. The Group will further tap into the potential of health products by increasing penetration in various consumer markets for red canned Wang Lao Ji Herbal Tea and green canned Wang Lao Ji Herbal Tea. The Group will double efforts to improve the market fundamentals and channel shares for Wang Lao Ji herbal tea with increased bottle market expansion to drive terminal sales and solidify market leadership in the herbal tea segment.

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

### (2) Development strategy and annual work plan for year 2025 *(Continued)*

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

Thirdly, innovating pharmaceutical distribution and expanding downstream supply chain. The Group will deepen the advantage in South China's network and opportunistically expand nationwide, continuously deepening the construction of the national network, promoting the enrichment of category management and expansion, identifying sales and profit growth points and accelerating digitalization, intelligent innovation and transformation and upgrading to further consolidate and expand the competitiveness of pharmaceutical distribution. The Group will expand retail layouts, focusing on the construction of DTP professional pharmacies and social pharmacies near hospitals to vigorously explore the prescription retail market and create comprehensive pharmacies with a wide range of categories and strong professionalism, make a fine social pharmacy track.

(2) Targeting incremental markets, expanding new business models, and accelerating internationalization. The Group will accelerate the expansion of healthcare services, enhancing the construction of Baiyunshan Hospital's distinctive disciplines and specialties while emphasizing TCM features and strengths to further bolster the overall capabilities of Baiyunshan Hospital and Baiyunshan Traditional Chinese Medicine Hospital. Efforts will be made to develop TCM-specific industries and promote the discovery and promotion of food-medicine dual-use products. Internationalization will be accelerated with expanding overseas markets.

(3) Enhancing sustainable development and strengthening research systems. Firstly, the Group will revamp research systems, coordinate and improve research system construction to build leading scientific innovation platforms; secondly, the Group will strengthen research capabilities and optimize research layouts by leveraging internal resources, expanding external resources to promote the development and introduction of high-quality generic and innovative drugs; thirdly, the Group will build a high-level scientific and technological achievement transformation mechanism and an assessment and reward mechanism in terms of the project management, implementation, assessment and incentive.

(4) Focusing on value creation and enhance capital operations. Firstly, the Group will further strengthen market value management and institutional construction, improve ESG management systems, and enhance investor returns and capital market image both domestically and internationally. Secondly, the Group will actively build a complete chain of "industry + science and technology + finance", accelerate the investment in innovative projects with industrial funds, and realize the forward-looking layout of the leading biomedical track and advantageous segments to promote the investment and merger of each business by category and the strengthening, supplementing, and extending of the company's business chain. Thirdly, the Group will expedite the listing of GP Corp. on the NEEQ and opportunistically on the Beijing Stock Exchange.

(5) Accelerating digital transformation. The Group, firstly will strengthen the overall top-level planning for digital governance, and establish a comprehensive data management system; secondly, will promote technology empowerment by strengthening the application of emerging technologies and new equipment in drug R&D, production optimization, data analysis, and pharmacovigilance, which will drive innovation and technological upgrades in production processes; thirdly, will focus on developing the digital economy by strengthening the application of new marketing models, improving e-commerce channels, and actively exploring crossborder e-commerce development models for pharmaceuticals and healthcare.

# Management Discussion and Analysis

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

### (2) Development strategy and annual work plan for year 2025 *(Continued)*

- (6) Strengthening foundation and governance to further enhance management efficiency. The Group will continuously improve corporate governance structures by establishing robust internal controls, risk management, and compliance systems; strengthen talent system construction, improve talent development system, explore effective medium- to long-term incentive mechanisms and develop a more reasonable and effective evaluation system; optimize resource allocation and deepen institutional reforms to further enhance management efficiency.

### (3) Potential challenges and risks

☒ Applicable   ☐ Not applicable

The pharmaceutical industry is one of the sectors most profoundly influenced by national policies, and it faces significant industry policy risks. Policy changes directly reshape industry landscapes, competitive dynamics, and corporate profitability. With the deepening of a series of healthcare reform measures, such as consistency evaluations, volume-based procurement, and reforms in medical insurance payment methods, the pharmaceutical market landscape continues to evolve, intensifying industry competition. Innovation-driven transformation, industrial consolidation, and business model transformation have become inevitable, placing pressure on the Group to upgrade and transform. Due to the unpredictability of policy risks, the main uncertainties faced by the Group primarily revolve around how to promptly adjust strategies to adapt to policy changes. To effectively address industry policy risks, the Group has adopted multiple strategies to mitigate the potential impacts brought about by policy shifts and to ensure the long-term stable development of the company. Specific measures to alleviate industry policy risks are detailed in the section “2. Industry Overview of the Group during the Reporting Period” under “III. Management Discussion and Analysis” of this Report, within the subsection “(3) The Impact of Industry Policies and the Group’s Response Measures.” Additionally, the Group faces risks related to product quality control, R&D, market dynamics, and more.

Guided by policies, the Group will closely monitor the release of national and industry policies, stay attuned to market changes, and actively seize development opportunities. Leveraging its brand and resource advantages, the Group will enhance its innovation and R&D capabilities, build a digital competitive edge, and consistently introduce new products with differentiated strengths to continuously improve its core competitiveness and drive high-quality development.

### (4) Others

☐ Applicable   ☒ Not Applicable

## 7. OTHER MATTERS

### (1) Accounts

The results of the Group for the year ended 31 December 2024 are set out in the consolidated income statement.

The financial condition of the Group as at 31 December 2024 is set out in the consolidated balance sheet.

The cash flows of the Group for the year ended 31 December 2024 are set out in the consolidated cash flow statement.

The cash flows of the Company for the year ended 31 December 2024 are set out in the cash flow statement.

### (2) Financial summary

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

### (3) Reserves

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

### (4) Distributable reserves

The distributable reserves of the Group as at 31 December 2024 calculated in accordance with the China Accounting Standards for Business Enterprises was RMB7,524,341,000.

### (5) Fixed assets

Details of the movements of fixed assets of the Group for the Year are set out in the section headed “X Financial Reports” in this annual report.

### (6) Ordinary connected transactions

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

### (7) Management contracts

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

### (8) Corporate governance

The Company complied with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules of HKEX (“Corporate Governance Code”) during the Reporting Period.

# Management Discussion and Analysis

## 7. OTHER MATTERS *(Continued)*

### (9) Tax exemption

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

### (10) Retirement scheme

The Company hereby provides further information in relation to the basic pension insurance (the "Basic Pension Insurance Plan") paid by the domestic enterprises of the Company according to the relevant regulations of the local government, the mandatory provident fund contribution (the "Mandatory Provident Fund Contribution Plan") provided by the Company's wholly-owned subsidiary, Guangyao Baiyunshan Hong Kong Company, in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong, and the enterprise annuity plans established by part of the domestic enterprises of the Company based on the relevant policies of the national enterprise annuity system as stated in the Annual Report pursuant to paragraph 26(2) of Appendix D2 to the Listing Rules of HKEX.

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

### (11) During the Reporting Period, there had been no changes in the newspapers designated by the Company for information disclosure.

### (12) Environmental policy

As at 31 December 2024 and at the date of this annual report, the Group has regularly monitored its environmental performance. The environmental policy and its performance of the Group were set out in the 2024 Sustainability Report of the Company (full text of the report has been uploaded to the websites of SSE and HKEX).

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

☐ Applicable    ☒ Not Applicable



## 1. DESCRIPTION OF CORPORATE GOVERNANCE

✓Applicable    ☐Not applicable

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

As at the end of the Reporting Period, the corporate governance of the Company was in compliance with the requirements for the standardized operation of listed companies, and there were no material discrepancies against the requirements of 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 Board continues to monitor and review the Company's corporate governance practices to ensure compliance with the provisions under the Corporate Governance Code and will provide directors with more flexible participation arrangements for meeting attendance.

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

The review of the business and financial position of the Company for 2024 is set out in the section headed "III. Management Discussion and Analysis" in this annual report.

The Board confirmed that it was responsible for risk management and internal control and was responsible for continuously reviewing its effectiveness and overseeing management in the design, implementation and monitoring of the risk management and internal control system. The Audit Committee under the Board monitors the Company's risk management and internal control system to ensure that management has fulfilled its responsibilities to establish an effective system. The Audit Committee convened the first Audit Committee meeting of the Company in 2025 on 13 March 2025 to review and approve the Company's 2024 internal control evaluation report which covers financial monitoring, operational monitoring, and compliance monitoring, etc. The Audit Committee (and the Board) are of the view that the internal control and risk management system of the Company is adequate and effective, and the Company has complied with the provisions of the Corporate Governance Code regarding internal control and risk management system, including:



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

### (1) *(Continued)*

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

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

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

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

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

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

#### (iv) Internal audit function

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

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

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

- (i) The Company performed review on its internal control and fulfillment of social obligations for the year ended 31 December 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.
- (ii) 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 2024, the Company totally organized 5 general meetings of shareholders, 11 Board meetings, a total of 10 meetings were held by the various special committees of the Board of Directors. 4 special meetings of independent Directors · 5 meetings of Supervisory Committee, effectively fulfilling the functions and roles of the Shareholders' Meetings, the Board of Directors and its specialized committees, and the Board of Supervisors.
- (iii) 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 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.
- (iv) 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.
- (v) In order to improve the shareholder return and dividend distribution mechanism, guide investors to establish long-term and rational investment concepts, and pursuant to Notice on Further Implementing Cash Dividend Distribution by Listed Companies issued by the China Securities Regulatory Commission (《關於進一步落實上市公司現金分紅有關事項的通知》), Guidelines for the Supervision of Listed Companies No. 3 – Cash Dividends of Listed Companies(《上市公司監管指引第3號 – 上市公司現金分紅》), Shanghai Stock Exchange Listing Rules · Self-Regulatory Guidelines No. 1 for Listed Companies – Standardized Operations(《上市公司自律監管指引第1號 – 規範運作》) as well as the relevant provisions of the Articles of Association, the Company has formulated the Shareholder Return Plan for the Next Three Years (2024-2026) based on its actual circumstances. The aforementioned plan was reviewed and approved at the 8th Meeting of the 9th Board of Directors held on 15 March 2024, subsequently disclosed in accordance with regulatory requirements, and ultimately ratified at the 2023 Annual General Meeting of Shareholders convened on 30 May 2024.

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

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

- (vi) To ensure that the relevant provisions of the Company's Articles of Association comply with the requirements of the "Provisional Measures for the Administration of Domestic Enterprises Issuing Securities Overseas and Listing" (effective 2023) (《境內企業境外發行證券和上市管理試行辦法》2023年修訂), related guidelines, the Management Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), the "CSRC Guidelines No. 3 – Cash Dividends of Listed Companies (2023 Revision) (《上市公司監管指引第3號 – 上市公司現金分紅 (2023年修訂)》)", and other applicable laws, regulations, and normative documents, the Company has revised its Articles of Association, Rules of Procedure for Shareholders' Meetings, Rules of Procedure for Board Meetings and Rules of Procedure for Supervisory Committee, in light of its actual circumstances. These revised governance documents were reviewed and approved at the 14th Meeting of the 9th Board of Directors and 6th Meeting of the 9th Supervisory Committee subsequently disclosed, and ultimately ratified and became effective at the 2024 Second Extraordinary General Meeting which held on 27 September 2024. For details of the changes to the Company's Articles of Association during the Reporting Period, please refer to the circular dated 6 September 2024.
- (vii) The Company mainly carried out the following work in relation to internal control and auditing during the Reporting Period:
  - (A) The Company conducted audits on high-quality development, capital investment direction, layout and risk control, operations and asset management of major investment projects, execution of major development strategies, R&D investment in technological innovation, commercialization of scientific and technological achievements, innovation breakthroughs in core technologies, among others.
  - (B) The Company special audits on major events, large transactions, and raised funds in accordance with relevant requirements and the principle of importance.
  - (C) The Company promoted audits from various angles by conducting economic responsibility audits for individuals in charge of secondary enterprises, both during and after their tenure.
  - (D) The Company used its WeChat official account to publicize and educate management, departments, and the audit and internal control teams at subsidiaries on relevant auditing and internal control rules. This continuous learning aimed to deepen understanding and application of audit, risk control, and internal control regulations.
  - (E) Strengthening the internal control mechanism to ensure efficient operation. The Company actively implemented its internal control evaluation mechanism and continuously monitored and assessed the effectiveness of its internal control system. In January and August of the 2024, self-evaluations of internal control for 2023 and the first half of 2024 were conducted at the Company and its subsidiaries, ensuring ongoing improvement and optimization of the internal control system.
  - (F) The Company was able to monitor the risk status of its subsidiaries more comprehensively and in real time, allowing for prompt countermeasures with the risk control supervision platform. Risk warning standards were established to enhance the timeliness and accuracy of risk identification.
  - (G) Regularly tracking the performance of key enterprises and analyzing accounts receivable. The Company organized audits and annual risk assessments of major economic contracts.

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

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

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

The Company has established comprehensive insider information handling procedures and internal control measures, including the formulation and strict implementation of information disclosure management systems such as the Information Disclosure Management Regulations and Investor Relations Management Regulations. Rigorous confidentiality protocols for insider information are conscientiously maintained. Throughout the preparation of periodic reports, interim announcements, and strategic deliberations on material events, all Directors, Supervisors, senior management personnel, and relevant stakeholders strictly adhere to confidentiality obligations, resolutely put an end to insider trading.

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

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

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

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

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

☐Applicable    ☒Not applicable

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

☒Applicable   ☐Not applicable

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

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

Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts to the Company, measures taken, the progress of solutions and follow-up plans of peer competition or material changes in peer competition.

☒Applicable   ☐Not applicable

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

### Peer Competition between Hua Cheng and the Group

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

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

In order to resolve the issue of peer competition, GPLH initiated the restructuring work of the enterprise and the work of transferring of 100% equity interest in Hua Cheng to the Company in 2017 and completed the preliminary work including auditing and asset evaluation required by the corporate restructuring and equity transfer of Hua Cheng Pharmaceutical Factory in 2018.

As Hua Cheng is a wholly state-owned enterprise and its equity transfer includes land assets, it is necessary to receive the approval according to the relevant provisions on the disposal of land assets of state-owned enterprises. However, the equity transfer have not completed yet in that land appraisal price has not yet been properly resolved and Hua Cheng is also facing the issue of overall relocation due to receiving a letter from the relevant government department regarding the land acquisition for the project, and the equity transfer has failed to achieve substantive progress.. During the reporting period, the land acquisition work has not been effectively advanced, and Hua Cheng is exploring the feasibility of self-transformation and continuation of production and operation at the original site. As of the date of this report, the share transfer remains incomplete.

Rectification measures and follow-up rectification plan: Hua Cheng is conducting discussions on the relevant work of on-site renovation, and if it can be confirmed and implemented, it will continue to promote related work. The Company will closely monitor the progress and urge GPLH and Hua Cheng to initiate the relevant work of equity transfer as soon as possible.

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



### 3. DESCRIPTION OF SHAREHOLDERS' RIGHTS AND GENERAL MEETINGS OF SHAREHOLDERS

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

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

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

Shareholders who individually or collectively hold more than 10% of the company's shares have the right to request the convening of an extraordinary general meeting of shareholders from the board of directors and shall submit it in writing to the board of directors. The board of directors shall provide written feedback on whether to agree or disagree to convene an extraordinary general meeting of shareholders within 10 days after receiving a request in accordance with laws, administrative regulations, and the provisions of these articles of association. If the board of directors does not agree to convene an extraordinary general meeting of shareholders, or fails to provide feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the company's shares have the right to propose to the board of supervisors to convene an extraordinary general meeting of shareholders and shall submit a written request to the board of supervisors. If the supervisory board fails to issue a notice of the shareholders' meeting within the prescribed time limit, it shall be deemed that the supervisory board does not convene and preside over the shareholders' meeting. Shareholders who individually or collectively hold more than 10% of the company's shares for more than 90 consecutive days may convene and preside over the meeting on their own. Other rights conferred by laws, administrative regulations and the Articles of Association.

## 3. DESCRIPTION OF SHAREHOLDERS'S RIGHTS AND GENERAL MEETINGS OF SHAREHOLDERS (Continued)

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

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

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

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

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

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
the first extraordinary general meeting in 2024	26 January 2024	1. Proposal on termination of spin-off and listing of the holding subsidiary on the Stock Exchange of Hong Kong Limited; 2. Proposal on application for quotation on the National Equities Exchange and Quotations contemplated by the holding subsidiary; 3. Proposal on amendments to the terms of the System for Independent Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited.	Passed. For details, please refer to the relevant announcements disclosed on the designated website.	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》)	27 January 2024 (SSE); 26 January 2024 (HKEX)



## 3. DESCRIPTION OF SHAREHOLDERS'S RIGHTS AND GENERAL MEETINGS OF SHAREHOLDERS

(Continued)

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
The annual general meeting of shareholders in 2023, 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	1. Resolution on amendments to the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 2. resolution on amendments to The Rules of Procedures for Shareholders' Meetings of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 3. Annual Report and its summary of the Company for year 2023; 4. Report of the Board of Directors of the Company for year 2023; 5. Report of the supervisory committee of the Company for year 2023; 6. Financial report of the Company for year 2023; 7. Auditors' report of the Company for year 2023; 8. Proposal on profit distribution and dividend payment of the Company for year 2023; 9. Proposal on the operational targets and annual budget of the Company for year 2024; 10. Resolutions on the emoluments to be paid to the Directors of the ninth session of the Board for year 2024; 11. Resolutions on the emoluments to be paid to the supervisors of the ninth session of the supervisory committee of the Company for year 2024; 12. Resolution on the application for omnibus credit lines by the Company and its subsidiaries from financial institutions; 13. Resolution on the settlement of partial projects invested by proceeds and permanent replenishment of working capital from the remaining proceeds; 14. Resolution on Guangzhou Pharmaceuticals Company Limited, a controlled subsidiary of the Company, to apply for registration of medium-term notes and super-short-term debentures; 15. Resolution on amendments to The Rules of Procedures for the Board of Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 16. Resolution on amendments to The Rules of Procedures for the Supervisory Committee of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 17. Shareholder return plan for the next three years (2024-2026) of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 18. Resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for year 2024; 19. Resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the internal control auditor of the Company for year 2024.	All the resolution were passed except that 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 which were not approved at the the first class meeting for holders of H shares in 2024. For details, please refer to the relevant announcements disclosed on the designated website.	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》)	31 May 2024 (SSE); 30 May 2024 (HKEX)

## 3. DESCRIPTION OF SHAREHOLDERS'S RIGHTS AND GENERAL MEETINGS OF SHAREHOLDERS

(Continued)

Session and number of meeting	Date of meeting	Resolutions	Resolutions passed or not	Newspaper in which the resolutions were published	Disclosure date
The second extraordinary general meeting in 2024	27 September 2024	1. resolution on proposed amendments to the Articles of Association of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 2. the resolution on proposed amendments to The Rules of Procedures for Shareholders' Meetings of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 3. resolution on proposed amendments to The Rules of Procedures for the Board of Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited; 4. the profit distribution plan for the first half of 2024 of the Company.	Passed. For details, please refer to the relevant announcements disclosed on the designated website.	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》)	28 September 2024 (SSE); 27 September 2024 (HKEX)

Extraordinary general meetings requested by preferred shareholders who were reinstated

☐ Applicable ☒ Not applicable

Description of general meetings

☒ Applicable ☐ Not applicable

- On 25 April 2024, the Company issued the notice for convening the 2023 Annual General Meeting. The controlling shareholder · which named GPLH, submitted an interim proposal on 12 May 2024, 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 "Resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the internal control auditor of the Company for year 2024" for deliberation at the 2023 Annual General Meeting scheduled for 30 May 2024.
- On 30 May 2024, the Company convened 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. Notably, 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 failed to obtain approval at the first class meeting for holders of H shares in 2024.

## 4. INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (1) Profile of executive Directors

**Mr. Li Xiaojun**, aged 53, holds a bachelor's degree and is a member of delegates to the 12th Guangzhou Municipal Congress of the Communist Party of China and the 14th Guangdong Provincial People's Congress. Mr. Li began his career in July 1995 and has held various positions, including member of the standing committee of the discipline inspection commission, director of the discipline inspection and supervision office and deputy secretary of the discipline inspection commission of Huangpu District of Guangzhou. He also served as the deputy secretary of the party committee and secretary of the discipline inspection commission of the finance bureau of Huangpu District, deputy director of the organization department of the district committee of Huangpu District, deputy secretary and office director of the party working committee of the Wenchong Street in Huangpu District, secretary of the discipline inspection committee of Guangzhou Department Store Enterprise Group Co., Ltd (currently known as Guangzhou Lingnan Business and Travel Investment Group Co., Ltd.) and secretary of the discipline inspection committee of Guangzhou Development Group Co., Ltd.. Additionally, he has held senior roles such as deputy secretary of the party committee, vice chairman and general manager and chairman of Guangzhou Public Transport Group Co., Ltd. Mr. Li has been serving as the secretary of the party committee of the Company since December 2024 and as the chairperson of the Company since 21 January 2025. He is currently the secretary of the party committee and chairperson of GPL. Mr. Li has extensive experience in corporate management, discipline inspection and supervision, financial and taxation management, resources integration, reform and innovation.

**Mr. Yang Jun**, aged 56, holds a master's degree in business administration and is a senior economist. Mr. Yang began his career in July 1992 and served successively as secretary of the board of directors, director, deputy secretary of the party committee, secretary of the discipline inspection commission and convener of the supervisory committee of Baiyunshan; secretary of the party committee and director of Jing Xiu Tang; chairperson of Tian Xin; deputy secretary of the party committee and standing deputy general manager of Guangzhou International Group Co., Ltd; chairperson of Guangzhou Rubber Enterprises Group Co., Ltd; deputy secretary of the Party Committee, standing deputy general manager, labor union chairperson, and staff director of Vanlead Group Co., Ltd; deputy secretary of the party committee and director of Guangzhou Public Transport Group Co., Ltd; secretary of the party committee of Guangzhou First Bus Co., Ltd. Mr. Yang has been a Director of the Company since January 2020 and has been the vice chairperson since June 2020. Mr. Yang is currently the deputy secretary of the party committee, vice chairperson, General Manager of GPL, and the chairperson of Guangyao Group (Macau) Company. Mr. Yang has extensive experience in party construction and innovation and enterprise management.

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

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

**Ms. Cheng Ning**, aged 59, completed tertiary education and is a senior economist as well as an accountant. Ms. Cheng possesses several professional qualifications, including PRC certified public accountant and PRC certified tax consultant. Ms. Cheng began her career in August 1986 and had been an officer of the finance department of Baiyunshan General Factory, the deputy head of the finance department of Guangzhou Baiyunshan Bao De Pharmaceutical Factory (廣州白雲山寶得藥廠), the head of the finance department of Guangzhou Baiyunshan Veterinary Medicine Factory (廣州白雲山獸藥廠), the head of the settlements division of the operations department, head of the accounts and payments division of the settlements centre, deputy head of the finance department and a member and secretary of the supervisory committee of Baiyunshan, the acting manager and manager of the financial resources department and the head of the finance department of Guangzhou Baiyunshan Enterprise Group Co., Ltd. (廣州白雲山企業集團有限公司), the deputy head and the head of the finance department of GPHL, a director of each of Zhong Yi, Cai Zhi Lin, Qi Xing, Guangxi Yingkang, WLJ Investment, Wang Lao Ji Catering and GP Corp. and the chairperson of the supervisory committee of WLJ Great Health. Ms. Cheng has been a Director since 19 September 2012, the vice chairperson of the Company since 3 June 2019, and is also currently the standing deputy general manager and a member of the party committee of GPHL, a member of the party committee of the Company, the convenor of the board of directors of Guangyao Baiyunshan Hong Kong Company and a director of Guangyao Group (Macau) Company, the chairperson of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司), Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司) and the chairperson of GP Capital. Ms. Cheng has extensive experience in finance management, capital operation and internal control of enterprise.

**Mr. Li Hong**, aged 58, holds a master degree of EMBA. Mr. Li is a senior economist (science and technological entrepreneur) and holds the titles of engineer and senior political work engineer. Mr. Li is a specially appointed committee member of the 11th Chinese People's Political Consultative Conference of Guangdong Province. Mr. Li started his career in July 1990. He had served as a director and the chairperson of the board of Guangzhou Baiyunshan Qiao Guang Pharmaceutical Co., Ltd., a director and the general manager of Tian Xin, a general manager, chairperson and secretary of the party committee of Ming Xing, a director of Baiyunshan, an assistant to the general manager of GPHL and vice-chairperson of HWBYS. Mr. Li has been the Director and general manager of the Company since 22 June 2018, and is currently a director of Haima Company, a director of Ming Xing, a director of Guangyao Baiyunshan Hong Kong Company, the chairperson of Baxter Qiao Guang, the vice chairperson of Guangyao Group (Macau) Company, the director and general manager of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司) and Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司), the director of Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd (廣州白雲山醫藥科技發展有限公司), Baiyunshan Yi Xin Tang and HWBYS. Mr. Li has extensive experience in enterprise management and marketing.

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

### (2) Profiles of independent non-executive Directors

**Mr. Chen Yajin**, aged 62, holds a doctorate degree, and is a professor and chief physician. Mr. Chen is the vice-officer of the Biliary Surgery Expert Committee of the Capacity Building and Continuing Education Committee of the National Health Commission of the PRC, officer of the Hepatobiliary and Pancreatic ERAS Expert Committee of the Chinese Branch of the International Hepato-Pancreato-Biliary Association, officer of the Hepatobiliary Surgery Branch of Guangdong Medical Doctor Association, a standing committee member of the Bile Duct Expert Committee of the Surgery Branch of Chinese Medical Doctor Association, the vice-officer of the Digestive Oncology Branch of Chinese Research Hospital Association, a member of the Biliary Surgery Group of the Surgery Branch of Chinese Medical Association, a member and the vice-officer of the China Branch of Asian-Pacific Laparoscopic Hepatectomy Promotion Committee, and a standing committee member of the International Laparoscopic Liver Society (ILLS). Mr. Chen began his career in July 1986, and successively held various positions such as the director of hepatobiliary surgery department and deputy officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University and has been an independent non-executive director of the Company since 29 June 2020. Mr. Chen is currently the Discipline Leader of Hepatobiliary Surgery at Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University. Mr. Chen has extensive experience in scientific research and development and technical research.

**Mr. Huang Min**, aged 61, holds a postgraduate degree and a doctorate degree in pharmacology, and is a professor (Grade II). Mr. Huang is a member of the Pharmacopoeia Commission of the PRC, Honorary Chairperson of the Clinical Pharmacology Professional Committee of the Chinese Pharmacological Society, the vice-officer of the Drug Metabolism Expert Committee, the president of Guangdong Provincial Assessment & Accreditation Federation of Technology. Mr. Huang began his career in June 1983, and successively held various positions such as an associate professor of the Department of Clinical Pharmacology of Zhongshan Medical University, and executive dean of School of Pharmaceutical Sciences of Sun Yat-Sen University. Mr. Huang has been an independent non-executive director of the Company since 29 June 2020 and is currently a professor and the director of the Institute of Clinical Pharmacology of Sun Yat-sen University and as an Independent Directors of Shenzhen Chipscreen Biosciences Co., Ltd. (Group Headquarters). Mr. Huang has extensive experience in the teaching, scientific research and scientific and technological development in the field of pharmacy.

**Mr. Wong Lung Tak Patrick**, aged 77, is a Certified Public Accountant (Practising) in Hong Kong, Chartered Governance Professional and Tax Adviser. He is Fellow Member of The Institute of Chartered Accountants in England & Wales; The Association of International Accountants; Hong Kong Institute of Certified Public Accountants. He is also Fellow Member of The Association of Chartered Certified Accountants in UK, the Taxation Institute of Hong Kong; The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in U.K. Mr Wong was awarded a Badge of Honour (BH) by the Queen of England in January 1993 and was appointed a Justice of the Peace (JP) in July 1998. He was also awarded a Bronze Bauhinia Star (BBS) by the Government of the HKSAR in July 2010. Mr Wong is currently the Practising Director of Patrick Wong CPA Limited. He is also an independent non-executive director of Galaxy Entertainment Group Limited (a public company listed on the HKEX); Water Oasis Group Limited (a public company listed on the HKEX); The Cross-Harbour (Holdings) Limited (a public company listed on the HKEX); and Winox Holdings Limited (a public company listed on the HKEX). Mr. Wong has significant experience in the accountancy professional and corporation management.

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

### (2) Profiles of independent non-executive Directors *(Continued)*

**Ms. Sun Baoqing**, aged 54, holds a master degree and is a professor, researcher and doctoral tutor with postgraduate qualifications. Ms. Sun is the deputy director of the National Clinical Medical Research Center for Respiratory Diseases, as a member of the first expert database of national health science popularization ect. Ms. Sun started her career in July 1992 and is currently the director of laboratory department of the National Clinical Medical Research Center for Respiratory Diseases at the First Affiliated Hospital of Guangzhou Medical University, and the vice chairperson of Guangdong Zhongnanshan Medical Foundation. Ms. Sun has extensive experience in clinical testing, scientific research and technology development.

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

### (3) Profiles of Supervisors

**Ms. Liu Lan**, aged 46, holds a master’s degree of Economic Law and a doctoral degree of management. She is a senior intellectual property engineer, legal counsel of a state-owned enterprise and a corporate legal counsel. Ms. Liu Lan started her career in July 2004, and has successively served as the head of the legal affairs department (integrated management), general counsel of the legal affairs department (corporate strategies) and deputy manager of Guangdong Telecom Company Limited (廣東省電信有限公司), deputy general manager and general manager of the legal affairs centre of Guangdong branch of China Telecom Co., Ltd. (中國電信股份有限公司廣東分公司). Ms. Liu is the deputy officer of legal affairs of Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司), and a director of Chuangying and GP Corp. Ms. Liu has been served as the chairperson of the Supervisory Committee of our Company since 21 January 2025 and has been the deputy officer of legal affairs of the Company since April 2022. Ms. Liu has extensive experience in the areas of intellectual properties, compliance management, legal affairs, corporate governance and risk prevention.

**Mr. Cheng Jinyuan**, aged 52, holds an EMBA degree. Mr. Cheng started his career in December 1991. He served successively as a cashier of the retired cadre office of the National Defense University; accountant of the Administration of the General Office of the Central Military Commissions, provincial manager of HWBYS; deputy director of sales department of Guang Hua, director of discipline inspection office of GPLH, director of discipline inspection office of the Company, a member of the commission for discipline inspection of GPLH, employee supervisor, director of audit department, director of risk control office and director of the inspection office of the party committee. Mr. Cheng has been a Supervisor of the Company since January 2020. Mr. Cheng currently serves as a member of the commission for discipline inspection, the head of the audit department and director of the risk control office of the Company. Mr. Cheng has rich experience in discipline inspection, financial management and marketing.

**Mr. Jian Huidong**, aged 52, holds a bachelor’s degree and senior corporate cultural division title. Mr. Jian began to work in July 1994, is the supervisor of the Company since 3 June 2021, and currently serves as vice chairperson of labor union of GPLH, the Company and headquarter of GPLH respectively. Mr. Jian has been engaged in the work of labor union for many years and has rich experience in employee services, protection of employee rights and interests, and targeted poverty alleviation.



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

### (4) Profiles of senior management

**Ms. Zheng Haoshan**, aged 49, holds a master's degree and is a senior economist. Ms. Zheng Haoshan served successively as the deputy director of the business administration department, the deputy director of the marketing department, the deputy director and director of the business administration, technology and quality department of Baiyunshan, the director and the deputy director of the business administration department of GPLH. Ms. Zheng has been a deputy general manager of the Company since July 2019 and currently serves as the head of business administration department of the Company; director of GP Corp., director of Ming Xing, director of Zhong Yi, director of Baiyunshan Hanfang, director of Qi Xing and director of Baiyunshan Pharmaceutical Marketing. Ms. Zheng has rich experience in enterprise management, resource integration and operation analysis.

**Mr. Zheng Jianxiong**, aged 55, is a senior economist, pharmacist-in-charge and the holder of a master's degree in business administration. Mr. Zheng commenced working in July 1993 and served successively as the director of the Shanghai office, and deputy director of sales department of Guangzhou Pharmaceutical Company; the director of sales department outside the province, director and vice president of purchasing department of GP Corp; the deputy general manager of Cai Zhi Lin and the chairperson of Guangzhou Cai Zhi Lin Pharmacy. Mr. Zheng has been a member of the party committee and deputy general manager of the Company since August 2020 and is the secretary of the party committee and chairperson of GP Corp, a director of Cai Zhi Lin, a director of Baiyunshan Medical Equipment Investment, a chairperson of Baiyunshan Yi Xin Tang and a director of Guangzhou Zhongcheng Medical Equipment Industry Development Co., Ltd. (廣州眾成醫療器械產業發展有限公司). Mr. Zheng has extensive experience in business management and marketing.

**Ms. Huang Xuezheng**, aged 51, holds a master's degree of arts and financial economist (intermediate) title, is a non-partisan, a member of director representative of the third council of China Association for Public Companies and a member of the 15th session of the People's Congress of Liwan District, Guangzhou City. Ms. Huang started her career in July 1999 and joined the Company in September 2003. She had served as the deputy officer of the Secretariat to the Board of the Company, the head of the secretariat and representative of securities affairs. She has served as the secretary to the Board of the Company since 26 April 2017 and is currently the Company secretary of the Company, the head of the Secretariat to the Board and a director of Golden Eagle Fund.

**Ms. Liu Fei**, aged 48, holds a bachelor's degree, a master's degree in accounting, and the title of senior accountant. Ms. Liu started her career in November 1997. She had held several key positions, including Manager of the Finance Department at WLJ Great Health, Head of the Finance Department at Guangzhou Pharmaceutical, Deputy Head of the Finance Department at the Company, Deputy General Manager of Guangzhou Pharmaceutical Import & Export Company Limited, Deputy General Manager of Tian Xin and Deputy Director of the Finance Department at the Company. Currently, she serves as the Director of the Finance Department at the Company, a board member at Cai Zhi Lin and Tian Xin, and a supervisor at Bai Di Biological, Chuangying Company, Baiyunshan Biological, Baxter Qiao Guang, and Golden Eagle Fund. Ms. Liu boasts extensive experience in financial management and budget management.

## 5. CHANGES IN INTERESTS AND EMOLUMENTS

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

#### (i) Interests in shares (A shares) and emoluments of the current Directors, Supervisors and senior management of the Company

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period note ② (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period Note ② (RMB'000)
Li Xiaojun	Chairperson	Male	53	2025-01-21	Note ①	0	0	0	N/A	/	74.46
Yang Jun	Vice chairperson	Male	56	2020-01-13	Note ①	0	0	0	N/A	/	1,474.10
Cheng Ning	Vice chairperson	Female	59	2019-06-03	Note ①	0	0	0	N/A	/	1,368.67
Li Hong	Executive Director, General manager	Male	58	Executive Director: 2018-06-22 General manager: 2017-06-26	Note ①	0	0	0	N/A	1,337.23	/
Chen Yajin	Independent non-executive Director	Male	62	2020-06-29	Note ①	0	0	0	N/A	120.00	/
Huang Min	Independent non-executive Director	Male	61	2020-06-29	Note ①	0	0	0	N/A	120.00	/
Wong Lung Tak Patrick	Independent non-executive Director	Male	77	2023-05-30	Note ①	0	0	0	N/A	120.00	/
Sun Baoqing	Independent non-executive Director	Female	54	2023-05-30	Note ①	0	0	0	N/A	120.00	/
Liu Lan	Chairperson of the Supervisory Committee	Female	46	2025-01-21	Note ①	0	0	0	N/A	919.21	/
Cheng Jinyuan	Supervisor	Male	52	2020-01-13	Note ①	0	0	0	N/A	881.65	/
Jian Huidong	Supervisor	Male	52	2021-06-03	Note ①	0	0	0	N/A	807.38	77.84
Zheng Haoshan	Deputy general manager	Female	49	2019-07-12	Note ①	0	0	0	N/A	1,215.46	/
Zheng Jianxiong	Deputy general manager	Male	55	2020-08-28	Note ①	2,300	2,300	0	Note ③	1,466.71	/
Huang Xuezheng	Secretary to the Board	Female	51	2017-04-26	Note ①	0	0	0	N/A	1,040.47	/
Liu Fei	Chief Financial Officer	Female	48	2024-03-15	Note ①	0	0	0	N/A	845.27	/



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

### (1) Interests in shares (A shares) and emoluments of the current and the departed Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2024) (Continued)

#### (ii) Interests in shares (A shares) and emoluments of the Departed Directors, Supervisors and senior management of the Company during the Reporting Period

Name	Former Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period (RMB'000)
Liu Juyan	Executive Director	Female	60	2014-01-28	2025-01-21	0	0	0	N/A	/	1,202.94
Wu Changhai	Executive Director	Male	59	2010-06-28	2025-02-14	0	0	0	N/A	/	1,344.06
Li Chuyuan	Chairperson	Male	59	2013-08-08	2024-07-22	0	0	0	N/A	/	513.62
Zhang Chunbo	Executive Director	Male	48	2019-06-28	2024-08-30	0	0	0	N/A	/	516.63
Cai ruiyu	Chairperson of the Supervisory Committee	Male	57	2020-01-13	2025-01-21	0	0	0	N/A	1,245.38	/
Huang Haiwen	Deputy general manager	Male	44	2019-07-12	2024-12-20	0	0	0	N/A	720.03	/

Notes:

- ① Among the current members of the 9th session of the Board, Supervisory Committee and senior management, Mr. Li Xiaojun's term will commence on 21 January 2025, until the appointment of the new term of the Board of Directors; Ms. Liu Lan's term will commence on 21 January 2025, until the appointment of the new term of the Supervisory Committee; Ms. Liu Fei's term will commence on 15 March 2024, until the appointment of the new term of the Board of Directors. The terms of the remaining personnel will commence on 30 May 2023, and will continue until the appointment of the new term of the Board of Directors. Mr. Li Xiaojun, who was appointed as an Executive Director in January 2025, obtained a legal opinion letter on January 20, 2025, in accordance with Rule 3.09D of the Listing Rules of the HKEX, confirming his understanding of his responsibilities as a director of a listed issuer.
- ② Independent Directors receive fixed remuneration from the Company. The remuneration of other incumbent and departed Directors, Supervisors, and senior management personnel during the reporting period of the Company/shareholder which included the basic salary, bonus, subsidy, insurance premiums, statutory surplus reserve and annuity for 2024 as well as settlement of annual salary for the previous year etc.. The remuneration received by Supervisor Mr. Jian Huidong from shareholder entities constitutes the 2023 annual salary settlement amount.
- ③ Mr. Zheng Jianxiong held shares that were traded in the secondary market before he became the deputy general manager of the Company.

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

### (2) Interests of Directors, Supervisors and chief executives and short positions in shares, underlying shares and debt securities of the Company or any associated corporations

As at 31 December 2024, none of the Directors, Supervisors and chief executives of the Company had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX.

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

### (1) Position in shareholder's company:

✓Applicable    ☐Not applicable

Name	Company	Position(s) held in the shareholder's company	Commencement date of term of office	Ending date of term of office
Li Xiaojun	GPHL	Secretary of the party	November 2024	/
Yang Jun	GPHL	Chairperson	October 2019	/
		Deputy secretary of the party		
		Vice chairperson		
		General manager		
Cheng Ning	GPHL	Standing deputy general manager	March 2019	/
Jian Huidong	GPHL	Vice chairperson of labour union	October 2014	/
Liu Juyan	GPHL	Deputy general manager	January 2011	October 2024
		Chief engineer	August 2005	
Wu Changhai	GPHL	Deputy general manager	August 2021	February 2025
Li Chuyuan	GPHL	Secretary of the party	June 2013	July 2024
		Chairperson	July 2013	
Zhang Chunbo	GPHL	Deputy general manager	August 2021	October 2024
Cai Ruiyu	GPHL	The head of the organization	July 2017	December 2024;
		department of party		January 2025 (the
		commission, HR		head of the
		department and unified		organization
		front work department		department
				of party
				commission)
		Legal representative of	May 2023	
		GPHL Digital Economy		
		Research Institute		

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

### (2) Positions in other company

☒ Applicable   ☐ Not applicable

The Company's current and departed Directors, Supervisors, and senior management personnel during the reporting period primarily hold positions within the Group and its joint ventures. For details of their specific appointments, please refer to "Section 4. Information on Directors, Supervisors, and Senior Management."

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

☒ Applicable   ☐ Not applicable

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

The range of remuneration for the year ended 31 December 2024 (including the basic salary, bonus, subsidy, insurance premiums, statutory surplus reserve and annuity as well as settlement of annual salary for the previous year etc.) of the senior management of the Company as at 31 December 2024 is as follows:

Range of the remuneration (RMB'0,000)	Number of people
0-100	1
101-150	4
151-	0

## 7. INFORMATION ON THE EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

The decision-making procedures, basis, actual payment, etc. for the remuneration of Directors, Supervisors, and senior management are shown in the following table:

Decision-making procedures for the remuneration of Directors, supervisors, and senior management	The remuneration of the Company's senior management shall be assessed by the Nomination and Remuneration Committee of the Board, and the plan shall be formulated and submitted to the Board for approval before implementation. The allowance for independent Directors shall be implemented after approval by the Board and the general meeting of shareholders. The remuneration of other Directors and Supervisors shall be determined in accordance with the relevant remuneration system of the Company and shall be implemented after approval by the general meeting of shareholders.
Whether Directors recuse themselves from the Board when discussing their remuneration	Yes.
Description of the advice provided by the Special Meeting of Independent Directors or Nomination and Remuneration Committee on the remuneration of Directors, Supervisors and senior management	On 15 March 2024, the Company held the 1st meeting of the Nomination and Remuneration Committee in 2024, at which it considered and approved the Proposal on the 2024 Remuneration of Directors of the ninth session of the Board, and unanimously agreed to submit the proposal to the Board for consideration; On 26 December 2024, the Company held the 3rd meeting of the Nomination and Remuneration Committee, and considered and approved the Proposal on the Remuneration Payment of Senior Management of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited in 2024 and unanimously agreed to submit the proposal to the Board for consideration.
The basis for determining the remuneration of Directors, Supervisors and senior managers	The remuneration of independent Directors of the Company shall be paid in accordance with the plan approved by the general meeting of shareholders, and the remuneration of other Directors and Supervisors shall be determined in accordance with the remuneration system formulated by the Company and the results of annual appraisal. The remuneration of senior management is determined in accordance with the Company's Management Measures for the Remuneration and Performance Appraisal of Senior Management, combined with the Company's performance completion and the personal performance of senior executives.
The actual payment of remuneration to Directors, Supervisors and senior management	The remuneration of the Company's Directors, Supervisors and senior management has been paid in accordance with relevant regulations.
The total remuneration actually received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB17,531,100.

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

### (1) During the reporting period

Name	Positions in the Company	Changes	Reasons for Changes
Liu Fei Li Chuyuan	Chief Financial Officer Chairperson and executive director and the chairman of the Strategic Development and Investment Committee of the Board of the Company	Appointment Departed	/ personal reasons
Zhang Chunbo	Executive Director and the member of the Budget Committee of the Board of the Company	Departed	personal reasons
Huang Haiwen Cai Ruiyu	Deputy general manager Chairperson of the Supervisory Committee	Departed Departed	personal reasons work adjustment

### (2) After the reporting period

Name	Positions in the Company	Changes	Reasons for Changes
Li Xiaojun	Executive Director and Chairperson	Election	/
Liu Lan	Supervisor and chairperson of the Supervisory Committee	Election	/
Liu Juyan	Executive director and a member of the Strategic Development and Investment Committee of the Board of the Company	Departed	reaching statutory retirement age
Wu Changhai	Executive Director and a member of the Nomination and Remuneration Committee of the Board	Departed	work adjustment

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

### (2) After the reporting period *(Continued)*

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of change in information of Directors/Supervisors after the publication of the interim report of the Company for the six months ended 30 June 2024 are as follows:

Name of Director/ Supervisor	Detail of change
Yang Jun	He has not served as a chairperson of Tian Xin since January 2025.
Li Hong	He has served as a Director of HWBYS since August 2024, and held the position as a vice chairperson of HWBYS from August 2024 to January 2025.
Liu Juyan	She has not served as the following positions since November 2024: Deputy General Manager and Chief Engineer of GPLH, Technical Director of the Company, Vice Chairman of Baiyunshan Biotechnology Company, director of Zhuhai Hengqin Pharmaceutical Industry Park Company, director of Guangzhou Pharmaceutical International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd. and director of Guangzhou Pharmaceutical General Hospital. She has not served as an executive Director of the Company since 21 January 2025.
Wu Changhai	He has not served as the following positions since February 2025: a member of the party committee and the deputy general manager of GPLH, a member of the party committee and a Director of the Company, the chairperson and general manager of Medical Instrument Investment Company, a director of Baiyunshan Medical and Healthcare Industry Company, a director of Baiyunshan Hospital, a director of Guangzhou Baiyunshan Chinese Medicine Hospital and a director of Baiyunshan Tibetan-style Health Preservation Castle in Nyingchi of Tibet Management Co., Ltd. (西藏林芝白雲山藏式養生古堡管理有限公司).
Zhang Chunbo	He has not served as the following positions since August 2024: a member of the Party Committee, an executive Director of the 9th session of the Board, a member of the Budget Committee of the Company, secretary and chairperson of the Party Committee of Zhongyi and Qixing, director of Tianxin, director of Baiyunshan Pharmaceutical Market Company, director of Haima Company, Non-executive Director of the GP Corp, and Member (Chairperson) of the decision-making Committee of Guangdong Shennongshi Enterprise Management Partnership (Limited Partnership). He has not served as a Member of the Party Committee of GPLH, Deputy General Manager, Member of the Party Committee of GPLH since October 2024.
Cai Ruiyu	He has not served as the following positions since December 2024: the head of the organization department of party commission of GPLH, the head of HR department of GPLH, the legal representative of GPLH Digital Economy Research Institute, head of the organization department of party commission, HR department and unified front work department of the Company; He has not serve as a chairperson of the Supervisory Committee and Shareholder Representative Supervisor of the Company as well as the head of the organization department of party commission of GPLH since January 2025.

## 9. DISCLOSURE OF PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN THE PAST THREE YEARS

☐Applicable ☒Not applicable

## 10. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the 9th session of the Board and each Supervisor of the 9th session of the Supervisory Committee has signed a written service contract with the Company. Each Director of the 9th session of the Board and each Supervisor of the 9th session of the Supervisory Committee has signed a written service contract with the Company. As of the date of the report's disclosure, the service contracts of Mr. Li Xiaojun, Chairperson of the company and Ms. Liu Lan, chairperson of the Supervisory committee came into effect from 21 January 2025, until the election of the new members of the Board of Directors. The service contract terms of Directors of the 9th session of the Board and Supervisors of the 9th session of the Supervisory Committee will be effective from 30 May 2023 up to the date on which the members of the new session of the Board or the Supervisory Committee are elected.

The term of each session of Board or Supervisory Committee of the Company is about three years. Each Director or Supervisor can be re-elected upon expiration of their term of office. None of the Directors nor Supervisors has signed any unexpired service contracts with the Company and/or its subsidiaries which cannot ended by the employer within one year without payment of compensation (other than statutory compensation).

## 11. PERMITTED INDEMNITY

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

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

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

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



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

The Company adopts 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. Mr. Li Chuyuan resigned on 22 July 2024 and Mr. Zhang Chunbo resigned on 30 August 2024, as of the date of this report, the Company has not been provided with any information regarding whether they complied with the Model Code during the Reporting Period, therefore the Company can not confirm whether they complied with the Model Code during the Reporting Period. After making specific inquiries to individuals who served as Directors or Supervisors of the Company during the period from 1 January 2024 to 31 December 2024 (excluding Mr. Li Chuyuan and Mr. Zhang Chunbo, but including Ms. Liu Juyan and Mr. Wu Changhai, who had already resigned after the Reporting Period), the Company confirms that all Directors and Supervisors who served during the Reporting Period complied with the standards for securities trading as stipulated by the aforementioned codes and regulations.

## 14. BOARD OF DIRECTORS

### (1) Composition

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

The current Board is the 9th session of the Board of the Company since its establishment. As at the date of disclosure of this report, the Board consisting of 8 Directors, including Mr. Li Xiaojun (chairperson), Mr. Yang Jun (Vice Chairperson), Ms. Cheng Ning (Vice Chairperson) and Mr. Li Hong as executive Directors, and Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive Directors. Mr. Li Xiaojun’s term of office shall be from 21 January 2025 up to the date on which the members of new session of the Board are elected; The other directors’s term of office shall be from 30 May 2023 up to the date on which the members of new session of the Board are elected.



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

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

The Board shall exercise the following powers:

- (A) convention of general meetings of shareholders, and report to the general meetings;
- (B) implementation of the resolutions of the general meeting;
- (C) making decisions on the business plan and investment scheme of the Company;
- (D) formulation of the annual financial budget and financial accounting policy of the Company;
- (E) formulation of the profit distribution policy and loss recovery policy of the Company;
- (F) formulation of the policy of increase or reduction of registered capital and the policy of issue of corporate bonds of the Company or other securities of the Company and proposals for listing;
- (G) drafting of the policies of material acquisition of the Company, purchase of the Company's shares under the circumstances specified in (1), (2) of Article 27 of the Article of Association, or the merger, separation, dissolution, liquidation and change of corporate form of the Company;
- (H) making decisions on the establishment of internal management system in the Company;
- (I) making decisions on the employment or dismissal of the general manager, secretary of the Board and other senior management personnel of the Company, and making decisions on their remuneration, rewards and punishments; based on nomination by the general manager, making decisions on the employment or dismissal of the deputy general managers, person in charge of finance and other senior management personnel of the Company, and making decisions on their remuneration, rewards and punishments;
- (J) formulation of the basic management system of the Company;
- (K) formulation of the proposal on amendment of the Articles of Association;
- (L) making decision on a single external guarantee where the items guaranteed satisfying the conditions of the Company involves an amount of more than 10% (or 10%) of the latest audited net assets;
- (M) making decisions on matters such as external investment, acquisition and sale of assets, mortgaged assets, external guarantee, financial management by commission, connected transaction, external donations, within the scope of authorization by the general meeting of shareholders;
- (N) management of disclosure of information of the Company;
- (O) proposal to the general meeting of shareholders on employment or replacement of accounting firm responsible for auditing for the Company;
- (P) receiving the work report of the general manager of the Company and checking the work of the general manager;
- (Q) pass resolutions regarding the repurchase of the shares of the Company by the Company under the circumstances prescribed in (3), (5) and (6) of Article 27 of the Articles of Association;
- (R) other powers granted by the Articles of Association and the general meetings of shareholders.

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

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

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

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

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

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

During the Reporting Period, the Directors of the Company complied with code provision C.1.4. and participated in the sustainable professional development actively in order to update their relevant knowledge and skills and ensure they are able to make informed contributions to the Board of the Company. The Company regularly arranges every Director to participate in the professional trainings organized by the CSRC and the stock exchanges on which the Company is listed, and certificates of qualification for training or certificate recognized by the relevant authorities were obtained. The Company secretary of the Company also participates in the relevant professional trainings of not less than 15 hours each year. All Directors had provided the secretary of the Board with records on their trainings during the Reporting Period. The Company encourages all Directors to attend the relevant training courses and bears the relevant expenses. Details of training (including participation of professional trainings organized by institutes, reading related subject's materials, etc.) on Directors (including current and former Directors) and secretary of the Company in 2024 are as follows:

Name	Participating in the professional training	Reading the materials related to the themes
Li Xiaojun	✓	✓
Yang Jun	✓	✓
Cheng Ning	✓	✓
Li Hong	✓	✓
Chen Yajin	✓	✓
Huang Min	✓	✓
Wong Lung Tak Patrick	✓	✓
Sun Baoqing	✓	✓
Huang Xuezheng	✓	✓
Liu Juyan	✓	✓
Wu Changhai	✓	✓
Li Chuyuan	✓	✓
Zhang Chunbo	✓	✓

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

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

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

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

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

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

The management of the Company shall exercise the following functions and powers: preside over the production and operation management of the Company, organize the implementation of the resolutions of the Board, organize the implementation of the Company's annual business plan and investment plan, formulate the plan for the establishment of the Company's internal management organization, formulate the Company's basic management system, formulate the Company's basic rules and regulations, propose to the Board to appoint or dismiss the Company's deputy general manager and financial director, appoint or dismiss the responsible management personnel other than those who shall be appointed or dismissed by the Board, and other functions and powers granted by the Articles of Association and the Board.

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

### (2) Board Meetings

In 2024, there were 11 Board meetings held to discuss the periodic reports, the appointment as the auditor and the internal control auditor of the Company, connected transaction, Nomination of candidates for executive director, external investment, etc. The Board meetings had effective discussion and can make decisions which are serious and cautions.

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

Directors	Whether an independent director	Number of meetings that should have attended	Participation of Directors at Board meetings				Attendance of Directors at general meetings		
			Number of meetings participated in person	Number of meetings participated by way of communication	Number of meetings participated by appointing a representative	Number of absence	Failure to participate in two meetings in person consecutively	Number of general meetings that should have attended	Number of general meetings attended
				(Notes)					
Yang Jun	No	11	11	9	0	0	No	5	4
Cheng Ning	No	11	11	8	0	0	No	5	5
Li Hong	No	11	11	8	0	0	No	5	5
Chen Yajin	Yes	11	11	10	0	0	No	5	4
Huang Min	Yes	11	10	8	1	0	No	5	5
Wong Lung Tak Patrick	Yes	11	10	9	1	0	No	5	5
Sun Baoqing	Yes	11	11	11	0	0	No	5	4
Liu Juyan	No	11	11	8	0	0	No	5	4
Wu Changhai	No	11	11	8	0	0	No	5	5
Li Chuyuan	No	4	4	3	0	0	No	4	4
Zhang Chunbo	No	6	6	4	0	0	No	4	4

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

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

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

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

☐Applicable ☒Not applicable

Number of Board meetings held during the Year	11
Including: Number of on-site meetings	0
Number of meetings by way of communication	8
Number of on-site meetings combined with participation by communication	3

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

☐Applicable ☒Not applicable

### (3) Independent non-executive Directors

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

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

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

The Board confirmed the receipt from each of the independent non-executive Directors a confirmation letter in regards to his or her independence pursuant to Rule 3.13 of the Listing Rules of HKEX. The Board considered that the existing independent non-executive Directors has not held any position other than independent Director in the Company, nor has held any position in the Company's major shareholder units, and has no interest in the Company and major shareholders or other relationships that may hinder his or her independent and objective judgment. All independent non-executive Directors complied with the relevant guidance set out in Rule 3.13 of the Listing Rules of HKEX and still considered the existing independent non-executive Directors to be independent.

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

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

Pursuant to the “Notice on Proper Preparation of the 2024 Annual Report by Listed Companies on the Main Board” issued by SSE on 21 January 2025, the independent non-executive Directors studied the relevant requirements set out in the Notice seriously. The management team of the Company reported to the independent non-executive Directors on production and operation issues and the progress of major events, and submitted an action plan in relation to the preparation of the 2024 annual report and auditing work and relevant information. After completion of the preliminary auditing work by the Company’s accountants, the independent non-executive Directors also communicated with the auditors on issues related to the auditing process.

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

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

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

The Directors acknowledge that it is their responsibilities to prepare the financial statements which give a true and fairview of the state of the Group and the cash flows of the Group for the Year, and the financial statements had been prepared in accordance with the statutory requirements and other regulatory requirements. As at 31 December 2024, the Board was not aware of any material misstatement or uncertainties that might cast doubt on the Group’s financial position or ability to continue as a going concern. The Board endeavors to ensure a balanced, clear and understandable assessment of the Group’s performance, position and prospects in financial reports. The statement of the auditors regarding their reporting responsibility for the financial statements is set out in the Financial Reports of this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

## 15. SPECIAL COMMITTEE OF INDEPENDENT DIRECTORS

To further enhance the corporate governance structure, promote standardized operations, and protect the legitimate interests of the Company and minority shareholders, the Company has established a Special Committee of Independent Directors in accordance with the Company Law, Securities Law, CSRC's Corporate Governance Guidelines for Listed Companies, Measures for the Administration of Independent Directors of Listed Companies, SSE Listing Rules, and other relevant laws, regulations, normative documents, as well as the Articles of Association and Independent Directors System. The Committee's key responsibilities include: Reviewing disclosable connected transactions; Proposals for modifying or waiving commitments by the Company and related parties; Board decisions and measures regarding takeover bids; Other matters stipulated by laws, administrative regulations, CSRC rules, listing rules of stock exchanges, and the Articles of Association.

During the Reporting Period, the Committee convened four meetings to deliberate on: Dissolution and deregistration of Guangzhou Guangyao Jinshen Equity Investment Partnership (Limited Partnership) involving connected transactions; Admission of new limited partners to Walgreens Boots Alliance Guangyao (Guangzhou) Equity Investment Partnership (Limited Partnership) involving connected transaction; Admission of new limited partners to Guangzhou Guangyao Chantou Biopharmaceutical Venture Capital Fund (Limited Partnership) involving connected transactions; Proposed 2025 annual recurring connected transactions; Adjustment of 2024-2025 recurring connected transaction estimates with Guangyao Group and execution of supplemental agreement to Recurring Connected Transaction Agreement. All independent directors attended the meetings.

## 16. COMMITTEES OF THE BOARD

### (1) Audit Committee

#### 1) Overview

The Company established an Audit Committee in August 1999. Its primary responsibilities include reviewing and overseeing the quality and procedures of the Group's financial reporting; examining and monitoring the financial controls, internal controls, internal audit, and risk management systems and their implementation; assessing the soundness and effectiveness of the Company's internal control systems; deliberating on the appointment of independent auditors and coordinating related matters, as well as evaluating the efficiency and quality of their work.

The Audit Committee of the 9th session of the Board was established on 30 May 2023 and comprises Mr. Wong Lung Tak Patrick (chairperson of the Audit Committee), Mr. Chen Yajin, Mr. Huang Min and Ms. Sun Baoqing. All of them are independent nonexecutive Directors and are qualified under the relevant requirements, whose term of office commenced on 30 May 2023 and will last until the date when a new session of the Board is elected.

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

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

#### 2) Meeting Proceedings

During the Reporting Period, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, Code of Practice of the Audit Committee of the Board, the CG Code and other relevant regulations. In 2024, the Audit Committee held four meetings and each of the members of the committee attended all the meetings.

Session of the Meeting	Date of Convening	Items for Deliberation
The First Audit Committee Meeting of 2024	15 March 2024	<ol style="list-style-type: none"> <li>1. The Company's 2023 Annual Report and its Summary;</li> <li>2. The Company's 2023 Financial Report;</li> <li>3. The Accounting Firm's Review Opinion on the 2023 Annual Report and Connected Transactions;</li> <li>4. The Company's 2023 Internal Control Evaluation Report;</li> <li>5. The Company's 2023 Internal Audit and Risk Control Work Report and 2024 Work Plan;</li> <li>6. The Inspection Report on the Use of Proceeds in 2023;</li> <li>7. Proposal on the Dissolution and Deregistration of Guangzhou Guangyao Jinshen Equity Investment Partnership (Limited Partnership) and Connected Transaction;</li> <li>8. Proposal on the Additional Confirmation of the Amount of Connected Transactions between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Baiyunshan Yixintang Pharmaceutical Investment Development Co., Ltd. for 2023;</li> <li>9. Proposal on the Transfer of Technological Achievements by the Wholly-Owned Subsidiary Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd. to Guangzhou Pharmaceutical Holdings Limited and the Signing of the Technology Transfer Contract;</li> <li>10. Proposal on the Appointment of the Company's Chief Financial Officer.</li> </ol>



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

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

#### 2) Meeting Proceedings *(Continued)*

Session of the Meeting	Date of Convening	Items for Deliberation
The Second Audit Committee Meeting of 2024	25 April 2024	<ol style="list-style-type: none"> <li>1. The 2024 First Quarterly Report of the Company;</li> <li>2. Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's Financial Audit Firm for 2024;</li> <li>3. Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's Internal Control Audit Firm for 2024.</li> </ol>
The Third Audit Committee Meeting of 2024	30 August 2024	<ol style="list-style-type: none"> <li>1. The Company's 2024 Interim Report and its Summary;</li> <li>2. The Company's 2024 Interim Financial Report;</li> <li>3. Proposal on Supplementing Key Accounting Policies in the 2024 Interim Financial Report;</li> <li>4. The Accounting Firm's Review Opinion on the 2024 Interim Report and Connected Transactions.</li> </ol>
The Fourth Audit Committee Meeting of 2024	24 October 2024	The 2024 Third Quarterly Report of the Company.

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

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

#### 3) Major tasks accomplished by the Audit Committee in 2024:

##### (A) *Supervision and evaluation of the work of external auditors*

- a) During the Reporting Period, due to the Company's operational development and audit requirements, the Audit Committee, in accordance with the Notice on Implementing the Measures for the Selection of Accounting Firms by State-Owned Listed Companies and the Company's internal control requirements and procedures, conducted the selection process for the 2024 annual financial audit firm and the 2024 internal control audit firm. The details are as follows:
  - ① In February 2024, the Audit Committee proposed to the Company to initiate the process of selecting an accounting firm;
  - ② In April 2024, after reviewing the relevant documents related to the selection of an accounting firm, the Audit Committee approved the evaluation criteria and specific scoring standards for the selection of the annual auditor and supervised the entire selection process. Upon completion of the selection, the Audit Committee reviewed the selection report and raised no inquiries or additional suggestions;
  - ③ At the Company's Second Audit Committee Meeting in 2024, the Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's 2024 Annual Financial Audit Firm and the Proposal on the Reappointment of WUYIGE Certified Public Accountants LLP as the Company's 2024 Internal Control Audit Firm were reviewed. After verification, the Audit Committee determined that WUYIGE Certified Public Accountants LLP ("Da Xin") is an audit firm compliant with the Securities Law, possessing the professional qualifications and competence to provide audit services to listed companies. The audit team members did not violate the independence requirements of the Code of Ethics for Chinese Certified Public Accountants. Da Xin demonstrated sufficient independence, integrity, and investor protection capabilities, meeting the requirements for the Company's 2024 annual financial audit and internal control audit. The Audit Committee agreed to reappoint Da Xin as the Company's 2024 annual financial audit firm and internal control audit firm and submitted the proposal to the Board for deliberation.
- b) The Audit Committee communicated with Da Xin, the 2023 financial audit firm, regarding the audit scope, plan, and other matters, requiring the external auditor to promptly report to the Audit Committee and independent directors to ensure that the external auditor adhered to the principle of independence and diligently performed its audit responsibilities. The Audit Committee believes that Da Xin, in conducting the Company's 2023 annual audit, maintained a rigorous, truthful, independent, and objective working attitude, adhered to professional ethics, followed auditing standards, fulfilled its audit responsibilities, and submitted the audit report on time.

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

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

#### 3) Major tasks accomplished by the Audit Committee in 2024: *(Continued)*

##### *(B) Review of the Company's financial information and disclosures*

During the Reporting Period, the Audit Committee reviewed the Company's 2023 Annual Financial Report, 2024 Interim Financial Report, and the financial statements for the first and third quarters of 2024. The members of the Audit Committee diligently fulfilled their supervisory responsibilities, paying close attention to and thoroughly understanding the basis and standards for impairment provisions, among other matters, and issued relevant review opinions. They unanimously agreed that the Company's financial reports truthfully, accurately, and completely reflected the Company's financial status and operational management. There was no evidence of fraud, misconduct, or significant misstatements, nor were there any significant accounting error adjustments, matters involving critical accounting judgments, or issues that would lead to a non-standard unqualified audit opinion. The content and procedures of the disclosures were compliant with applicable laws and regulations.

##### *(C) Supervision and evaluation of internal audit work*

During the Reporting Period, the Audit Committee carefully reviewed the Company's internal audit work plan and endorsed its feasibility. It also urged the Company's internal audit department to strictly adhere to the audit plan and provided guidance on issues identified during the internal audit process.

##### *(D) Supervision and evaluation of the effectiveness of internal controls*

After verification by the Audit Committee, it was determined that the Company has established a sound corporate governance structure and system in accordance with the Company Law, the Basic Standards for Enterprise Internal Control, relevant supporting guidelines, and the requirements of the CSRC and the Shanghai Stock Exchange. During the Reporting Period, the Company was able to implement various laws and regulations, the Company's Articles of Association, and related internal management systems. The Company's General Meeting of Shareholders, the Board, the Supervisory Committee, and management operated in a standardized manner, effectively safeguarding the legitimate rights and interests of the Company and its shareholders. The Audit Committee thoroughly reviewed the Company's Internal Control Evaluation Report and the Internal Control Audit Report issued by Da Xin, examining and reviewing the Company's financial controls, internal controls, internal audit, and risk management systems, as well as the effectiveness of implementation.

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

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

#### 3) Major tasks accomplished by the Audit Committee in 2024: *(Continued)*

##### *(E) Supervision of major matters*

- a) The Audit Committee supervised the audit department in organizing inspections of the Company's relevant matters, covering the implementation of major events such as the use of proceeds, provision of guarantees, connected transactions, provision of financial assistance, and external investments. The inspections also included the Company's large fund transactions and fund transactions with directors, supervisors, senior management, controlling shareholders, actual controllers, and their related parties.
- b) The Audit Committee supervised the use and management of the Company's proceeds. In 2024, the Company strictly complied with relevant laws, regulations, and the Company's Proceeds Management System in the deposit, use and management of proceeds, with no violations identified.
- c) Review of the Company's connected/related party transactions: during the Reporting Period, the Audit Committee reviewed the Company's connected transactions for 2023 and the first half of 2024. It examined the necessity, reasonableness, and fairness of these transactions, continuously monitored the compliance of the deliberation and disclosure processes, and conducted a detailed review of each connected transaction. No instances were found where connected transactions harmed the interests of the Company or its shareholders.
- d) Supervision of the Company's external guarantees: during the Reporting Period, the Company did not engage in any form of external guarantees, nor were there any external guarantee matters from previous periods that continued into the Reporting Period. There were no external guarantees or cumulative guarantee matters during the Reporting Period.

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

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

#### 4) Work related to the 2024 annual audit and annual report preparation

In accordance with the Detailed Rules for the Audit Committee of the Board and the annual report work procedures of the Audit Committee, the members of the Audit Committee actively supported the Company's 2024 annual audit and annual report preparation efforts, including:

- (A) On 23 December 2024, members of the Audit Committee conducted pre-audit communication with the Company's auditors, finance department, and audit department through a combination of online and offline methods. They discussed the audit scope for the 2024 annual audit, the independence of the accounting firm and related auditors, key timelines, focal points of the annual report audit, and personnel arrangements, among other matters. The Audit Committee members listened to the auditors' presentation on the 2024 annual report audit and provided comments and suggestions.
- (B) On 26 February 2025, the Audit Committee reviewed the draft financial accounting report prepared by the Company and issued a written review opinion.
- (C) On 13 March 2025, the Company's Audit Committee held its first meeting of 2025, during which it reviewed and approved the full text and summary of the Company's 2024 Annual Report, the 2024 Financial Report, and the 2024 Internal Control Evaluation Report, among other proposals. The Audit Committee agreed to submit these documents to the Board for deliberation. Additionally, the Audit Committee summarized and evaluated the auditors' annual audit work, acknowledging that the auditors adhered to a rigorous, truthful, independent, and objective working attitude during the Company's 2024 annual audit. The auditors upheld professional ethics, followed auditing standards, fulfilled their audit responsibilities, submitted the audit report on time, and provided constructive management recommendations to the Company's management, successfully completing the audit work entrusted by the Company.

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

### (2) Strategic Development and Investment Committee

In February 2001, the Company established the Investment Management Committee, which was renamed as Strategic Development and Investment Committee as approved at the 4th Board meeting of the 4th session of the Board. Its principal responsibilities are to conduct research and issue recommendations on the long-term strategic development strategies and significant investment decisions of the Company and, with authorization from the Board, to examine and approve investment projects intended to be implemented by the Company. The Strategic Development and Investment Committee of the 9th session of the Board was established on 30 May 2023. As of the end of the Reporting Period and comprises Executive Director Mr. Yang Jun (chairperson of the Committee), Ms. Liu Juyan, Mr. Li Hong, independent non-executive Directors Mr. Chen Yajin and Ms. Sun Baoqing. As disclosed, Ms. Liu Juyan has resigned from her position as Executive Director and Member of the Strategic Development and Investment Committee of the 9th Board of Directors of our company on 21 January 2025. As of the date of this report, among all current members of the Strategic Development and Investment Committee, Mr. Yang Jun's term of office from the date of his appointments on 22 July 2024 up to the date on which members of the new session of the Board are elected; The term of office of the remaining members aforementioned committee members commenced from the date of their appointments on 30 May 2023 up to the date on which members of the new session of the Board are elected.

During the Reporting Period, the Strategic Development and Investment Committee had held 2 meetings and all the members attended each meeting. The Committee reviewed and deliberated on the following proposals: Bai Di Biological application for comprehensive credit facilities from financial institutions for the 2024 fiscal year and the 2024 donation budget for the Company and its subsidiaries.

### (3) Nomination and Remuneration Committee

In February 2002, the Company established the Remuneration Committee, which was renamed as Nomination and Remuneration Committee as approved at the 4th Board meeting of the 4th session of the Board. Its principal responsibilities are to review and make recommendations on the election standards and procedures for directors, general managers and other senior management; to identify suitably qualified candidates of directors and senior management, examine them and make recommendations; to make recommendations to the Board on the policy and structure for all remuneration of directors and senior management; to guide the Company to construct a reasonable remuneration standard and structure, and monitor the implementation of the remuneration system of the Company; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules of HKEX, etc.

The Nomination and Remuneration Committee of the 9th session of the Board was established on 30 May 2023. As of the end of the Reporting Period, comprises Mr. Huang Min (chairperson of the Committee), Mr. Yang Jun, Mr. Wu Changhai, Mr. Chen Yajin and Ms. Sun Baoqing. The members of the Nomination and Remuneration Committee, except for Mr. Chen Yajin and Ms. Sun Baoqing who are independent non-executive directors, are all executive directors. As the report disclosed, Mr. Wu Changhai has resigned from all positions of Executive Director of the 9th Board of Directors, member of the Nomination and Remuneration Committee of the Board on 14 February 2025. The terms of office of all current committee members commenced from the date of their appointments on 30 May 2023 up to the date on which members of the new session of the Board are elected.

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

### (3) **Nomination and Remuneration Committee** *(Continued)*

During the Reporting Period, the Nomination and Remuneration Committee held three meetings to review the proposals on the emoluments of Directors of the Company for year 2024, the proposal to nominate a candidate for the Chief Financial Officer of the Company, the proposal regarding the nomination of Mr. Li Xiaojun as a candidate for the executive director of the 9th session of the Board and the proposal on the fulfillment for emoluments of the Company's senior management for year 2024 and all the committee members had attended the meetings.

The Board has adopted a director nomination policy to set out the criteria and procedures for the nomination and appointment of directors and appointed Nomination and Remuneration Committee to propose the remuneration for executive directors and senior management to the Board. The Company has formulated the Diversification Policy for the Board Members ("Policy"), which was approved at the Board meeting held on 26 September 2013 and has been implemented. The Board reviews the implementation and effectiveness of the Policy annually. Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board has set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. To ensure the effective implementation of the Policy, the Nomination and Remuneration Committee will monitor and review the Policy on a continuing basis. In addition, in accordance with the Rules for the Implementation of the Nomination and Compensation Committee of the Board of Directors of the Company, Nomination and Remuneration Committee of the Company discusses the selection standard, procedures and methods of general manager and other senior management, and provides advises to the Board, with the consideration about the experience, knowledge, independence, gender diversity or other contribution and whether the candidates could perform the duties with enough time or not (especially director and general manager). The Company is of the view that the Company continues to promote the diversity of the Board and ensure the scientific and effective decision-making of the Board. As the end of the Reporting Period, the Company currently has 8 Directors, including 4 independent Directors and 2 female Directors, 2 of whom have professional backgrounds in finance and accounting, and 5 of whom have professional backgrounds in pharmaceuticals. The Board of the Company is currently gender diverse. And the current composition of the Board is diversified and balanced, and suitable for the business development of the Company.

The Company strictly abides by the Labor Law, Labor Contract Law and other laws and regulations, recruits employees according to job requirements, does not treat employees differently based on differences in education, religion, nationality, marriage, gender and diseases, and realizes the diversity of all employees from various aspects such as gender, age, cultural and educational background, professional experience, and skills. In the recruitment, the Group provides equal employment opportunities to candidates mainly based on their merits, skills and work experience. And provides equal career development and promotion opportunities for female employees. As of 31 December 2024, the Group had 12,031 female employees, accounting for 42.76%, among which, more than 800 employees in management and more than 50 employees in senior management are female. Among the directors, supervisors, and senior management, there are 6 female members, accounting for 37.5% of the total.

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



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

### (4) Budget Committee

In October 2007, the Company established the Budget Committee as approved at the 4th meeting of the 4th session of the Board. Its principal responsibilities are to provide guidance on the formulation of the budgeting plans and business objectives of the Company for the Year and to supervise and inspect on their implementations.

The Budget Committee of the 9th session of the Board was established on 30 May 2023. As the end of the Reporting Period, it comprises Mr. Chen Yajin (chairperson of the Committee), Mr. Huang Min, Mr. Wong Lung Tak Patrick and executive Director Ms. Cheng Ning. The term of office of the aforementioned committee members commenced from the date of their appointments on 30 May 2023 up to the date on which members of the new session of the Board are elected.

During the Reporting Period, the Budget Committee held one meeting to review the operational targets and annual budget of the Company for year 2024. All committee members had attended the meetings.

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

## 17. SUPERVISORY COMMITTEE

- (1) During the Reporting Period, the Supervisory Committee monitored the procedures for convening shareholders' general meeting and Board meetings and the resolutions proposed to be considered thereat, as well as the implementation by the Board of the resolutions passed at the shareholders' general meetings, and has no dissenting view on any reports and proposals submitted by the Board at shareholders' general meetings. The Supervisory Committee considered that during the Reporting Period the operations conducted by the Company were in compliance with the Companies Law, the Securities Law, the listing rules of the securities exchanges in the PRC and in Hong Kong, the Articles of Association and other relevant laws and regulations, and the Company has implemented the resolutions of the shareholders' general meetings of the Company diligently, continued to enhance the internal management and internal control systems of the Company, and has established a good internal management system. The Company's Directors and senior management have properly discharged their duties and have not committed any acts in breach of the laws and regulations, the Articles of Association, nor have they engaged in any acts jeopardizing the Company's interest or shareholder's interests.
- (2) During the Reporting Period, the Supervisory Committee held 5 meetings, all Supervisors had attended the meetings.
- (3) The Supervisory Committee has carefully reviewed the financial statements and other financial information of the Company during the Reporting Period, and considered that the Company's financial statements were fairly presented, the auditing and financial management were in line with the relevant regulations, and had not discovered any issues. The auditors issued their standard and unqualified auditor's reports after auditing the accounts of the Company for year 2024, which reflected an objective, true and fairview of the financial status and the operations results of the Company.
- (4) Description of any risks in the Company discovered by the Supervisors Committee of the Company

☐ Applicable    ☒ Not applicable



## 18. EMPLOYEES OF THE PARENT COMPANY AND THE MAJOR SUBSIDIARIES

### (1) Situation of the employees

Number of the employees of the parent company	2012
Number of the employees of the major subsidiaries	26,126
Total number of employees	28,138
Number of retired employees whose expenses should be undertaken by the parent company and major subsidiaries	9,395
Gross payroll of the Group	RMB3.792 billion

### Composition

Category constitution	Number of constitute staff
Production staff	5,655
Sales personnel	11,754
Technical staff	3,750
Finance staff	843
Administrative staff	6,136
Total	28,138

### Educational Level

	Number
Postgraduate	916
Undergraduate	10,734
University college	8,424
Secondary and below	8,064
Total	28,138

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

### (2) Remuneration policy

☒Applicable ☐Not applicable

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

### (3) Training plan

☒Applicable ☐Not applicable

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

### (4) Labour Outsourcing

☐Applicable ☒Not applicable

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

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

☒Applicable ☐Not applicable

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

During the Reporting Period, having considered factors such as profit, cash flow, investment, funding needs and shareholders' returns planning, etc., in conjunction with the relevant provisions of the Articles of Association relating to profit distribution, the management of the Company submitted the proposal in relation to the profit distribution and dividend payment for 2023 and the first half of 2024 to the Board. After the proposal on profit distribution and dividend payment for 2023 and the first half of 2024 were approved by the Directors and Supervisors, they were respectively submitted to the 2023 annual general meeting of shareholders of the Company and the second extraordinary general meeting in 2024 for consideration and was approved. The aforementioned dividends have been distributed.

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

### (2) Explanation of cash distribution policy

☒ Applicable ☐ Not applicable

Whether it conforms to the provisions of the Articles of Association or the requirements of the resolution of the general meeting of shareholders

☒ Yes ☐ No

Whether the standard and proportion of dividends is clear or not

☒ Yes ☐ No

Whether the relevant decision-making procedures and mechanisms are completed or not

☒ Yes ☐ No

Whether the independent directors perform with diligence or not, and contribute or not

☒ Yes ☐ No

Whether there are opportunities for minority shareholders to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected

☒ Yes ☐ No

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

Distribution year	Distribution for every 10 shares (inclusive of tax) (RMB)	Amount of profit distribution in cash (inclusive of tax) (RMB)	Net profit attributable to the shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	Proportion of payout distribution in the net profit attributable to the shareholders of the Company as showed in the consolidated financial statements (%)
2024 (contain the half)	8.00	1,300,632,759.20	2,835,496,163.51	45.87
2023	7.49	1,217,717,420.80	4,055,678,691.49	30.02
2022	7.32	1,190,078,974.67	3,966,522,218.54	30.00

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

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

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

☐Applicable ☒Not applicable

- (5) Plan of profit distribution and increase in share capital from capital reserve during the Reporting Period

☒Applicable ☐Not applicable

Number of bonus shares to be distributed for every 10 shares (shares)	0
Distribution for every 10 shares (RMB) (inclusive of tax)	4.00
Number of shares to be transferred into share capital for every 10 shares (shares)	0
Amount of profit distribution in cash (RMB) (inclusive of tax)	650,316,379.60
Net profit attributable to the ordinary shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	2,835,496,163.51
Proportion of net profit attributable to the ordinary shareholders of the Company as showed in the consolidated financial statements (%)	22.93
Amount of repurchase of shares in cash included in profit distribution in cash (RMB)	0
Total amount of profit distribution (RMB) (inclusive of tax)	650,316,379.60
Proportion of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated financial statements (%)	22.93

Notes:

- The Company distributed an interim cash dividend of RMB0.40 per share (tax inclusive) totaling RMB650 million for the first half of 2024. The proposed annual cash dividend for the full year 2024 is RMB1.301 billion, representing 45.87% of the net profit attributable to shareholders of the listed company in the consolidated financial statements.
- The Company plans to complete the distribution of the dividends mentioned above no later than the end of August 2025.

The aforesaid plan is pending approval at the 2024 annual general meeting of shareholders of the Company. The annual general meeting of the Company in 2024 will be convened by a combination of onsite registered vote and online voting, thereby ensuring that there are opportunities for minority shareholders to fully express their opinions and appeals and that their legitimate rights and interests are fully protected.

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

### (6) Cash Dividend Distribution in the Past Three Fiscal Years

Aggregate Cash Dividends (Tax Inclusive) for the Past Three Fiscal Years (1) (RMB)	3,708,429,154.67
Cumulative Share Repurchases and Cancellations for the Past Three Fiscal Years (2) (RMB)	0
Total Cash Dividends and Share Cancellations (3)=(1)+(2) (RMB)	3,708,429,154.67
Annualized Net Profit for the Past Three Fiscal Years (4) (RMB)	3,619,232,357.85
Cash Dividend Payout Ratio (%) (5)=(3)/(4)	102.46%
Net Profit Attributable to Common Shareholders of the Listed Company in the Most Recent Fiscal Year's Consolidated Financial Statements (RMB)	2,835,496,163.51
Retained Earnings at Year-End in the Parent Company's Financial Statements for the Most Recent Fiscal Year (RMB)	7,524,341,276.23

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

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

☐Applicable ☒Not applicable

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

Equity incentive

☐Applicable ☒Not applicable

Others

☐Applicable ☒Not applicable

Employee stock ownership plan

☐Applicable ☒Not applicable

Other incentives measures

☐Applicable ☒Not applicable

## 20. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACT *(Continued)*

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

☐Applicable ☒Not applicable

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

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

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

☒Applicable ☐Not applicable

The Company has always attached importance to the construction of internal control system, and constantly improve the internal control system. During the Reporting Period, the Company added and revised more than 20 systems, including compliance, personnel, labor union, procurement, scientific research management, disciplinary inspection commission and other aspects., and the subsidiaries further improved the process of internal control system, strengthened internal supervision and risk control. The Company organizes its subsidiaries to carry out self-evaluation of internal control to evaluate the design and implementation of the internal control system, which ensures the effective operation of the internal control system.

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

☐Applicable ☒Not applicable

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

☒Applicable ☐Not applicable

During the Reporting Period, all subsidiaries operated independently with autonomous management under the framework of the Group's overall strategic plan, business objectives, and standardized operational regulations. According to the rules of the system of internal control, the Company guides its subsidiaries to establish and improve the effective implementation of internal management control system, mainly including the financial report management system, budget management system, asset management system, guarantee management system, the debt financing management system, foreign investment management system, and information system management system, etc., covering financing activity, asset management, procurement, sales, production management, research and development, information systems management, contract management, and other high-risk areas, to evaluate the effectiveness periodically, ensure the operation and management of subsidiaries are legal and compliant as well as the asset security, financial reports and related information are true and complete, improve the efficiency and effectiveness of operation. According to the new situation and requirements, the Company revised the rules and regulations related to the management of each holding subsidiary.

The Company has been continuously improving its governance mechanism with the Articles of Association as the overarching framework, supported by the rules of procedure of the Party Committee, Board of Directors, Shareholders' General Meeting, and Executive Management Meeting, underpinned by core management systems, and featuring a transparent delineation of authority and responsibility. Oversight over the operations and major matters of subsidiaries is exercised through the appointment of directors, supervisors, and senior management.

## 23. AUDIT REPORT ON THE INTERNAL CONTROL

- (1) The assessment opinion of the audit firm: WUYIGE Certified Public Accountants LLP considered that as at 31 December 2024, the Group has maintained effective internal control in its financial reporting in all material aspects pursuant to the "Guidelines for Internal Control Standards" and relevant regulations.
- (2) WUYIGE Certified Public Accountants LLP has verified and evaluated the Group's internal control for the Year (full version is available on the website of the SSE).

Whether the audit report on internal control is disclosed: Yes

The type of opinion for the audit report on the internal control: Unqualified opinion

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

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

## 25. OTHERS

### (1) Significant Relationships with employees, customers, suppliers and others

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

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

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

The Company believes that effective communication with its shareholders is essential to foster investor relations and to enhance investors' understanding of the Group's business performance and strategies. The Company has reviewed the implementation of the Shareholders Communication Policy and found it to be effective. The Company has also developed the Investor Relations Management System to ensure good communication with shareholders. The Company endeavors to maintain an ongoing dialogue with its shareholders, and communicates with investors through multiple channels and at multiple levels with effective and convenient communication methods so that investors can express their opinions on matters affecting the Group. Specific methods include General Meeting of Shareholders, SSE E-Interactive Platform, investor relations hotline, special section of investor relations on the Company's official website, results presentations, email correspondence, roadshows, reverse roadshows, etc. During the current year, the Company held 3 results presentations and organized the 2024 Guangdong Region Investor Online Collective Reception Day and participated in 80 investor communication events including analyst meeting, one-on-one conferences and roadshows, and conducted receiving nearly 240 investors. The Company believes that the implementation and effectiveness of relevant systems during this year have been effective and enough.



# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS

Whether build relevant system of environmental protection Yes  
 Environmental protection cost during the Reporting Period Approximately RMB9.9 million

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

☒ Applicable ☐ Not applicable

#### (i) Drainage information

☒ Applicable ☐ Not applicable

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 monitored pollutants are waste gas or wastewater.

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Pollutant emission standards implemented (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City	3.00	"Integrated Emission Standard for Air Pollutants", ≤50	0.12	-	None
	Nitrogen oxides	Intermittently	1		30.5	"Integrated Emission Standard for Air Pollutants", ≤200	1.24	-	None
	Particulate matter (smoke dust)	Intermittently	5		1.00	"Integrated Emission Standard for Air Pollutants", ≤30	0.04	-	None
	Total VOCs	Intermittently	6		3.60	"Integrated Emission Standard for Air Pollutants", ≤120	0.64	-	None
	COD	Discharge after treatment	1		95.27	"Integrated Wastewater Discharge Standard (III-class criteria)" ≤500	13.27	-	None
He Ji Gong (factory in Liwan district)	COD	Discharge after treatment	1	No. 49 Liwan Road, Liwan District, Guangzhou City	23.5	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.94	-	None

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Pollutant emission standards implemented (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Baiyunshan General Factory	Chemical oxygen demand	Intermittently	1	No. 88 Yunxiang Road, Tonghe Street, Baiyun District, Guangzhou City	21.00	"Wastewater Discharge Limits" DB44/26-2001	4.32	-	None
	Total nitrogen	Intermittently	1		8.14	"Wastewater Discharge Limits" DB44/26-2001	1.68	-	None
	Ammonia nitrogen	Intermittently	1		1.08	"Wastewater Discharge Limits" DB44/26-2001	0.22	-	None
	Total phosphorus	Intermittently	1		0.47	"Wastewater Discharge Limits" DB44/26-2001	0.10	-	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	0.08	-	None
	Nitrogen oxide	Discharge after treatment	1		34.08	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤200	1.57	-	None
	Particulate matter (smoke dust)	Discharge after treatment	3		2.5	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤20	0.62	-	None
	Total VOCs	Discharge after treatment	9		0.37	"Emission Standard for Air Pollutants of Pharmaceutical Industry"(GB37823-2019) ≤150	0.15	-	None
	COD	Discharge after treatment	1		115.45	"Wastewater Discharge Limits" (DB44/26-2001) ≤500	4.64	-	None
	Ammonia nitrogen	Discharge after treatment	1		3.27	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-2015" ≤45	0.26	-	None
Xing Qun	COD	Discharge after treatment	1	No. 162 Nanzhou Road, Haizhu District, Guangzhou City	239.11	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T31962-2015"	18.3	-	None
	Ammonia nitrogen	Discharge after treatment	1		3.26	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-2015"	0.24	-	None

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Company name	Names of major pollutants and characteristic pollutants	Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Pollutant emission standards implemented (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Bai Di Biological	COD	Discharge after treatment	1	No.1 Wanbao North Street, Panyu District, Guangzhou City	18.94	"Waste Water Discharge Standard of Medical Institution" 250mg/l "	0.410	569.35	None
	NH3-N	Discharge after treatment	1		1.15	"Waste Water Discharge Standard of Medical Institution" (no limits for concentration)	0.02	102.48	None
Ming Xing	COD	Discharge after treatment	1	No.48 Industry Avenue North, Haizhu District, Guangzhou City	81.35	"Integrated Wastewater Discharge Standard (III-class criteria)" 500mg/l	4.96	-	None
	Ammonia nitrogen	Discharge after treatment	1		1.22	"Integrated Wastewater Discharge Standard (III-class criteria)" 450mg/l	0.08	-	None
Tian Xin	COD	Discharge after treatment	1	No.808 Bingjiang East Road, Haizhu District, Guangzhou City	36.35	"Integrated Wastewater Discharge Standard (III-class criteria)"	6.32	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.39	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.07	-	None
Guang Hua	COD	Discharge after treatment	1	No.1 Nanshi Road, Haizhu District, Guangzhou City	42	"Integrated Wastewater Discharge Standard (III-class criteria)"	1.26	-	None
	Ammonia nitrogen	Discharge after treatment	1		7.29	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.22	-	None
	Particulate matter	Intermittently	1		4.3	"Integrated Emission Standard for Air Pollutants", ≤20	0.01	-	None
	Nitrogen oxide	Intermittently	1		23.95	"Integrated Emission Standard for Air Pollutants", ≤50	0.06	-	None
	Volatile organic compounds(VOCs)	Discharge after treatment	4		6.23	"Integrated Emission Standard for Air Pollutants", ≤150	15.10	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province	62.80	"Integrated Wastewater Discharge Standard (III-class criteria)"	1.80	4.60	None

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

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

✓ Applicable    ☐ Not applicable

The Company's branches and subsidiaries carried out various pollution preventive facilities and measures to ensure that the emission of exhaust gas did not exceed the permitted limit and strictly observed the relevant requirements under the "Integrated Emission Standard for Air Pollutants" ("大氣污染物綜合排放標準") and "Integrated Wastewater Discharge Standard (III-class criteria)" ("污水綜合排放標準(三級標準)"). Details of the pollution preventive facilities and measures undertaken by the enterprises and their implementations (waste gas) are as follows:

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m³/h)
Pharmaceutical Factory Chemical	Sewage treatment facility tail gas treatment system DA008 (6#)	2018.02	Odor, VOCs	Washing + biofilter	3,895
	202 production waste gas treatment facility DA010 (7#)	2007.10	Particulate matter, VOCs	Bag-type dust collecting + lye spray+ activated carbon adsorption	3,672
	205 cephalosporin sterile APIs production waste gas treatment facility DA004 (5#)	2009.06	VOCs	Condensation + absorber recovery	360
	203 oral APIs production waste gas treatment facility DA003 (9#)	2014.10	VOCs, sulfuric acid mist	Condensation + lye spray	714
	205 oral cephalosporin APIs production acidic organic gas treatment facility DA001 (11#)	2016.01	VOCs, Hydrochloride	Lye spray + photo catalytic oxidation	2,579
	205 oral cephalosporin APIs production dust and waste gas treatment facility DA002 (10#)	2016.01	Particulate matter	Cellulose filter cylinder filtration	5,350
	203 oral raw medicine production dust and waste gas treatment facility DA009 (8#)	2014.10	Particulate matter	Cellulose filter cylinder filtration	4,870
	205 cephalosporin sterile raw medicine production dust treatment facility DA007 (2#)	2009.06	Particulate matter	Cellulose filter cylinder filtration	7,205
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11	VOCs	Dichloromethane: water spray + L2 T-HPs resin adsorption method	3,000
				Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	2,200
	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	AO Process	40

# Environmental and Social Responsibility

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

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

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
He Ji Gong (factory in Liwan district)	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Contact biochemistry	25
Baiyunshan General Factory	West District Sewage Station	2000.08	COD, total nitrogen, ammonia nitrogen, total phosphorus	AO Process	1,200
Baiyunshan Han Fang	5th plant VOCs process organic waste gas treatment facilities (TA001)	2020.11	Benzene, VOCs, total non-methane hydrocarbons	Condensation recover + lye spray + UV photolysis+activated carbon adsorption	6,000
	5th plant VOCs process organic waste gas treatment facilities (TA002)	2020.11	Benzene, VOCs, total non-methane hydrocarbons	Condensation recover + lye spray + UV+activated carbon adsorption	12,000
	11th plant VOCs process organic waste gas treatment facilities (TA003)	2020.07	Particulate matter, VOCs, total non-methane hydrocarbons, acetone	Condensation recover + water spray	2,000
	11th plant VOCs process organic waste gas treatment facilities (TA004)	2020.11	VOCs, total non-methane hydrocarbons, acetone	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 adsorption	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

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
	Spore oil pretreatment waste gas treatment facilities(TA012)	2024.05	Particulate matter, odor concentration	Filter dust collector	8,000
	11th plant VOCs process organic waste gas treatment facilities (TA013)	2024.05	VOCs, total non- methane hydrocarbons, acetone	Condensation recover + water spray	39,000
	Sewage Treatment Station	2005.09	pH value, total phosphorus (measured in P), suspended solids, Ammonia nitrogen (NH3-N), 5-day BOD, chemical oxygen demand, total nitrogen (measured inN), total organic carbon, acute toxicity, total cyanide, animal and plant oil, chroma	Second order anaerobic + third order aerobic + third order precipitation	360
Xing Qun	Sewage treatment station	2003.06	COD, ammonia nitrogen	Biochemical treatment process	20
Bai Di Biological	Sewage treatment station	2005.09	COD, ammonia nitrogen	Aerobic biological method	120
Ming Xing	Sewage treatment station DW001	1995.12	COD, ammonia nitrogen	AO Process	400 (ton/day)
	Laboratory waste gas treatment tower DA002	2020.09	Laboratory gas	Medicine + spray	22,500
	Sewage treatment station and waste gas treatment tower DA003	2014.08	Stench	Biological method + spray	2,600
	Air purification tower DA004	2015.09	Hydrolyzedodor	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	Air purification tower DA008	2023.11	Fenton treatment pool waste gas	Medicine + spray + activated carbon adsorption	14,734-21,204
	Sewage treatment station discharge Port TW001	2002.03	COD, ammonia nitrogen	SBR Process (interval)	1,200

# Environmental and Social Responsibility

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

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

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Guang Hua	Treatment facilities of the water spray tower in the preparation workshop of Building 1-01 (room1521, 1522, 1523) DA002	2020.5	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 (room1325, 1519, 1616, 1617) DA003	2020.5	VOCs	Absorption + shunt	24,400
	Water spray tower treatment facilities of cephalosporin workshop, Building 3-05 (room 3409) DA004	2020.5	VOCs	Absorption + shunt	8,000
	Water spray tower treatment facilities of cephalosporin workshop, Building 4-06 (room 4337 and 4328) DA005	2020.5	VOCs	Absorption + shunt	25,000
	Sewage treatment station	2015.09	COD	A/O Process	200 (ton/day)
WLI Ya'an Company	Sewage treatment station	2015.09	COD, ammonia nitrogen	A/O Process	40
Weiling	Sewage treatment station	2016.06	COD, ammonia nitrogen	A/O Process	40

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

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

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

☒ Applicable   ☐ Not applicable

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

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

#### (iv) 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.

#### (v) Environmental self-monitoring program

☒ Applicable   ☐ Not applicable

Each key sewage-discharging entity of the Company has developed an 'Environmental Self-Monitoring Program' and strictly conducts daily monitoring in accordance with the program, with the results being disclosed to the public. Additionally, these entities have entered into 'Environmental Monitoring Technology and Service Agreements' with a qualified third-party monitoring authority, which holds the necessary qualifications. Under these agreements, the third-party authority is entrusted to conduct independent testing of the sewage, waste gas, and noise discharged by each plant, in compliance with environmental protection and regulatory requirements, and to provide the corresponding testing reports.

#### (vi) Administrative penalties imposed due to environmental problems during the Reporting Period

☐ Applicable   ☒ Not applicable

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

☐ Applicable   ☒ Not applicable



# Environmental and Social Responsibility

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

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

☒ Applicable   ☐ Not applicable

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

#### (i) Receiving administrative penalties due to environmental problems

☐ Applicable   ☒ Not applicable

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

☒ Applicable   ☐ Not applicable

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

#### (iii) Reasons for environmental information which were undisclosed

☐ Applicable   ☒ Not applicable

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

☒ Applicable   ☐ Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Group 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 researches on planting technology on medicinal herbs, quality seedlings and quality traceability on Chinese medicinal herbs to promote biodiversity conservation. The Company actively advocates the concept of environmental protection, contributes to the green development of the whole society, and strives to promote the development of green economy, low-carbon economy and circular economy.

# Environmental and Social Responsibility

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

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

Whether take any measures to reduce carbon emissions

Yes

Equivalent of reduced carbon dioxide emissions (tons)

—

Type of reducing carbon emissions methods (e.g. using clean energy to generate electricity, using carbon reduction technologies in the production process, and developing and producing new products that contribute to carbon reduction)

The Group uses clean energy as combustion medium for boilers. In recent years, boiler equipment has been upgraded with low-nitrogen transformation and hot water recycling technologies to ensure green emissions. In terms of electrical energy usage, the layout is designed according to the application of photovoltaic green energy. For waste management, full consideration is given to resource recovery, reduction, and harmless treatment to ensure compliant disposal.

Specific explanation

☐ Applicable ☒ Not applicable

## 2. WORK ON SOCIAL RESPONSIBILITIES

### (1) Whether to issue a standalone social responsibility report, sustainability report, or ESG report

☒ Applicable ☐ Not applicable

The Company has complied with the requirements set forth in the the Notice on Proper Preparation of the 2024 Annual Report by Listed Companies issued by the SSE, the rules under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Appendix C2 to the Listing Rules of the HKEX, and prepared the 2024 Sustainability Report, which was published on both the SSE and HKEX websites on the same day as this annual report.

# Environmental and Social Responsibility

## 2. WORK ON SOCIAL RESPONSIBILITIES *(Continued)*

### (2) Situation of social responsibility report

☒ Applicable   ☐ Not applicable

External donation/ Public welfare projects	Amount/Content	Explanations
Total amount (RMB'0,000)	1,729.94	/
Include: cash (RMB'0,000)	933.58	/
Value of goods and materials (RMB'0,000)	796.36	Mainly included drugs, great healthy products, etc.
Number of people benefited (persons)	/	/
Specific explanation		
<input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not applicable		

## 3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION

☒ Applicable   ☐ Not applicable

Poverty-alleviation and rural revitalization projects	Amount/Content	Explanations
Total amount (RMB'0,000)	541.73	/
Include: cash (RMB'0,000)	416.08	/
Value of goods and materials (RMB'0,000)	125.65	Mainly included consumption poverty alleviation and donations of materials
Number of people benefited (persons)	/	/
Form of poverty-alleviation (e.g. industry poverty-alleviation, employment poverty-alleviation, education poverty-alleviation and etc.)	Poverty alleviation by industry, education, and consumption, rural governance, and safeguard of people's livelihood	/

## 3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION *(Continued)*

Specific explanation

☒ Applicable   ☐ Not applicable

During the Reporting Period, the Group continued to advance efforts in consolidating and expanding achievements in poverty alleviation, promoting rural revitalization, and other related initiatives, as detailed below:

- (I) Providing paired assistance to Nanxing Town in Leizhou City, Zhanjiang: the Group provided books and multimedia equipment to Nanxing Middle School, supported the Green Beauty and Fitness Park projects in Nanxing Town, and donated RMB400,000 to fund the preparation of the Bauhinia Variegata Expansion Project. This initiative aims to increase the planting area by 100 acres, thereby further expanding the industrial scale.
- (II) The Group donated RMB1 million to support the construction of solar streetlights, road paving, and the development of a convenient service center in Sandu County, Qiannan Autonomous Prefecture, Guizhou Province. Additionally, the Group contributed over RMB1.2 million to fund the reconstruction of water diversion projects and irrigation channels, as well as the improvement of rural housing aesthetics in Taiping Town, Conghua District, Guangzhou City. Furthermore, the Group contributed RMB150,000 to upgrade the TCM science popularization base at Zhongluotan Town Health Center in Baiyun District and provided health gift packages to Guangzhou's dispatched personnel.
- (III) Leveraging the advantages of the TCM industry and focusing on herbal medicine cultivation, the Group initiated herbal medicine planting projects in Zhanjiang, Meizhou, Qingyuan, Xinjiang, and other regions, with technical guidance and targeted procurement measures to effectively promote local agricultural development and increase farmers' income.
- (IV) The Group undertook the task of developing the Guangdong lychee industry, investing in the construction of two major lychee processing facilities namely the Guangyao Wang Lao Ji Guangdong Lychee (Maoming) Industrial Park in western Guangdong and the Guangyao Wang Lao Ji Guangdong Lychee (Shantou) Industrial Park in eastern Guangdong. Above initiatives deepened the industrial layout for lychee production and have led to the launch of the first premium lychee deep-processing brand, "Li Xiao Ji" ("荔小吉").
- (V) The Group implemented the assistance arrangements for Meizhou and Yongding, Longyan. The Group established several key facilities, including the Wang Lao Ji Health Industry Meizhou Extract Base, the Cai Zhi Lin Meizhou Traditional Chinese Medicine Industrialization Base, and the Guangyao Wang Lao Ji (Longyan) Industrial Park (Yongding) Production Base, to support local health industry development, create a sustainable assistance mechanism and drive continuous economic growth in the region.
- (VI) The Group promoted collaboration between eastern and western regions and advanced rural revitalization efforts. The Group has established key projects to support industrial development in Guizhou including the Guangyao Wang Lao Ji Ci Ning Ji Guizhou Qiannan Production Base and the Guangyao Wang Lao Ji (Bijie) Company (廣藥王老吉畢節公司) which serve as crucial components in assisting the development of Guizhou's industries and contributing to rural revitalization.

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS

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

✓ Applicable    ☐ Not applicable

#### (i) Independence of listed company

Item	Content
Background of undertakings	Undertakings related to the Material Assets Reorganization in 2013
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>After completion of the Material Assets Reorganization in 2013, GPLH, the controlling shareholder of the Company, will comply with the requirements of relevant laws and regulations, regulatory documents and the articles of association of GPC, and exercise shareholder's right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organisation and business.</li> <li>The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li> </ol>
Time 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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (ii) Avoiding competition

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (iii) Regulating connected transactions

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (iv) Undertakings related to properties with legal defects

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



## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

#### (v) Undertakings related to trademarks

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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012
Valid period for performance	No
Period of the undertaking	The undertaking remains valid until it has been fully performed
Whether timely and strictly performed	<p>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 disputes of red can decoration.</p> <p>As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of Wang Lao Ji trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.</p>
Compliance or not	Yes
Remarks	On 16 August 2017, the Supreme People's Court of the PRC announced the judgment on the case of "disputes over red can decoration", and the judgment is final. On the same day, GPLH and WLJ Great Health, the Company's wholly-owned subsidiary, received the relevant civil judgment of the Supreme People's Court of the PRC on the case of "dispute over red can decoration" (For details, please refer to the Announcement of the Final Judgement on the case of "dispute over WangLaoJi Red Can Decoration" of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPLH's undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPLH to transfer "Wang Lao Ji" series trademarks to the Company had been satisfied.

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

##### Item

##### Content

On 27 December 2018, the resolution regarding the proposal on purchasing trademarks in cash and the relevant agreements and connected transactions was considered and approved at the 18th meeting of the seventh session of the Board of the Company, by using the appraised value as the pricing basis, which was determined in the Assets Evaluation Report on Proposed Transfer of Trademarks by Guangzhou Pharmaceutical Holdings Limited Involving the 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by GPL, the controlling shareholder (including trademarks already registered in the PRC and other countries or regions and trademarks under application and pending for approval) in cash, and signed the Agreement on Acquisition of Trademarks in Cash between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited and the Profit Compensation Agreement between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited. The acquisition was considered and passed at the first extraordinary general meeting in 2019 held on 28 March 2019. On 30 April 2019, the Company has entered into the Confirmation of the Delivery of Assets for the Transfer of Wang Lao Ji Series Trademarks with GPL, in accordance with which the involving assets of the "Wang Lao Ji" series trademarks had been delivered.

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
	<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. 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>

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (vi) 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 undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company ("the Enterprise")
Undertakings	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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 NEEQ.</li> </ol>

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (vi) 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
4.	<p>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:</p> <ol style="list-style-type: none"> <li>(1) The procedures for abstention from voting on connected transactions at the meetings of the board of directors of GP Corp.;</li> <li>(2) The procedures for abstention from voting on connected transactions at the meetings of the supervisory committee of GP Corp.;</li> <li>(3) The procedures for abstention from voting on connected transactions at the general meeting of shareholders of GP Corp..</li> </ol> <p>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.</p>
Time and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (vii) 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 undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company
Undertakings	<ol style="list-style-type: none"> <li>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.</li> <li>During the period as the controlling shareholders of GP Corp., it 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.</li> <li>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;</li> </ol>

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (vii) 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
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.
Time and period of the undertaking	The undertaking was given on 10 May 2024
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

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (viii) 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 undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company
Undertakings	<ol style="list-style-type: none"> <li>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;</li> <li>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.</li> </ol>
Time and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (ix) The undertaking made by the controlling shareholders of the Company in relation to resolving title defects

Item	Content
Background of undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The controlling shareholder of the Company
Undertakings	<ol style="list-style-type: none"> <li>It 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 shareholder of the Company in accordance with relevant national laws and regulations.</li> <li>As of the date of issuance of this undertaking letter, no dispute or conflict has arisen between the controlling shareholder 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 nor liable for any losses arising from the properties. There has been no transfer of interests or other similar arrangements involving related parties between the controlling shareholders of the Company and GP Corp.</li> </ol>
Time and period of the undertaking	The undertaking was given on 14 March 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

- (x) 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 undertakings	The undertaking related to the application of GP Corp., a holding subsidiary, for listing on the NEEQ
Party given the undertaking	The Company and the controlling shareholder of the Company
Undertakings	<ol style="list-style-type: none"> <li>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.</li> <li>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"> <li>(1) to disclose the detailed reasons for failing or being unable to perform timely its undertakings by the enterprise or relevant responsible parties in a timely manner.</li> <li>(2) to make lawful, reasonable, and valid supplementary undertakings, alternative undertakings, or corresponding remedial measures in a timely manner.</li> <li>(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.</li> <li>(4) if the continuing performance of such breached undertakings is possible, the Enterprise shall continue to do so.</li> </ol> </li> </ol>

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
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:
(1)	to timely and adequately disclose the detailed reasons for failing, being unable to perform, or being unable to perform as scheduled, its undertakings by the Enterprise;
(2)	to make supplementary or alternative undertakings to the investors to protect the investors' interests as much as possible.
Time and period of the undertaking	The undertaking was given on 10 May 2024
Valid period for performance	N/A
Period of the undertaking	Valid permanently
Whether timely and strictly performed	Being performed
Compliance or not	Yes
Except as stated above, there are no outstanding undertakings that require specific disclosure.	

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

☐ Reached   ☐ Not reached   ☒ Not applicable

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Name of shareholders or related parties	Relationships	Occupation time	Reasons remuneration	Balance at the beginning of the period (RMB'000)	New occupied amount during the Reporting Period (RMB'000)	Total repaid amount during the Reporting Period (RMB'000)	Balance at the end of the period (RMB'000)	Balance as at the date of disclosure of annual report (RMB'000)	Expected repayment method	Expected repayment (RMB'000)	Expected repayment time
HWBYS	Joint venture	1-2 years	Dividends	61,264	78,805	138,569	1,500	1,500	Cash Payment	1,500	-
Proportion of total amount at the end of the Reporting Period to the latest audited net assets											0.00%
Decision-making process of controlling shareholders or other related parties for non-operational occupied funds											-
Reasons for the occupation of non-operational funds by new controlling shareholders and other related parties, the investigation of responsible persons and the explanation of the measures proposed and taken by the Board of Directors											-
Reasons for the investigation of responsible persons and explanation of the measures proposed and taken by the Board of Directors for failure to repay the occupied non-operational funds as planned											-
Auditors' opinions of certified public accountants on occupation of funds (if any)											-
Reasons for inconsistency between non-operational funds occupied by controlling shareholders and other related parties disclosed in the annual report and special audit opinions (if any)											-

### 3. VIOLATION OF GUARANTEE

☐ Applicable ☒ Not applicable

### 4. EXPLANATION GIVEN BY THE BOARD ON THE "QUALIFIED AUDITOR'S REPORT" ISSUED BY THE AUDITORS

☐ Applicable ☒ Not applicable

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

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

☒ Applicable ☐ Not applicable

The implementation of the aforementioned accounting policies by the Company has not had a significant impact on the current and prior period's owner's equity and net profit. For specific details, please refer to the financial statement notes under "III. (35) Changes in Significant Accounting Policies and Estimates," specifically item 1, which discusses the execution of newly revised significant accounting policies.

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

☐ Applicable ☒ Not applicable

#### (3) Communication with former accounting firm

☐ Applicable ☒ Not applicable

#### (4) Approval procedure and others

☐ Applicable ☒ Not applicable

## 6. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS

	Original appointment	Current appointment
Name of the domestic Certified Public Accountants	WUYIGE Certified Public Accountant LLP	WUYIGE Certified Public Accountant LLP
Total remuneration of the domestic Certified Public Accountants (RMB'000)	2,890	3,070
Term of office of the domestic Certified Public Accountants	3	3
Name of the certified public accountants of the domestic Certified Public Accountants	He Xiaojuan and Xia Ling	He Xiaojuan and Xia Ling
Accumulated term of office of the certified public accountants of the domestic Certified Public Accountants	3	3
	<b>Name</b>	<b>Remuneration (RMB'000)</b>
Internal control audit Certified Public Accountants	WUYIGE Certified Public Accountant LLP	400

During the Reporting Period, WUYIGE Certified Public Accountant LLP did not provide material non-audit services to the Company and the Company did not offer any material payment to the auditor for non-audit services. In the past three years, the Company's auditor has not changed.

### Explanatory notes on the appointment and dismissal of auditors

☒ Applicable   ☐ Not applicable

As considered and approved at the 2nd meeting of the Audit Committee in 2024, the 10th meeting of the ninth session of the Board, 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. The said matter was approved at the annual general meeting of shareholders of the Company in 2023 convened on 30 May 2024.

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

☐ Applicable   ☒ Not applicable

### Explanatory on the reduction of audit fees by more than 20% (including 20%) over the previous year

☐ Applicable   ☒ Not applicable

## 7. RISK OF FACING SUSPENSION OF LISTING

### (1) Reasons for the risk of potential delisting

☐ Applicable ☒ Not applicable

### (2) The proposed response measures

☐ Applicable ☒ Not applicable

### (3) The circumstances and reasons for the potential delisting

☐ Applicable ☒ Not applicable

## 8. MATTERS RELEVANT TO WINDING UP AND SCHEME OF ARRANGEMENT

☐ Applicable ☒ Not applicable

## 9. MATERIAL LITIGATION AND ARBITRATION MATTERS

☐ The Company had been engaged in significant litigation or arbitration during the Year

☒ The Company had not been engaged in any significant litigation or arbitration during the Year

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

### (3) Other explanations

☐ Applicable ☒ Not applicable

## 10. INFORMATION REGARDING SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS, PENALTIES, AND RECTIFICATION OR REFORM ACTIONS PERTAINING TO THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND ACTUAL CONTROLLERS

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable



## 12. CONNECTED TRANSACTIONS

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

- (i) Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐ Applicable ☒ Not applicable

- (ii) Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☒ Applicable ☐ Not applicable

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	140,428	0.22	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	121,222	0.19	Cash
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	5,354	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Purchase of goods	Medicinal material or medicine	Market price	3,931	0.01	Cash
<b>Subtotal</b>					<b>270,935</b>		
HWBYS	Joint venture	Purchase of goods	Other goods	Market price	516	0.00	Cash
Bencao Craft Brewery Company	Controlled by the same parent company	Purchase of goods	Other goods	Market price	114	0.00	Cash
<b>Subtotal</b>					<b>630</b>		

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Acceptance of service	Publicity fee	Market price	29,631	3.18	Cash
Hua Cheng	Controlled by the same parent company	Acceptance of service	Publicity fee	Market price	108	0.01	Cash
Baiyunshan Yi Xin Tang	Associates	Acceptance of service	Publicity fee	Market price	48	0.01	Cash
<b>Subtotal</b>					<b>29,787</b>		
GP Capital	Controlled by the same parent company	Acceptance of service	Funds services	Market price	5,474	0.59	Cash
<b>Subtotal</b>					<b>5,474</b>		
HWBYS	Joint venture	Acceptance of service	Consigned processing	Market price	24,110	12.87	Cash
Baiyunshan Cultural Company	Controlled by the same parent company	Acceptance of service	Consigned processing	Market price	273	0.15	Cash
<b>Subtotal</b>					<b>24,383</b>		
<b>Total</b>					<b>331,209</b>		

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	134,004	0.18	Cash
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Medicinal material or medicine	Market price	107,437	0.14	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	101,707	0.14	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	1,175	0.00	Cash
<b>Subtotal</b>					<b>344,323</b>		
HWBYS	Joint venture	Sales of goods	Other goods	Market price	1,056	0.00	Cash
GPHL	Parent company	Sales of goods	Other goods	Market price	336	0.00	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Sales of goods	Other goods	Market price	259	0.00	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Other goods	Market price	129	0.00	Cash
Bencao Craft Brewery Company	Controlled by the same parent company	Sales of goods	Other goods	Market price	95	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Other goods	Market price	17	0.00	Cash
Baiyunshan Yi Xin Tang	Associates	Sales of goods	Other goods	Market price	(421)	(0.00)	Cash
<b>Subtotal</b>					<b>1,471</b>		

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Rendering of service	Advertising agency service	Market price	35,466	57.26	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Advertising agency service	Market price	9,391	15.16	Cash
GPHL	Parent company	Provision of Labour Services	Advertising agency service	Market price	378	0.61	Cash
Baiyunshan Cultural Company	Controlled by the same parent company	Provision of Labour Services	Advertising agency service	Market price	216	0.35	Cash
Baxter Qiao Guang	Joint venture	Provision of Labour Services	Advertising agency service	Market price	9	0.02	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Consigned processing	Market price	13,482	7.19	Cash
HWBYS	Joint venture	Provision of Labour Services	Consigned processing	Market price	13,126	7.01	Cash
HWBYS	Joint venture	Provision of Labour Services	Research and development services	Market price	1,630	5.47	Cash
Baxter Qiao Guang	Joint venture	Provision of Labour Services	Other services	Market price	3,618	0.39	Cash
HWBYS	Joint venture	Provision of Labour Services	Other services	Market price	585	0.06	Cash
Hua Cheng	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	434	0.05	Cash
GPHL	Parent company	Provision of Labour Services	Other services	Market price	54	0.01	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	367	0.04	Cash

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baiyunshan Cultural Company	Controlled by the same parent company	Provision of Labour Services	Other services	Market price	12	0.00	Cash
<b>Subtotal</b>					<b>78,768</b>		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	744	39.40	Cash
HWBYS	Joint venture	Providing patents, trademarks, etc.	Trademark use rights	Agreement price	343	18.19	Cash
GPHL	Parent company	Others	Assets leased from related parties	Agreement price	16,635	5.39	Cash
HWBYS	Joint venture	Others	Assets leased from related parties	Agreement price	5,446	1.76	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased from related parties	Agreement price	6	0.00	Cash
<b>Subtotal</b>					<b>23,174</b>		

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB'000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baxter Qiao Guang	Joint venture	Others	Assets leased to related parties	Agreement price	3,705	4.67	Cash
GPHL	Parent company	Others	Assets leased to related parties	Agreement price	428	0.54	Cash
Baiyunshan Yi Xin Tang	Associates	Others	Assets leased to related parties	Agreement price	215	0.27	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	182	0.23	Cash
HWBYS	Joint venture	Others	Assets leased to related parties	Agreement price	116	0.15	Cash
Baiyunshan Cultural Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	37	0.05	Cash
<b>Subtotal</b>					<b>4,683</b>		
<b>Total</b>					<b>452,419</b>		

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

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

#### (iii) Matters which were not disclosed in temporary announcements

☐ Applicable    ☒ Not applicable

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

On 28 December 2023, the Group and GPHL entered into a continuing connected transaction agreement (the "Agreement"), with a term of two years, commencing on 1 January 2024 and ending on 31 December 2025. Under the Agreement, the Group will undertake the following transactions (the "Transactions"):

- (i) purchase of medicinal materials, drugs and other merchandise from GPHL and its subsidiaries by the Group ("Purchase Transactions");
- (ii) sale of products, raw and auxiliary materials and other merchandise to GPHL and its subsidiaries by the Group ("Sales Transactions");
- (iii) provision of services (advertising, research and development, exhibition, management services, etc.) by the Group to GPHL and its subsidiaries ("Provision of Labour Services");
- (iv) acceptance of labour services (advertising, research and development, exhibition, management services, etc.) from GPHL and its subsidiaries by the Group ("Acceptance of Labour Services");
- (v) provision of processing services by GPHL and its subsidiaries entrusted by the Group ("Entrusted Processing");
- (vi) the Group accepts entrustment from GPHL and its subsidiaries to provide them with processing service ("Acceptance of Entrusted Processing");
- (vii) grant of licence for the use of trademarks/trade names to GPHL and its subsidiaries by the Group ("Use of Trademarks Under Licence");
- (viii) leasing of properties and/or equipment by GPHL and its subsidiaries to the Group ("Leasing Asset From GPHL"); and
- (ix) leasing of properties and/or equipment by the Group to GPHL and its subsidiaries ("Leasing Asset to GPHL").

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

- (iv) According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period: *(Continued)*

The terms of the Transactions shall be determined with reference to the then prevailing market prices of similar transactions entered into between the independent third parties and the Group or GPLH and its subsidiaries and shall be on normal commercial terms or terms no less favourable to the Group than terms available to/or from independent third parties at the then time. The prevailing market prices under specific contracts entered into between the Group and GPLH and its subsidiaries for various such transactions shall be determined based on the prices of similar transactions conducted by the Group with independent third parties in China (or provided to independent third parties) on an arm's length basis, pursuant to general commercial terms and in the ordinary course of the Group's business. For more detailed pricing principles of these Transactions, please refer to the Company's announcement dated 28 December 2023. In setting the prices and terms for each individual continuing connected transaction during the relevant financial year, the Group has adhered to the applicable pricing policies.

On 29 November 2024, the Board reviewed and evaluated the continuing connected transactions under the Agreement and anticipated that the actual transaction amounts for the Sales Transactions, Provision of Labour Services, Leasing Assets to GPLH, and Leasing Assets from GPLH would exceed the original projections made at the time the Agreement was entered into. As a result, the Company entered into a supplemental agreement ("Supplemental Agreement") with GPLH, revising the annual cap for the year ending 31 December 2025 for the Sales Transactions and Leasing Assets from GPLH, as well as the annual caps for the two years ending 31 December 2025 for the Provision of Labour Services and Leasing Assets to GPLH under the Agreement. Except as disclosed herein, all other terms and conditions under the Agreement shall remain unchanged. Please refer to the Company's announcement dated 19 November 2024 for further details.

As disclosed above, GPLH is the controlling shareholder of the Company, holding 45.04% of the Company's shares, and is therefore considered a connected person of the Company. Accordingly, the execution of the Agreement, its Supplemental Agreement, and the transactions conducted thereunder constitute continuing connected transactions of the Company under the Listing Rules of HKEX.

The Board believes that these transactions are mutually beneficial to both the Group and GPLH and can bring commercial benefits to the Company and the Group as a whole. The execution of the Agreement and the Supplemental Agreement will facilitate the growth of the Group's business.



## 12. CONNECTED TRANSACTIONS *(Continued)*

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

- (iv) According to Chapter 14A of the Listing Rules of HKEX, the Group conducted the following continuing connected transactions during the Reporting Period: *(Continued)*

The Board believed that the Transactions have been conducted in accordance with the terms of relevant agreements or contracts governing the transactions. The Directors confirm that the caps for the purchase and sale of finished goods and raw materials, the provision and receipt of labor services, entrusted processing and acceptance of processing services, trademark licensing fees, rental expenses and rental income, as well as the actual amounts incurred by the Company in 2024, are as follows.

Items	Cap/Approved amount for the Year (RMB'000)	Actual amount incurred in 2024 (RMB'000)
<b>Purchase Transactions</b>	10,000	5,468
Sales Transactions	150,000	102,526
Provision of Labour Services	17,000	10,852
Acceptance of Labour Services	8,000	5,582
Acceptance of Entrusted Processing	35,000	13,482
Entrusted Processing	1,000	273
Use of Trademarks Under Licence	1,500	744
Leasing Asset to GPL	1,500	647
Leasing Asset From GPL	20,000	16,635

Meanwhile, transactions with joint ventures and related parties – other than the continuing connected transactions mentioned above and the material connected/related transactions described in the “Material related party/connected transactions on joint external investment” section – have been disclosed in the notes to the financial statements. However, such transactions do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules of HKEX.

The aforementioned Transactions have been reviewed by the independent non-executive Directors of the Company and confirmed by each independent non-executive Director that they are conducted in the ordinary and usual course of business of the Company. The transactions are conducted under normal commercial terms or under terms to the Company no less favorable than (i) terms to independent third parties or (ii) terms given by independent third parties. Such transactions were conducted in accordance with the terms of the relevant agreements, which are fair and reasonable and in the interest of the shareholders as a whole. The actual amounts of these transactions remain well within their annual caps.

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

## 12. CONNECTED TRANSACTIONS (Continued)

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

- (i) Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation  
☐ Applicable   ☒ Not applicable
- (ii) Events which were disclosed in temporary announcements but there has been progress or change in subsequent implementation  
☐ Applicable   ☒ Not applicable
- (iii) Events which were not disclosed in temporary announcements  
☐ Applicable   ☒ Not applicable
- (iv) Where there is agreement on financial performance, the performance achievements during the Reporting Period shall be disclosed  
☐ Applicable   ☒ Not applicable

### (3) Material related party/connected transactions on joint external investment

- (i) Events which were disclosed in temporary announcements but there has been no progress or change in subsequent implementation  
☒ Applicable   ☐ Not applicable

#### Summary of events

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(有限合夥)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.

#### Index for query

For details, please refer to the announcement of the Company dated 15 March 2024 disclosed on the websites of SSE ([www.sse.com.cn](http://www.sse.com.cn)) and HKEX ([www.hkex.com.hk](http://www.hkex.com.hk))

## 12. CONNECTED TRANSACTIONS *(Continued)*

### (3) Material related party/connected transactions on joint external investment *(Continued)*

- (ii) Events which were disclosed in temporary announcements but there has been with progress or change in subsequent implementation

✓ Applicable    ☐ Not applicable

- (1) On 2 March 2023, the 26th meeting of the eighth session of the Board of the Company considered and approved a connected transaction proposal regarding the participation in the establishment of the WBA GP Fund. The Board approved GP Fund's contribution of RMB334 million to participate in the establishment of the WBA GP Fund and the execution of a Cooperation Agreement with GP Capital and Alliance BMP Limited. As GP Capital is a connected person of the Company, the investment constitutes a connected transaction of the Company.

On 26 June 2024, the Company held the 11th meeting of the ninth session of the Board, during which the resolution on the Introduction of a New Partner to the WBA GP Fund and the Connected Transaction, was considered and approved. The Board agreed to introduce Guangzhou Nansha Science and Technology Venture Capital Fund Co., Ltd. as the new partner of the WBA GP Fund. As a result, the size of the fund increased from RMB900 million to RMB1,000 million, while the actual capital contribution of the GP Fund remained unchanged. The partners unanimously agreed to enter into a new Partnership Agreement for the WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership). Upon completion of this fundraising, the WBA GP Fund's fundraising efforts will be fully completed.

For details, please refer to the announcements of the Company dated 2 March 2023 and 26 June 2024 disclosed on the websites of the SSE and the HKEX.

- (2) On 19 December 2023, the 6th meeting of the ninth session of the Board of the Company considered and approved a connected transaction proposal regarding Participation in the Establishment of GP Venture Capital Fund, and approved that GP Fund 's contribution of up to RMB690 million to subscribe for shares in the GP Venture Capital Fund and the execution of the partnership agreement.

On 2 August 2024, the partners of GP Venture Capital Fund reached a consensus through consultation and entered into the new partnership agreement, introducing Guangzhou State-owned Enterprise Innovation Fund Co., Ltd ("State-owned Enterprise Innovation Fund") as the new partner of GP Venture Capital Fund. The size of GP Venture Capital Fund remained unchanged, being at RMB1.00 billion. State-owned Enterprise Innovation Fund would contribute RMB300 million to subscribe the shares of GP Venture Capital Fund, while the amount of contribution from GP Fund to GP Venture Capital Fund would be reduced from RMB690 million to RMB390 million. The transaction under the new partnership agreement among GP Fund, GP Capital and other partners constitutes a connected transaction of the Company.

For details, please refer to the announcements of the Company dated 19 December 2023 and 2 August 2024 disclosed on the websites of the SSE and the HKEX.

- (iii) Events which were not disclosed in temporary announcements

☐ Applicable    ✓ Not applicable

## 12. CONNECTED TRANSACTIONS (Continued)

### (4) Credit claims and liabilities between related parties

- (i) Matters which had been disclosed in temporary announcements and where there was no progress or change in subsequent implementation

☐Applicable ☒ Not applicable

- (ii) Matters which had been disclosed in temporary announcements and where there was progress or change in subsequent implementation

☐Applicable ☒ Not applicable

- (iii) Matters which were not disclosed in temporary announcements

☐Applicable ☒ Not applicable

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

☐Applicable ☒ Not applicable

### (6) Others

☐Applicable ☒ Not applicable

## 13. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

### (2) Guarantees

☐Applicable ☒ Not applicable

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

- (i) The Group's entrusted wealth management activities

#### 1) Overview of the entrusted wealth management products

☒ Applicable ☐ Not applicable

Types	Fund resources	Incurred amount (RMB'000)	Unmatured balance (RMB'000)	Overdue and unrecovered amount (RMB'000)
Bank wealth management products	Self-owned funds	170,000	0	0
Other				

☐Applicable ☒ Not applicable

# Major Events

## 13. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

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

#### (i) The Group's entrusted wealth management activities (Continued)

##### 2) Individual entrusted wealth management products

✓ Applicable    ☐ Not applicable

Trustee	Types of entrusted wealth management	Amount of entrusted wealth management (RMB'000)	Commencement date of entrusted wealth management	Termination date of entrusted wealth management	Fund resources	Capital investment direction	Whether there are any restricted circumstances	Method of remuneration determination	Annualized yield rate (%)	Expected return (if any) (RMB'000)	Actual gain or loss (RMB'000)	Amount not yet due (RMB'000)	Overdue and unrecovered amount (RMB'000)	Whether it has undergone the statutory procedures	Whether there are plans for entrusted wealth management in the future	Amount of impairment provision accrued (if any)
China Merchants Bank	Structured Deposit	6,000	30 July 2024	30 October 2024	Self-owned funds	Bank deposits and derivative financial instruments	No	Principal guaranteed	2.25	34	34	0	0	Yes	No	-
China Merchants Bank	Structured Deposit	160,000	6 September 2024	13 September 2024	Self-owned funds	Bank deposits and derivative financial instruments	No	Principal guaranteed	1.68	52	52	0	0	Yes	No	-
China Merchants Bank	Structured Deposit	4,000	27 September 2024	28 October 2024	Self-owned funds	Bank deposits and derivative financial instruments	No	Principal guaranteed	2.20	7	7	0	0	Yes	No	-

Other

☐ Applicable    ✓ Not applicable

##### 3) Provision for impairment of entrusted wealth management

☐ Applicable    ✓ Not applicable

#### (ii) The Company's entrusted loans

##### 1) Overview of the entrusted loans

☐ Applicable    ✓ Not applicable

Others

☐ Applicable    ✓ Not applicable

##### 2) One-off entrusted loans

☐ Applicable    ✓ Not applicable

Others applicable

☐ Applicable    ✓ Not applicable

##### 3) Provision for impairment of entrusted loans

☐ Applicable    ✓ Not applicable

## 13. MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

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

#### (iii) Others

☐ Applicable ☒ Not applicable

### (4) Others material contracts

☐ Applicable ☒ Not applicable

## 14. 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.

### (1) 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 issuance expenses (1) (RMB'0000)	The total amount of permitted proceeds for investment in a prospectus (2) (RMB'0000)	The over amount of the raised proceeds (3)=(1)-(2) (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Report Period (4) (RMB'0000)	Include: the over amount of the aggregate proceeds invested as at the end of Report Period (5) (RMB'0000)	The progress of the aggregate proceeds invested as at the end of Report Period (%) (6)=(4)/(1)	The progress of over amount of the aggregate proceeds invested as at the end of Report Period (%) (7)=(5)/(3)	The proceeds invested during the Year (8) (RMB'0000)	The proportion of the proceeds invested during the Year (%) (9)=(8)/(1)	Amount of the proceed funds carried forward to the current year (RMB'0000)	The amount of proceeds the use of which changed (RMB'0000)
Issue of shares to specific subjects	11 August 2016	788,580.76	786,344.65	786,344.65	0	764,789.53	0	97.26	-	11,265.43	1.43	95,399.30	207,144.27

Other explanation

☐ Applicable ☒ Not applicable

# Major Events

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

### (2) Details of the proceeds projects

✓ Applicable    ☐ Not applicable

#### (i) Details of Raised 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 the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use and schedule																		
			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 proceeds for investment projects after adjustment (1)		The total amount of invested proceeds during the Year		The total amount of the aggregate proceeds invested as at the end of Report Period (2)		The progress of the aggregate proceeds invested as at the end of Report Period (%) (3)=(2)/(1)		Date of the projects becoming ready for intended use		Whether the actual progress conforms to the planned progress		Reasons for actual progress not reaching the planned progress		The effectiveness achieved for the Year		The achieved effectiveness or results of the project		Explanation significant changes of project's feasibility (if any)		The rest amount (RMB'0000)						
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	6,360.72	90,929.19	91.15	31 December 2025 (note a, e)	No	Yes	N/A	Reflected in the Company's effectiveness	Reflected in the No Company's effectiveness																	-	-		
Issue of shares to specific subjects	The construction project of the Great Southern TCM production base (phase 1)	Construction of production base	Yes	Yes	100,000.0	64,391.67	4,904.71	61,160.95	94.98	31 January 2024 (note b)	-	Yes	N/A	-	-	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	(note g)			4,520.21	The working capital has been replenished.																	
Issue of shares to specific subjects	He Ji Gong relocation improvement project	Construction of production base	Yes	Yes	40,000.00	4,391.67	-	4,391.67	100	23 November 2020 (note d)	-	-	N/A	(note g)	-		-																	-	-
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	The working capital has been replenished.																	
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	Reflected in the No Company's effectiveness																			-	-

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

### (2) Details of the proceeds projects (Continued)

#### (i) Details of Raised Proceeds (Continued)

Source of the raised proceeds	Name of projects	Nature of projects	Whether it is the investment project permitted in the prospectus		The total amount of permitted investment projects		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 (%)		Date of the projects becoming ready for intended use		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		Explanation significant changes of project's feasibility (if any)		The rest amount (RMB'0000)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use and schedule
			Whether the use of investment has changed	Whether permitted investment projects	The total amount of permitted investment projects after adjustment (1)	The total amount of invested proceeds during the Year	invested as at the end of Report Period (2)	invested as at the end of Report Period (%)	Date of the projects becoming ready for intended use	Whether be concluded	the actual progress conforms to the planned progress	not reaching the planned progress	effectiveness achieved for the Year	effectiveness or results of the project	project's feasibility (if any)									
			(人民幣萬元)	(RMB'0000)	(RMB'0000)	(RMB'0000)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)	(3)=(2)/(1)									
Issue of shares to specific subjects	The project for establishment of channels and brands	Operation management	Yes	No	200,000.00	200,000.00	-	203,395.67	101.70	N/A	-	-	N/A	Reflected in the Company's effectiveness	Reflected in the Company's effectiveness	No	12,317.64	The working capital has been replenished						
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	Reflected in the Company's effectiveness	-	-							
Issue of shares to specific subjects	The project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd	Construction of production base	No	Yes	-	48,901.37	-	30,046.89	61.44	31 December 2023 (note d, f)	Yes	Yes	N/A	(note g)	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	-	20,172.21	52.53	31 December 2023 (note e, f)	Yes	Yes	N/A	(note g)	No	18,400.00	The working capital has been replenished.							
Issue of shares to specific subjects	The project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project	Construction of production base	No	Yes	-	11,842.90	-	11,524.43	97.31	31 December 2023 (note e, f)	Yes	Yes	N/A	(note g)	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	N/A	No	Yes	N/A	Reflected in the Company's effectiveness	Reflected in the Company's effectiveness	No	-							

#### Notes:

- a. The Company's the 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.



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

### (2) Details of the proceeds projects *(Continued)*

#### (i) Details of Raised Proceeds *(Continued)*

Notes: *(Continued)*

- 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, 4 January 2019 and 28 March 2019, and the circular of the Company dated 31 January 2019 on the websites of SSE and HKEX.
- d. With the approval of the 4th meeting of the eighth session of the Board and the 3rd meeting of the eighth session of the Supervisory Committee, the Company has postponed the implementation of Ming Xin's relocation improvement project of the construction project of the Great Southern TCM production base (phase 1) to 31 January 2024, and changed the use of RMB104.725 million (the actual amount is based on the balance of designated are transferred) for the project for the establishment of the information platform (the portion of the Company) and RMB384.2887 million (the actual amount is based on the balance of the special account on the day when the proceeds are transferred) for He Ji Gong's relocation improvement project to the project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. For details, please refer to the announcement dated 25 August 2020 and 24 November 2020 and the circular dated 9 October 2020 published by the Company on the websites SSE and HKEX.
- 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 WLI 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.
- 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 WLI 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.
- g. The Ming Xing relocation improvement project and the project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd have been completed but not fully reached production; the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park Phase I Project and the project for Nansha base Phase I of WLI Health have completed and been in the operation period. The above four projects are all in the period of investment return, and the after-tax internal rate of return generated by each investment project shall be calculated at the end of the whole project cycle. The He Ji Gong relocation improvement project has been terminated, of which the proceed had changed to the project for the establishment of Guangzhou Chemical & Pharmaceutical (Zhuhai) Co., Ltd.

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

### (2) Details of the proceeds projects *(Continued)*

#### (ii) Details of use of the proceeds from the over-allotment

☐ Applicable ☒ Not applicable

### (3) Change or termination of the proceeds during the Reporting Period

☐ Applicable ☒ Not applicable

### (4) Other situation in the use of proceeds during the Reporting Period

#### (i) Early investment and replacement situation of the proceeds invested in the projects

☐ Applicable ☒ Not applicable

#### (ii) Temporary replenishment of working capital from unused proceeds

☐ Applicable ☒ Not applicable

#### (iii) Cash management and investment of unused proceeds

☐ Applicable ☒ Not applicable

#### (iv) Permanent replenishment of working capital or refund the loan from exceeded proceeds

☐ Applicable ☒ Not applicable

#### (v) Other

☒ Applicable ☐ Not applicable

Save for the above, as at 31 December 2024, the use of the proceeds through the non-public offering of A shares above was in line with the intended use of the proceeds as disclosed previously.

In addition, pursuant to the requirements of the Supervisory Guidelines No. 2 for Listed Companies – Supervisory Requirements for Management and Use of Proceeds of Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》) issued by the CSRC and the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange (《上海證券交易所上市公司自律監管指引第1號—規範運作》) and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds in 2024 (the full text of which had been uploaded to the website of the SSE).

## Major Events

15. **AS AT THE END OF THE REPORTING PERIOD, THE EXPENSES ON CONSTRUCTION AND EQUIPMENT IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB1,388,171,000 AND THE RENTAL EXPENSES IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB636,285,000.**
16. **ACCORDING TO THE REQUIREMENTS OF RULE 23 OF APPENDIX D2 TO THE LISTING RULES OF HKEX, THE COMPANY DID NOT HAVE ANY PROPERTIES OF DEVELOPMENT AND/OR SALE, OR INVESTMENT, WHOSE ASSETS RATIO, CONSIDERATION RATIO, PROFITS RATIO AND REVENUE RATIO EXCEEDED 5% DURING THE REPORTING PERIOD.**
17. **DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY SPECIAL TRANSACTION WITH ITS CONNECTED PARTIES INCLUDING DIRECT DONATIONS IN CASH OR ASSETS IN KIND, DIRECT EXEMPTION OR REPAYMENT FOR OTHERS.**
18. **EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS**

✓ Applicable    ☐ Not applicable

- (1) According to the overall strategic layout of the Company and in light of the business development needs of GP Corp. and in order to further broaden the Company's overseas financing channels and accelerate the implementation of the Company's internationalization strategy, the Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the Resolution in Relation to Authorizing the Management of the Company to Initiate the Relevant Preparatory Works for the Spin-off and Overseas Listing of a Subsidiary on The Stock Exchange of Hong Kong Limited was considered and approved. The Board authorized the management of the Company to initiate the preliminary preparation works for the spin-off and overseas listing of GP Corp. on the HKEX.

Since the issuance of spin-off plan for GP Corp., the board, management team of the Company and GP Corp. and relevant agents have advanced each project jointly. In view of the expiry of the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Guangzhou Pharmaceuticals Co., Ltd. (issued by the China Securities Regulatory Commission) on 23 June 2022 and having considered the changes of capital market of Hong Kong, and in conjunction with the development plan of the Company and GP Corp., the Company and GP Corp. determine to suspend proceeding with the Proposed Spin-off after due and careful consideration. However, the Company and GP Corp. do not exclude that they may, after taking into account future market circumstances and their business development needs, reconsider proceeding with the Proposed Spin-off at the appropriate time.

On 19 December 2023, the 6th meeting of the ninth session of the Board convened by the Company considered and approved the proposal on termination of spin-off and listing of the holding subsidiary on the Stock Exchange of Hong Kong Limited and proposal on application for quotation on the National Equities Exchange and Quotations contemplated by the holding subsidiary. The Board has considered and approved termination of the Proposed Spin-off, and the proposed quotation on the National Equities Exchange and Quotations. After the quotation, GP Corp. will seek a listing of its shares on the Beijing Stock Exchange as and when appropriate, taking into consideration the future capital market environment and strategic development needs. On 26 January 2024, the above resolution was approved by the first extraordinary general meeting in 2024 convened by the Company.

## 18. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS *(Continued)*

### (1) *(Continued)*

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, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

As at the disclosure date of this report, the relevant work of the Quotation of GP Corp. is in progress.

### (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 13 March 2023, the Company received the Letter of No objection to the Listing Transfer of the Special Asset Support Plan with the support of Phase3-7 assets of Xingye Yuanrong- GP Corp. Receivables from Industrial Securities Asset Management, which issued by SSE.

On 14 April 2023, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase III Special Asset Support Plan for Accounts receivable, with effective amount of RMB1 billion. Subsequently, GP Corp. and Industrial Securities Asset Management entered into a Completion Confirmation Letter and six Completion Confirmation Letters of the new Underlying Assets. The cumulative asset sale scale of the securitization of the accounts receivable assets of GP Corp. was RMB3.764 billion, and the total purchase price was RMB3.706 billion.

On 17 October 2024, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase V Special Asset Support Plan for Accounts receivable, with effective amount of RMB1 billion. As at 31 December 2024, the cumulative asset sale scale of the securitization of the accounts receivable assets of GP Corp. was RMB1.545 billion, and the total purchase price received was RMB1.524 billion.

For details, please refer to the announcement of the Company dated 22 November 2022, 16 December 2022, 15 March 2023, 30 October 2023, 30 January 2024, 23 October 2024 and 28 November 2024 published in Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily and on the websites of the SSE and the HKEX, respectively.

### (3)

According to the relevant provisions and requirements of the Accounting Standards for Business Enterprises (《企業會計準則》) and the Company's accounting policies, in order to truly and accurately reflect financial position, asset value, and operating results of the Company for 2024, the Company, based on the principle of prudence, analyzed and assessed various types of assets as at the end of 2024, and intends to make an impairment provision for assets with impairment indicators totaling RMB470.5812 million. Details are as follows: (1) Provision for inventory write-down of RMB20.9811 million; (2) Provision for bad debts of receivables of RMB63.298 million; (3) based on the annual results forecast and the significant decline in stock price of Yi Xin Tang Pharmaceutical for 2024 compared to the beginning of the period, the Company has determined that there are indications of impairment in the long-term equity investment in Yi Xin Tang Pharmaceutical, and has made a provision for impairment of long-term equity investment in Yi Xin Tang Pharmaceutical amounting to RMB385.6665 million; (4) provision for impairment of productive biological assets of RMB635,500. The provision for the impairment is included in the asset impairment loss and credit impairment loss items, correspondingly reducing the Company's total profit for 2024 by RMB470.5812 million.

# Changes in Share Capital and Shareholders

## 1. CHANGES IN SHARE CAPITAL

### (1) Changes in share capital

#### (i) Changes in share capital

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

#### (ii) Explanation of change in share capital

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

### (2) Changes in restricted shares

☐Applicable ☒Not applicable

## 2. SECURITIES ISSUANCE AND LISTING

### (1) Securities issuance during the Reporting Period

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

### (3) Existing employee stocks

☐Applicable ☒Not applicable

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER

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

As at 31 December 2024, there were 84,409 shareholders in total, of which 84,358 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

As at 28 February 2025, there were 89,367 shareholders in total, of which 89,316 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

### (2) As at 31 December 2024, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows

The top ten shareholders of the Company (excluding shares lent through refinancing and securities lending business)

Shareholders (Full name)	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions held (share)	Number of shares subject to pledge, mark or lock-up (share)	Nature of Shareholders
Guangzhou Pharmaceutical Holdings Limited	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	11,852	219,783,142	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	Others
HongKong Securities Clearing Company Limited	7,696,565	35,211,155	2.17	0	0	Overseas legal person
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	(829,700)	17,264,052	1.06	0	0	State-owned legal person
China Construction Bank Corporation – E Fund CSI 300 Healthcare Exchange - Traded Open-End Index Securities Investment Fund	2,403,200	12,969,657	0.80	0	0	Others
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Exchange-Traded Open-End Index Securities Investment Fund	7,007,922	12,179,814	0.75	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

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

(2) As at 31 December 2024, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows *(Continued)*

**The top 10 shareholders of the Company not subject to selling restrictions  
(excluding shares lent through refinancing and securities lending business)**

Shareholders (full name)	Number of shares without selling restrictions (share)	Class of shares	Number of shares (share)
Guangzhou Pharmaceutical Holdings Limited	732,305,103	Domestic shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,783,142	H shares	219,783,142
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	67,576,183	Domestic shares denominated in RMB	67,576,183
China Securities Finance Corporation Limited	47,277,962	Domestic shares denominated in RMB	47,277,962
HongKong Securities Clearing Company Limited	35,211,155	Domestic shares denominated in RMB	35,211,155
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	17,264,052	Domestic shares denominated in RMB	17,264,052
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	12,969,657	Domestic shares denominated in RMB	12,969,657
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Exchange-Traded Open-End Index Securities Investment Fund	12,179,814	Domestic shares denominated in RMB	12,179,814
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	Domestic shares denominated in RMB	8,795,136
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	Domestic shares denominated in RMB	8,680,636
Explanation of the repurchase account among the top 10 shareholders	Not applicable		
Explanation of the above-mentioned shareholders' proxy voting rights, entrusted voting rights, and abstained voting rights	Not applicable		
Explanation on the connection or parties 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".		
Explanation on preferred shareholders with voting rights restored and the holding number of shares	Not applicable		



# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

### (2) As at 31 December 2024, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows *(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 the 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 the Reporting Period	
	Number of		Number of		Number of		Number of	
	shares (share)	Percentage (%)	shares (share)	Percentage (%)	shares (share)	Percentage (%)	shares (share)	Percentage (%)
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	18,093,752	1.11	600,000	0.04	17,264,052	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	12,969,657	0.80	0	0
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Exchange-Traded Open-End Index Securities Investment Fund	5,171,892	0.32	18,300	0.001	12,179,814	0.75	0	0

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

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER (Continued)

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

☐Applicable ☒Not applicable

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

As at 31 December 2024, the interests and short positions held by the persons (not being the Directors, Supervisors of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares held	Capacity	Approximate % of the total issued domestic shares	Approximate % of the total issued H shares	Total long positions as a percentage of the Company's total issued voting shares (approximate %)
		(share)		(%)	(%)	
Guangzhou Pharmaceutical Holdings Limited	A shares	732,305,103 (long position)	Beneficial owner	About 52.09	–	About 45.04
LSV ASSET MANAGEMENT	H shares	9,330,111 (long position)	Investment Manager	–	About 4.24	About 0.57
		3,856,000 (long position)	Others (note 1)	–	About 1.75	About 0.24

Note:

- LSV ASSET MANAGEMENT is deemed to hold 3,856,000 H shares of the Company. Interests in 2,682,000 long position H shares in the Company were held by LSV Emerging Markets Equity Fund, LP ("LSV Markets Equity Fund"), interests in 304,000 long position H shares in the Company were held by LSV Emerging Markets Small Cap Equity Fund, LP ("LSV Small Cap Equity Fund") and interests in 870,000 long position H shares in the Company were held by LSV International (AC) Value Equity Fund, LP ("LSV Value Equity Fund"). LSV ASSET MANAGEMENT separately controls the 100% general partnership interest in LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund. Therefore, LSV ASSET MANAGEMENT was deemed to be interested in the shares held by LSV Markets Equity Fund, LSV Small Cap Equity Fund and LSV Value Equity Fund under the SFO.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2023, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or otherwise required and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO.

# Changes in Share Capital and Shareholders

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

### (1) Controlling shareholder

#### (i) Legal person

☒Applicable ☐Not applicable

Name of shareholder Guangzhou Pharmaceutical Holdings Limited

Legal representative Li Xiaojun

Date of establishment 7 August 1996

Business scope The pharmaceutical manufacturing industry (for specific business projects, please log in to the National Enterprise Credit Information Publicity System for inquiries, website: <http://www.gsxt.gov.cn/>. Projects that require legal approval may only commence business activities after obtaining approval from the relevant departments.)

Shareholding information of other domestic and overseas listed companies during the Reporting Period GPL and its wholly-owned subsidiary collectively hold 46.049% equity interest in Guangdong Shennongshi Enterprise Management Partnership (Limited Partnership). Guangdong Shennongshi Enterprise Management Partnership (Limited Partnership), in turn, holds 25.3134% equity stake in Kangmei. (code: 600518), a company listed on the SSE.

#### (ii) Natural person

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

#### (iv) Information of change of controlling shareholder during the Reporting Period

☐Applicable ☒Not applicable

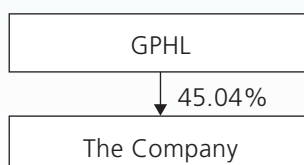
# Changes in Share Capital and Shareholders

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

### (1) Controlling shareholder *(Continued)*

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

☒ Applicable   ☐ Not applicable



### (2) Beneficial owner

- (i) Legal person

☒ Applicable   ☐ Not applicable

As at the end of the Reporting Period, the controlling shareholder of the Company was GPLH, and the actual controller was Guangzhou Municipal People's Government.

- (ii) Natural person

☐ Applicable   ☒ Not applicable

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

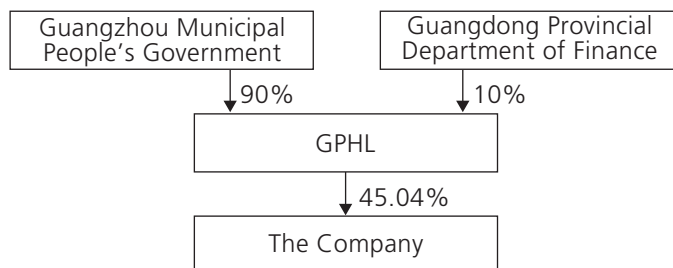
☐ Applicable   ☒ Not applicable

- (iv) Information of change of actual controller during the Reporting Period

☐ Applicable   ☒ Not applicable

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

☒ Applicable   ☐ Not applicable



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

☐ Applicable   ☒ Not applicable

# Changes in Share Capital and Shareholders

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

### (3) Other information of the controlling shareholder and beneficial owner

☐Applicable ☒Not applicable

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

☐Applicable ☒Not applicable

## 6. OTHER SHAREHOLDERS HOLDING 10% OR MORE OF THE COMPANY'S TOTAL ISSUED SHARES

As at the end of the Reporting Period and saved as disclosed above, the Company had no other shareholders holding 10% or more of the Company's total issued shares.

## 7. NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES HAD REPURCHASED, SOLD OR REDEEMED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD. DURING THE REPORTING PERIOD AND AS OF 31 DECEMBER 2024, THE COMPANY DID NOT HOLD ANY TREASURY SHARES (INCLUDING THOSE HELD OR DEPOSITED WITH THE CENTRAL CLEARING AND SETTLEMENT SYSTEM)

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

## 9. CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Except as disclosed in this report under the sections 'Continuing Connected Transactions' and 'Material Related/Connected Transactions in Joint External Investment' and in the notes to the financial statements neither the Company nor any of its subsidiaries has entered into any other significant contracts with the Company's controlling shareholder or any of its subsidiaries for the year ended 31 December 2024. Furthermore, neither the Company nor any of its subsidiaries has entered into any significant contracts related to the provision of services by the Company's controlling shareholder or any of its subsidiaries to the Company or its subsidiaries for the year ending 31 December 2024.

## 10. PUBLIC FLOAT

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

## 11. 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.

# Changes in Share Capital and Shareholders

## 12. DESCRIPTION ON RESTRICTIONS ON SHARES

☐Applicable ☒Not applicable

## 13. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

☐Applicable ☒Not applicable

## 14. COMPLY WITH LAWS AND REGULATIONS

Although the Company is listed on the HKEx, the Group's primary operations are conducted within Mainland China. Consequently, the principal business operations of the Group are subject to compliance with applicable laws and regulations in both China and Hong Kong. For the fiscal year ending 31 December 2024, and up to the disclosure date of this Report, the Group has not identified any instances of non-compliance with material legal and regulatory requirements affecting its operations.

## Relevant Information on Preferred Shares

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



## Relevant Information of Bonds

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

To the Shareholders of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.,

## 1. OPINION

We have audited the financial statements of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereafter, the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2024, the consolidated and the Company's income statements, the consolidated and the Company's statements of cash flows and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and present fairly the consolidated and the Company's financial position as at 31 December 2024 and the consolidated and the Company's financial performance and cash flows for the year then ended.

## 2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with China Code of Ethics for Certified Public Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## 3. KEY AUDIT MATTERS *(Continued)*

### (1) Revenue recognition

#### ① Matters Description

As stated in the Note “V. (48) Operating Income and Operating Costs” of the financial statements, the Company's 2024 operating income is RMB74,992,820,473.56, of which the main business income is RMB74,778,519,498.98, accounting for 99.71% of the total operating income. Due to the significant amount of main business income and key performance indicators, there is an inherent risk that management may manipulate the timing of revenue recognition in order to achieve specific goals or expectations. Therefore, we consider revenue recognition as a key audit matter.

#### ② How our audit addressed the key audit matter

- (a) Understand and evaluate the design of internal control related to revenue recognition, and test the effectiveness of related internal control;
- (b) Review whether the revenue recognition policy meets the requirements of corporate accounting standards and is consistently applied;
- (c) Select a sample of the income transactions recorded this year, check the invoices, sales contracts, warehouse receipts, and customer receipt records, and evaluate whether the relevant revenue confirmation meets the company's accounting policy for revenue recognition;
- (d) Select a sample of the income transactions recorded this year and execute an independent letter of verification procedure to confirm the authenticity of the income;
- (e) Querying the industrial and commercial registration information of the main customers through public channels to ensure that the main customers are operating normally and the business scope is consistent with the nature of the company's downstream customers;
- (f) Implementation of analysis procedures for operating income, including analysis of annual and monthly income of major products, changes in major customers and sales prices, changes in gross profit margin of major products, and determination of changes in revenue and gross profit margin for the current year;
- (g) For the income transactions recorded before and after the balance sheet date, select a sample, check the delivery order, customer receipt records and other supporting documents to evaluate whether the income is recorded in the appropriate accounting period.

## 3. KEY AUDIT MATTERS (Continued)

### (2) Goodwill impairment test

#### ① Matters Description

On May 31, 2018, the Company acquired a 30% equity interest in Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp") forming a goodwill of RMB932 million. As of December 31, 2024, an impairment provision of RMB118 million has been made. Since the goodwill of Guangzhou Pharmaceutical Co., Ltd. has a significant impact on the financial statements, and during the goodwill impairment test, it involves significant judgments on important parameters, such as revenue growth rate, gross profit margin, discount rate, etc., we identify the impairment of goodwill as a key audit matter.

#### ② How our audit addressed the key audit matter

- (a) Understand, evaluate and test the Company's key internal controls related to goodwill impairment testing;
- (b) For the goodwill formed by business combinations not under the same control, understand the completion of the performance forecast of the acquired company;
- (c) Discuss with management the method of goodwill impairment testing, including the asset group or combination of asset groups related to goodwill, the future income forecast of each asset group or combination of asset groups, and the reasonable assumptions of discounted cash flows Judgment and evaluation of the profitability of each asset group or asset group portfolio;
- (d) Evaluate the competence, professional quality and objectivity of external valuation experts engaged by management;
- (e) Discuss with external valuation experts engaged by management to understand whether the key assumptions used in the impairment test are reasonable;
- (f) With the assistance of internal valuation experts, evaluate the rationality of the value types and valuation methods of asset evaluation reports issued by external valuation experts, as well as valuation parameters such as discount rates.
- (g) Checking whether information related to goodwill impairment has been properly reported and disclosed in the financial statements.

## 4. OTHER INFORMATION

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "the Management") is responsible for the other information. The other information comprises the information included in the 2024 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 6. AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## 6. AUDITOR'S RESPONSIBILITY (Continued)

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain adequate and appropriate audit evidence on the financial information of entities or business activities of the company to express an opinion on it. We are responsible for guiding, supervising and executing group audits. We take full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**WUYIGE Certified Public Accountants LLP**  
(Special General Partnership)

Beijing•China

CICPA:  
**He Xiaojuan**

CICPA:  
**Xia Ling**

13 March 2025

# Consolidated Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Current assets:</b>			
Cash at bank and on hand	V.1	<b>18,273,150,112.58</b>	21,308,844,204.44
Financial assets held for trading	V.2		4,000,000.00
Derivative financial assets			
Notes receivable	V.3	<b>553,919,519.41</b>	870,884,277.92
Accounts receivable	V.4	<b>15,725,982,661.17</b>	15,112,494,798.69
Accounts receivable financing	V.5	<b>3,175,849,620.31</b>	3,614,318,262.22
Advances to suppliers	V.6	<b>577,942,385.96</b>	818,359,584.97
Other receivables	V.7	<b>993,650,235.33</b>	878,488,529.23
Including: Interest receivable	V.7		
Dividends receivable	V.7	<b>1,500,000.00</b>	61,263,627.92
Inventories	V.8	<b>12,811,902,453.79</b>	11,507,099,742.41
Contract assets			
Assets held for sales			
Current portion of non-current assets	V.9	<b>3,783,355,648.62</b>	159,360,467.41
Other current assets	V.10	<b>1,866,475,672.20</b>	1,709,863,857.80
<b>Total current assets</b>		<b>57,762,228,309.37</b>	<b>55,983,713,725.09</b>
<b>Non-current assets:</b>			
Debt investment	V.11	<b>8,053,925,346.18</b>	6,536,371,536.43
Other debt investment			
Long-term receivables			
Long-term equity investment	V.12	<b>1,507,259,073.94</b>	1,805,641,584.30
Other equity instrument investment	V.13	<b>104,180,509.45</b>	103,811,737.94
Other non-current financial assets	V.14	<b>531,000,228.05</b>	1,005,936,165.09
Investment properties	V.15	<b>145,071,577.99</b>	169,774,679.12
Fixed assets	V.16	<b>5,530,013,212.85</b>	4,379,797,422.14
Construction in progress	V.17	<b>1,846,192,932.95</b>	2,405,171,721.70
Bearer biological assets	V.18	<b>1,120,772.10</b>	2,105,655.00
Oil and gas assets			
Right-of-use assets	V.19	<b>561,406,325.03</b>	728,902,362.98
Intangible assets	V.20	<b>2,828,761,601.53</b>	2,886,413,941.35
Development expenditure	VI.2	<b>369,934,913.74</b>	309,893,312.45
Goodwill	V.21	<b>830,854,604.98</b>	829,473,066.90
Long-term prepaid expenses	V.22	<b>188,559,343.16</b>	189,876,764.45
Deferred tax assets	V.23	<b>1,210,403,693.47</b>	1,163,548,295.53
Other non-current assets	V.24	<b>212,699,075.85</b>	86,445,793.62
<b>Total non-current assets</b>		<b>23,921,383,211.27</b>	<b>22,603,164,039.00</b>
<b>Total Assets</b>		<b>81,683,611,520.64</b>	<b>78,586,877,764.09</b>

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Current liabilities:</b>			
Short-term borrowings	V.26	<b>9,122,982,451.32</b>	7,799,035,643.76
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	V.27	<b>4,584,854,358.78</b>	3,844,035,975.33
Accounts payable	V.28	<b>11,734,666,536.69</b>	11,841,831,852.37
Advances from customers	V.29	<b>4,548,223.86</b>	
Contract liabilities	V.30	<b>5,071,977,258.92</b>	5,429,885,396.19
Employee benefits payable	V.31	<b>899,113,818.50</b>	1,068,998,831.85
Taxes payable	V.32	<b>248,911,254.15</b>	386,552,287.00
Other payables	V.33	<b>5,074,298,832.26</b>	4,919,241,645.67
Including: Interest payable	V.33		
Dividends payable	V.33	<b>50,492,925.62</b>	62,206,330.91
Liabilities held for sales			
Current portion of non-current liabilities	V.34	<b>1,522,617,327.55</b>	249,828,503.72
Other current liabilities	V.35	<b>651,719,293.54</b>	695,880,365.06
<b>Total current liabilities</b>		<b>38,915,689,355.57</b>	36,235,290,500.95
<b>Non-current liabilities:</b>			
Long-term borrowings	V.36	<b>2,805,538,605.44</b>	3,323,717,917.22
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities	V.37	<b>445,715,206.87</b>	578,192,461.09
Long-term payables	V.38	<b>19,666,964.60</b>	19,971,964.60
Long-term employee benefits payable	V.39	<b>299,678.21</b>	293,264.21
Provisions	V.40	<b>44,144,600.58</b>	55,930,935.37
Deferred income	V.41	<b>1,001,862,397.10</b>	1,001,429,861.00
Deferred tax liabilities	V.23	<b>625,557,477.06</b>	639,528,919.04
Other non-current liabilities	V.42	<b>55,501,488.82</b>	54,698,033.81
<b>Total non-current liabilities</b>		<b>4,998,286,418.68</b>	5,673,763,356.34
<b>Total Liabilities</b>		<b>43,913,975,774.25</b>	41,909,053,857.29

# Consolidated Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Shareholders' equity:</b>			
Share capital	V.43	<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus	V.44	<b>10,113,721,707.21</b>	10,105,714,430.90
Less: Treasury shares			
Other comprehensive income	V.45	<b>(13,839,663.97)</b>	(24,344,469.59)
Special reserve			
Surplus reserve	V.46	<b>2,363,518,341.03</b>	2,252,789,227.30
Undistributed profits	V.47	<b>21,815,336,535.32</b>	20,959,330,809.10
<b>Total equity attributable to shareholders of the parent company</b>		<b>35,904,527,868.59</b>	34,919,280,946.71
<b>Minority interest</b>		<b>1,865,107,877.80</b>	1,758,542,960.09
<b>Total Shareholders' Equity</b>		<b>37,769,635,746.39</b>	36,677,823,906.80
<b>Total Liabilities and Shareholders' Equity</b>		<b>81,683,611,520.64</b>	78,586,877,764.09

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Income Statement

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	V.48	<b>74,992,820,473.56</b>	75,515,403,994.78
Less: Operating costs	V.48	<b>62,472,768,681.69</b>	61,328,109,614.88
Taxes and surcharges	V.49	<b>296,683,861.44</b>	344,162,082.69
Selling and distribution expenses	V.50	<b>5,619,619,395.89</b>	6,104,737,743.38
General and administrative expenses	V.51	<b>2,407,633,812.49</b>	2,421,539,832.01
R&D expenses	V.52	<b>763,770,055.43</b>	782,144,234.86
Financial expenses	V.53	<b>38,229,086.78</b>	(19,560,781.89)
Including: Interest expense	V.53	<b>418,151,317.81</b>	446,191,732.89
Interest income	V.53	<b>404,308,070.51</b>	486,336,348.90
Add: Other income	V.54	<b>343,061,715.88</b>	337,784,445.95
Investment income ("-" for loss)	V.55	<b>294,024,359.87</b>	264,842,172.40
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.55	<b>(51,617,979.37)</b>	107,887,761.00
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(27,810,365.90)</b>	(14,771,116.09)
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)	V.56	<b>24,654,146.29</b>	38,637,354.11
Impairment losses in respect of credit ("-" for loss)	V.57	<b>(63,298,043.43)</b>	(83,144,473.48)
Impairment losses in respect of assets ("-" for loss)	V.58	<b>(407,283,126.03)</b>	(3,521,096.00)
Gains on disposal of assets ("-" for loss)	V.59	<b>11,119,280.14</b>	12,027,009.48
<b>II. Operating profit ("-" for loss)</b>		<b>3,596,393,912.56</b>	5,120,896,681.31
Add: Non-operating income	V.60	<b>40,304,028.71</b>	29,276,203.99
Less: Non-operating expenses	V.61	<b>29,118,069.51</b>	39,674,855.68
<b>III. Total profit ("-" for loss)</b>		<b>3,607,579,871.76</b>	5,110,498,029.62
Less: Income tax expenses	V.62	<b>606,848,528.45</b>	851,170,069.30



# Consolidated Income Statement

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>IV. Net profit ("-" for net loss)</b>		<b>3,000,731,343.31</b>	<b>4,259,327,960.32</b>
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		3,000,731,343.31	4,259,327,960.32
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)		2,835,496,163.51	4,055,678,691.49
2. Minority interest ("-" for loss)		165,235,179.80	203,649,268.83
<b>V. Other comprehensive income, net of tax</b>		<b>11,119,449.61</b>	<b>(12,232,383.31)</b>
Other comprehensive income, net of tax attributable to the parent company's shareholders	V.45	10,504,805.62	(11,443,541.01)
(I) Other comprehensive income that will not be reclassified to profit or loss	V.45	(65,219.59)	(6,814,614.13)
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	(65,219.59)	(6,814,614.13)
4. Change in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified into profit or loss		10,570,025.21	(4,628,926.88)
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	5,698,984.56	(8,899,525.75)
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments	V.45	458,337.87	997,136.00
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements	V.45	4,412,702.78	3,273,462.87
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders	V.45	614,643.99	(788,842.30)
<b>VI. Total comprehensive income</b>		<b>3,011,850,792.92</b>	<b>4,247,095,577.01</b>
1. Total comprehensive income attributable to shareholders of the parent company		2,846,000,969.13	4,044,235,150.48
2. Total comprehensive income attributable to minority shareholders		165,849,823.79	202,860,426.53
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share	XVII.2	1.744	2.495
2. Diluted earnings per share	XVII.2	1.744	2.495

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Cash Flow

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Cash flow from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		75,825,632,045.72	75,343,488,570.80
Receipts of taxes refunds		3,987,561.08	23,532,172.96
Other cash receipts relating to operating activities	V.63	992,037,107.97	1,221,231,301.86
<b>Subtotal of cash inflow from operating activities</b>		<b>76,821,656,714.77</b>	<b>76,588,252,045.62</b>
Cash payments for goods purchased and services received		61,848,193,447.46	59,855,855,914.60
Cash payments to and on behalf of employees		5,927,843,767.44	5,905,714,593.28
Payments of all types of taxes		2,732,839,056.33	3,163,824,344.30
Other cash payments relating to operating activities	V.63	2,870,353,845.95	3,559,232,196.10
<b>Subtotal of cash outflow from operating activities</b>		<b>73,379,230,117.18</b>	<b>72,484,627,048.28</b>
<b>Net cash flow from operating activities</b>		<b>3,442,426,597.59</b>	<b>4,103,624,997.34</b>
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		1,493,286,528.58	2,421,449,713.73
Cash receipts from returns on investments		216,093,780.89	384,428,551.87
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,360,209.85	13,934,170.08
Net cash receipts from the disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	V.63	1,111.97	34,269.63
<b>Subtotal of cash inflow from investment activities</b>		<b>1,711,741,631.29</b>	<b>2,819,846,705.31</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,128,144,148.74	1,628,446,897.99
Cash payments to acquire investments		6,545,977,644.96	4,306,259,088.65
Net cash payments for acquisitions of subsidiaries and other business units		1,565,411.30	
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investment activities</b>		<b>7,675,687,205.00</b>	<b>5,934,705,986.64</b>
<b>Net cash flow from investing activities</b>		<b>(5,963,945,573.71)</b>	<b>(3,114,859,281.33)</b>

# Consolidated Statement of Cash Flow

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise		40,960,000.00	19,960,000.00
Including: cash receipts from minorities making investment in subsidiaries		40,960,000.00	19,960,000.00
Cash receipts from borrowing		9,953,937,556.91	9,604,101,162.66
Other cash receipts relating to financing activities	V.63		3,984,246,695.89
<b>Subtotal of cash inflow from financing activities</b>		<b>9,994,897,556.91</b>	<b>13,608,307,858.55</b>
Cash repayments of amounts borrowed		8,390,451,069.87	9,377,812,966.61
Cash payments for distribution of dividends, profits or interest expenses		2,323,993,306.31	1,605,758,037.25
Including: payments for distribution of dividends or profit to minorities of subsidiaries		73,278,074.96	20,557,453.01
Other cash payments relating to financing activities	V.63	286,674,677.71	4,602,737,619.16
<b>Subtotal of cash outflow from financing activities</b>		<b>11,001,119,053.89</b>	<b>15,586,308,623.02</b>
<b>Net cash flow from financing activities</b>		<b>(1,006,221,496.98)</b>	<b>(1,978,000,764.47)</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>7,135,641.52</b>	<b>8,079,830.54</b>
<b>V. Net increase in cash and cash equivalents</b>	V.64	<b>(3,520,604,831.58)</b>	<b>(981,155,217.92)</b>
Add: opening balance of cash and cash equivalents	V.64	19,823,543,794.72	20,804,699,012.64
<b>VI. Closing balance of cash and cash equivalents</b>	V.64	<b>16,302,938,963.14</b>	<b>19,823,543,794.72</b>

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Changes in Shareholder's Equity

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Current period									
	Equity attributable to the Shareholders of Parent Company									
	Other equity instruments									
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Less:	Comprehensive Income	Other	Total
										Shareholders' Equity
										Minority Equity
										Subtotal
										Undistributed profits
										Surplus Reserve
										Special reserve
										Other Comprehensive Income
										Less: Treasury shares
										Capital Reserve
										Others
										Perpetual bond
										Preferred stock
										Share capital
I. Balance at 31 December 2023	1,625,790,949.00	-	-	-	10,105,714,430.90	-	-	(24,344,469.59)	-	36,677,823,906.80
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-	-	-
Combination 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)	-	36,677,823,906.80
III. Increase (decrease) in the current year ("+" for losses)	-	-	-	-	8,007,276.31	-	-	10,504,885.62	-	1,091,811,833.59
(1) Total comprehensive income	-	-	-	-	-	-	-	10,504,885.62	-	3,011,530,792.92
(2) Shareholders' contributions and reduction in capital	-	-	-	-	8,007,276.31	-	-	-	-	11,769,742.88
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	8,007,276.31	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	(727,523.16)	-	11,769,742.88
2. Profit distribution to shareholders	-	-	-	-	-	-	-	111,456,636.89	(1,979,403,437.29)	(63,774,895.81)
3. Others	-	-	-	-	-	-	-	111,456,636.89	(111,456,636.89)	-
(4) Internal copy-forward of shareholders' equity	-	-	-	-	-	-	-	(1,868,033,800.40)	(1,868,033,800.40)	(931,808,596.21)
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2024	1,625,790,949.00	-	-	-	10,113,721,707.21	-	-	(13,839,663.97)	-	37,769,635,746.39

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Li Liu**

Head of accounting department:  
**Wu Chuling**

# Consolidated Statement of Changes in Shareholder's Equity

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Prior period											
	Equity attributable to the Shareholders of Parent Company											Total Shareholders' Equity
	Other equity instruments						Other Comprehensive Income					
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	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	18,262,133,346.76	32,065,124,770.91	1,572,733,308.31
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	18,262,133,346.76	32,065,124,770.91	1,572,733,308.31
III. Increase(decrease) in the current year ("+" for losses)	-	-	-	-	-	-	(11,443,541.01)	-	168,402,254.47	2,697,197,462.34	2,854,136,175.80	185,809,651.78
(1) Total comprehensive income	-	-	-	-	-	-	(11,443,541.01)	-	-	4,055,678,691.49	4,044,235,150.48	202,860,426.53
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	11,533,462.37
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	19,260,000.00
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	168,402,254.47	(1,358,481,229.15)	(1,190,078,974.68)	(7,765,537.63)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	168,402,254.47	(168,402,254.47)	-	(218,663,211.80)
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,190,078,974.68)	(1,190,078,974.68)	-
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2023	1,625,790,949.00	-	-	-	10,105,714,430.90	-	(24,344,469.59)	-	2,252,789,227.30	20,959,330,809.10	34,919,280,946.71	1,750,542,960.09
												36,677,823,906.80

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Current assets:</b>			
Cash at bank and on hand		<b>2,694,677,931.38</b>	4,816,246,821.06
Financial assets held for trading			
Derivative financial assets			
Notes receivable		<b>153,526,881.77</b>	281,805,022.63
Accounts receivable	XVI.1	<b>175,799,269.19</b>	160,933,122.74
Accounts receivable financing		<b>369,436,459.38</b>	372,176,838.83
Advances to suppliers		<b>5,003,212.29</b>	15,823,403.07
Other receivables	XVI.2	<b>357,386,542.48</b>	508,400,266.29
Including: Interest receivable			
Dividends receivable	XVI.2	<b>153,397,700.00</b>	213,161,327.92
Inventories		<b>510,002,612.83</b>	481,677,074.29
Contract assets			
Assets held for sales			
Current portion of non-current assets		<b>3,337,152,153.08</b>	
Other current assets		<b>17,545,086.19</b>	260,904,934.49
<b>Total current assets</b>		<b>7,620,530,148.59</b>	6,897,967,483.40
<b>Non-current assets:</b>			
Debt investments		<b>4,758,944,985.01</b>	5,110,644,132.00
Other debt investments			
Long-term receivables			
Long-term equity investments	XVI.3	<b>13,357,052,102.12</b>	13,543,303,375.27
Other equity instrument investments		<b>104,180,509.45</b>	103,811,737.94
Other non-current financial assets		<b>516,137,703.94</b>	981,882,999.57
Investment properties		<b>163,077,712.80</b>	171,606,817.57
Fixed assets		<b>430,879,308.32</b>	430,845,766.80
Construction in progress		<b>1,228,245,670.10</b>	841,717,730.94
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		<b>23,829,499.60</b>	27,521,136.23
Intangible assets		<b>1,841,581,497.29</b>	1,862,499,485.32
Development expenditure		<b>4,937,826.31</b>	6,339,966.90
Goodwill			
Long-term prepaid expenses		<b>6,536,318.79</b>	5,766,830.06
Deferred tax assets		<b>277,734,400.16</b>	199,972,505.48
Other non-current assets		<b>10,498,821.62</b>	38,401,790.89
<b>Total non-current assets</b>		<b>22,723,636,355.51</b>	23,324,314,274.97
<b>Total Assets</b>		<b>30,344,166,504.10</b>	30,222,281,758.37

Legal representative:  
**LI Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Current liabilities:</b>			
Short-term borrowings			250,000,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		347,208,475.24	398,043,280.96
Advances from customers		51,338.53	44,931.23
Contract liabilities		218,924,652.72	205,815,322.47
Employee benefits payable		83,518,508.18	104,504,103.01
Taxes payable		28,768,906.29	55,575,395.70
Other payables		7,339,295,227.86	6,240,462,093.48
Including: Interest payable			
Dividends payable		1,540,177.73	1,264,940.14
Liabilities held for sales			
Current portion of non-current liabilities		10,142,092.38	13,804,885.92
Other current liabilities		29,370,460.49	28,091,070.54
<b>Total current liabilities</b>		<b>8,057,279,661.69</b>	<b>7,296,341,083.31</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		97,500,000.00	97,520,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities		14,272,601.98	16,073,237.60
Long-term payables		7,777,684.39	7,777,684.39
Long-term employee benefits payable			
Provisions		1,041,387,389.19	922,641,569.19
Deferred income		64,652,145.17	68,085,002.83
Deferred tax liabilities		92,497,612.54	61,916,477.36
Other non-current liabilities		29,638,261.94	59,232,906.35
<b>Total non-current liabilities</b>		<b>1,347,725,695.21</b>	<b>1,233,246,877.72</b>
<b>Total Liabilities</b>		<b>9,405,005,356.90</b>	<b>8,529,587,961.03</b>

# Balance Sheet

31 December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	31 December 2024	31 December 2023
<b>Shareholders' equity:</b>			
Share capital		<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus		<b>9,819,327,970.93</b>	9,819,327,969.93
Less: Treasury shares			
Other comprehensive income		<b>(21,936,478.56)</b>	(21,871,258.97)
Special reserve			
Surplus reserve		<b>1,991,637,429.60</b>	1,880,180,792.71
Undistributed profits		<b>7,524,341,276.23</b>	8,389,265,344.67
<b>Total Shareholders' Equity</b>		<b><u>20,939,161,147.20</u></b>	<u>21,692,693,797.34</u>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>30,344,166,504.10</u></b>	<u>30,222,281,758.37</u>

Legal representative:  
**LI Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# Income Statement

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	XVI.4	<b>2,984,633,517.37</b>	3,572,336,319.29
Less: Operating costs	XVI.4	<b>1,072,343,402.31</b>	1,301,004,912.50
Taxes and surcharges		<b>31,836,046.73</b>	38,449,939.28
Selling and distribution expenses		<b>591,782,056.94</b>	693,058,414.38
General and administrative expenses		<b>402,908,735.89</b>	401,349,776.27
R&D expenses		<b>239,904,405.13</b>	257,637,519.19
Financial expenses		<b>(83,439,621.42)</b>	(135,911,638.50)
Including: Interest expense		<b>8,451,562.36</b>	14,556,875.97
Interest income		<b>94,926,210.24</b>	153,103,638.80
Add: Other income		<b>71,686,325.06</b>	30,847,590.33
Investment income ("-" for loss)	XVI.5	<b>753,997,357.05</b>	761,615,380.03
Including: Share of profit or loss of associates and joint ventures	XVI.5	<b>(50,472,643.72)</b>	109,461,200.36
Gains on termination of financial assets measured at amortized cost ("-" for loss)	XVI.5	<b>(478,349.09)</b>	(5,363,152.55)
Gains on hedging of net exposure ("-" for loss)		<b>27,154,704.37</b>	33,264,262.50
Gains from changes in fair value ("-" for loss)		<b>(380,070.50)</b>	(1,493,501.00)
Impairment losses in respect of credit		<b>(404,521,245.67)</b>	2,314,535.49
Impairment losses in respect of assets		<b>166,712.22</b>	
Gains on disposal of assets ("-" for loss)		<b>1,177,402,274.32</b>	1,843,295,663.52
<b>II. Operating profit ("-" for loss)</b>		<b>8,556,172.36</b>	10,256,862.72
Add: Non-operating income		<b>5,398,679.61</b>	2,609,498.95
Less: Non-operating expenses		<b>1,180,559,767.07</b>	1,850,943,027.29
<b>III. Total profit ("-" for loss)</b>		<b>65,993,398.22</b>	166,920,482.55
Less: Income tax expenses		<b>1,114,566,368.85</b>	1,684,022,544.74
<b>IV. Net profit ("-" for net loss)</b>		<b>1,114,566,368.85</b>	1,684,022,544.74
1. Net profit from continuing operations ("-" for loss)		<b>1,114,566,368.85</b>	1,684,022,544.74
2. Net profit from discontinued operation ("-" for loss)			

# Income Statement

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>V. Other comprehensive income, net of tax</b>		<b>(65,219.59)</b>	(6,814,614.13)
(1) Other comprehensive income that will not be reclassified to profit or loss		<b>(65,219.59)</b>	(6,814,614.13)
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			
4. Change in fair value of the company's own credit risk		<b>(65,219.59)</b>	(6,814,614.13)
(2) Other comprehensive income that may be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments			
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b><u>1,114,501,149.26</u></b>	<u>1,677,207,930.61</u>
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share			
2. Diluted earnings per share			

Legal representative:  
**LI Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Statement of Cash Flow

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>I. Cash flow arising from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		1,804,377,723.86	2,025,382,663.85
Receipts of taxes refunds			174,788.10
Other cash receipts relating to operating activities		510,968,312.30	588,311,645.61
<b>Subtotal of cash inflow from operating activities</b>		<b>2,315,346,036.16</b>	<b>2,613,869,097.56</b>
Cash payments for goods purchased and services received		225,295,979.82	296,578,393.82
Cash payments to and on behalf of employees		544,451,596.54	543,739,346.81
Payments of all types of taxes		333,290,772.84	484,170,299.51
Other cash payments relating to operating activities		235,246,714.59	324,980,631.78
<b>Subtotal of cash outflow from operating activities</b>		<b>1,338,285,063.79</b>	<b>1,649,468,671.92</b>
<b>Net cash flow from operating activities</b>		<b>977,060,972.37</b>	<b>964,400,425.64</b>
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments			1,628,311,713.85
Cash receipts from returns on investments		1,732,187,691.55	2,051,601,275.46
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		157,969.77	7,338,521.04
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		254,683,081.41	282,470,811.30
<b>Subtotal of cash inflow from investment activities</b>		<b>1,987,028,742.73</b>	<b>3,969,722,321.65</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		377,858,033.64	305,368,069.26
Cash payments to acquire investments		2,562,685,500.45	3,499,591,241.52
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			250,000,000.00
<b>Subtotal of cash outflow from investment activities</b>		<b>2,940,543,534.09</b>	<b>4,054,959,310.78</b>
<b>Net cash flow from investing activities</b>		<b>(953,514,791.36)</b>	<b>(85,236,989.13)</b>

# Statement of Cash Flow

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise			
Cash receipts from borrowing			347,550,000.00
Other cash receipts relating to financing activities			
<b>Subtotal of cash inflow from financing activities</b>			<b>347,550,000.00</b>
Cash repayments of amounts borrowed		<b>250,020,000.00</b>	573,560,000.00
Cash payments for distribution of dividends, profits or interest expenses		<b>1,878,452,569.53</b>	1,205,922,664.36
Other cash payments relating to financing activities		<b>16,535,868.35</b>	14,325,304.00
<b>Subtotal of cash outflow from financing activities</b>		<b>2,145,008,437.88</b>	1,793,807,968.36
<b>Net cash flow from financing activities</b>		<b>(2,145,008,437.88)</b>	(1,446,257,968.36)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>8,773.59</b>	5,512.62
<b>V. Net increase in cash and cash equivalents</b>		<b>(2,121,453,483.28)</b>	(567,089,019.23)
Add: opening balance of cash and cash equivalents		<b>4,816,131,414.66</b>	5,383,220,433.89
<b>VI. Closing balance of cash and cash equivalents</b>		<b>2,694,677,931.38</b>	4,816,131,414.66

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Statement of Changes in Shareholders' Equity

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Other equity instruments					Current period					
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Total Shareholders' Equity
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
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	-	(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)	-	-	-	-	1.00	-	(65,219.59)	-	111,456,636.89	(864,924,068.44)	(753,532,650.14)
(1) Total comprehensive income	-	-	-	-	-	-	(65,219.59)	-	-	1,114,566,368.85	1,114,501,149.26
(2) Shareholders' contributions and reduction in capital	-	-	-	-	1.00	-	-	-	-	-	1.00
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	1.00	-	-	-	-	-	1.00
(3) Profit distribution	-	-	-	-	-	-	-	-	111,456,636.89	(1,979,490,437.29)	(1,868,033,800.40)
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	111,456,636.89	(111,456,636.89)	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(1,868,033,800.40)	(1,868,033,800.40)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2024	1,625,790,949.00	-	-	-	9,819,327,970.93	-	(21,936,478.56)	-	1,991,637,429.60	7,524,341,276.23	20,939,161,147.20

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Statement of Changes in Shareholders' Equity

January to December 2024

(All amounts in Renminbi yuan unless otherwise stated)

Item	Other equity instruments					Prior period		Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	
<b>I. Balance at 31 December 2022</b>	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(15,056,644.84)	21,205,564,841.41
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior year's errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2023</b>	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(15,056,644.84)	21,205,564,841.41
<b>III. Increase/(decrease) in the current year ("-" for losses)</b>	-	-	-	-	-	-	-	-
(1) Total comprehensive income	-	-	-	-	-	-	(6,814,614.13)	487,128,955.93
(2) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	(6,814,614.13)	1,677,207,930.61
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instruments holders	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity	-	-	-	-	-	-	-	-
1. Transfer from capital reserve to capital (or share capital)	-	-	-	-	-	-	-	-
2. Transfer from surplus reserve to capital (or share capital)	-	-	-	-	-	-	-	-
3. Surplus reserve used to offset accumulated losses	-	-	-	-	-	-	-	-
4. Transfer from changes in defined benefit obligation to retained earnings	-	-	-	-	-	-	-	-
5. Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(5) Special reserve	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-
2. Current utilization	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-
<b>IV. Balance at 31 December 2023</b>	1,625,790,949.00	-	-	-	9,819,327,969.93	-	(21,871,258.97)	21,692,693,797.34

Legal representative:  
**Li Xiaojun**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# Notes to the Financial Statements

(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.

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

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

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

# Notes to the Financial Statements

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

## I. GENERAL INFORMATION (Continued)

### 1. Company overview (Continued)

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

The financial statements were authorized for issue by the Company’s Board on 13 March 2025.

### 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 Jiujigong Health Industry Co., Ltd.	Indirect holding



# Notes to the Financial Statements

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (hereinafter referred to as "Pan Gao Shou")	Direct holding
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (hereinafter referred to as "Wang Lao Ji")	Direct holding
Guangzhou Wang Lao Ji Food Co., Ltd.	Indirect holding
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Indirect holding
Guangzhou San Gong Zai Pharmaceutical Co, Ltd.	Indirect holding
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
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

# Notes to the Financial Statements

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

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation (Continued)

Name of subsidiary	Control
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
Guangyao (Hannan) Pharmaceutical Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou 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
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

# Notes to the Financial Statements

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Indirect holding
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as "Yi Gan")	Direct holding
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (hereinafter referred to as "BYS M&H Industry")	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as "Xing Zhu")	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as "Wang Lao Ji Investment")	Direct holding

# Notes to the Financial Statements

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as "Guangyao Baiyunshan Hong Kong Company")	Direct holding
Guangzhou Baiyunshan Macao Co., Ltd.	Indirect holding
Guangyao International (Zhuhai Hengqin) Traditional Chinese Medicine Industry Co., Ltd.	Indirect holding
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Direct holding
Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	Indirect holding
Zhejiang Baiyunshan Anlikang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Research Institute ("Guangyao General Institute")	Direct holding

# Notes to the Financial Statements

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
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
Guangyao (Ya'an) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Hannan) Medical Technology Co., Ltd.	Indirect holding
Guangyao Jilin Pharmaceutical Co., Ltd.	Indirect holding

# Notes to the Financial Statements

(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 31 December 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 31 December 2024.

### 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.

# Notes to the Financial Statements

(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

#### (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.

#### (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

### 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.



# Notes to the Financial Statements

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

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

### 6. Business Combination *(Continued)*

#### (1) Business combination under common control *(Continued)*

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

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

#### (2) Business combination not under common control

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

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



# Notes to the Financial Statements

(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 relate to business combination shall be recognized through profit or loss for the current year.

For the business combinations not under common control and completed through multiple transactions, according to Notice of the Ministry of Finance of the People's Republic of China on Issuing Interpretations No.5 on Accounting Standards for Business Enterprises (Caikuai [2012] No.19) and the criteria about "package deal" in Article 51 of Accounting Standards for Business Enterprises No.33 – Consolidated Financial statements, 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).

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

# Notes to the Financial Statements

(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

#### (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.

##### 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.

# Notes to the Financial Statements

(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)*

##### 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.

### 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.

# Notes to the Financial Statements

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

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

### 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.

### 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

(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.

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

(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.

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

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

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



# Notes to the Financial Statements

(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)*

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

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

#### (2) Classification, recognition and measurement of financial liabilities

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

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

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

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.

# Notes to the Financial Statements

(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 *(Continued)*

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.

#### (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

(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

(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

(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).

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

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

# Notes to the Financial Statements

(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)

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

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

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

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

##### 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.

# Notes to the Financial Statements

(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)*

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

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

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

# Notes to the Financial Statements

(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

### 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.

# Notes to the Financial Statements

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

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

### 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.

#### (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.

# Notes to the Financial Statements

(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

If the Company recovers its book value primarily through the sale instead of the continuous use of a non-current asset or disposal group (including the exchange of non-monetary assets with commercial substance, the same below), then the assets shall be classified as assets held for sale. The specific criteria are all of the following conditions are achieved: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already decided on the sale plan and obtained the purchase commitment; the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other methods in a transaction, and liabilities that are directly related to these assets are transferred in the transaction. If the asset group or asset group to which the disposal group belongs is allocated the goodwill acquired in the business combination in accordance with Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, the disposal group shall include the goodwill allocated to the disposal group.

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

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

(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.

#### (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

(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.

#### (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.

# Notes to the Financial Statements

(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

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.

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

(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, 6 (2) "Method for Preparation of Consolidated Financial Statements" shall be followed for handling.

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

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

# Notes to the Financial Statements

(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 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.

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

(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.

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.



# Notes to the Financial Statements

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

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

### 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.

#### (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".

#### (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.

# Notes to the Financial Statements

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

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

### 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.

### 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

(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.

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

# Notes to the Financial Statements

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

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

### 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.

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, Wei Yi 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.

# Notes to the Financial Statements

(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

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

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

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

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

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

(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

### 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.

# Notes to the Financial Statements

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

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

### 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.

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.

# Notes to the Financial Statements

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

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

### 27. Employee Benefits *(Continued)*

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

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

### 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.

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.



# Notes to the Financial Statements

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

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

### 29. Revenue *(Continued)*

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.

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.

# Notes to the Financial Statements

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

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

### 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.

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.



# Notes to the Financial Statements

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

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

### 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.

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

(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.

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.

# Notes to the Financial Statements

(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)*

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.

#### (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.

# Notes to the Financial Statements

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

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

### 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”).

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

(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

(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

#### (1) Changes in Significant Accounting Policies

- ① 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."

##### A. 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.

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.



# Notes to the Financial Statements

(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) Changes in Significant Accounting Policies *(Continued)*

① (Continued)

##### B. 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

(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) Changes in Significant Accounting Policies *(Continued)*

① (Continued)

##### C. 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.

② *Implementation of “Interpretation No. 18 of Accounting Standards for Business Enterprises” about “Accounting Treatment of Warranty Obligations Not Constituting a Separate Performance Obligation”*

On December 6, 2024, the Ministry of Finance issued Accounting Standards for Business Enterprises (ASBE) Interpretation No. 18 (“Interpretation No. 18”), which provides guidance on the accounting treatment of warranty obligations that do not constitute a separate performance obligation. The interpretation is effective immediately upon issuance, with the option for early adoption by enterprises within the fiscal year of issuance.

According to Interpretation No. 18, in compliance with ASBE No. 14 – Revenue (Cai Kuai [2017] No. 22), Article 33, warranty obligations that do not constitute a separate performance obligation shall be accounted for in accordance with ASBE No. 13 – Contingencies (Cai Kuai [2006] No. 3). When recognizing provisions for such warranty obligations, enterprises shall record the estimated liability amount by debiting “Cost of Principal Business” or “Other Business Costs” and crediting “Provisions”. Corresponding amounts shall be presented in the income statement under “Cost of Sales” and in the balance sheet under “Other Current Liabilities,” “Non-Current Liabilities Due Within One Year,” and “Provisions.”

The Group has adopted Interpretation No. 18 from the date of issuance. The implementation of this accounting policy change has no impact on the financial data.

#### (2) Changes in Significant Accounting Estimates

No



# Notes to the Financial Statements

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

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

### 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.

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

(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.

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

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

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

# Notes to the Financial Statements

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

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

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

#### (6) Depreciation and Amortization

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

#### (7) Deferred tax assets

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

#### (8) Income Taxes

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

#### (9) Provisions

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

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

# Notes to the Financial Statements

(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.
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., Gansu Guangyao Baiyunshan Chinese Medicine Technology 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

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

## IV. TAXES (Continued)

### 2. Important Tax Preferential Treatments and Approval Documents

#### (1) Tax preferential policies for High/New enterprises

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. GR2023344003015), Guand Dong Han Chao (No. GR202344003019), Tian Xin (No. GR202344004253), Guang Hua (No. GR202244002191), Ming Xing (No. GR202344008105), Guangyao General Institute (No. GR20244009410), Guangxi Ying Kang (No. GR202445000589), Baiyunshan Weiling Pharmaceutical Co., Ltd. (No. GR202244012147), Guangzhou Pharmaceutical Information Technology Co., Ltd. (No. GR202344009159), Weiyi Industry (No. GR202444001470), Guangyao Wang Lao Ji (Bijie) Industrial Co., Ltd. (No. GR202452000044), Gansu Guangyao Baiyunshan Traditional Chinese Medicine Technology Co., Ltd. (No. GR202462000057).

#### (2) Other tax preferential policies

- ① Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) pharmaceutical Import and Export Co., Ltd., WLJ Great Health and Guizhou Wanglaoji Cilinji Industry Development Co., Ltd. enjoy tax incentives for encourage industries, and paid enterprise income tax at a reduced rate of 15% in 2024.
- ② 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, Guanghua Pharmaceutical, Weiling Pharmaceutical, Xingqun Pharmaceutical are entitled to enjoy the aforementioned VAT incremental deduction policy.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash at Bank and on Hand

Item	Closing balance	Closing balance of last year
Cash on hand	501,913.33	538,527.39
Cash at bank	16,281,500,959.05	19,810,319,063.95
Other currency balance(note)	1,991,147,240.20	1,497,986,613.10
Total	18,273,150,112.58	21,308,844,204.44
Including: Total amount of cash kept in foreign countries	220,637,136.92	192,479,407.37

Notes:

Other currency balance RMB1,991,147 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 31 December 2024, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,967,598 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	1,353,069,844.30	1,259,367,488.50
Term deposit 、Certificate of deposit	463,152,107.43	33,242,191.79
Frozen account funds	77,266,280.98	75,105,135.48
Deposit for Letters of credit	64,802,197.05	51,483,738.44
Guarantee deposits	8,342,520.80	62,888,186.67
Housing funds	939,292.05	935,628.48
Other	25,299.10	2,278,040.36
Total	1,967,597,541.71	1,485,300,409.72

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Financial assets held for trading

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	—	4,000,000.00
Including: Debt instrument investment	—	4,000,000.00
Total	—	4,000,000.00

### 3. Notes Receivable

#### (1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	435,855,637.42	748,381,650.93
Commercial acceptance notes	122,211,336.80	126,667,368.93
Less: Bad debt reserves	4,147,454.81	4,164,741.94
Total	553,919,519.41	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 RMB1,595,652 thousand.

#### (2) No pledged notes receivable at the period end

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

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

Item	Amount derecognized at the period end	Amount not derecognized at the period end
Bank acceptance notes		213,107,972.53
Commercial acceptance notes	<b>99,567,964.90</b>	—
Total	<b>99,567,964.90</b>	<b>213,107,972.53</b>

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, RMB99,568 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.

② In the Group's opinion, the Group has transferred substantially all risks and rewards of the above endorsed or discounted receivables and the fair value of continuing involvement is not material. The Group has not recognized any asset and liability in respect of its continuing involvement in the receivables. The Group has evaluated that it has not transferred substantially all risks and rewards of the receivables and has not derecognized this portion of receivables. The Group has recognized receivables of RMB213,108 thousand and short-term borrowings, accounts payable of RMB213,108 thousand in respect of its continuing involvement.

③ The maximum loss of the Group from continuing involvement which has resulted in the above-mentioned trade receivables either endorsed or discounted equals their carrying value amounting RMB213,108 thousand.

④ The undiscounted cash flows that the Group may need to pay for the potential repurchase of the endorsed or discounted notes receivable are equal to their carrying amount. The balance of notes receivable as of December 31, 2024, will mature before December 31, 2025.

⑤ In 2024, the Group did not have any gains or losses to be recognized in relation to its transfer date. The Group did not have any gains or losses to be recognized from its continuing involvement in the period of the financial assets derecognized and the cumulative gains or losses recognized.

⑥ The above bills receivable discounted or endorsed during the year were approximately balanced in their incidence and distribution.

- (4) As on 31 December 2024, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB202,102 thousand (31 December 2023: RMB549,725 thousand).



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

- (5) As on 31 December 2024 and 31 December 2023, the Group had no trade acceptance bills endorsed to other parties but not yet due.
- (6) As on 31 December 2024, bank acceptance notes discounted by the Group but not matured was RMB11,006 thousand (31 December 2023: RMB205 thousand).
- (7) As on 31 December 2024, commercial acceptance notes discounted by the Group but not matured was RMB99,568 thousand (31 December 2023: RMB18,560 thousand).
- (8) As on 31 December 2024 and 31 December 2023, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.
- (9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing balance Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	558,066,974.22	100.00	4,147,454.81	0.74	553,919,519.41
Including: portfolio 1	122,211,336.80	21.90	4,147,454.81	3.39	118,063,881.99
portfolio 2	435,855,637.42	78.10	-	-	435,855,637.42
Total	558,066,974.22	100.00	4,147,454.81	0.74	553,919,519.41

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

Category	Book balance		Closing balance of last year Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	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	875,049,019.86	100.00	4,164,741.94	0.48	870,884,277.92

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

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

Item	Book balance	Closing balance Provision for bad debts	Expected credit loss (%)
Within one year	96,651,321.72	966,513.22	1.00
1 to 2 years	22,435,314.58	2,243,531.45	10.00
2 to 3 years	3,124,700.50	937,410.14	30.00
Total	122,211,336.80	4,147,454.81	3.39

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

(9) Notes receivable disclosed by methods of accruing provision for bad debts (Continued)

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

Item	Notes receivable	Closing balance Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	<b>435,855,637.42</b>	—	—
Total	<b>435,855,637.42</b>	—	—

(10) Provision for bad debts.

Item	Closing balance of last year	Provision	Current Movement Return or Recovery	Pay-off or write off	Closing balance
Provision for bad debts of notes receivable	4,164,741.94	(17,287.13)	—	—	<b>4,147,454.81</b>
Total	<b>4,164,741.94</b>	<b>(17,287.13)</b>	—	—	<b>4,147,454.81</b>

(11) 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	<b>14,366,926,508.25</b>	14,091,285,020.44
1 to 2 years	<b>1,447,254,521.49</b>	1,130,613,239.71
2 to 3 years	<b>246,382,554.97</b>	214,868,845.04
3 to 4 years	<b>95,992,780.94</b>	60,863,494.35
4 to 5 years	<b>37,140,920.37</b>	22,715,935.81
Over 5 years	<b>235,917,479.98</b>	238,247,352.09
Subtotal	<b>16,429,614,766.00</b>	15,758,593,887.44
Less: Provision for bad debts	<b>703,632,104.83</b>	646,099,088.75
Total	<b>15,725,982,661.17</b>	15,112,494,798.69

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance Provision for bad debts		Book value Amount
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Accounts receivable subject to separate provision	306,599,132.52	1.87	267,447,705.28	87.23	39,151,427.24
Accounts receivable subject to provision by portfolio	16,123,015,633.48	98.13	436,184,399.55	2.71	15,686,831,233.93
Including: portfolio 1	16,123,015,633.48	98.13	436,184,399.55	2.71	15,686,831,233.93
Total	16,429,614,766.00	100.00	703,632,104.83	4.28	15,725,982,661.17

Category	Book balance		Closing balance of last year Provision for bad debts		Book value Amount
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
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	15,758,593,887.44	100.00	646,099,088.75	4.10	15,112,494,798.69

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

##### 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.
Customer 2	44,227,702.62	6,985,886.63	15.80	Amount is expected to be unrecoverable fully.
Customer 3	21,093,295.40	21,093,295.40	100.00	Litigation is involved.
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved.
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.
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved.
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
Others	22,226,720.07	21,134,194.48	95.08	Amount is expected to be unrecoverable fully.
Total	306,599,132.52	267,447,705.28	-	-

##### ② Accounts receivable subject to provision by portfolio

#### Portfolio 1 : aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss (%)	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	14,321,319,158.51	143,213,000.51	1.00	14,058,577,529.75	140,582,785.78	1.00
1 to 2 years	1,447,069,038.24	144,706,903.90	10.00	1,129,781,256.43	112,978,103.71	10.00
2 to 3 years	245,686,608.90	73,709,171.21	30.00	173,313,252.54	51,993,975.78	30.00
3 to 4 years	58,061,274.18	29,030,637.14	50.00	49,384,910.03	24,692,455.04	50.00
4 to 5 years	26,774,334.20	21,419,467.34	80.00	14,966,707.60	11,973,366.10	80.00
Over 5 years	24,105,219.45	24,105,219.45	100.00	31,785,092.44	31,785,092.44	100.00
Total	16,123,015,633.48	436,184,399.55	-	15,457,808,748.79	374,005,778.85	-

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

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

Category	Closing balance of last year	Provision	Current movement Return or recovery	Pay-off or write-off	Other decrease	Closing balance
Provision for bad debts of accounts receivable	646,099,088.75	83,722,263.51	24,910,966.43	1,278,281.00	-	703,632,104.83
Total	646,099,088.75	83,722,263.51	24,910,966.43	1,278,281.00	-	703,632,104.83

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
Total	18,049,400.00	-	-	-

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

Item	Amount written off
Accounts receivable written off	1,278,281.00

Including: Significant written off of accounts receivable in the current period: Nil

#### (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	305,900,323.45	1.86	3,274,299.02
Customer 2	259,062,639.47	1.58	3,121,451.21
Customer 3	245,966,521.06	1.50	2,962,305.52
Customer 4	203,151,802.23	1.24	2,031,518.03
Customer 5	203,118,120.25	1.24	2,035,730.98
Total	1,217,199,406.46	7.41	13,425,304.76

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Account receivables Financing

#### (1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	<b>1,595,651,821.83</b>	2,068,412,933.36
Accounts receivable	<b>1,580,197,798.48</b>	1,545,905,328.86
Total	<b>3,175,849,620.31</b>	3,614,318,262.22

#### (2) No financing of receivables pledged at the end of the period

#### (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	Final confirmation amount	Final confirmation amount
Bank acceptance notes	3,000,515,323.81	—
Total	3,000,515,323.81	—

### 6. Advances to suppliers

#### (1) The aging analysis of advances to suppliers based on booking date is as follows:

Aging	Closing balance		Closing balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>559,316,246.06</b>	<b>96.78</b>	807,813,231.35	98.71
1 to 2 years	<b>16,757,682.60</b>	<b>2.90</b>	6,595,875.04	0.81
2 to 3 years	<b>543,398.53</b>	<b>0.09</b>	2,421,500.94	0.29
Over 3 years	<b>1,325,058.77</b>	<b>0.23</b>	1,528,977.64	0.19
Total	<b>577,942,385.96</b>	<b>100.00</b>	818,359,584.97	100.00

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. Advances to suppliers (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	150,509,602.31	26.04
Supplier 2	41,650,533.70	7.21
Supplier 3	28,601,450.25	4.95
Supplier 4	20,454,586.35	3.54
Supplier 5	10,465,995.94	1.81
Total	<u>251,682,168.55</u>	<u>43.55</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>992,150,235.33</u>	<u>817,224,901.31</u>
Total	<u>993,650,235.33</u>	<u>878,488,529.23</u>

#### (1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as "HWBYS")	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>



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	<b>833,179,727.37</b>	712,572,951.85
1 to 2 years	<b>83,951,384.38</b>	31,741,882.72
2 to 3 years	<b>22,659,236.35</b>	51,523,504.43
3 to 4 years	<b>43,559,710.58</b>	15,578,834.27
4 to 5 years	<b>15,285,918.19</b>	9,653,996.37
Over 5 years	<b>40,178,092.82</b>	38,985,653.43
Subtotal	<b>1,038,814,069.69</b>	860,056,823.07
Less: Provision for bad debts	<b>46,663,834.36</b>	42,831,921.76
Total	<b>992,150,235.33</b>	817,224,901.31

② Category of other receivables as per nature

Nature	Closing book balance	Closing book balance of last year
Receivables due from external parties	<b>714,364,907.96</b>	623,746,434.07
Margin, deposit and down payment	<b>148,751,045.77</b>	130,881,425.94
Advances to employees	<b>18,461,903.70</b>	29,001,473.93
Receivables due from related parties	<b>13,806,761.59</b>	8,191,528.76
Petty cash	<b>621,189.11</b>	832,352.96
Due export tax refund	<b>221,618.04</b>	147,311.51
Others	<b>142,586,643.52</b>	67,256,295.90
Total	<b>1,038,814,069.69</b>	860,056,823.07

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### 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	–	–	–	–
Provision at current period	1,110,043.08	–	2,722,263.86	3,832,306.94
Reversal of bad debt provision at current period	–	–	394.34	394.34
Written off at current period	–	–	–	–
Other changes	–	–	–	–
Ending balance on 31 Dec 2024	<u>13,779,780.37</u>	<u>–</u>	<u>32,884,053.99</u>	<u>46,663,834.36</u>

##### ④ Provision for bad debts

Item	Closing balance of last year	Current movement Provision	Return of recovery	Pay-off or write-off	Other decrease	Closing balance
Provision for bad debts of other receivables	42,831,921.76	3,832,306.94	394.34	–	–	<u>46,663,834.36</u>
Total	<u>42,831,921.76</u>	<u>3,832,306.94</u>	<u>394.34</u>	<u>–</u>	<u>–</u>	<u>46,663,834.36</u>

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

(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	Performance betting compensation	52,872,680.00	1 to 2 years	5.09	
Other receivables 2	Purchase rebates receivable from suppliers	51,502,375.81	Within 1 year	4.96	515,023.76
Other receivables 3	Purchase rebates receivable from suppliers	38,095,140.71	Within 1 year	3.67	380,951.41
Other receivables 4	Purchase rebates receivable from suppliers	27,749,426.00	Within 1 year	2.67	277,494.26
Other receivables 5	Purchase rebates receivable from suppliers	23,511,908.53	Within 1 year	2.26	235,119.09
Total	-	<u>193,731,531.05</u>	-	<u>18.65</u>	<u>1,408,588.52</u>

⑧ The Group had no amount reported as other receivables due to centralized management of funds during the year.

⑨ The Group had no other receivables related to government grants for this year.

⑩ The Group had no other receivables derecognized due to the transfer of financial assets for this year.

⑪ 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 year.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. Inventories

(1) Disclosure of inventories by categories is as follows:

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories	Book value	Book balance	Provision for decline in value of inventories	Book value
Raw materials	910,359,255.74	4,157,314.67	906,201,941.07	930,337,507.35	15,158,999.49	915,178,507.86
Turnover materials	158,209,977.62	2,699,488.01	155,510,489.61	186,084,878.41	2,566,543.95	183,518,334.46
Consignment processing material	38,955,351.32	–	38,955,351.32	27,741,920.80	342,817.05	27,399,103.75
Work in progress	712,306,533.72	2,436,408.01	709,870,125.71	784,909,960.26	–	784,909,960.26
Commodity stocks	11,076,044,276.19	74,679,730.11	11,001,364,546.08	9,652,916,934.59	56,823,098.51	9,596,093,836.08
Total	12,895,875,394.59	83,972,940.80	12,811,902,453.79	11,581,991,201.41	74,891,459.00	11,507,099,742.41

(2) Provision for decline in value of inventories

Item	Closing balance of last year	Increase in this year		Decrease in this year		Closing balance
		Provision	Others	Reversed or Written-off	Return of recovery	
Raw materials	15,158,999.49	925,522.82	–	11,927,207.64	–	4,157,314.67
Commodity stocks	56,823,098.51	22,465,926.94	–	4,609,295.34	–	74,679,730.11
Turnover materials	2,566,543.95	520,055.34	–	387,111.28	–	2,699,488.01
Consignment processing material	342,817.05	–	–	342,817.05	–	–
Work in progress	–	3,050,052.86	–	613,644.85	–	2,436,408.01
Total	74,891,459.00	26,961,557.96	–	17,880,076.16	–	83,972,940.80

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

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

(5) No data resources were identified as inventory during the year.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Current portion of non-current assets

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	<b>3,783,355,648.62</b>	159,360,467.41
Total	<b>3,783,355,648.62</b>	159,360,467.41

The important debt investments are as follows:

Item	Par value	Nominal interest rate	Closing balance Effective rate of interest; true rate of interest	Date due
Time deposit	500,000,000.00	3.40%	3.40%	15 August 2025
Time deposit	500,000,000.00	3.40%	3.40%	31 August 2025
Certificate of deposit	500,000,000.00	3.45%	3.45%	15 August 2025
Certificate of deposit	450,000,000.00	3.30%	3.30%	15 February 2025
Certificate of deposit	160,000,000.00	3.45%	3.45%	18 August 2025
Total	<b>2,110,000,000.00</b>	—	—	—

(cont.)

Item	Par value	Nominal interest rate	Closing balance of last year Effective rate of interest; true rate of interest	Date due
Time deposit	100,000,000.00	3.50%	3.50%	9 December 2024
Time deposit	10,000,000.00	2.85%	2.85%	9 June 2024
Time deposit	10,000,000.00	2.75%	2.75%	22 June 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	14 March 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	11 April 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	25 April 2024
Total	<b>150,000,000.00</b>	—	—	—

# Notes to the Financial Statements

(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	715,606,381.30	203,349,888.45
Certificate of deposit	662,865,159.60	569,795,815.08
Value-added tax debit balance outstanding	346,536,718.37	842,837,845.29
Prepaid income tax	99,280,764.07	48,331,799.20
Refunds payable	—	3,859,286.05
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Others	40,688,251.47	40,190,826.34
Total	1,866,475,672.20	1,709,863,857.80

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	4,112,572,346.40	—	4,112,572,346.40	4,572,661,793.28	—	4,572,661,793.28
Fixed deposit held to maturity	3,941,352,999.78	—	3,941,352,999.78	1,963,709,743.15	—	1,963,709,743.15
Total	8,053,925,346.18	—	8,053,925,346.18	6,536,371,536.43	—	6,536,371,536.43

#### (2) The important debt investments

Item	Par value	Nominal interest rate	Closing balance		Date due
			Effective rate of interest; true rate of interest		
Certificate of deposit	1,400,000,000.00	3.20%	3.20%		7 Sept 2026
Certificate of deposit	800,000,000.00	3.20%	3.20%		28 Jul 2026
Time deposit	600,000,000.00	2.90%	2.90%		21 May 2027
Time deposit	500,000,000.00	3.20%	3.20%		7 May 2027
Time deposit	300,000,000.00	2.90%	2.90%		30 Apr 2027
Total	3,600,000,000.00				

# Notes to the Financial Statements

(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	Increase	Decrease	Investment gains and losses recognized under equity method	Change in the current period					Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits	Provision for impairment	Others		
I. Joint ventures											
HWBYS	250,281,122.25	-	-	(63,572,883.48)	-	-	-	-	-	186,708,238.77	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	72,907,985.47	-	-	13,000,108.67	-	-	-	-	-	85,908,094.14	-
Chengdu Hejian	16,737,190.31	-	-	81,781.08	-	-	-	-	-	16,818,971.39	-
Subtotal	339,926,298.03	-	-	(50,490,993.73)	-	-	-	-	-	289,435,304.30	-
II. Associates											
Guangzhou Guangyao Industry Investment Equity Investment Partnership (Limited Partnership)	82,707,922.32	-	-	(5,309,908.84)	-	-	-	-	-	77,398,013.48	-
Jinying Fund Management Co., Ltd.	85,108,404.81	-	-	1,473,089.26	-	-	-	-	-	86,581,494.07	-
Guangzhou Baiyunshan Weiye Medical Investment Management Co., Ltd.	2,084,840.52	-	-	16,692.93	-	-	-	-	-	2,101,533.45	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred as "Yi Xin Tang")	794,271,683.03	-	-	5,808,504.48	-	-	(12,352,121.60)	(385,666,507.83)	-	402,061,558.08	385,666,507.83
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	80,060,802.40	-	-	(7,898,622.99)	-	-	-	-	-	72,162,179.41	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	5,744,157.67	-	-	248,620.44	-	-	-	-	-	5,992,778.11	-
Guangzhou Guangyao Jinzang equity investment partnership (limited partnership)	39,823,785.14	-	-	(4,357,169.54)	-	-	-	-	-	35,466,615.60	-
Guangzhou Dufen Health Industry Co., Ltd.	75,262.85	-	-	(9,786.67)	-	-	-	-	-	65,476.18	-
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	39,559,328.96	-	-	(1,468,221.08)	-	-	-	-	-	38,091,107.88	-
Guangzhou Guangyao Industrial Investment Venture Capital Fund Partnership (Limited Partnership)	-	156,000,000.00	-	147,078.81	-	-	-	-	-	156,147,078.81	-
Guangzhou Zhongcheng Medical Instruments Industry Development Co., Ltd.	171,872.02	-	-	(3,883.04)	-	-	-	-	-	167,988.98	-
Wobolan Guangyao (Guangzhou) Equity investment partnership (limited partnership)	336,107,226.55	-	-	5,480,719.04	-	-	-	-	-	341,587,945.59	-
Subtotal	1,465,715,286.27	156,000,000.00	-	(5,872,887.20)	-	-	(12,352,121.60)	(385,666,507.83)	-	1,217,823,769.64	385,666,507.83
Total	1,805,641,584.30	156,000,000.00	-	(56,363,880.93)	-	-	(12,352,121.60)	(385,666,507.83)	-	1,507,259,073.94	385,666,507.83

# Notes to the Financial Statements

(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	Increase	Decrease	Change in the current period		Other	Closing balance
				Gains included in other composite income	Losses included in other composite income		
Sino-Israel Bio-industry Investment Fund	93,123,982.54	445,500.45	-	-	114,666.11	-	93,454,816.88
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,050,000.00	-	-	50,000.00	-	-	10,100,000.00
Yilin Bio-industry Co., Ltd.	637,755.40	-	-	-	12,062.83	-	625,692.57
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	-	-	-	-	-
Total	103,811,737.94	445,500.45	-	50,000.00	126,728.94	-	104,180,509.45

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
Sino-Israel Bio-industry Investment Fund	-	-	(23,613,179.07)	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	-	100,000.00	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	-	157,510.67	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	(7,677,876.51)	Long-term holdings for strategic purposes
Total	-	257,510.67	(31,291,055.58)	-



# Notes to the Financial Statements

(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	<b>531,000,228.05</b>	1,005,936,165.09
Including: Debt instrument investment	<b>4,000,000.00</b>	488,559,816.67
Equity instrument investment	<b>527,000,228.05</b>	517,376,348.42
Total	<b>531,000,228.05</b>	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	—	488,559,816.67
Equity instrument investment	Guangzhou Baxter Medical Supply	<b>230,000,000.00</b>	229,000,000.00
Equity instrument investment	C.Q.Pharmaceutical Holding Co.,Ltd	<b>139,838,735.40</b>	129,181,880.10
Total	—	<b>369,838,735.40</b>	846,741,696.77

# Notes to the Financial Statements

(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	14,640,791.74	–	2,386,804.44	17,027,596.18
(1) Purchase	767,973.45	–	2,386,804.44	3,154,777.89
(2) Changes in foreign exchange rate	135,620.51	–	–	135,620.51
(3) Inventory, fixed assets and transferred from working in progress	13,737,197.78	–	–	13,737,197.78
3. Decrease	6,709,807.54	–	–	6,709,807.54
(1) transferred into inventory, fixed assets and working in progress	754,800.00	–	–	754,800.00
(2) Other	5,955,007.54	–	–	5,955,007.54
4. Closing balance	300,965,836.83	19,867,393.15	23,329,283.00	344,162,512.98
II. Accumulated depreciation and amortization				
1. Opening balance	152,541,477.37	11,528,567.85	–	164,070,045.22
2. Increase	34,893,697.34	290,938.59	–	35,184,635.93
(1) Provision or amortization	13,770,886.61	290,938.59	–	14,061,825.20
(2) Changes in foreign exchange rate	76,000.00	–	–	76,000.00
(3) Inventory, fixed assets and transferred from working in progress	21,046,810.73	–	–	21,046,810.73
3. Decrease	163,746.16	–	–	163,746.16
(1) Other	163,746.16	–	–	163,746.16
4. Closing balance	187,271,428.55	11,819,506.44	–	199,090,934.99
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase	–	–	–	–
3. Decrease	–	–	–	–
4. Closing balance	–	–	–	–
IV. Book value				
1. Closing balance of book value	113,694,408.28	8,047,886.71	23,329,283.00	145,071,577.99
2. Opening balance of book value	140,493,375.26	8,338,825.30	20,942,478.56	169,774,679.12

① Depreciation is RMB13,771 thousand from Jan to December 2024 (2023: RMB12,742 thousand). Amortization is RMB291 thousand in Jan to December 2024 (2023: RMB318 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	<b>5,562,042,542.06</b>	4,411,948,633.92
Disposal of fixed assets	–	–
Less: Provision for impairment	<b>32,029,329.21</b>	32,151,211.78
Total	<b>5,530,013,212.85</b>	4,379,797,422.14

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets

##### 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	903,232,372.94	705,509,822.28	11,421,516.43	24,527,168.87	48,133,812.35	3,050,760.24	1,695,875,453.11
(1) Purchases	3,345,812.57	97,512,605.65	9,544,747.36	12,403,855.33	27,992,576.42	285,263.74	151,084,861.07
(2) Transfer of construction, use assets, development expenditure, investment real estate	899,475,845.36	607,997,216.63	1,876,769.07	12,123,313.54	20,124,028.62	2,765,496.50	1,544,362,669.72
(3) Changes in foreign exchange rate	174,841.43	-	-	-	17,207.31	-	192,048.74
(4) Other	235,873.58	-	-	-	-	-	235,873.58
3. Decrease	18,085,231.27	63,239,685.99	9,643,280.04	7,306,032.72	19,169,574.83	-	117,443,804.85
(1) Disposal or scrap	4,357,934.48	62,381,530.69	9,643,280.04	7,306,032.72	19,169,574.83	-	102,858,352.76
(2) Turn out of construction, use assets, development expenditure, investment real estate	13,727,296.79	-	-	-	-	-	13,727,296.79
(3) Other	-	858,155.30	-	-	-	-	858,155.30
4. Closing balance	5,225,068,701.81	4,184,903,861.55	135,919,115.37	380,019,985.06	425,674,104.50	73,539,439.44	10,425,125,207.73
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	161,763,209.72	293,970,927.22	8,356,864.80	32,211,075.94	40,933,378.08	4,529,238.07	541,764,693.83
(1) Provision	161,737,538.13	293,970,927.22	8,356,864.80	32,211,075.94	40,928,568.94	4,529,238.07	541,734,213.10
(2) Changes in foreign exchange rate	25,671.59	-	-	-	4,809.14	-	30,480.73
3. Decrease	22,231,451.45	59,559,159.15	8,842,697.75	6,459,306.08	16,334,339.28	-	113,426,953.71
(1) Disposal or scrap	1,184,640.72	59,559,159.15	8,842,697.75	6,459,306.08	16,334,339.28	-	92,380,142.98
(2) transferred to investment properties	21,046,810.73	-	-	-	-	-	21,046,810.73
4. Closing balance	1,945,311,381.45	2,247,359,266.76	81,524,439.83	250,128,881.82	284,568,395.15	54,190,300.66	4,863,082,665.67
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	-	-	-	-	-	-	-
3. Decrease	-	117,109.62	-	4,772.95	-	-	121,882.57
(1) Disposal or scrap	-	117,109.62	-	4,772.95	-	-	121,882.57
4. Closing balance	11,767,229.72	4,542,010.22	-	15,718,589.27	1,500.00	-	32,029,329.21
IV. Book value							
1. Closing balance of book value	3,267,990,090.64	1,933,002,584.57	54,394,675.54	114,172,513.97	141,104,209.35	19,349,138.78	5,530,013,212.85
2. Opening balance of book value	2,522,374,707.24	1,525,027,106.73	52,130,606.20	122,698,374.73	136,739,010.63	20,827,616.61	4,379,797,422.14

Notes: ① The original price of transferring from construction in progress to fixed assets from Jan to Dec 2024 is RMB1,534,512 thousand (Jan to Dec 2023: RMB915,782 thousand).

② Fixed assets depreciation accrued in Jan to Dec 2024 is RMB541,734 thousand (Jan to Dec 2023: RMB557,239 thousand), which is comprised of depreciation in operating cost RMB200,551 thousand, depreciation in selling expenses RMB156,713 thousand, depreciation in general and administrative expenses RMB144,664 thousand and depreciation in R&D expenditure RMB39,806 thousand (Jan to Dec 2023: RMB278,383 thousand, RMB140,967 thousand, RMB100,357 thousand and RMB37,532 thousand).

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### 1. Fixed assets (Continued)

##### (2) Temporary idle fixed assets

Item	Original cost	Accumulated depreciation	Provision for impairment	Book value	Note
Buildings	430,613.36	309,580.16		121,033.20	/
Machinery and equipment	16,660,478.84	10,839,262.41	1,714,344.57	4,106,871.86	/
Total	17,091,092.20	11,148,842.57	1,714,344.57	4,227,905.06	/

(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	1,125,076,003.00	Processing but necessary procedures were not complete
Total	1,125,076,003.00	—

(5) As on 31 Dec 2024, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, has buildings with the original costs of HK\$8,893 thousand and the net book value of HK\$5,830 thousand(Converted into RMB5,415 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$2,950 thousand(Converted into RMB2,732 thousand) pledged as collateral, and obtained a credit line with a limit of HK\$300 thousand, the letter of credit and the total amount of 90-day credits of HK\$100,000 thousand,

### 17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	1,859,900,136.40	2,418,878,925.15
Construction material	—	—
Less: Provision for impairment	13,707,203.45	13,707,203.45
Total	1,846,192,932.95	2,405,171,721.70

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress

##### ① Basic information of the Construction in progress

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	<u>1,859,900,136.40</u>	<u>13,707,203.45</u>	<u>1,846,192,932.95</u>	<u>2,418,878,925.15</u>	<u>13,707,203.45</u>	<u>2,405,171,721.70</u>
Total	<u>1,859,900,136.40</u>	<u>13,707,203.45</u>	<u>1,846,192,932.95</u>	<u>2,418,878,925.15</u>	<u>13,707,203.45</u>	<u>2,405,171,721.70</u>

##### 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	123,280,868.25	-	-	<b>780,324,048.02</b>	80.68	96.43	-	-	-	Self-raised funds, issuing shares
Baiyunshan Heji public relocation project	699,521,600.00	119,725,309.26	152,706,253.08	-	-	<b>272,431,562.34</b>	53.29	53.29	-	-	-	Self-raised funds, issuing shares
Lanzhou production base	350,000,000.00	80,043,595.77	25,053,220.52	3,946,152.82	-	<b>101,150,663.47</b>	46.29	65.00	-	-	-	Self-raised funds
Ming Xing relocation improvement	686,410,000.00	474,183,388.78	62,690,889.53	445,226,443.76	-	<b>91,647,834.55</b>	96.72	95.50	-	-	-	Self-raised funds, issuing shares
Baiyun Base Logistics Project, Phase II.Q	615,124,000.00	11,014,362.35	61,307,443.59	831,196.18	-	<b>71,490,609.76</b>	11.76	11.76	-	-	-	Self-raised funds
Construction of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	768,552,600.00	542,075,573.45	82,282,079.53	543,274,734.51	13,748,452.08	<b>67,334,466.39</b>	96.90	98.00	-	-	-	Self-raised funds, issuing shares
Head Factory upgrading Project of Science and Technology Innovation Center	84,110,000.00	16,787,964.77	38,264,044.05	-	-	<b>55,052,008.82</b>	73.55	95.00	-	-	-	Self-raised funds
Intelligent three-dimensional warehouse project	102,740,000.00	22,957,671.11	20,511,737.74	-	-	<b>43,469,408.85</b>	46.46	63.52	-	-	-	Self-raised funds
Ming Xing Bai Yun Factory Area Transformation Project	70,000,000.00	1,747,629.33	56,815,167.59	17,941,871.36	-	<b>40,620,925.56</b>	83.66	83.66	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(B)	54,000,000.00	12,224,181.56	27,004,973.58	-	1,243,599.21	<b>37,985,555.93</b>	75.48	75.48	-	-	-	Self-raised funds
Meizhou project II	99,800,000.00	1,124,213.27	31,904,671.05	-	-	<b>33,028,884.32</b>	49.58	49.58	-	-	-	Self-raised funds

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress (Continued)

##### ② Changes of significant construction in progress in the current year (Continued)

Project	Budget	Opening balance	Increase	Amount transferred into fixed assets in the current year	Other decrease in the current year	Closing balance	Proportion of construction investment(%)	Project progress(%)	Accumulated amount of interest capitalized	Including: capitalized amount of interest in the current period	Ration(%)	Source of funds
New Factory R & D Workshop project	66,940,000.00	24,324,796.29	24,007,322.79	22,281,966.39	-	26,050,152.69	72.20	72.20	-	-	-	Self-raised funds
Main Plant Water Storage Cooling Project	34,810,000.00	8,571,646.51	17,154,385.85	163,716.81	-	25,562,315.55	67.01	95.00	-	-	-	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
Biotech Island Science and Technology Museum Exhibition Project	28,250,000.00	-	18,593,762.30	-	-	18,593,762.30	79.85	79.85	-	-	-	Self-raised funds
Production line expansion project	20,356,000.00	12,737,415.46	2,403,562.92	-	-	15,140,978.38	74.38	80.00	-	-	-	Self-raised funds
Intelligent workshop technical transformation project(A)	48,350,000.00	32,890,271.28	5,278,744.62	30,083,152.30	-	8,085,863.60	91.38	91.38	-	-	-	Self-raised funds
Intelligent Traditional Chinese Medicine Decoction System	48,000,000.00	6,534,785.53	26,977,666.90	18,112,288.51	7,955,068.53	7,445,095.39	69.82	69.82	-	-	-	Self-raised funds
Nansha Base Project	750,000,000.00	27,063,834.83	20,345,039.20	44,893,370.59	765,940.50	1,749,562.94	79.92	89.02	-	-	-	Self-raised funds, issuing shares
TCM Science and Technology Industrial Park of Gansu Guangyao Bai Yun Shan	186,809,000.00	114,685,505.69	12,048,924.62	126,645,617.01	88,813.30	-	100.00	100.00	1,102,800.00	-	-	Self-raised funds, issuing shares
Shantou Li Xiaoji 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
New plant construction project	426,135,900.00	91,325,177.57	16,617,385.29	106,220,044.12	1,722,518.74	-	25.33	25.33	-	-	-	Self-raised funds
Total	-	2,287,707,827.92	833,510,089.89	1,376,356,837.54	25,524,392.36	1,719,336,687.91	-	-	1,102,800.00	-	-	-

Note: ① Other decreases in construction in progress for this period mainly relate to amounts transferred of construction in progress to intangible assets, administrative expenses within the Group.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress (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	13,707,203.45	–	–	13,707,203.45	–

### 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	349,410.00	349,410.00
(1) Provision	349,410.00	349,410.00
3. Decrease	–	–
4. Closing balance	1,921,755.00	1,921,755.00
III. Provision for impairment		
1. Opening balance	–	–
2. Increase	635,472.90	635,472.90
3. Decrease	–	–
4. Closing balance	635,472.90	635,472.90
IV. Book value		
1. Closing balance of book value	1,120,772.10	1,120,772.10
2. Opening balance of book value	2,105,655.00	2,105,655.00

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19. Right-of-use Assets

Item	Buildings	Machinery and equipment	Total
I. Original cost			
1. Opening balance	1,245,399,960.22	60,016,128.72	1,305,416,088.94
2. Increase	103,414,685.81	4.40	103,414,690.21
(1) New lease	103,414,685.81	4.40	103,414,690.21
3. Decrease	175,325,835.66	13,757,708.28	189,083,543.94
(1) Disposal	157,595,357.54	13,757,708.28	171,353,065.82
(2) Other	17,730,478.12		17,730,478.12
4. Closing balance	1,173,488,810.37	46,258,424.84	1,219,747,235.21
II. Accumulated depreciation			
1. Opening balance	534,373,065.70	42,140,660.26	576,513,725.96
2. Increase	235,280,969.92	5,236,205.05	240,517,174.97
(1) Provision	235,280,969.92	5,236,205.05	240,517,174.97
3. Decrease	152,468,716.94	6,221,273.81	158,689,990.75
(1) Disposal	152,468,716.94	6,221,273.81	158,689,990.75
4. Closing balance	617,185,318.68	41,155,591.50	658,340,910.18
III. Book value			
1. Closing balance of book value	556,303,491.69	5,102,833.34	561,406,325.03
2. Opening balance of book value	711,026,894.52	17,875,468.46	728,902,362.98

Note: The short-term lease expenses and low-value asset lease expenses included in the current profit and loss for the current year, the sub-leasing right-of-use assets and the acquisition of sub-leasing income are detailed in Note V. (66) Lease.



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Intangible Assets

#### (1) Intangible assets

Item	Land use right	Industrial property right and know-how	Non-patent technology	Industry and commercial trademark	Non- Industry and commercial trademark	Software and others	Total
I. Original cost							
1. Opening balance	1,398,577,939.14	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	3,666,885.27	800,199.02	–	105,000.00	–	16,382,562.67	20,954,646.96
(1) Purchase	3,666,885.27	800,199.02	–	105,000.00	–	13,538,836.39	18,110,920.68
(2) Internal R&D	–	–	–	–	–	2,843,726.28	2,843,726.28
3. Decrease	49,918.62	–	–	–	–	84,640.12	134,558.74
(1) Disposal	49,918.62	–	–	–	–	84,640.12	134,558.74
4. Closing balance	1,402,194,905.79	46,723,956.48	64,508,666.68	1,562,539,531.60	127,793,900.00	391,243,483.84	3,595,004,444.39
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	31,978,813.80	1,166,571.60	5,002,132.76	56,370.45	–	40,376,162.71	78,580,051.32
(1) Provision	31,978,813.80	1,166,571.60	5,002,132.76	56,370.45	–	40,376,162.71	78,580,051.32
3. Decrease	24,068.63	–	–	–	–	83,554.65	107,623.28
(1) Disposal	24,068.63	–	–	–	–	83,554.65	107,623.28
4. Closing balance	307,468,018.29	34,752,896.96	56,421,757.33	32,993,062.16	–	333,570,192.08	765,205,926.82
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	1,094,726,887.50	11,517,716.48	8,086,909.35	1,528,962,896.44	127,793,900.00	57,673,291.76	2,828,761,601.53
2. Opening balance of book value	1,123,064,666.02	11,884,089.06	13,089,042.11	1,528,914,266.89	127,793,900.00	81,667,977.27	2,886,413,941.35

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 Dec 2024 was RMB78,580 thousand (Jan to Dec 2023: RMB94,741 thousand), which included in the current profit or loss RMB78,580 thousand.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill

#### (1) Book value of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		Arising from business combination	Others	Disposal	Others	
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

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

- (3) The relevant information of the asset group or the combination of asset groups where goodwill is located

Name	The composition of the portfolio or group of portfolios and the basis	Business Segment and Basis	Consistent with previous years
Pharmaceutical company's including goodwill asset group	All operating non-current assets and goodwill related to pharmaceutical companies and their investment holding pharmaceutical distribution industries, based on the minimum asset portfolio that can generate independent cash flows.	Great Commerce, divided according to regulatory regulations, corporate governance and other requirements.	Yes
Guangzhou Baiyun shan Hospital including goodwill asset group	All operating non-current assets and goodwill related to the medical industry of Guangzhou Baiyun Mountain Hospital, based on the minimum asset that can generate independent cash flow.	Great Southern Medicine, divided according to regulatory requirements, corporate governance, etc.	Yes
Sangongzai Pharmaceutical including goodwill asset group	All operating non-current assets and all goodwill in the pharmaceutical industry are based on the smallest asset portfolio capable of generating independent cash flows.	Great Southern Medicine, divided according to regulatory requirements, corporate governance, etc.	Yes
Guangyao Haima including goodwill asset group	All operating non-current assets and goodwill related to the advertising industry of Guangyao Haima, based on the minimum asset combination that can generate independent cash flows.	Great Commerce, divided according to regulatory regulations, corporate governance and other requirements.	Yes
Guangyao (Ya'an) Pharmaceutical Co., Ltd. including goodwill asset group	Operating assets related fixed assets, intangible assets, long-term prepaid expenses, right-of-use assets, lease liabilities, non-current liabilities within one year, etc.	Big business, divided according to regulatory regulations, corporate governance and other requirements.	Not applicable

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

#### (4) The determination method of the recoverable amount of goodwill.

*The recoverable amount is determined based on the present value of the estimated future cash flows.*

Item	Book value	Recoverable amount	Impairment amount	Forecast period	Key parameters of the forecast period	Basis for the determination of parameters (forecast period)	Key parameters of the stable period	Basis for the determination of parameters (stable period)
Pharmaceutical company	2,745,185,595.12	3,859,241,941.00		2025-2029 (followed by a period of stability)	Revenue growth rate 7.74%-4.69%; profit margin 2.25%-2.61%; pretax discount rate 9.43%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 2.61%; pretax discount rate 9.43%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangzhou Baiyun shan Hospital	104,317,735.82	155,649,819.07		2025-2029 (followed by a period of stability)	Revenue growth rate 4.97%-4.98%; profit margin 4.05%-4.65%; pretax discount rate 13.14%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 4.65%; pretax discount rate 13.14%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Sangongzai Pharmaceutical	4,888,563.57	5,831,933.00		2025-2029 (followed by a period of stability)	Revenue growth rate 2.85%-3.21%; profit margin 1.92%-2.93%; pretax discount rate 9.16%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 2.93%; pre-tax discount rate 9.16%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangyao Haima	3,348,037.51	38,553,219.00		2025-2029 (followed by a period of stability)	Revenue growth rate 8.00%; profit margin 0.74%-0.88%; pre-tax discount rate 12.94%.	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.	Revenue growth rate 0%; profit margin 0.88%; pretax discount rate 12.94%	Based on the macroeconomic situation, industry development trends, corporate business plans, and historical annual business performance.
Guangyao (Ya'an) Pharmaceutical Co., Ltd. including goodwill asset group	1,690,695.93	1,974,749.68		2025-2029 (followed by a period of stability)	Income growth rate range: 8.00%-536.04%; Pre-tax discount rate 9.49	Management's financial budget for the next 5 years	Perpetual growth rate 0%; pretax discount rate 9.49%	Management's forecast data and the level of industry development and other factors
Total	<u>2,859,430,627.95</u>	<u>4,061,251,661.75</u>						

#### (5) Situation of performance commitment and its impact on the impairment test of goodwill.

None.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other changes	Closing balance
Decoration expenses	150,384,447.82	38,650,631.75	44,226,508.58	–	144,808,570.99
GMP reconstruction expenses	8,138,960.76	8,362,850.85	4,840,855.36	–	11,660,956.25
Computer system expenses	1,290,076.56	459,872.14	746,237.21	–	1,003,711.49
ABC Building Certified Project	109,565.36	–	109,565.36	–	–
Others	29,953,713.95	12,164,345.92	11,031,955.44	–	31,086,104.43
Total	189,876,764.45	59,637,700.66	60,955,121.95	–	188,559,343.16

### 23. Deferred Tax Assets and Deferred Tax Liabilities

#### (1) Detail of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of long-term investments	385,666,507.83	57,849,976.17	–	–
Provision for credit impairment	751,167,601.92	179,919,791.78	686,347,605.79	164,750,221.94
Provision for decline in value of inventories	76,465,861.33	14,511,366.35	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	14,592,366.35	2,206,006.38	15,124,071.60	2,285,762.16
Fixed assets depreciation differences between accounting and tax law	68,960,589.66	16,725,856.23	69,351,529.50	16,784,497.21
Intangible assets depreciation differences between accounting and tax law	11,125,564.55	1,668,834.68	7,566,492.55	1,134,973.88
Other equity instruments investments	31,441,055.66	4,716,158.35	31,326,389.53	4,698,958.43
Other non-current financial assets	15,358,084.13	2,303,712.62	26,308,299.73	3,946,244.96
Employee benefits payable	99,635,249.79	16,786,418.47	130,586,371.04	20,973,160.16
Other payables	1,627,914,572.86	327,586,493.33	1,503,296,233.08	293,845,954.58
Lease liabilities	591,113,674.55	136,535,688.43	769,522,010.11	204,500,225.21
Provisions	1,062,316,728.20	159,347,509.23	942,640,074.20	141,396,011.13
Deductible tax losses	434,782,546.19	84,620,708.22	570,407,520.44	101,848,279.77
Deferred income	648,084,676.54	101,677,599.42	622,469,750.54	97,384,854.64
Impact on total profit arising from elimination	352,967,696.84	74,731,488.53	333,344,860.48	71,621,543.31
Others	164,604,848.64	27,160,004.76	112,920,789.04	21,962,894.19
Total	6,349,904,828.49	1,210,403,693.47	5,906,341,047.96	1,163,548,295.53

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

#### (2) Detail of deferred tax liabilities before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax liabilities	Deductible temporary difference	Deferred tax liabilities
Deferred tax liabilities:				
Other receivables	1,041,878,033.35	260,469,508.34	922,141,378.00	230,535,344.50
Right-to-use assets	555,955,437.40	141,107,729.48	824,013,981.52	198,062,070.21
Book value of the appreciated intangible assets and fixed assets in business combination	419,269,935.37	102,211,549.03	516,364,864.85	126,351,598.56
Other non-current financial assets	195,216,868.16	29,282,530.22	222,266,868.13	33,340,030.22
Fixed assets depreciation differences between accounting and tax law	92,710,213.54	13,906,532.02	98,639,272.56	15,726,413.47
Book value of amortization provided for intangible assets appreciation	8,000,766.40	1,205,046.96	8,446,777.60	1,286,744.64
Book value of depreciation provided for fixed assets appreciation	1,212,888.00	181,933.20	7,080,182.06	1,062,027.31
Other equity instruments investments	257,510.67	38,626.60	219,573.53	32,936.03
Others	509,231,899.03	77,154,021.21	219,415,904.28	33,131,754.10
Total	<u>2,823,733,551.92</u>	<u>625,557,477.06</u>	<u>2,818,588,802.53</u>	<u>639,528,919.04</u>

#### (3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance		Closing balance of last year	
Deductible temporary difference	52,491,178.23		53,275,363.77	
Deductible losses	<u>841,211,061.02</u>		<u>696,522,654.98</u>	
Total	<u>893,702,239.25</u>		<u>749,798,018.75</u>	

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

- (4) Deductible losses which are not recognized as deferred tax assets will expire in the following years

Year	Closing balance	Closing balance of last year	Remark
2024	—	79,605,604.36	/
2025	<b>89,666,175.18</b>	89,666,175.18	/
2026	<b>118,880,928.69</b>	118,880,928.69	/
2027	<b>234,887,073.08</b>	234,887,073.08	/
2028	<b>165,880,061.08</b>	173,482,873.67	/
2029	<b>231,896,822.99</b>	—	/
Total	<b>841,211,061.02</b>	<b>696,522,654.98</b>	—

### 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	<u>212,699,075.85</u>	—	<u>212,699,075.85</u>	<u>86,445,793.62</u>	—	<u>86,445,793.62</u>
Total	<u>212,699,075.85</u>	—	<u>212,699,075.85</u>	<u>86,445,793.62</u>	—	<u>86,445,793.62</u>

# Notes to the Financial Statements

(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	1,967,597,541.71	1,967,597,541.71	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	3,133,548.00	3,133,548.00	Pledge	Pledge to a bank-	246,188,345.02	246,188,345.02	Pledge	Pledge to a bank
Notes receivable	213,107,972.53	213,107,972.53	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	-	-	-	-	19,454,304.41	19,454,304.41	Pledge	Pledge to a bank
Fixed assets	8,235,176.49	5,414,988.13	Credit collateral	Mortgage to a bank	5,298,668.34	5,298,668.34	Credit collateral	Mortgage to a bank
Investment real estate	6,336,529.18	2,731,950.24	Credit collateral	Mortgage to a bank	2,673,349.00	2,673,349.00	Credit collateral	Mortgage to a bank
Debt investment	50,000,000.00	50,000,000.00	Pledge	Deposit for acceptance bill	-	-	-	-
Total	<u>2,248,410,767.91</u>	<u>2,241,986,000.61</u>			<u>2,308,845,413.86</u>	<u>2,308,845,413.86</u>		

### 26. Short-term Borrowings

#### (1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	<b>7,971,957,445.04</b>	7,107,375,293.48
pledge loan	<b>2,060,871.62</b>	-
Bills Discounted	<b>1,148,964,134.66</b>	691,660,350.28
Total	<b><u>9,122,982,451.32</u></b>	<u>7,799,035,643.76</u>

Note: ① As on 31 December 2024, the weighted average annual interest rate of short-term borrowings is 2.6102% (31 December 2023: 2.9043%).

② As of December 31, 2024, for the categories and amounts of pledged assets related to pledged borrowings, please refer to Note 25, "Restricted Ownership or Usage Assets."

#### (2) The Group had no overdue short-term borrowings as on 31 Dec 2024.



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	<b>4,549,772,836.27</b>	3,830,435,975.33
Commercial acceptance notes	<b>35,081,522.51</b>	13,600,000.00
Total	<b>4,584,854,358.78</b>	3,844,035,975.33

Note: As on 31 Dec 2024, amount expected to be matured within a year is RMB4,584,854 thousand (31 December 2023: RMB3,844,036 thousand).

### 28. Accounts Payable

(1) The aging of accounts payable is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	<b>11,206,378,453.13</b>	11,344,110,275.40
Over 1 year	<b>528,288,083.56</b>	497,721,576.97
Total	<b>11,734,666,536.69</b>	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	<b>27,910,236.17</b>	Payment terms not satisfied
Supplier 2	<b>21,369,413.56</b>	Payment terms not satisfied
Supplier 3	<b>16,767,946.49</b>	Payment terms not satisfied
Supplier 4	<b>16,517,242.33</b>	Payment terms not satisfied
Supplier 5	<b>13,589,921.00</b>	Payment terms not satisfied
Total	<b>96,154,759.55</b>	

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Advance payments

#### (1) Ageing classification

Item	Closing balance	Closing balance of last year
Within 1 year (including 1 year)	<u>4,548,223.86</u>	—
Total	<u>4,548,223.86</u>	—

### 30. Contract liabilities

#### (1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	<u>5,064,805,503.26</u>	5,427,410,233.10
Medical payment received in advance	<u>7,171,755.66</u>	2,475,163.09
Total	<u>5,071,977,258.92</u>	5,429,885,396.19

#### (2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	<u>5,039,680,570.92</u>	5,389,786,225.94
Over 1 year	<u>32,296,688.00</u>	40,099,170.25
Total	<u>5,071,977,258.92</u>	5,429,885,396.19

#### (3) The Group had no significant contract liabilities with aging over 1 year as on 31 Dec 2024 and 31 December 2023.

### 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	5,172,162,060.49	5,340,463,850.10	<u>896,630,613.25</u>
Post-employment benefits-set up a deposit plan	3,598,958.99	599,681,111.66	601,365,543.10	<u>1,914,527.55</u>
Termination benefits	<u>467,470.00</u>	<u>8,398,879.72</u>	<u>8,297,672.02</u>	<u>568,677.70</u>
Total	<u>1,068,998,831.85</u>	<u>5,780,242,051.87</u>	<u>5,950,127,065.22</u>	<u>899,113,818.50</u>

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Employee Benefits Payable (Continued)

#### (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	4,399,271,530.05	4,569,404,286.31	<b>844,041,389.83</b>
Employee welfare	4,218,622.40	162,275,763.38	162,356,771.16	<b>4,137,614.62</b>
Social Insurance premium	47,968.43	194,376,327.39	194,331,215.01	<b>93,080.81</b>
Including: Medical insurance premium	44,994.10	177,333,819.18	177,299,268.58	<b>79,544.70</b>
Industrial injury insurance premium	2,533.21	16,749,337.38	16,738,334.48	<b>13,536.11</b>
Maternity insurance premium	441.12	293,170.83	293,611.95	<b>–</b>
Housing funds	1,305,998.10	323,672,323.72	324,181,644.98	<b>796,676.84</b>
Labor-union expenditure and employee education funds	17,594,484.05	75,199,722.70	75,127,951.15	<b>17,666,255.60</b>
Non-monetary welfare	–	507,415.18	356,173.18	<b>151,242.00</b>
Housing allowance	27,311,675.63	14,902,768.72	12,782,244.50	<b>29,432,199.85</b>
Other short-term benefits	279,508.16	1,956,209.35	1,923,563.81	<b>312,153.70</b>
Total	<u>1,064,932,402.86</u>	<u>5,172,162,060.49</u>	<u>5,340,463,850.10</u>	<b><u>896,630,613.25</u></b>

#### (3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	116,201.51	432,568,164.85	432,423,048.01	<b>261,318.35</b>
Unemployment insurance premiums	5,476.93	21,909,909.38	21,902,076.59	<b>13,309.72</b>
Enterprise annuity	3,072,226.05	125,258,109.11	126,958,411.30	<b>1,371,923.86</b>
Others	405,054.50	19,944,928.32	20,082,007.20	<b>267,975.62</b>
Total	<u>3,598,958.99</u>	<u>599,681,111.66</u>	<u>601,365,543.10</u>	<b><u>1,914,527.55</u></b>

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Employee Benefits Payable (Continued)

#### (4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	467,470.00	8,398,879.72	8,297,672.02	568,677.70
Total	467,470.00	8,398,879.72	8,297,672.02	568,677.70

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 Dec 2024. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next half of the year.

### 32. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	118,402,755.85	249,263,554.98
Value-added tax	84,190,661.72	89,315,243.43
Individual income tax	21,018,902.89	21,311,730.41
Stamp duty	10,887,032.43	13,443,851.71
Urban maintenance and construction tax	5,582,710.79	5,209,015.26
Property tax	4,207,694.05	2,652,408.61
Educational surcharge	2,416,979.62	2,279,254.94
Local education surcharge	1,573,742.62	1,445,140.22
Land use tax	54,750.08	140.88
Others	576,024.10	1,631,946.56
Total	248,911,254.15	386,552,287.00

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	—	—
Dividends payable	50,492,925.62	62,206,330.91
Other payables	5,023,805,906.64	4,857,035,314.76
Total	5,074,298,832.26	4,919,241,645.67

#### (1) Interest payable

Nil

#### (2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	163,627.25	155,202.86
Domestic public shares	3,437,221.59	1,109,692.27
Minority shareholders	46,892,031.77	60,941,390.77
BYS Group	45.01	45.01
Total	50,492,925.62	62,206,330.91

#### (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	1,660,151,925.86	1,463,261,700.02
Sales discounts	1,806,648,826.15	1,569,035,459.89
Accrued expenses	857,429,002.32	897,187,982.31
Margin, deposit, and down payment received	523,691,630.70	579,058,689.15
Accruals for fixed assets	49,682,034.39	128,440,296.71
Epidemic prevention supplies turnover fund	28,115,893.84	57,714,402.07
Current accounts to related parties	21,613,882.68	22,322,317.66
Funds received temporarily from employees	11,704,101.85	19,043,952.13
Others	64,768,608.85	120,970,514.82
Total	5,023,805,906.64	4,857,035,314.76

# Notes to the Financial Statements

(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	<b>232,588,237.78</b>	220,666,704.85
Freight expenses	<b>218,951,400.51</b>	245,137,740.16
Terminal expenses	<b>184,153,396.85</b>	210,301,651.55
Research and development expenditures	<b>40,607,835.25</b>	40,760,609.69
Conference expenses	<b>26,300,713.81</b>	27,384,843.04
Travel expenses	<b>20,577,649.53</b>	24,814,899.61
Utilities expenses	<b>10,643,206.62</b>	14,732,820.88
Rental expenses	<b>6,399,306.83</b>	5,979,326.85
Agency fee	<b>5,533,107.84</b>	5,470,452.83
Consulting fee	<b>966,607.83</b>	1,189,882.18
Trademark fee	<b>676,551.92</b>	5,478,612.37
Others	<b>110,030,987.55</b>	95,270,438.30
Total	<b>857,429,002.32</b>	897,187,982.31

##### ③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	<b>4,438,077,761.06</b>	4,261,509,991.86
Over 1 year	<b>585,728,145.58</b>	595,525,322.90
Total	<b>5,023,805,906.64</b>	4,857,035,314.76

##### ④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	<b>28,115,893.84</b>	Not to the settlement period
Total	<b>28,115,893.84</b>	—

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 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)	<b>1,332,047,797.30</b>	36,450,938.12
Lease liabilities due within 1 year (Note V. 37)	<b>190,569,530.25</b>	213,377,565.60
Total	<b><u>1,522,617,327.55</u></b>	<u>249,828,503.72</u>

### 35. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	<b>651,719,293.54</b>	695,880,365.06
Total	<b><u>651,719,293.54</u></b>	<u>695,880,365.06</u>

### 36. Long-term Borrowings

#### (1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	<b>4,137,586,402.74</b>	3,360,168,855.34	/
Less: Long-term borrowings due within 1 year (Note V. 34)	<b><u>1,332,047,797.30</u></b>	<u>36,450,938.12</u>	/
Total	<b><u>2,805,538,605.44</u></b>	<u>3,323,717,917.22</u>	/

Note: ① as on 31 Dec 2024, the average annual rate of long-term borrowings is 2.6364% (as on 31 December 2023: 2.4805%).

② The Group had no overdue long-term borrowings as on 31 Dec 2024.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	<b>636,284,737.12</b>	791,570,026.69
Less: Amount due within 1 year (Note V. 34)	<b>190,569,530.25</b>	213,377,565.60
Total	<b>445,715,206.87</b>	578,192,461.09

### 38. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<b>19,666,964.60</b>	19,971,964.60
Total	<b>19,666,964.60</b>	19,971,964.60

#### (1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<b>17,393,650.77</b>	17,393,650.77
Department of Finance of Guangxi Zhuang Autonomous Region	<b>2,264,426.47</b>	2,264,426.47
State Administration of Medicine	—	305,000.00
Others	<b>8,887.36</b>	8,887.36
Total	<b>19,666,964.60</b>	19,971,964.60



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Long-term Employee Benefits Payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	<b>299,678.21</b>	293,264.21
Total	<b>299,678.21</b>	293,264.21

### 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	–	1,035,302.38	<b>41,816,966.14</b>	Note①
Pending litigation	2,285,000.00	1,302,443.25	1,760,000.00	<b>1,827,443.25</b>	The expected loss due to the proceedings
Estimated loss on return of products	10,793,666.85		10,293,475.66	<b>500,191.19</b>	Estimated based on the disposal assets agreement. It has not been settled yet
Total	<u>55,930,935.37</u>	<u>1,302,443.25</u>	<u>13,088,778.04</u>	<b><u>44,144,600.58</u></b>	–

Note: ① The Company obtained 100% of the share of Guangyao General Institute through business combination involving enterprises under common control in year of 2015. According to the employee resettlement scheme, when agreed in the restructuring, Guangyao General Institute should offer pension and medical benefits for the retirees, in-service staff, family members and dependents who were enrolled as on 30 June 2014, and employee benefits are accrued consequently.

### 41. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	reason
Governmental subsidy	<u>1,001,429,861.00</u>	<u>206,579,464.12</u>	<u>206,146,928.02</u>	<b><u>1,001,862,397.10</u></b>	Government funding
Total	<u>1,001,429,861.00</u>	<u>206,579,464.12</u>	<u>206,146,928.02</u>	<b><u>1,001,862,397.10</u></b>	–

# Notes to the Financial Statements

(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 decrease	Closing balance	Asset related/ Income related
Government grants related to assets	650,086,446.38	55,890,090.80	111,974.64	39,023,647.98	-	-	16,987,540.00	683,828,454.56	-
Including:	-	-	-	-	-	-	-	-	-
Technology funds granted by the government	65,497,657.75	17,959,043.40	-	12,792,730.67	-	-	(300,000.00)	70,363,970.48	Asset related
Compensation for relocation	224,417,508.93	-	72,997.56	-	-	-	-	224,344,511.37	Asset related
Special project funds for environmental protection	1,859,177.09	-	-	172,801.68	-	-	-	1,686,375.41	Asset related
Construction funds for innovation platform and laboratory	27,472,181.06	-	-	2,466,283.16	-	-	-	25,005,897.90	Asset related
Land support funds granted by the government	56,694,581.57	-	-	3,506,942.40	-	-	-	53,187,639.17	Asset related
Support funds for industrial development	213,768,951.72	22,225,436.40	-	16,849,561.46	-	-	17,200,000.00	236,344,826.66	Asset related
Others	60,376,388.26	15,705,611.00	38,977.08	3,235,328.61	-	-	87,540.00	72,895,233.57	Asset related
Government grants related to income	351,343,414.62	150,689,373.32	-	163,265,553.36	240,369.20	2,315,000.00	(18,177,922.84)	318,033,942.54	-
Including:	-	-	-	-	-	-	-	-	-
Technology funds granted by the government	108,165,999.53	52,933,492.50	-	55,726,451.59	234,528.29	2,315,000.00	480,360.83	103,303,872.98	Asset related
Medical industrial research project funds	-	1,400,000.00	-	1,400,000.00	-	-	-	-	Asset related
Special fund for innovative enterprises	15,611,156.57	5,346,300.00	-	11,348,314.66	-	-	-	9,609,141.91	Asset related
Compensation for relocation	160,000,000.00	-	-	-	-	-	-	160,000,000.00	Asset related
Support funds for industrial development	17,200,000.00	14,326,540.72	-	14,326,540.72	-	-	(17,200,000.00)	-	Asset related
Others	50,366,258.52	76,683,040.10	-	80,464,246.39	5,840.91	-	(1,458,283.67)	45,120,927.65	Asset related
Total	1,001,429,861.00	206,579,464.12	111,974.64	202,289,201.34	240,369.20	2,315,000.00	(1,190,382.84)	1,001,862,397.10	-

### 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	5,276,488.82	4,473,033.81
Total	55,501,488.82	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

(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

### 44. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
1. Share premium	9,048,269,635.38	8,007,276.31	-	9,056,276,911.69
2. Other capital reserves	1,057,444,795.52	-	-	1,057,444,795.52
Including: Capital reserve transferred under previous accounting system	24,955,836.66	-	-	24,955,836.66
Total	10,105,714,430.90	8,007,276.31	-	10,113,721,707.21

Note:

- ① The increase of RMB8,007,275.31 in the current period represents the difference between the purchase price paid by the Company for acquiring a 30% minority interest in a subsidiary and the corresponding carrying amount of the minority interest.
- ② The increase of RMB1 in this period is due to the branch company Hejigong, recorded an inventory surplus asset at a nominal amount (RMB1).

# Notes to the Financial Statements

(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 amount before tax	Current period					Closing balance
			Less: profit or loss transferred from other comprehensive income in previous period	Less: retained earnings transferred from other comprehensive income in previous period	Less: Income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	
I. Other comprehensive income that will not be reclassified to profit or loss	(20,452,213.73)	(76,728.94)	-	-	(11,509.35)	(65,219.59)	-	(20,517,433.32)
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)	(76,728.94)	-	-	(11,509.35)	(65,219.59)	-	(21,965,615.13)
II. Other comprehensive income that may be reclassified into profit or loss	(3,892,255.86)	13,441,991.35	-	-	2,257,322.15	10,570,025.21	614,643.99	6,677,769.35
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	4,412,702.78	-	-	-	4,412,702.78	-	10,440,917.60
Change in fair value of investments in other debt instruments	(19,335,703.96)	8,357,167.70	-	-	2,089,291.93	5,698,984.56	568,891.21	(13,636,719.40)
Provision for credit impairment of other debt investments	9,386,096.71	672,120.87	-	-	168,030.22	458,337.87	45,752.78	9,844,434.58
Total other comprehensive income	<u>(24,344,469.59)</u>	<u>13,365,262.41</u>	<u>-</u>	<u>-</u>	<u>2,245,812.80</u>	<u>10,504,805.62</u>	<u>614,643.99</u>	<u>(13,839,663.97)</u>

# Notes to the Financial Statements

(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	111,456,636.89	727,523.16	<b>2,244,592,723.54</b>
Discretionary surplus reserve	118,925,617.49	—	—	<b>118,925,617.49</b>
Total	<u>2,252,789,227.30</u>	<u>111,456,636.89</u>	<u>727,523.16</u>	<b><u>2,363,518,341.03</u></b>

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 Health company's acquisition of a 49% minority stake in its subsidiary, Runkang Maternity Club, 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	<b>20,959,330,809.10</b>	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	<b>20,959,330,809.10</b>	18,262,133,346.76
Add: Net profit attributable to shareholders of the parent company for the current period	<b>2,835,496,163.51</b>	4,055,678,691.49
Less: Appropriation of statutory surplus reserve	<b>111,456,636.89</b>	168,402,254.47
Appropriation of discretionary surplus reserve	—	—
Ordinary share dividends payable	<b>1,868,033,800.40</b>	1,190,078,974.68
Ordinary shares dividends converted to share capital	—	—
Closing balance of undistributed profits	<b><u>21,815,336,535.32</u></b>	<u>20,959,330,809.10</u>

Note: According to the resolutions of the 9th Board of Directors' 8th meeting and the 9th Supervisory Board's 6th meeting held on March 15, 2024, the Company distributed a cash dividend of RMB0.749 per share (tax included) to all shareholders. Furthermore, based on the resolutions of the 9th Board of Directors' 14th meeting and the 9th Supervisory Board's 8th meeting held on August 30, 2024, the Company distributed a cash dividend of RMB0.40 per share (tax included). Based on the total issued shares of 1,625,790,949 as of the end of 2023, the total dividend distribution amounted to RMB1,868,033,800.40.

# Notes to the Financial Statements

(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	74,778,519,498.98	62,389,614,053.88	75,274,869,097.13	61,265,910,118.96
Other businesses	214,300,974.58	83,154,627.81	240,534,897.65	62,199,495.92
Total	<u>74,992,820,473.56</u>	<u>62,472,768,681.69</u>	<u>75,515,403,994.78</u>	<u>61,328,109,614.88</u>

#### (2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	9,756,130,646.49	5,185,267,627.18	10,889,141,038.71	5,581,403,070.49
Great Health	9,705,343,095.46	5,520,853,649.45	11,117,426,654.48	6,180,183,518.88
Great Commerce	54,549,541,762.04	51,041,185,219.89	52,761,640,852.15	49,072,585,285.43
Others	767,503,994.99	642,307,557.36	506,660,551.79	431,738,244.16
Total	<u>74,778,519,498.98</u>	<u>62,389,614,053.88</u>	<u>75,274,869,097.13</u>	<u>61,265,910,118.96</u>

#### (3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	55,585,386,078.28	47,760,688,764.82	55,866,768,597.00	47,206,754,344.64
Eastern China Area	6,237,915,910.47	4,712,118,950.09	6,319,897,622.22	4,528,094,278.36
Northern China Area	3,338,990,004.67	2,464,776,942.72	3,543,092,323.54	2,431,784,301.74
Northeast Area	2,104,630,222.87	1,822,961,117.87	1,915,484,276.95	1,614,369,706.78
Southwest Area	5,235,952,771.00	3,797,812,122.51	5,004,742,680.11	3,395,579,047.18
Northwest Area	2,000,411,558.92	1,577,145,084.54	2,280,579,815.56	1,775,813,171.49
Export	275,232,952.77	254,111,071.33	344,303,781.75	313,515,268.77
Total	<u>74,778,519,498.98</u>	<u>62,389,614,053.88</u>	<u>75,274,869,097.13</u>	<u>61,265,910,118.96</u>

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Operating Income and Operating Costs (Continued)

#### (4) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Leases of assets	79,259,675.58	13,363,052.33	54,747,906.42	4,968,836.51
Technical service income	14,116,551.07	878,949.22	8,770,011.40	1,425,509.76
E-commerce platform and store service fee	10,272,862.82	—	74,926,268.47	—
Property management fee	9,585,679.00	9,156,931.27	9,786,577.59	5,472,840.31
Consulting fee	8,199,777.49	38,957.83	21,152,085.75	292,174.47
Sales of materials	6,874,473.09	6,587,701.77	8,503,769.31	4,882,796.45
Trademark fee income	1,888,229.70	—	2,834,486.50	—
Service income	284,776.24	4,470.00	251,979.51	303,789.81
Others	83,818,949.59	53,124,565.39	59,561,812.70	44,853,548.61
Total	214,300,974.58	83,154,627.81	240,534,897.65	62,199,495.92

### 49. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	109,091,844.85	127,335,080.67
Stamp duty	58,706,545.29	79,736,879.21
Education surcharge	46,812,884.77	54,623,445.55
House property tax	42,423,042.48	37,868,150.05
Local education surcharge	31,210,075.75	36,376,460.96
Land use tax	7,749,256.42	7,352,829.50
Vehicle and vessel use tax	147,160.50	155,068.42
Others	543,051.38	714,168.33
Total	296,683,861.44	344,162,082.69

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	2,886,813,989.16	3,037,839,492.45
Advertising and promotion fees	930,476,225.87	1,082,172,290.71
Sales and service fees	850,841,212.62	1,000,977,932.18
Depreciation expenses	272,309,486.04	282,287,377.48
Freight and miscellaneous charges	212,475,744.43	236,146,292.27
Traveling expenses	159,965,751.25	160,278,890.84
Conference expenses	65,071,159.91	90,566,289.76
Office expenses	42,019,735.87	36,722,436.18
Rental expenses	28,790,185.40	24,497,386.57
Others	170,855,905.34	153,249,354.94
Total	<u>5,619,619,395.89</u>	<u>6,104,737,743.38</u>

### 51. General and administrative expenses

Item	Current period	Prior period
Employee benefits	1,586,449,785.70	1,589,675,006.00
Depreciation expenses	208,507,446.58	173,190,351.92
Amortization	137,060,000.91	141,047,905.61
Office expenses	82,627,961.74	77,404,452.61
Repairing expenses	37,704,464.17	47,233,060.95
Utilities	29,296,188.10	29,024,598.12
Agency fees	29,752,661.80	21,570,265.64
Including: Audit fees	2,716,981.13	2,650,943.40
Traveling expenses	23,747,384.12	27,934,067.81
Consulting	19,584,309.98	17,729,645.89
Freight and miscellaneous charges	15,144,890.30	14,899,849.90
Conference expenses	9,110,398.01	11,176,148.44
Rental expenses	6,759,382.37	6,815,212.44
Insurance premium	4,438,918.51	3,833,018.25
Trademark license fees	244,616.67	16,693,152.96
Others	217,205,403.53	243,313,095.47
Total	<u>2,407,633,812.49</u>	<u>2,421,539,832.01</u>



# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Research and development expenditures

Item	Current period	Prior period
Employee benefits	344,851,620.77	354,402,707.86
Special research and development	139,197,961.35	114,533,414.38
Raw materials	79,630,171.34	76,134,533.53
Trial production expenses	72,057,579.55	71,117,135.30
Depreciation expenses	39,820,788.51	37,337,654.67
Clinical trial expenses	11,164,870.32	35,624,478.18
Amortization cost	4,920,656.83	6,867,740.71
Technique research expenses	1,023,527.08	4,581,392.98
Others	71,102,879.68	81,545,177.25
Total	763,770,055.43	782,144,234.86

### 53. Financial expenses

Item	Current period	Prior period
Interest expenses	418,151,317.81	446,191,732.89
Including: Interest expenses related to lease	32,514,818.82	34,237,467.11
Less: interest revenue	404,308,070.51	486,336,348.90
Exchange gains/(losses)	3,150,276.44	(3,319,026.53)
Service charge of finance institutions	18,687,845.67	22,052,947.92
Others	2,547,717.37	1,849,912.73
Total	38,229,086.78	(19,560,781.89)

### 54. Other Income

Item	Current period	Prior period
Government grants	343,061,715.88	337,784,445.95
Total	343,061,715.88	337,784,445.95

# Notes to the Financial Statements

(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	12,792,730.67	15,225,227.21	–	Asset related
Special project fund for environmental protection	172,801.68	137,623.02	–	Asset related
Construction funds for innovation platform and laboratory	2,466,283.16	4,041,627.50	–	Asset related
Government land support funds	3,506,942.40	3,506,942.40	–	Asset related
Support funds for industrial development	16,849,561.46	11,178,138.41	–	Asset related
Others	3,235,328.61	2,572,586.96	–	Asset related
Subtotal	39,023,647.98	36,662,145.50	–	–
Technology funds granted by the government	62,050,780.90	58,874,973.60	62,050,780.90	Income related
Special fund for innovative enterprises	11,348,314.66	8,178,760.19	11,348,314.66	Income related
Support funds for industrial	18,672,237.74	113,475,091.41	18,672,237.74	Income related
Research project funding for pharmaceutical industrialization	1,400,000.00	–	1,400,000.00	Income related
Additional Deduction for Value-Added Tax	79,874,446.09	42,077,946.54	–	Income related
Others	130,692,288.51	78,515,528.71	128,199,505.78	Income related
Subtotal	304,038,067.90	301,122,300.45	221,670,839.08	–
Total	343,061,715.88	337,784,445.95	221,670,839.08	–

# Notes to the Financial Statements

(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	(51,617,979.37)	107,887,761.00
Investment income from disposal of long-term equity investment	–	8,968,301.93
Dividend income during the holding year of other equity instruments	–	3,182,137.46
Investment income from trading financial assets during the holding period	654,405.51	–
Investment income during the holding period of other non-current financial assets	115,283,043.39	2,007,019.95
Investment income from disposal of other non-current financial assets	–	421,331.92
Interest income from finance products and structured deposits	290,248,595.91	208,446,499.69
Derecognition income of financial assets measured at amortized cost	(27,810,365.90)	(14,771,116.09)
Others	(32,733,339.67)	(51,299,763.46)
Total	<u>294,024,359.87</u>	<u>264,842,172.40</u>

### 56. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Other non-current financial assets	<u>24,654,146.29</u>	<u>38,637,354.11</u>
Total	<u>24,654,146.29</u>	<u>38,637,354.11</u>

### 57. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	17,287.13	(3,034,667.81)
Loss on bad debts of accounts receivable	(58,811,297.09)	(73,534,138.13)
Loss on bad debts of receivables financing	(672,120.87)	(1,462,231.14)
Loss on bad debts of other receivables	(3,831,912.60)	(5,113,436.40)
Total	<u>(63,298,043.43)</u>	<u>(83,144,473.48)</u>

# Notes to the Financial Statements

(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
Provision for impairment of long-term equity investment	(385,666,507.83)	—
Loss on decline in value of inventories	(20,981,145.30)	(2,485,096.00)
Provision for impairment of incomplete construction	—	(1,036,000.00)
Others	(635,472.90)	—
Total	(407,283,126.03)	(3,521,096.00)

### 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	11,119,280.14	12,027,009.48	11,119,280.14
Including: Gains from disposal of fixed assets	213,730.27	643,946.18	213,730.27
Gains from disposal of intangible assets	9,800,993.31	8,270,258.73	9,800,993.31
Gains from disposal of right-of-use assets	1,104,556.56	3,112,804.57	1,104,556.56
Total	11,119,280.14	12,027,009.48	11,119,280.14

### 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
Debt forgiveness	15,689,866.95	2,692,873.38	15,689,866.95
Compensation income	9,309,722.71	3,894,191.45	9,309,722.71
Income from sale of scrap	5,283,082.86	5,350,499.73	5,283,082.86
Proceed from damage and scrapping of non-current assets	1,677,635.33	5,892,778.99	1,677,635.33
Penalty income	1,616,144.92	1,280,024.67	1,616,144.92
Government grant	129,693.04	1,329,576.18	129,693.04
Income from demolition compensation	—	2,715,715.29	—
Others	6,597,882.90	6,120,544.30	6,597,882.90
Total	40,304,028.71	29,276,203.99	40,304,028.71

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 60. Non-operating income (Continued)

#### (2) Government grant included in non-operating income

Item	Current period	Prior period	Asset related/ income related
Demolition compensation	72,997.56	72,997.56	Asset related
Others	38,977.08	38,977.08	Asset related
Subtotal	111,974.64	111,974.64	–
Demolition compensation	–	1,217,001.54	Income related
Others	17,718.40	600.00	Income related
Subtotal	17,718.40	1,217,601.54	–
Total	129,693.04	1,329,576.18	–

### 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	14,269,683.05	13,217,948.23	14,269,683.05
Penalty and overdue fines	5,160,321.95	18,779,217.96	5,160,321.95
Losses on damage and scrapping of non-current assets	3,975,889.27	4,438,200.69	3,975,889.27
Extraordinary losses	1,610.00	14,307.00	1,610.00
Inventory loss	949.38	26,920.61	949.38
Others	5,709,615.86	3,198,261.19	5,709,615.86
Total	29,118,069.51	39,674,855.68	29,118,069.51

### 62. Income Tax Expenses

#### (1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	669,921,181.15	900,339,206.38
Deferred tax expenses	(63,072,652.70)	(49,169,137.08)
Total	606,848,528.45	851,170,069.30

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Income Tax Expenses (Continued)

#### (2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	3,607,579,871.76
Income tax expenses calculated at statutory/applicable rates	541,136,980.76
Tax effect of different rates applicable to subsidiaries	56,741,239.94
Adjustment effect of income tax of prior period	26,806,343.82
Tax effect of non-taxable income	(19,689,317.70)
Tax effect of costs, expenses and losses not deductible for tax purposes	20,105,143.46
Tax effect of use of deductible loss of previously unrecognized DTA	(3,979,031.24)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	66,262,826.49
Tax effect of R&D expenditure deduction	(82,287,397.44)
Changes in the balance of deferred tax assets/liabilities at the beginning of the year due to adjustments in tax rates	1,751,740.36
Income tax expenses	<u>606,848,528.45</u>

### 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	404,308,070.51	486,336,348.90
Government grant	267,495,250.97	413,881,627.27
Other operating income	214,300,974.58	240,534,897.65
Non-operating income	14,275,345.88	19,438,676.74
Others	91,657,466.03	61,039,751.30
Total	<u>992,037,107.97</u>	<u>1,221,231,301.86</u>

##### ② Cash paid to other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	1,767,409,064.88	2,415,909,908.62
Cash paid for general and administrative expenses	818,376,928.44	847,781,605.02
Financial expenses—bank charges	18,687,845.67	22,052,947.92
Others	265,880,006.96	273,487,734.54
Total	<u>2,870,353,845.95</u>	<u>3,559,232,196.10</u>

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement (Continued)

#### (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	<b>1,493,286,528.58</b>	2,297,390,000.00
Cash received from dividends	<b>187,604,099.09</b>	230,956,021.19
Interest received from fixed deposits/ certificates of deposit	<b>27,835,276.29</b>	—
Cash received from sold shares	—	154,506,291.37
Others	<b>654,405.51</b>	—
Total	<b><u>1,709,380,309.47</u></b>	<b><u>2,682,852,312.56</u></b>

##### ② Cash paid to Important investing activities

Item	Current period	Prior period
Deposit time deposit/large deposit certificate	<b>6,215,532,144.51</b>	3,970,000,000.00
Units outside investment	<b>156,445,500.45</b>	336,259,088.65
Purchase structured deposits	<b>170,000,000.00</b>	—
ABS subordinated assets	<b>4,000,000.00</b>	—
Total	<b><u>6,545,977,644.96</u></b>	<b><u>4,306,259,088.65</u></b>

##### ③ Cash received from other investing activities

Item	Current period	Prior period
Interest received	<b>1,111.97</b>	34,269.63
Total	<b><u>1,111.97</u></b>	<b><u>34,269.63</u></b>

##### ④ Cash paid to other investing activities

Nil

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement (Continued)

#### (3) Cash for financing activities

##### ① Cash received from other financing activities

Item	Current period	Prior period
Return of deposit for notes (Note)	—	3,684,207,500.89
Received ultra-short-term financing bonds	—	299,955,000.00
Other	—	84,195.00
Total	<u>—</u>	<u>3,984,246,695.89</u>

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)	—	3,432,407,405.48
Lease payment	<b>257,398,036.59</b>	268,391,577.78
Minority shareholders' equity payment	<b>27,833,332.40</b>	—
Ultra-short-term financing bonds payment	—	900,000,000.00
Other	<b>1,443,308.72</b>	1,938,635.90
Total	<u><b>286,674,677.71</b></u>	<u>4,602,737,619.16</u>

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

(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	8,898,129,380.95	7,047,852,247.51	14,589,660,814.97	32,374,005.93	9,122,982,451.32
Dividends payable	62,206,330.91	-	1,932,907,979.26	1,944,621,384.55	-	50,492,925.62
Non-current liabilities due within one year	249,828,503.72	-	1,522,617,327.55	249,828,503.72	-	1,522,617,327.55
Other current liabilities	695,880,365.06	-	651,719,293.54	-	695,880,365.06	651,719,293.54
Long-term borrowing	3,323,717,917.22	1,055,808,175.96	1,907,882.28	243,847,572.72	1,332,047,797.30	2,805,538,605.44
Lease liabilities	578,192,461.09	-	102,112,747.02	44,020,470.99	190,569,530.25	445,715,206.87
Total	12,708,861,221.76	9,953,937,556.91	11,259,117,477.16	17,071,978,746.95	2,250,871,698.54	14,599,065,810.34

#### (4) Cash flows are reported on a net basis

Item	Related facts	The basis for net presentation
Received/paid collection and payment transfer	<p>The Group's subsidiary publicly issued a special asset-backed plan for accounts receivable. According to the agreement, during the term of the special plan, the subsidiary, as the asset servicer, is responsible for collecting the underlying asset recovery payments and transferring the collected payments for each collection period to the designated regulatory account on each fund collection date.</p> <p>The subsidiary transfers accounts receivable to financial institutions through factoring transactions on a public, non-recourse basis. After receiving payments from customers, the subsidiary remits the funds to the financial institutions.</p>	Cash collected and paid on behalf of the special plan or financial institutions is presented on a net basis.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Items in the Cash Flow Statement (Continued)

- (5) 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)	<b>6,652,175,843.68</b>	5,195,023,632.08
Accounts Payable to Yunxin Platform (Note ②)	<b>471,476,654.96</b>	526,250,464.11
Endorsement of notes receivable	<b>8,210,111,791.47</b>	9,167,263,652.83
Obtain right-of-use assets by taking on lease liabilities	<b><u>119,666,319.20</u></b>	<b><u>382,182,290.90</u></b>

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. Since this liability does not involve cash inflows or outflows at the time of recognition, it is classified as a major non-cash financing activity. When the subsidiary repays the corresponding amounts to banks upon maturity, as the related cash outflows are essentially for the payment of accounts payable, they are recorded as outflows 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. Since this liability does not involve cash inflows or outflows at the time of recognition, it is classified as a major non-cash financing activity. When the Group's subsidiary repays the corresponding amount to the Zhongqi Yunlian platform upon maturity, the related cash outflow is essentially for the payment of goods and is classified under operating cash outflows.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement

#### (1) Supplementary information of cash flow statement

##### ① Reconciliation from net profit to cash flows from operating activities

Item	Current period	Prior period
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	3,000,731,343.31	4,259,327,960.32
Add: Provision for assets impairment	407,283,126.03	3,521,096.00
Impairment loss in respect of credit	63,298,043.43	83,144,473.48
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	556,145,448.30	570,580,881.66
Depreciation of right-of-use assets	240,517,174.97	264,116,012.98
Amortization of intangible assets	78,580,051.32	94,740,585.32
Amortization of long-term prepaid expenses	60,955,121.95	55,883,014.35
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(11,119,280.14)	(12,027,009.48)
Losses on scrapping of fixed assets ("-" refers to income)	2,298,253.94	(1,454,578.30)
Loss on changes in fair value ("-" refers to income)	(24,654,146.29)	(38,637,354.11)
Financial expenses ("-" refers to income)	418,151,317.81	446,191,732.89
Investment losses ("-" refers to income)	(321,834,725.77)	(250,071,056.31)
Decrease in deferred tax assets ("-" refers to income)	(46,855,397.94)	(83,946,186.25)
Increase in deferred tax liabilities ("-" refers to income)	(13,971,441.98)	30,677,392.79
Decrease in inventories ("-" refers to income)	(1,313,884,193.18)	(835,027,484.56)
Decrease of operating receivables ("-" refers to income)	(255,912,991.95)	(417,273,994.36)
Increase of operating payables ("-" refers to income)	602,698,893.78	(66,120,489.08)
Others ("-" refers to income)	—	—
Net cash flow from operating activities	3,442,426,597.59	4,103,624,997.34

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (1) Supplementary information of cash flow statement (Continued)

##### ① Reconciliation from net profit to cash flows from operating activities (Continued)

Item	Current period	Prior period
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
Accounts payable for factoring financing	-	2,897,418,899.60
<b>3. Net changes in cash and cash equivalents</b>		
<b>Cash at the end of period</b>	<b>16,302,938,963.14</b>	19,823,543,794.72
Less: Cash at the beginning of year	<b>19,823,543,794.72</b>	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	<b>(3,520,604,831.58)</b>	(981,155,217.92)

#### (2) Net cash paid for acquisition of subsidiaries in the current period

Item	Current period
Transfer of shares	1,565,411.30
Others	1,565,411.30

#### (3) Net cash received for disposal of subsidiaries in the current period

Nil

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	<b>16,302,938,963.14</b>	19,823,543,794.72
Including: Cash on hand	<b>501,913.33</b>	538,527.39
Bank deposits that are readily available for payment	<b>16,281,500,959.05</b>	19,810,319,063.95
Other cash that are readily available for payment	<b>20,936,090.76</b>	12,686,203.38
II. Cash equivalents		
Including: Debt investment maturing within three months	—	—
III. Closing balance of cash and cash equivalents	<b>16,302,938,963.14</b>	19,823,543,794.72
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	—	—

#### (5) Related information about the supplier financing arrangement

##### ① Terms and conditions of the supplier financing arrangement

Supplier financing arrangement ①: Accounts payable financing factoring. The subsidiaries of the Group carry out accounts payable financing business with banks. The subsidiary of the Group apply for accounts payable financing from banks, and on the due date of accounts payable, the banks directly pay the accounts payable to the suppliers on behalf the Group's subsidiaries. After the expiration of the agreed financing period, the Group's subsidiaries shall pay the relevant amount to the banks. When the pay the accounts payable to the suppliers on behalf of the Group's subsidiaries, the Group's subsidiaries terminate the confirmation of the relevant accounts payable and form to the banks.

Supplier financing arrangement ②: Accounts payable supply chain factoring business. The subsidiaries of the Group carry out supply chain factoring business China Enterprises Cloud Chain (Beijing) Financial Information Service Co., Ltd. The subsidiaries of the Group issue cloud payments (digital certificates of accounts receivable) to suppliers within the credit limit through the China Enterprises Cloud Chain electronic service platform. Suppliers can choose to finance and cash the digital certificates held or them until maturity for payment after receiving the aforementioned vouchers. The subsidiaries of the Group are responsible for paying the China Enterprises Cloud Chain (Beijing) Financial Service Co., Ltd. unconditionally and in full at maturity. After issuing the aforementioned digital vouchers, the subsidiaries of the Group terminate the confirmation accounts payable to suppliers, while forming other payables to the China Enterprises Cloud Chain platform.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (5) Related information about the supplier financing arrangement (Continued)

② *Related information about financial liabilities that are part of a supplier financing arrangement*

Item	Closing balance	Closing balance of last year
Short-term loan	<b>3,450,397,694.11</b>	2,897,418,899.60
Including: Amounts received from financiers by the supplier	<b>3,450,397,694.11</b>	2,897,418,899.60
Other payables	<b>417,590,030.94</b>	432,497,979.72
Including: Total amount of money received by the supplier from the financier	<b>417,590,030.94</b>	432,497,979.72

Comparable payables that are not part of the supplier financing arrangement have a payment period of 30 days to 90 days. In the of the supplier financing arrangement, the Company will pay the financing provider 180 days to 365 days after the financing provider makes payment to the supplier.

In 2024, the changes in the financial liabilities of the above-mentioned subsidiaries of the group era not affected by business combinations or exchange rate fluctuations.

In 2024, among the changes in the financial liabilities of the above-mentioned subsidiaries of the group, due to the termination of supplier financing arrangements, the amounts of accounts payable derecognized while short-term borrowings or other payables recognized are RMB6,652,176 thousand, RMB5,226,270 thousand, RMB471,477 thousand and RMB257,407 thousand respectively.

# Notes to the Financial Statements

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Supplementary Information of Cash Flow Statement (Continued)

#### (6) Monetary funds not classified of cash and cash equivalents

Item	Current period	Prior period	Reason
Accrued interest	2,613,607.73	—	Accrued interest
A Fixed deposits	463,152,107.43	33,242,191.79	Not readily available for payment
Other deposits	1,504,445,434.28	1,452,058,217.93	Not readily available for payment
Total	1,970,211,149.44	1,485,300,409.72	—

### 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			222,439,638.01
Including: USD	27,201,674.39	7.1884	195,536,516.19
HKD	28,752,114.46	0.9260	26,625,608.07
Euro	36,252.39	7.5257	272,824.61
AUD	1,040.28	4.5070	4,688.54
JPY	13.00	0.0462	0.60
Accounts receivable			1,442,279.04
Including: USD	97,130.00	7.1884	698,209.29
HKD	803,496.34	0.9260	744,069.75
Shor-term borrowings			30,775,730.59
Including: HKD	33,233,694.65	0.9260	30,775,730.59
Accounts payable	—	—	126,486,964.48
Including: USD	6,930,898.37	7.1884	49,822,069.84
HKD	82,787,886.74	0.9260	76,664,894.64
Other receivables			332,799.10
Including: HKD	359,378.75	0.9260	332,799.10

# Notes to the Financial Statements

(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	—
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	47,561,943.27
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)	2,246,284.53
Revenue from the resale of right-of-use assets	934,155.41
Total cash outflows related to lessee	<u>291,857,038.73</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	78,950,617.79	—
Income from rental of machinery, and equipment	<u>313,461.45</u>	—
Total	<u>79,264,079.24</u>	—

##### ② Financial Leasing

Nil.

#### (3) Confirm profit and loss of financial lease sales as manufacturer or distributor

Nil.



# Notes to the Financial Statements

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

## VI. RESEARCH AND DEVELOPMENT EXPENSES

### 1. Listed by Nature of Expenses

Items	Current period	Prior period
Employee salaries and benefits	337,696,611.28	380,549,416.35
Specialized research and development expenses	164,433,131.16	118,159,502.48
Raw materials	91,185,148.42	94,189,246.52
Testing and trial production expenses	63,912,545.19	77,446,965.77
Depreciation expenses	43,258,950.62	47,949,929.21
Clinical trial expenses	13,596,699.01	36,832,278.18
Technological research expenses	1,074,418.44	7,954,501.48
Amortization expenses	4,947,037.87	6,876,534.39
Others	108,302,364.96	82,235,002.81
Total	828,406,906.95	852,193,377.19
Including: Expense of research and development expenditures	763,770,055.43	782,144,234.86
Capitalized research and development expenditures	64,636,851.52	70,049,142.33

### 2. Development expenses for research projects meeting capitalization criteria

Items	Opening balance	Increase in the current year Internal development expenses	Others	Recognition as intangible assets	Decrease in the current year Transfer to current period profit and loss	Others	Closing balance
Freeze-dried human rabies vaccine (Vero cell) PM strain project	302,407,682.92	62,589,404.51	-	-	-	-	364,997,087.43
Innovation project	6,339,966.90	1,710,892.17	-	2,832,795.66	-	280,237.10	4,937,826.31
Research and development of herbal medicine crushing and integrated equipment under normal temperature conditions	142,928.21	82,366.31	-	-	225,294.52	-	-
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 application of fermentation process of Cordyceps militaries powder	309,626.19	128,053.73	-	-	437,679.92	-	-
Research and application of quality standards for Fritillaria and Dalbergia odorifera	406,468.85	89,574.12	-	-	496,042.97	-	-
Total	309,893,312.45	64,636,851.52	-	2,832,795.66	1,482,217.47	280,237.10	369,934,913.74

# Notes to the Financial Statements

(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 product marketing license application has been submitted and the acceptance notice has been obtained. The inspection of the clinical trial site and production site has been completed	Before 2026.8	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>	Ended	2024.8	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 militaries</i> powder	Ended	2024.3	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	Ended	2024.5	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	Ended	2024.5	Essential process technology required for the production of the product	2023.5	The results have been applied to productization.

#### ② Impairment provision for development expenses

Nil

### 3. Significant Outsourced In-Process Projects

Nil

# Notes to the Financial Statements

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

## 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	8,238,329.95	12,704.52	(4,924,161.74)

#### (2) Acquisition cost and goodwill

	Guangyao (Ya'an) Pharmaceutical Co., Ltd.
<b>Acquisition cost</b>	
Cash	1,915,200.00
Total Acquisition Cost	1,915,200.00
Less: Acquired Recognizable Net Asset Fair Value Shared	533,661.92
Goodwill/Merger Costs Less Than Acquired Recognizable Net Asset Fair Value Share	<u>1,381,538.08</u>

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

(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

(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

(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
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77		Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00		87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09		Business combination not under common control

# Notes to the Financial Statements

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

## 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 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	100,000.00		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
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	120,000.00		90.92	Business combination not under common control
Guangyao Hunan Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical trading	105,000.00		90.92	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	220,000.00		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

# Notes to the Financial Statements

(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 (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	100,000.00		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	18,840.00		90.92	Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	18,576.71		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	100,000.00		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	30,000.00		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

(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	6,000.00		90.92	Establishment or Investment
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Harbin	Harbin	Limited liability company	Wholesale	160,000.00		46.37	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	20,000.00		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
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(Hainan) Medical Technology Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	20,000.00		90.92	Establishment or investment
Guangyao Jilin Pharmaceutical Co., Ltd.	Changchun	Changchun	Limited liability company	Pharmaceutical trading	50,000.00		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
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

# Notes to the Financial Statements

(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	
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		51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		51.00	Establishment or Investment
Baiyunshan Bio	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	84,000.00		50.00	Business combination not under common control
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Limited liability company	Pharmaceutical trading	2,000.00		54.82	Establishment or Investment
WLJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00		Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Lanzhou	Lanzhou	Limited liability company	Trading	50,000.00		100.00	Establishment or Investment
Guizhou Wang Lao Ji Ci Ningji Industry Dev. Co., Ltd.	Qiannan	Qiannan	Limited liability company	Commercial services	1,000.00		100.00	Establishment or Investment
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Maoming	Maoming	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment

# Notes to the Financial Statements

(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	
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Pharmaceutical manufacturing	31,884.50	51.00		Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,000.00	60.00		Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Commercial services	111,600.00	100.00		Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Limited liability company	Health services	50,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Hospital	Guangzhou	Guangzhou	Limited liability company	Medical	40,816.00		51.00	Business combination not under common control
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	10,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	20,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Medical	100.00		100.00	Establishment or Investment
Xing Zhu	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	126,480.00	100.00		Establishment or Investment
Wang Lao Ji Investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	10,000.00	100.00		Establishment or Investment
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

# Notes to the Financial Statements

(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	
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00		Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00		60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00		60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD132,500.00	100.00		Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP1,000.00		99.90	Establishment or Investment
Guangyao International (Zhuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	100,000.00		100.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zhuhai Hengqin) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	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

# Notes to the Financial Statements

(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 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
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 Jiujigong 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

(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%	59,827,393.13	–	820,941,870.01

#### ③ Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
GP Corp.	32,029,037,385.13	2,300,563,246.80	34,329,600,631.93	23,727,063,864.75	2,957,827,095.32	26,684,890,960.07

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

Subsidiary	Current period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	54,604,704,163.96	559,376,673.45	566,148,639.87	377,605,906.30

Previous period				
Subsidiary	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	52,658,948,794.48	637,189,280.62	626,315,457.97	325,044,282.51

# Notes to the Financial Statements

(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	<b>289,435,304.30</b>	339,926,298.03
Calculated by rate of interests held:		
– Net profit	<b>(50,861,198.65)</b>	89,794,155.50
– Other comprehensive income	–	–
– Total comprehensive income	<b>(50,861,198.65)</b>	89,794,155.50
Associates:		
Total book balance of investments	<b>1,603,490,277.47</b>	1,465,715,286.27
Calculated by rate of interests held:		
– Net profit	<b>(6,561,527.63)</b>	36,282,068.22
– Other comprehensive income	–	–
– Total comprehensive income	<b>(6,561,527.63)</b>	<u>36,282,068.22</u>

#### ② There are no significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

Nil

#### ③ There are no excessive losses incurred by joint ventures or associates

Nil

#### ④ There are no unrecognized commitments related to joint venture investment

Nil

#### ⑤ There are no contingent liabilities related to joint venture or associate investment

Nil

# Notes to the Financial Statements

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

## IX. GOVERNMENT GRANTS

### 1. Government Grants Recognized as Receivable

None

### 2. Liabilities Related to Government Grants

Items	Opening Balance	Current year 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	55,890,090.80	111,974.64	39,023,647.98	16,987,540.00	683,828,454.56	Related to Assets
Deferred Income	351,343,414.62	150,689,373.32	-	163,265,553.36	(20,733,292.04)	318,033,942.54	Related to Income
Total	<u>1,001,429,861.00</u>	<u>206,579,464.12</u>	<u>111,974.64</u>	<u>202,289,201.34</u>	<u>(3,745,752.04)</u>	<u>1,001,862,397.10</u>	-

### 3. Government grants recognized in the current period's profit or loss

Item	The amount incurred in the current year	The amount incurred in the previous year
Related to Assets	<u>39,135,622.62</u>	36,662,145.50
Related to Income	<u>305,542,238.18</u>	302,451,876.63
Total	<u>344,677,860.80</u>	<u>339,114,022.13</u>



# Notes to the Financial Statements

(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 31 Dec 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	<b>222,439,638.01</b>	194,083,665.66
Accounts receivable	–	5,252,003.15
Other receivables	<b>1,442,279.04</b>	1,400,896.39
Total financial assets in foreign currency	<b>223,881,917.05</b>	200,736,565.20
Short-term borrowings	<b>30,775,730.59</b>	33,143,695.09
Accounts payable	<b>126,486,964.48</b>	104,219,076.41
Other payables	<b>332,799.10</b>	–
Total financial liabilities in foreign currency	<b>157,595,494.17</b>	137,362,771.50

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 31 Dec 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 RMB4,971 thousand (As on 31 December 2023: approximately RMB4,753 thousand).

# Notes to the Financial Statements

(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)

##### ② Interest rate risk

As on 31 Dec 2024, the Group's long-term interest-bearing debt balance was RMB2,803,631 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB8,602 thousand (As on 31 December 2023: 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 instruments investments	—	—
Other non-current financial assets	<b>150,444,544.81</b>	142,175,153.91
Total	<b>150,444,544.81</b>	142,175,153.91

As on 31 Dec 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 RMB12,774 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.

#### 2. Credit risk

The Group manages credit risk by portfolio. Credit risk mainly arises from bank deposits, accounts receivable, other receivables, notes receivable, etc.

The Group's bank deposits are mainly deposited in state-owned banks and other large and medium-sized listed banks. The Group believes that it does not have significant credit risk and will not incur any significant losses due to default by the other party.

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

# Notes to the Financial Statements

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

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 1. Risks of Financial Instruments (Continued)

#### 3. Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

As at the balance sheet date, the Group's financial assets and financial liabilities stated in undiscounted contractual cash flows by the expiration date are as following:

Item	Closing balance				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	9,194,365,132.30	-	-	-	-	9,194,365,132.30
Notes payable	4,584,854,358.78	-	-	-	-	4,584,854,358.78
Accounts payable	11,734,666,536.69	-	-	-	-	11,734,666,536.69
Other payables	5,074,298,832.26	-	-	-	-	5,074,298,832.26
Current portion of non-current liabilities	1,541,968,843.09	-	-	-	-	1,541,968,843.09
Long-term borrowings	74,944,145.21	2,120,885,214.68	724,472,281.71	-	-	2,920,301,641.60
Lease liability	-	150,960,340.49	240,705,568.38	126,170,304.59	-	517,836,213.46
Long-term payables	-	-	-	19,666,964.60	-	19,666,964.60
Subtotal	<u>32,205,097,848.32</u>	<u>2,271,845,555.17</u>	<u>965,177,850.09</u>	<u>145,837,269.19</u>	-	<u>35,587,958,522.78</u>

(cont.)

Item	Closing balance of last year				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	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 liability	-	173,428,149.47	311,073,660.15	195,714,793.85	-	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>215,686,758.45</u>	-	<u>33,059,724,483.51</u>

# Notes to the Financial Statements

(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	Receivables Financing	2,907,985,089.12	Yes	without recourse
Endorsement	Receivables Financing	1,947,517,951.82	Yes	Due to the fact that the credit risk and the risk of delayed payment are very small in the financing of accounts receivable through bank acceptance bill, that the interest rate risk associated with the bill has been transferred to the bank, it can be judged that the major risks and rewards on the ownership of the bill have been transferred, thus derecognition is required.
Discounting	Receivables Financing	1,052,997,371.99	Yes	Since the Group has signed a non-recourse supplementary agreement with the bank, it has transferred nearly all risks and rewards associated with these commercial acceptance bills. Therefore, it can be determined that the primary risks and rewards of ownership have been transferred, and the derecognition criteria are met.
Discounting	Notes Receivable	99,567,964.90	Yes	Due to the fact that the Group has signed the Supplementary Agreement without recourse with the banks, the Group has transferred almost all the risks and of these trade acceptance bills, and it can be judged that the major risks and rewards on the ownership of the bills have been transferred, thus derecognized
Factoring	Accounts Receivable	828,457,080.80	Yes	without recourse
Endorsement	Notes Receivable	202,102,250.93	No	interest rate risk in relation to the note has not been transferred and does not meet the conditions for derecognition of financial assets.
Discounting	Notes Receivable	11,005,721.60	No	interest rate risk in relation to the note has not been transferred and does not meet the conditions for derecognition of financial assets.
Total	—	<u>7,049,633,431.16</u>	—	

# Notes to the Financial Statements

(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
Receivables Financing	Transfer	2,907,985,089.12	(32,733,339.67)
Notes receivable	Discounting	99,567,964.90	—
Receivables Financing	Endorsement	1,947,517,951.82	—
Receivables Financing	Discounting	1,052,997,371.99	(11,070,739.31)
Accounts Receivable	sale	808,772,031.21	(15,992,331.93)
Accounts Receivable	Transfer	19,685,049.59	(563,030.79)

#### (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	202,102,250.93	202,102,250.93
Notes receivable	Discounting	11,005,721.60	11,005,721.60

## 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.

# Notes to the Financial Statements

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

## XI. DISCLOSURE OF FAIR VALUE (Continued)

### 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	–	–	–	–
B. Receivable financing			3,175,849,620.31	3,175,849,620.31
C. Other equity instrument investments			104,180,509.45	104,180,509.45
D. Other non-current financial assets	150,444,544.81	4,000,000.00	376,555,683.24	531,000,228.05
1. Financial assets measured at FVTPL	150,444,544.81	4,000,000.00	376,555,683.24	531,000,228.05
(1) Debt instrument investments		4,000,000.00		4,000,000.00
(2) Equity instrument investments	150,444,544.81	–	376,555,683.24	527,000,228.05
Total assets continuously measured at fair value	<u>150,444,544.81</u>	<u>4,000,000.00</u>	<u>3,656,585,813.00</u>	<u>3,811,030,357.81</u>

### 2. The basis for determining the market price of the first-level fair value measurement project:

The fair value of the listed company's stock is determined according to the closing price of the exchange on the last trading day of the year.

### 3. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the second-level fair value measurement project:

The fair value of the secondary asset-backed securities subscribed by the Group is estimated against the unadjusted quoted bonds in the relevant active market at the end of the year.

The fair value of the financial products measured at fair value subscribed by the Group is determined according to the expected rate of return provided by the financial institutions.

# Notes to the Financial Statements

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

## XI. DISCLOSURE OF FAIR VALUE (Continued)

### 4. The use of valuation techniques and important parameters of qualitative and quantitative information for the market price of the third-level fair value measurement project:

Item	Closing fair value	Valuation method	Significant unobservable input	Relationship between Unobservable Inputs and Fair Value Changes
Receivable financing	1,595,651,821.83	Discounted Cash Flow Method	Expected Discount Rate (0.46%)	Lower discount rate leads to higher fair value
	1,580,197,798.48	Discounted Cash Flow Method	Discount Rate (0% – 1.13%)	Lower discount rate leads to higher fair value
Other Equity Instrument Investments	94,080,509.45	Based on Share of Invested Entity's Net Assets	Value of Net Assets (Totaling RMB383,472,391.68)	Higher net assets result in higher fair value
	10,100,000.00	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	146,555,683.24	Value of Related Investments' Net Assets	Value of Net Assets (Totaling RMB819,273,616.10)	Higher net assets result in higher fair value
	230,000,000.00	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

(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) Financial assets held for trading		-	-	-	-	-	-	-
(2) Receivable financing	3,614,318,262.22			(16,746,030.24)	(5,469,141.64)	3,198,064,792.19	3,614,318,262.22	3,175,849,620.31
(3) Other equity instrument investments	103,811,737.94				(76,728.94)	445,500.45		104,180,509.45
(4) Other non-current financial assets	375,201,194.51	-	-	-	1,354,488.73	-	-	376,555,683.24
Including: Financial assets measured at FVTPL	375,201,194.51	-	-	-	1,354,488.73		-	376,555,683.24
① Equity instrument investments	375,201,194.51				1,354,488.73			376,555,683.24
② Others								-
Total	4,093,331,194.67	-	-	(16,746,030.24)	(4,191,381.85)	3,198,510,292.64	3,614,318,262.22	3,656,585,813.00

## 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 State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government, which is located in P.R.C.

### 2. Subsidiaries of the Group

Please refer to Note VIII. 1. Equity in subsidiaries.



# Notes to the Financial Statements

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

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 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

HWBYS  
Baxter Qiao Guang  
Chengdu Hejian  
Guangzhou Dufen Health Industry Co., Ltd.  
Baiyunshan Yi Xin Tang  
Yunnan Yi Xin Tang  
Guangzhou Baiyunshan Southern Anti-tumor  
Biological Products Co., Ltd.

#### Relationship with the Company

Joint venture  
Joint venture  
Joint venture  
Associates  
Associates  
Associates  
Associates

### 4. Other Related Parties without Control Relationship

#### Other related parties

Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd.  
(hereinafter referred to as “Hua Cheng”)  
GPHL (Macao) International Development Industry Co., Ltd.  
  
Guangzhou Baiyunshan Culture Industry Co., Ltd.  
  
GPHL Digital Economy Research Institute (hereinafter referred to as the “Digital Research Institute”)  
Guangyao Baiyunshan Bencao Craft Brewery Co., Ltd.  
(hereinafter referred to as “Bencao Craft Brewery Company”)  
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd. (hereinafter referred to as “Guangyao Capital”)  
Guangzhou Pharmaceutical Glass Co., Ltd.  
  
Kang Mei Pharmaceutical

#### Relationship with the Company

Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Controlled by the same parent company  
Joint venture of the parent company

# Notes to the Financial Statements

(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	140,427,633.89	0.22	227,297,279.71	0.37
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	121,222,224.27	0.19	130,928,312.84	0.21
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	91,330,270.43	0.14	292,843,387.87	0.47
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	16,326,528.63	0.03	48,473,023.50	0.08
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	5,353,953.97	0.01	4,321,087.98	0.01
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	3,930,833.23	0.01	1,737,573.30	0.00
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	299,707.62	0.00	480,745.79	0.00
Charmacy Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	-	-	6,204,862.32	0.01
Subtotal				378,891,152.04	0.06	712,286,273.31	1.15
HWBYS	Purchase of goods	Other goods	Market price	515,655.52	0.00	27,003.36	0.00
Bencao Craft Brewery Company	Purchase of goods	Other goods	Market price	114,490.39	0.00	-	-
Subtotal				630,145.91		27,003.36	
HWBYS	Acceptance of service	Publicity fee	Market price	29,630,634.71	3.18	19,789,663.57	1.83
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	1,092,353.56	0.12	1,032,498.11	0.10
Hua Cheng	Acceptance of service	Publicity fee	Market price	108,026.00	0.01	99,020.00	0.01
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	47,826.41	0.01	159,335.38	0.01
Kang Mei Pharmaceutical	Acceptance of service	Publicity fee	Market price	38,018.87	0.00	7,075.47	0.00
GPHL	Acceptance of service	Publicity fee	Market price	-	-	70,375.00	0.01
Charmacy Pharmaceutical	Acceptance of service	Publicity fee	Market price	-	-	92,350.15	0.02
Subtotal				30,916,859.55	3.32	21,250,317.68	1.98
HWBYS	Acceptance of service	Consigned processing	Market price	24,109,576.46	12.87	2,378,311.27	0.22
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Acceptance of service	Consigned processing	Market price	273,169.81	0.15	-	-
Subtotal				24,382,746.27	13.02	2,378,311.27	0.22

# Notes to the Financial Statements

(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	Research and development services	Market price	-	-	1,584,905.66	
GPHL	Acceptance of service	Research and development services	Market price	-	-	23,312.26	
Subtotal				-	-	1,608,217.92	-
Guangyao Capital	Acceptance of service	Fund services	Market price	5,474,119.67	0.59	3,694,792.87	0.34
Subtotal				5,474,119.67	0.59	3,694,792.87	0.34
Total				440,295,023.44	17.52	741,244,916.41	3.68
Sales of good, Rendering of services:							
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	284,267,507.57	0.38	318,120,008.22	0.42
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	151,163,383.91	0.20	142,937,425.26	0.19
HWBYS	Sales of good	Medicinal material or medicine	Market price	134,004,373.93	0.18	188,339,135.65	0.25
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	107,436,593.05	0.14	105,352,981.68	0.14
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	101,706,991.20	0.14	90,036,134.63	0.12
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	32,609,989.23	0.04	29,588,001.28	0.04
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	1,174,991.15	0.00	565,728.37	0.00
Charmacy Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	-	-	203,142,601.84	0.30
GPHL	Sales of good	Medicinal material or medicine	Market price	-	-	65,575.22	-
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	-	-	391,277.97	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	-	-	5,566.38	-
Subtotal				812,363,830.04	1.08	1,078,544,436.50	1.46

# Notes to the Financial Statements

(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)
Kang Mei Pharmaceutical	Sales of good	Other	Market price	1,318,142.23	0.00	32,790.71	0.00
HWBYS	Sales of good	Other	Market price	1,056,454.84	0.00	213,477.88	0.00
GPHL	Sales of good	Other	Market price	336,106.20	0.00	462,318.58	0.00
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Other	Market price	258,731.01	0.00	17,699.12	0.00
Hua Cheng	Sales of good	Other	Market price	129,044.23	0.00	18,000.00	0.00
Bencao Craft Brewery Company	Sales of good	Other	Market price	94,930.73	0.00	327,400.88	0.00
Baxter Qiao Guang	Sales of good	Other	Market price	16,690.92	0.00	22,300.88	0.00
Baiyunshan Yi Xin Tang	Sales of good	Other	Market price	(420,810.62)	0.00	691,663.72	0.00
Subtotal				2,789,289.54		1,785,651.77	
HWBYS	Rendering of services	Advertising agency service	Market price	35,466,200.53	57.26	38,586,380.08	75.10
Hua Cheng	Rendering of services	Advertising agency service	Market price	9,390,518.65	15.16	5,820,591.54	11.33
GPHL	Rendering of services	Advertising agency service	Market price	377,948.87	0.61	352,034.00	0.69
Kang Mei Pharmaceutical	Rendering of services	Advertising agency service	Market price	239,622.64	0.39	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	215,849.06	0.35	-	-
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	9,433.96	0.02	114,203.77	0.22
Guangyao Capital				290.56		4,617.93	0.01
Digital Research Institute				-	-	67,924.53	0.13
Subtotal				45,699,864.27	73.79	44,945,751.85	87.48
Hua Cheng	Rendering of services	Consigned processing	Market price	13,481,841.15	7.19	24,868,565.14	10.75
HWBYS	Rendering of services	Consigned processing	Market price	13,126,266.19	7.01	17,026,563.46	7.36
Subtotal				26,608,107.34	14.20	41,895,128.60	18.11
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	743,905.72	0.39	856,953.75	0.30
HWBYS	Collecting trademark fee	Right to use trademark	Market price	343,375.70	0.18	803,839.88	0.28
Subtotal				1,087,281.42	0.57	1,660,793.63	0.58

# Notes to the Financial Statements

(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	Research and development services	Market price	1,630,497.17	5.47	302,830.17	1.18
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Research and development services	Market price	-	-	7,920.79	0.03
Subtotal				1,630,497.17	5.47	310,750.96	1.21
Bencao Craft Brewery Company	Rendering of services	Other	Market price	5,372,500.00	0.58	-	-
Baxter Qiao Guang	Rendering of services	Other	Market price	3,618,312.65	0.39	4,729,910.89	0.44
Chengdu Hejian	Rendering of services	Other	Market price	741,964.04	0.08	467,485.03	0.04
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	677,339.61	0.07	1,819,699.27	0.17
HWBYS	Rendering of services	Other	Market price	584,824.69	0.06	661,295.51	0.06
Hua Cheng	Rendering of services	Other	Market price	434,046.14	0.05	493,713.92	0.05
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	366,673.55	0.04	-	-
Yi Xin Tang	Rendering of services	Other	Market price	82,791.80	0.01	-	-
Baiyunshan Yi Xin Tang	Rendering of services	Other	Market price	73,361.99	0.01	-	-
GPHL	Rendering of services	Other	Market price	53,829.60	0.01	-	-
Southern Anti-Tumor Company	Rendering of services	Other	Market price	25,216.27	0.00	33,995.50	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Other	Market price	11,778.95	0.00	-	-
Subtotal				12,042,639.29	1.30	8,206,100.12	0.76
Total				902,221,509.07	-	1,177,348,613.43	-

#### (2) The Group had no associated trusteeship/Entrusted management for the current year.

# Notes to the Financial Statements

(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

##### 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	428	730
Other companies under the same parent company	Venue for working	219	44
Joint Venture	Warehouse, Plant	3,821	3,748
Associates	Office building	224	531

##### 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	6,128	6,151	4,551	3,876
Joint Venture	Venue for working, Warehouse, shops	-	-	5,999	5,671
Associates	Venue for working, Warehouse, shops	-	-	6	4

#### 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
292	396	-	8,761
160	398	-	-
1	1	-	53

# Notes to the Financial Statements

(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 RMB6,625 thousand from Jan to Dec 2024 (from Jan to Dec 2023: RMB7,217 thousand). The Group's key management personnel of current year include 13 persons, such as directors, general manager, vice general manager, secretary to the Board and finance director (2023: 9 persons). Among them, 6 received their salaries from the Company (2023:5 persons).

- (8) Other related party transactions

#### ① License Agreement

The Company shall receive a total of RMB343 thousand (from Jan to Dec 2023: RMB804 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou HWBYS Great Health from Jan to Dec 2024.

The Company should receive license fee of "Bai Yun Shan" amounted to RMB744 thousand from Hua Cheng from Jan to Dec 2024 (from Jan to Dec 2023: RMB857 thousand).

# Notes to the Financial Statements

(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:	-	-	-	-
Yi Xin Tang	139,352.18	-	-	-
Total	139,352.18	-	-	-
Accounts receivable:	-	-	-	-
Kang Mei	50,600,816.50	-	6,112,509.65	-
Yi Xin Tang	8,322,642.63	-	14,081,152.17	-
HWBYS	4,122,671.08	-	-	-
Baiyunshan Yi Xin Tang	49,900.15	-	-	-
Total	63,096,030.36	-	20,193,661.82	-
Accounts receivable:	-	-	-	-
HWBYS	72,113,611.41	721,136.10	37,472,149.21	375,068.97
Yi Xin Tang	42,302,565.91	442,865.25	30,772,116.74	321,533.88
Baiyunshan Yi Xin Tang	40,479,609.04	404,796.11	54,184,385.84	541,843.86
Hua Cheng	36,818,310.46	368,183.11	20,186,321.92	201,863.23
Kang Mei	34,720,694.10	354,892.94	21,126,544.69	204,761.03
Chengdu Hejian	10,188,692.99	101,886.93	13,881,932.48	138,819.32
Baxter Qiao Guang	136,984.82	1,369.85	353,423.09	3,534.23
GPHL	4,700.00	470.00	78,100.00	781.00
GPHL (Macao) International Development Industry Co., Ltd.	2,403.00	24.03	7,976.50	79.77
Digital Research Institution	-	-	72,000.00	720.00
Baiyunshan Culture Industry	-	-	2,344.00	23.44
Total	236,767,571.73	2,395,624.32	178,137,294.47	1,789,028.73



# Notes to the Financial Statements

(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:	–	–	–	–
Guangyao Capital	5,116,328.73	–	6,111,600.64	–
HWBYS	4,095,873.07	–	122,771.93	–
Hua Cheng	130,993.27	–	2,158,923.57	–
Kang Mei	24,597.84	–	11,145.26	–
Medical import and export company	–	–	–	–
Yi Xin Tang	17.72	–	31,800.00	–
Total	9,367,810.63	–	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	12,635,093.23	–	5,715,299.59	–
Hua Cheng	632,364.73	–	1,202,533.13	–
Baxter Qiao Guang	495,272.69	–	596,084.00	–
Chengdu Hejian	34,210.94	–	–	–
GPHL	4,100.00	–	533,830.04	–
Guangzhou Baiyunshan Culture Industry Co., Ltd.	–	–	91,782.00	–
Guangzhou Pharmaceutical glass	–	–	52,000.00	–
GPHL (Macao) International Development Industry Co., Ltd.	5,720.00	–	–	–
Total	13,806,761.59	–	8,191,528.76	–

# Notes to the Financial Statements

(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	<b>28,755,882.40</b>	52,709,733.57
Kang Mei	<b>12,742,591.92</b>	3,451,823.27
Hua Cheng	<b>514,000.00</b>	—
Baxter Qiao Guang	—	12,804,304.08
Total	<b>42,012,474.32</b>	68,965,860.92
Accounts payable:	—	—
Kang Mei	<b>80,083,134.55</b>	36,682,652.90
HWBYS	<b>16,781,146.81</b>	21,843,869.26
Baxter Qiao Guang	<b>14,734,945.84</b>	12,261,936.81
Yi Xin Tang	<b>7,871,914.41</b>	29,525,664.06
Baiyunshan Yi Xin Tang	<b>462,309.32</b>	521,127.44
Chengdu Hejian	<b>218,020.79</b>	43,310.78
Guangzhou Baiyunshan Herbal Craft Beer Company	<b>31,936.92</b>	—
Hua Cheng	<b>51.42</b>	26,246.55
GPHL	—	37,943.04
Total	<b>120,183,460.06</b>	100,942,750.84
Contract liabilities:	—	—
Kang Mei	<b>53,358,482.70</b>	38,047,521.75
HWBYS	<b>643,623.73</b>	4,543,565.98
Baiyunshan Yi Xin Tang	<b>138,033.48</b>	149,861.81
Guangzhou Dufen Health Industry Co., Ltd.	<b>32,898.27</b>	32,898.27
Hua Cheng	<b>5,185.84</b>	5,185.84
Yi Xin Tang	<b>5,127.27</b>	1,929.24
Total	<b>54,183,351.29</b>	42,780,962.89

# Notes to the Financial Statements

(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	19,721,453.71	20,930,908.15
HWBYS	17,114,999.62	8,840,367.89
Baxter Qiao Guang	855,600.00	855,600.00
Chengdu Hejian	167,170.33	—
Yi Xin Tang	99,360.00	—
Hua Cheng	53,074.20	—
Kang Mei	50,000.00	—
Total	38,061,657.86	30,626,876.04
Other current liabilities:		
Kang Mei	6,916,456.73	4,885,393.84
Baiyunshan Yi Xin Tang	17,936.89	19,474.58
HWBYS	11,907.08	359,238.17
Hua Cheng	674.16	674.16
Yi Xin Tang	613.01	250.80
Total	6,947,587.88	5,269,308.33
Other non-current liabilities:		
HWBYS	71,764.00	71,764.00
Kang Mei	20,042.11	54,810.07
Guangzhou Dufen Health Industry Co., Ltd.	18,554.34	—
Yi Xin Tang	53.53	—
Baiyunshan Yi Xin Tang	7.45	7.45
Total	110,421.43	126,581.52

# Notes to the Financial Statements

(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	<u>1,388,171,452.75</u>	<u>1,757,176,373.87</u>
Total	<u>1,388,171,452.75</u>	<u>1,757,176,373.87</u>

(2) As on 31 December 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	<u>4,047,678,863.67</u>	<u>2,368,715,678.54</u>
Commitments on external investments	—	—
Total	<u>4,047,678,863.67</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 31 December 2024.

# Notes to the Financial Statements

(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.

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.

# Notes to the Financial Statements

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

## XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies *(Continued)*

- (2) Please refer to Note XV 11 (1) for contingencies related to litigation.

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

On January 21, 2025, the 19th meeting of the ninth session of the Board was held, at which the proposal on the election of the Company's legal representative was approved. Executive Director Mr. Li Xiaojun was elected as the legal representative of the Company. The industrial and commercial registration procedures for the change of the legal representative have been completed, and the renewed Business License was issued by the Guangzhou Municipal Administration for Market Regulation on February 6, 2025.

On March 13, 2025, the 21st meeting of the ninth session of the Board of the Company passed the following profit distribution resolution: Based on the total share capital of 1,625,790,949 shares on December 31, 2024, each share will receive a cash dividend of RMB0.40 (including tax), 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.

### 4. Annuity plan

Nil.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 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

(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 12 months ended 31 December 2024 and as of 31 December 2024 is as follows:

Item	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	9,851,447,943.91	9,716,845,886.25	54,642,375,679.70	782,150,963.70	–	74,992,820,473.56
Inter-segment revenue	113,895,679.84	30,581,191.40	7,822,323,620.38	315,101,691.63	(8,281,902,183.25)	–
Interest income	(97,792,917.10)	(191,778,198.73)	(65,700,189.14)	(49,036,765.54)	–	(404,308,070.51)
Interest expenses	16,304,089.20	9,517,471.12	391,762,985.03	6,984,663.42	(6,417,890.96)	418,151,317.81
Income from investments in associates and joint ventures	(1,468,214.88)	(9,792.87)	5,690,601.11	(50,158,637.75)	(5,671,934.98)	(51,617,979.37)
Impairment losses in respect of credit	(1,534,945.26)	(424.31)	(61,949,183.46)	(2,640,115.78)	2,826,625.38	(63,298,043.43)
Impairment losses in respect of assets	(22,091,791.26)	(566,729.06)	6,397,881.33	(387,829,424.28)	(3,193,062.76)	(407,283,126.03)
Depreciation and amortization expenses	341,375,822.64	87,045,918.45	434,285,499.37	74,192,037.26	(701,481.18)	936,197,796.54
Total profit	1,451,489,893.93	1,383,842,587.59	838,119,445.70	513,919,762.53	(579,791,817.99)	3,607,579,871.76
Total assets	18,669,486,394.06	19,817,808,509.13	38,626,592,836.07	28,227,254,816.08	(23,657,531,034.70)	81,683,611,520.64
Total liabilities	8,575,125,567.53	8,514,220,364.32	30,186,789,785.36	7,435,325,015.77	(10,797,484,958.73)	43,913,975,774.25
Long-term equity investment in associates and joint ventures	38,156,584.06	–	16,818,971.39	1,452,283,518.49	–	1,507,259,073.94
Increase in other non-current assets excluding long-term equity investment	573,240,908.59	103,228,070.17	319,487,479.92	444,127,368.96	–	1,440,083,827.64



# Notes to the Financial Statements

(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 12 months ended 31 December 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	10,972,207,273.42	11,131,479,914.38	52,894,235,147.85	517,481,659.13	–	75,515,403,994.78
Inter-segment revenue	169,106,285.82	36,066,325.64	8,803,128,029.55	347,915,090.70	(9,356,215,731.71)	–
Interest income	(115,369,966.71)	(208,781,847.14)	(59,330,644.45)	(101,213,338.20)	–	(484,695,796.50)
Interest expenses	16,280,524.19	15,766,068.72	406,300,873.70	12,763,154.17	(5,028,525.18)	446,082,095.60
Income from investments in associates and joint ventures	(1,532,079.82)	–	(236,352.00)	110,141,875.70	(485,682.88)	107,887,761.00
Impairment losses in respect of credit	(810,085.32)	(735,764.10)	(85,297,959.97)	(4,099,219.12)	7,798,555.03	(83,144,473.48)
Impairment losses in respect of assets	(3,472,177.13)	–	2,959,454.72	4,992.99	(3,013,366.58)	(3,521,096.00)
Depreciation and amortization expenses	309,852,926.50	62,049,138.62	454,345,222.88	71,239,572.08	87,551,973.12	985,038,833.20
Total profit	2,106,363,617.80	1,806,249,947.23	922,814,414.87	979,922,585.98	(704,852,536.26)	5,110,498,029.62
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	942,261,931.07	347,525,033.14	493,195,468.49	690,133,830.82	–	2,473,116,263.52

# Notes to the Financial Statements

(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	<b>74,717,587,520.79</b>	75,171,100,213.03
Other countries/regions	<b>275,232,952.77</b>	344,303,781.75
Total	<b>74,992,820,473.56</b>	75,515,403,994.78

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	<b>14,008,601,389.74</b>	13,779,583,577.94
Other countries/regions	<b>13,272,044.38</b>	13,912,726.07
Total	<b>14,021,873,434.12</b>	13,793,496,304.01

### 7. Remuneration of Auditors

Item	Closing balance	Closing balance of last year
Remuneration of Auditors	<b>3,273,584.90</b>	3,103,773.58
Total	<b>3,273,584.90</b>	3,103,773.58

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Remuneration of directors, supervisors and employees

(1) Remuneration of each director and supervisor for the year ended 31 December 2024 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
<b>Directors</b>									
Li Xiaojun (note ①)	Chairman								
Li Chuyuan (note ②)	Former Chairman								
Yang Jun	Vice-Chairman								
Cheng Ning	Vice-Chairman								
Liu Juyan (note ③)	Former Executive Director								
Wu Changhai (note ④)	Former Executive Director	-	443,920.00	116,137.00	784,001.00				1,344,058.00
Zhang Chunbo (note ⑤)	Former Executive Director	-	264,019.00	66,369.00	186,240.00				516,628.00
Li Hong	Executive Director, GM	-	560,499.00	134,137.00	642,592.00				1,337,228.00
Huang Longde	Independent Non-Executive Director	120,000.00							120,000.00
Sun Baoqing	Independent Non-Executive Director	120,000.00							120,000.00
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-				120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-				120,000.00
<b>Supervisors</b>									
Liu Huang (note ⑥)	Chairwoman of the Board of Supervisors								
	Former Chairman of the Board of Supervisors								
Cai Ruiyu (note ⑦)	Supervisors	-	459,707.00	143,737.00	641,939.00				1,245,383.00
Cheng Jinyuan	Supervisor	-	275,220.00	110,137.00	496,296.00				881,653.00
Jian Huidong	Supervisor	-	270,397.00	100,537.00	514,290.00				885,224.00

Note:

- ① Mr. Li Xiaojun has served as the Chairman of the Company since January 21, 2025.
- ② Mr. Li Chuyuan served as the Vice Chairman of the Company from June 28, 2010, and as the Chairman from August 2013 to July 2024.
- ③ Ms. Liu Juyan served as a Director of the Company from January 2014 to January 2025.
- ④ Mr. Wu Changhai served as a Director of the Company from June 2010 to February 2025.
- ⑤ Mr. Zhang Chunbo served as the Deputy General Manager of the Company from January 2015 to August 2021 and as a Director from June 2019 to August 2024.
- ⑥ Ms. Liu Huang has served as the Chairwoman of the Supervisory Committee since January 21, 2025.
- ⑦ Mr. Cai Ruiyu has served as a Supervisor of the Company since September 2019 and as the Chairman of the Supervisory Committee from January 2020 to January 2025.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Remuneration of directors, supervisors and employees (Continued)

(2) Remuneration of each director and supervisor for the year ended 31 December 2023 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
<b>Directors</b>									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-Chairman	-	-	-	-	-	-	-	-
Cheng Ning	Vice-Chairman	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, GM	-	471,320.00	121,999.00	945,711.00	-	-	-	1,539,030.00
Wu Changhai	Executive Director	-	449,710.00	113,647.00	1,006,911.00	-	-	-	1,570,268.00
Zhang Chunbo	Executive Director	-	439,329.00	97,951.00	1,006,911.00	-	-	-	1,544,191.00
Huang Xianrong	Independent Non-Executive Director	50,000.00	-	-	-	-	-	-	50,000.00
Wang Weihong	Independent Non-Executive Director	50,000.00	-	-	-	-	-	-	50,000.00
Huang Longde	Independent Non-Executive Director	70,000.00	-	-	-	-	-	-	70,000.00
Sun Baoqing	Independent Non-Executive Director	70,000.00	-	-	-	-	-	-	70,000.00
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
<b>Supervisors</b>									
Cai Ruiyu	Chairman of the Board of Supervisors	-	437,320.00	121,999.00	884,098.00	-	-	-	1,443,417.00
Cheng Jinyuan	Supervisor	-	269,074.00	100,063.00	614,470.00	-	-	-	983,607.00

Except for the remuneration of the directors and supervisors disclosed above, the former Chairman, Mr. Li Chuyuan; Vice Chairman, Mr. Yang Jun; Vice Chairman, Mr. Cheng Ning; former Executive Directors, Ms. Liu Juyan, Mr. Wu Changhai, and Mr. Zhang Chunbo received remuneration from the Company's controlling shareholder in the amounts of RMB513,616.00, RMB1,474,102.00, RMB1,368,665.00, RMB1,202,941.00, RMB1,344,058.00, and RMB516,628.00, respectively (For 2023: Chairman Mr. Li Chuyuan, Vice Chairman Mr. Yang Jun, Vice Chairman Mr. Cheng Ning, Director Ms. Liu Juyan, Mr. Wu Changhai, and Mr. Zhang Chunbo received remuneration from the Company's controlling shareholder in the amounts of RMB1,743,679.00, RMB1,713,313.00, RMB1,582,972.00, RMB1,570,268.00, RMB1,570,268.00, and RMB1,544,191.00, respectively.), a portion of this remuneration was compensation for services provided to the Group. However, the directors believe it is difficult to allocate these amounts between services provided to the Group and those provided to the Company's controlling shareholder and jointly controlled entities. Therefore, the remuneration has not been apportioned.

As at 31 December 2024, no directors have given up or agreed to give up any arrangements of remuneration (2023: Nil).

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 9. Top five of remuneration

Top five of remuneration of the Group for the year ended 31 December 2024 includes 3 directors (2023: includes 2 directors).

The total amount of remuneration paid to the other 2 persons (2023: 3 persons) this year is listed as follows:

Item	The year ended 31 December 2024	The year ended 31 December 2023
Salary and subsidies	971,174.00	1,480,927.00
Pension	141,605.00	221,986.00
Bonus	2,860,939.00	4,810,887.00
Others	390.00	960.00
Total	3,974,108.00	6,514,760.00

Scope of remuneration	Numbers of person	
	The year ended 31 December 2024	The year ended 31 December 2023
RMB0 – 1,000,000	–	–
RMB1,000,000 – 1,500,000	–	–
RMB1,500,000 – 2,000,000	1	1
Over RMB2,000,000	1	2

### 10. Other significant transactions and matters that impact investor decisions

Nil.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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.  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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. A retrial review was conducted on September 4, 2024. On December 4, 2024, a subpoena from the High Court was received, and the case was heard on January 3, 2025, pending judgment.
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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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
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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 November 15, 2024, a cross-examination notice was received from the arbitration commission, requiring a cross-examination within 5 days regarding the pharmaceutical procurement amount statistics table requested by Zhongshan Pharma for court retrieval. A response with cross-examination opinions was submitted on November 19, 2024.
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The main content of the court decision	The Guangzhou Liwan District People's Court issued a ruling on the continuation of the asset preservation order and a property preservation notice, approving Zhongshan Pharma's request to continue the asset preservation on Subsidiary G in the amount of RMB73,763.20 thousand. The freezing period is from August 29, 2024, to August 29, 2025.
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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 RMB73,763.3 thousand, with the freeze period from August 29, 2024, to August 29, 2025.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 Zhongshan Pharmaceutical Co., Ltd

Litigant	Plaintiff: Zhongshan Pharmaceutical Co., Ltd Defendant: Subsidiary G
Case facts	<p>Zhongshan Pharma and G subsidiary were previously engaged in a sales contract relationship. From August 2018 to May 2020, Zhongshan Pharma made cumulative payments of RMB41,564.00 thousand to Subsidiary G, claiming that these payments were made on behalf of Lianhe Yatai for goods procurement. However, in the lawsuit between Subsidiary G and Lianhe Yatai, the court did not support Zhongshan Pharma's claim, leading Zhongshan Pharma to file a lawsuit.</p> <p>On November 7, 2024, Subsidiary G received the lawsuit materials from Zhongshan Pharma, which demands the refund of RMB41,564.00 thousand along with corresponding interest and litigation costs. The case is pending trial.</p>
The main content of the court decision	The case has not yet been heard.
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.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G has assessed the case and considers the risk of incurring a loss to be low.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)

##### (d) Litigation matters involved in Jimei Construction Equipment Technology Co., Ltd.

Litigant	Plaintiff: Jimei Construction Equipment Technology Co., Ltd. Defendant: Subsidiary G
Case facts	On February 28, 2023, received the opposing party's lawsuit materials. According to the complaint, the opposing party alleges that Subsidiary G owes them service fees of RMB11,290.50 thousand performance guarantee of RMB3,079.30 thousand, and requests payment of liquidated damages totaling RMB1,997.40 thousand (as of August 22, 2022). The case was heard on March 20, 2023 at the Liwan District People's Court in Guangzhou. On the day of the hearing, Subsidiary G filed a counterclaim. Another hearing was scheduled for October 16, 2023. The first-instance judgment was issued on May 30, 2024. On June 11, 2024, Subsidiary G filed an appeal with the court. On July 12, 2024, a notice of acceptance and a court summons for the second-instance trial were received. The second-instance trial was held on August 6, 2024, and the second-instance judgment was received on February 18, 2025.
The main content of the court decision	On May 30, 2024, the first-instance judgment was received, which ordered Subsidiary G to pay service fees of RMB11,290.50 thousand, performance bond of RMB3,079.30 thousand and penalty. The court dismissed the plaintiff's other claims and also rejected Subsidiary G's additional claims. On June 11, 2024, Subsidiary G filed an appeal with the court.  On February 18, 2025, the second-instance judgment was received, ruling that the plaintiff must issue a value-added tax (VAT) invoice for service fees amounting to RMB46,439.30 thousand to Subsidiary G. The court revoked the first-instance judgment that required Subsidiary G to bear late payment penalties, while all other claims were upheld.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the second-instance judgment in this case has been rendered but not yet fully executed, and the final ruling has not yet been issued.
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.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)

##### (e) Litigation matters involved in Hebei Enpu Pharmaceutical Logistics Co., Ltd.

Litigant	Plaintiff: Hebei Enpu Pharmaceutical Logistics Co., Ltd.  Defendant: Sub-subsidiary P (Subsidiary G is parent company)
Case facts	On November 29, 2024, the opposing party's lawsuit materials were received. According to the statement of claim, both parties signed a sales contract for sodium bicarbonate on March 15, 2024, with a total contract value of RMB14,700 thousand. The contract stipulated that the plaintiff would pay 30% of the contract amount as a deposit, and Sub-subsidiary P would deliver the goods within 105 working days after receiving the deposit. After signing the contract, the plaintiff made a deposit payment of RMB4,410.00 thousand to Sub-subsidiary P via electronic bank acceptance draft, as per the contract terms. The plaintiff has now filed a lawsuit against Sub-subsidiary P, claiming that it is unable to fulfill its contractual obligations and demanding: A refund of the remaining double deposit amounting to RMB1.88 million, A refund of the advance payment of RMB1.47 million, Compensation for fund occupation interest of RMB17,100.  On December 3, 2024, a summons and lawsuit materials were received from Zhengding County People's Court.  The court hearing was held on December 17, 2024, during which Sub-subsidiary P filed a counterclaim and conducted an on-the-spot investigation. The case is currently awaiting the court's judgment.
The main content of the court decision	The judgment has not yet been issued.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case is still under trial, and whether the defendant, Sub-subsidiary P, will bear legal liability is yet to be determined by the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, Sub-subsidiary P has fully refunded the deposit of RMB4,410.00 thousand prepaid by the plaintiff, and RMB3,450.00 thousand in its bank account remains restricted and frozen.

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

## 11. Other significant matters (Continued)

(1) *Legal matters involving the Group and its subsidiary companies (Continued)*

(f) Litigation matters involved in Shanxi Taoyunshang Information Technology Co., Ltd.

Defendant: Subsidiary G

Case facts	On December 28, 2020, both parties signed the Capital Increase and Equity Expansion Agreement, and the industrial and commercial registration procedures for the equity transfer were completed on December 31, 2020. Shanxi Taoyunshang claims that Subsidiary G leveraged its dominant position at the time of contract signing to force it into a three-year performance commitment (as stipulated in Article 4 of the Capital Increase and Equity Expansion Agreement) and to pay compensation for unmet performance targets. The plaintiff argues that the rights and obligations stipulated in the agreement are significantly unbalanced and manifestly unfair.
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Shanxi Taoyunshang has filed a lawsuit requesting the court to revoke the performance compensation clause (Article 4) in the Capital Increase and Equity Expansion Agreement on the grounds of unfairness.

On August 16, 2024, a summons and lawsuit materials were received from the Guangzhou Liwan District People's Court. Another court summons was received on December 27, 2024, and the case is scheduled for trial on April 8, 2025.

The main content of the court decision	The judgment has not yet been issued.
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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, the management of Subsidiary G has assessed the case and considers the risk of incurring a loss to be low.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 Subsidiary R

Litigant	Plaintiff: Guangzhou Installation Group Co., Ltd. (formerly known as Guangzhou Electromechanical Installation Co., Ltd.) 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.
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. On October 22, 2024, the Intermediate People's Court ruled to dismiss Subsidiary R's application for non-enforcement of the Guangzhou Arbitration Commission's ruling (2023) Suizhong Case No. 14908.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case has been concluded and fully executed.
The impact on the Company's operation and finance	As of the reporting date, Subsidiary R has fully paid all project payments and penalty interest, and the case has been fully executed.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 Sub-subsidiary T

Litigant	Plaintiff: Worun (Shenzhen) Biotechnology Co., Ltd.  Defendant: Sub-subsidiary T (Parent company is Subsidiary S)
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. On May 27, 2024, the Guangzhou Panyu District People's Court issued a first-instance judgment, ruling that the company must refund the performance guarantee amount of RMB500,000 and pay overdue interest while dismissing the remaining claims.
The main content of the court decision	The plaintiff withdrew the appeal, making the first-instance judgment final:  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	The plaintiff withdrew the appeal, making the first-instance judgment final, 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, Sub-subsidiary T has refunded the performance guarantee amount and overdue interest, and the case has been concluded.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 U

Litigant	Plaintiff: Sichuan Guojing Xinlian Supply Chain Management Co., Ltd.  Defendant: Sub-subsidiary U
Case facts	The plaintiff signed a 'Product Purchase Contract' with Sub-subsidiary U, purchasing goods such as eight-treasure porridge, peanut drinks, and nut drinks. After the plaintiff made the payment, Sub-subsidiary U gradually supplied the goods. According to the reconciliation between both parties, Sub-subsidiary U confirmed in writing that as of April 5, 2023, goods valued at RMB4,082.00 thousand had not yet been supplied to the plaintiff. The plaintiff sent a letter to Sub-subsidiary U requesting the fulfillment of the remaining supply obligation. Due to disputes over contract performance and the involvement of a third party, on February 4, 2024, the plaintiff filed a lawsuit with the Jin Niu District People's Court in Chengdu.
The main content of the court decision	First-instance judgment: The plaintiff insisted on asserting claims based on a sales contract relationship, seeking to terminate the disputed sales contract, have the defendant refund the payment, and assume corresponding liability for breach of contract. However, the Chengdu Jinniu District People's Court found that these claims lacked factual and legal basis and did not support them.  Xinlian Company has appealed the first-instance judgment, and the case is awaiting the second-instance ruling.
The legal responsibilities for the Company or its subsidiaries	The case has not yet been decided, and it remains to be seen whether the defendant, Sub-subsidiary U, will be held legally responsible, pending the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary U has assessed the case and recognized the corresponding liabilities for the payment obligations they are expected to fulfill.



# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. Other significant matters *(Continued)*

#### 1. Litigations of the Group *(Continued)*

##### (1) Legal matters involving the Group and its subsidiary companies *(Continued)*

##### ⑥ Litigations to the Group Sub-subsidiary V

Litigant	Plaintiff: Shenzhen Keyuan Construction Group Co., Ltd.  Defendant: Sub-subsidiary V
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.
The main content of the court decision	Has not yet been heard.
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.
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.



# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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.  On August 31, 2022, Subsidiary G received a deposit of RMB93.96 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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)  Defendant: Guangdong Kanglang Pharmaceutical Co., Ltd. Liang Hongfen
Case facts	On January 19, 2020, Sub-subsidiary K (the parent company is a Subsidiary G) filed a case against Guangdong Kanglang Pharmaceutical Co., Ltd. for arrears of RMB4,122.50 thousand.
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. On May 6, 2024, the Civil Ruling was received, officially concluding the bankruptcy proceedings of Guangdong Kanglang Pharmaceutical Co., Ltd.
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 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.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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")

Litigant                      Plaintiff: Sub-subsidiary K (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                      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.

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. On August 12, 2024, Sub-subsidiary K applied to the court for an extension of the asset preservation order. The court has confirmed that the extension has been completed, with the preservation period now extended until September 23, 2025.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 t.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)
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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	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.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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. On October 14, 2024, Sub-subsidiary O submitted an application to the court requesting the freezing and seizure of Taian Tang's drug marketing licenses. On November 1, 2024, Sub-subsidiary O submitted a supplementary request to the court for the seizure of Taian Tang's remaining bank accounts and properties. On November 14, 2024, Sub-subsidiary O filed an additional application for the seizure of newly identified assets. On December 2, 2024, Sub-subsidiary O applied to the court for an extension of the asset preservation measures. On December 17, 2024, Sub-subsidiary O sent another letter to the enforcement bureau, submitting a Request for the Transfer of Guangdong Taian Tang Pharmaceutical Co., Ltd. to the Public Security Bureau for Investigation on the grounds of alleged refusal to enforce court judgments and rulings. The second batch of account seizures is valid until July 22, 2025. On January 13, 2025, three more of Taian Tang's bank accounts were frozen, with the seizure period extending until December 17, 2025.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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. 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.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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: 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. On November 12, 2024, Sub-subsidiary N received a court-executed deduction of RMB5,791.3 thousand in the Taian Tang guarantee contract case, including RMB5,140.7 thousand in principal and RMB650.6 thousand in overdue interest. The full amount involved in the case has been recovered, and the case is now closed.

Lawsuit by Sub-subsidiary N against Xinbao Pharmaceutical, Hongxing Pharmaceutical Factory, Qilin Pavilion Cultural, and Hongxing Group:

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, including:

Principal Amount: RMB5,088.20 thousand

Overdue Payment Penalty: 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, until the actual settlement date. As of April 25, 2024, the penalty amounts to RMB300.10 thousand. The Guangzhou Baiyun District People's Court accepted the case on May 9, 2024. On June 11, 2024, Sub-subsidiary N requested the court to freeze the bank account deposits of Qilin Pavilion Cultural involved in the infringement case.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 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.

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. On November 12, 2024, Sub-subsidiary N received a court-executed deduction of RMB5,791.3 thousand in the Taian Tang guarantee contract case, including RMB5,140.7 thousand in principal and RMB650.6 thousand in overdue interest. The full amount involved in the case has been recovered, and the case is now closed.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)

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

As of the reporting date, Sub-subsidiary N has received the execution payment from Taian Tang, and the case has been concluded.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 thousand 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 thousand available for enforcement, no other assets were available for execution. On June 11, 2024, 115.00 thousand RMB was received from the court as enforcement payment. On October 17, 2024, the Guangdong High People's Court issued a ruling rejecting Lianhe Yatai Company's retrial application.

On January 3, 2025, Subsidiary G applied to the court for an extension of the asset preservation order.

On February 6, 2025, Subsidiary G received a court notification via SMS confirming that the preservation period had been extended until January 25, 2026.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 February 20, 2025, Subsidiary G applied to the court for the transfer of the execution funds to its account. On March 4, 2025, Subsidiary G submitted an application to the court to extend the preservation of accounts set to expire in April 2025. 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. On September 5, 2024, the Guangdong High People's Court issued a civil ruling rejecting Lianhe Yatai Company's retrial application. On January 3, 2025, an application was submitted to the court to extend the asset preservation order until February 5, 2026.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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. On December 5, 2024, the Police destroyed the related goods.
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

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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.
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 report date, the management of Subsidiary G has assessed the case and made provisions for inventory impairment against the relevant inventory.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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.

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.

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. 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. On September 26, 2024, a civil ruling was received from the Lanzhou Intermediate People's Court of Gansu Province. On October 28, 2024, Sub-subsidiary P held discussions regarding the debt-to-equity swap.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 main content of the court decision

First-instance judgment: ①The 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. ②The 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.

Civil Ruling: ①Approval of the restructuring plan draft (voting version) for Gansu Zhongyou Health Management Group Co., Ltd. and 30 other companies. ②Termination of the restructuring procedure for Gansu Zhongyou Health Management Group Co., Ltd. and the 30 companies. ③Continuation of the bankruptcy administrator's duties for Gansu Zhongyou Health Management Group Co., Ltd. and the 30 companies until the execution of the restructuring plan is completed. This ruling takes effect immediately.

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.

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

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

## 11. Other significant matters (Continued)

(2) *Matters sued by the Group and its Subsidiaries (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. On September 4, 2024, the Weiyang District People's Court of Xi'an accepted the case, with an execution target of RMB6,783.4 thousand.
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

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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 matters involving performance betting

Litigant	Plaintiff: Subsidiary G
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	Defendant: Shanxi 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 Shanxi 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 Shanxi Taoyunshang Information Technology Co., Ltd. On November 15, 2024, the court extended the asset preservation order on two bank accounts of Guo Taozhu and four bank accounts of Guo Shuang, with the freezing period lasting until November 7, 2025. On March 5, 2025, the first-instance judgment was received from the court.
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# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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 matters involving performance betting (Continued)

The main content of the court decision	<p>First-Instance Judgment:</p> <ol style="list-style-type: none"> <li>Defendant Shaanxi Taoyunshang Company shall pay RMB52,872.7 thousand in compensation to Subsidiary G within ten days after the judgment takes effect.</li> <li>Defendants Guo Taozhu and Guo Shuang shall bear joint and several liability for the above payment.</li> <li>The three defendants shall pay RMB100.0 thousand in attorney fees to Subsidiary G within ten days after the judgment takes effect.</li> <li>Other claims are dismissed.</li> </ol> <p>Total litigation fee: RMB306.8 thousand, of which Subsidiary G shall bear RMB0.3 thousand, and the three defendants shall jointly bear RMB306.5 thousand. Property preservation fee: RMB5.0 thousand, to be jointly borne by the three defendants.</p>
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 case has been adjudicated but has not yet been fully executed.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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

Litigant	Plaintiff: Sub-subsidiary M (its parent company is Subsidiary G)  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 RMB659,200, 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. As of September 24, 2024, all payments have been fully recovered. The case has been closed with no outstanding matters.
The main content of the court decision	On March 13, 2024, the parties reached a settlement on the day of the court hearing.
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.
The impact on the Company's operation and finance	As of the reporting date, Sub-subsidiary M has fully recovered all payments. The case has been closed with no outstanding matters.



# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 11. 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)*

##### (n) Litigation matters involving Lianping Second People's Hospital

Litigant	Plaintiff: Sub-subsidiary K (its parent company is Subsidiary G)  Defendant: Lianping Second People's Hospital
Case facts	Sub-subsidiary K and the defendant were involved in a sales contract dispute from November 2019 to September 2021 through the "Quanyaowang" pharmaceutical supply platform and the Guangdong Province third-party pharmaceutical electronic trading platform. On August 30, 2024, Sub-subsidiary K filed a lawsuit requesting the court to order the defendant to pay the plaintiff the outstanding payment of RMB6,158.6 thousand and overdue payment penalty interest (calculated based on RMB6,158.6 thousand at the prevailing LPR rate from the overdue date until full payment, tentatively calculated at RMB929.7 thousand as of August 16, 2024). The plaintiff also requested the defendant to pay attorney fees of RMB88.0 thousand, litigation preservation guarantee insurance fees of RMB4.3 thousand, and to bear the case acceptance fee and property preservation fee.
The main content of the court decision	On December 16, 2024, according to the judgment issued by the People's Court of Lianping, Guangdong Province:  The defendant, Lianping Second People's Hospital, shall pay the plaintiff RMB6,158.6 thousand within fifteen days from the effective date of the judgment, along with the penalty interest as requested by the plaintiff. Other claims by the plaintiff were dismissed.
The legal responsibilities for the Company or its subsidiaries	Sub-subsidiary K, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the case has been adjudicated and is pending execution. The management of Sub-subsidiary K has assessed the case situation and, based on the principle of prudence, has made a bad debt provision for the accounts receivable according to the aging analysis.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)

##### (o) Litigation matters involving Yingde Hanjiang Town Central Health Center

Litigant	Plaintiff: Subsidiary G Defendant: Yingde Hanjiang Town Central Health Center
Case facts	<p>In June 2021, Subsidiary G and the defendant established a pharmaceutical sales cooperation, whereby the defendant placed orders with G Subsidiary through Guangdong Province's National Centralized Drug Procurement and Usage Expansion Pilot Electronic Trading Platform. A dispute arose concerning the electronic transaction contract, and in December 2024, Subsidiary G filed a lawsuit against Yingde Hanjiang Town Central Health Center for the payment of outstanding pharmaceutical receivables amounting to RMB7,534.8 thousand.</p> <p>On January 9, 2025, Subsidiary G received a Civil Ruling and Property Preservation Notice from the court, resulting in the actual freezing of the defendant's bank account for RMB2,850 thousand. On January 23, 2025, both parties reached a settlement and submitted a reconciliation agreement along with a new property preservation application to the court (with a revised freeze amount of RMB2,550 thousand). On February 11, 2025, the court issued a new Civil Ruling and Property Preservation Notice, freezing an additional RMB468 thousand in the defendant's account. In accordance with the settlement agreement, Subsidiary G submitted an application to the court on February 11, 2025, requesting the release of the previously frozen amounts.</p>
The main content of the court decision	Both parties reached a settlement.
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 case has been adjudicated and is pending execution. The management of Subsidiary G has assessed the case situation and, based on the principle of prudence, has made a bad debt provision for the accounts receivable according to the aging analysis.

# Notes to the Financial Statements

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

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 11. 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)

- (P) Litigation matters involving Zhao Yining, Li Guoen, Yang Hao, Nanjing Tongrentang Pharmaceutical Marketing Co., Ltd.

Litigant	Plaintiff: Subsidiary G  Defendant: Zhao Yining, Li Guoen, Yang Hao, Nanjing Tongrentang Pharmaceutical Marketing Co., Ltd.
Case facts	From 2019 to 2020, Subsidiary G collaborated with Nanjing Zhourentang Pharmaceutical Marketing Co., Ltd. through Zhao Yining and Li Guoen. However, Zhao Yining and Li Guoen used forged official seals to sign multiple cooperation agreements with Subsidiary G, causing damage to Subsidiary G's property rights and interests. In December 2024, Subsidiary G filed a lawsuit with the Guangzhou Liwan District People's Court.
The main content of the court decision	Awaiting trial, no judgment has been rendered yet.
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 case has been adjudicated and is pending execution. The management of Subsidiary G has assessed the case situation and, based on the principle of prudence, has made a bad debt provision for the accounts receivable according to the aging analysis.

#### (2) No other significant matters

# Notes to the Financial Statements

(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	177,283,226.66	162,558,709.84
1 to 2 years	320,972.00	—
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	182,117,770.10	167,072,281.28
Less: Provision for bad debts	6,318,500.91	6,139,158.54
Total book value of accounts receivable	175,799,269.19	160,933,122.74

(2) Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book Value
	Amount	Proportion (%)	Provision for bad debts Amount	Expected credit loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	1.44	2,615,454.16	100.00	—
Accounts receivable subject to provision by portfolio	179,502,315.94	98.56	3,703,046.75	2.06	175,799,269.19
Including: portfolio 1	179,502,315.94	98.56	3,703,046.75	2.06	175,799,269.19
Total	182,117,770.10	100.00	6,318,500.91	3.47	175,799,269.19

Category	Book balance		Closing balance of last year		Book Value
	Amount	Proportion (%)	Provision for bad debts 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	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
Including: portfolio 1	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
Total	167,072,281.28	100.00	6,139,158.54	3.67	160,933,122.74

# Notes to the Financial Statements

(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>	<u>—</u>	

##### ② Accounts receivable subject to provision by portfolio

###### Portfolio 1

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss ratio (%)	Book balance	Provision for bad debts	Expected credit loss ratio (%)
Within 1 year	177,283,226.66	1,772,832.27	1.00	162,558,709.84	1,625,587.10	1.00
1 to 2 years	320,972.00	32,097.20	10.00	—	—	—
Over 5 years	<u>1,898,117.28</u>	<u>1,898,117.28</u>	<u>100.00</u>	<u>1,898,117.28</u>	<u>1,898,117.28</u>	<u>100.00</u>
Total	<u>179,502,315.94</u>	<u>3,703,046.75</u>	<u>—</u>	<u>164,456,827.12</u>	<u>3,523,704.38</u>	<u>—</u>

# Notes to the Financial Statements

(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	179,342.37	—	—	6,318,500.91
Total	6,139,158.54	179,342.37	—	—	6,318,500.91

(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	123,858,521.98	68.01	1,238,585.22
Customer 2	12,260,890.00	6.73	122,608.90
Customer 3	10,826,073.25	5.94	108,260.73
Customer 4	8,123,277.63	4.46	81,232.78
Customer 5	5,564,760.00	3.06	55,647.60
Total	160,633,522.86	88.20	1,606,335.23

(5) The Group had no accounts receivable derecognized due to transfer of financial assets for the current period.

(6) The Group had no assets or liabilities arising from the transfer of and the continuing involvement of accounts receivable (such as securitization, factoring, etc.) for the current period.

# Notes to the Financial Statements

(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

Item	Closing balance	Closing balance of last year
Dividends receivable	153,397,700.00	213,161,327.92
Other receivables	203,988,842.48	295,238,938.37
Total	357,386,542.48	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.

#### (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	121,063,145.70	56.82	188,504,307.39	61.98
1 to 2 years	5,694,393.20	2.67	12,800,501.45	4.21
2 to 3 years	3,545,526.40	1.66	10,662,512.36	3.51
3 to 4 years	2,677,706.64	1.26	1,969,099.81	0.65
4 to 5 years	621,110.16	0.29	5,822,702.10	1.91
Over 5 years	79,463,014.56	37.30	84,355,141.31	27.74
Subtotal	213,064,896.66	100.00	304,114,264.42	100.00
Less: provision	9,076,054.18	—	8,875,326.05	—
Total	203,988,842.48	—	295,238,938.37	—

# Notes to the Financial Statements

(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)

##### ② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	174,847,350.49	267,445,768.82
Deposit, rent, advances to employees	2,892,104.14	6,079,002.83
Others	35,325,442.03	30,589,492.77
Total	213,064,896.66	304,114,264.42

##### ③ Provision for bad debts

Provision for bad debts	First stage Expected credit losses in the next 12 months	Second stage Expected credit losses throughout life (no credit impairment)	Third stage Lifetime expected credit losses (credit impairment has occurred)	Total
Balance on 2024.01.01	2,483,603.54	—	6,391,722.51	8,875,326.05
Provision at current period	200,728.13	—	—	200,728.13
Recovery at current period	—	—	—	—
Pay-off at current period	—	—	—	—
Write-off at current period	—	—	—	—
Other changes	—	—	—	—
Balance on 2024.12.31	2,684,331.67	—	6,391,722.51	9,076,054.18

##### 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	8,875,326.05	200,728.13	—	—	9,076,054.18
Total	8,875,326.05	200,728.13	—	—	9,076,054.18



# Notes to the Financial Statements

(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)

- ⑤ There is no other receivables written off for this period.
- ⑥ The top five amount of the closing balance of other receivables by customers.

Company	Nature	Closing balance	Aging	Proportion of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Other receivables 1	Receivables due from related parties	134,093,424.93	Within 1 year, 5 years above	62.94	-
Other receivables 2	Receivables due from related parties	14,178,104.33	Within 1 year	6.65	-
Other receivables 3	Receivables due from related parties	10,434,895.79	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	4.90	-
Other receivables 4	Receivables due from related parties	3,316,244.07	Within 1 year, 1 to 2 years, 2 to 3 years, 3 to 4 years	1.56	-
Other receivables 5	Receivables due from related parties	3,123,609.77	Within 1 year	1.47	-
Total	-	<u>165,146,278.89</u>	-	<u>77.52</u>	-

- ⑦ There is no receivables related to government grants for the current period.
- ⑧ There is no other receivables that had been derecognized due to transfer of financial asset for the current period.
- ⑨ There is no assets or liabilities arising from the transfer of and the continuing involvement of other receivables for the current period.

### 3. Long-term Equity Investment

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	12,648,309,741.25	171,000,000.00	12,477,309,741.25	12,386,069,741.25	171,000,000.00	12,215,069,741.25
Investment in joint ventures and associates	1,265,408,868.70	385,666,507.83	879,742,360.87	1,328,233,634.02	-	1,328,233,634.02
Total	<u>13,913,718,609.95</u>	<u>556,666,507.83</u>	<u>13,357,052,102.12</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

(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	159,840,000.00	-	599,400,000.00	-	-
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	100,000,000.00	-	400,000,000.00	-	-
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	12,386,069,741.25	262,240,000.00	-	12,648,309,741.25	-	171,000,000.00

# Notes to the Financial Statements

(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	The current period		Declaration of the payment of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Changes in other equity					
I. Joint ventures											
HMBYS	242,012,127.52	-	-	(58,820,730.44)	-	-	-	-	-	183,191,397.08	-
Baxter Qiao Guang	72,907,385.47	-	-	12,996,647.03	-	-	-	-	-	85,904,032.50	-
Subtotal	314,920,112.99	-	-	(45,824,083.41)	-	-	-	-	-	269,096,029.58	-
II. Associates											
Golden Eagle Asset Management Co., Ltd.	85,108,404.81	-	-	1,473,089.26	-	-	-	-	-	86,581,494.07	-
Guangzhou Baiyunshan Weiye Medical Investment Management Co., Ltd.	2,084,840.52	-	-	16,692.93	-	-	-	-	-	2,101,533.45	-
Yi Xin Tang	794,271,683.03	-	-	5,808,504.48	-	-	(12,352,121.60)	(385,666,507.83)	-	402,061,538.08	385,666,507.83
Baiyunshan Yi Xin Tang	80,060,802.40	-	-	(7,898,622.99)	-	-	-	-	-	72,162,179.41	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	5,744,157.67	-	-	248,620.44	-	-	-	-	-	5,992,778.11	-
Guangzhou Handao Chinese Medical Technology Co., Ltd.	6,219,847.46	-	-	60,325.11	-	-	-	-	-	6,280,172.57	-
Guangzhou Guangyao Jincang equity investment partnership (limited partnership)	39,823,785.14	-	-	(4,357,169.54)	-	-	-	-	-	35,466,615.60	-
Subtotal	1,013,313,521.03	-	-	(4,648,560.31)	-	-	(12,352,121.60)	(385,666,507.83)	-	610,646,331.29	385,666,507.83
Total	1,328,233,634.02	-	-	(50,472,643.72)	-	-	(12,352,121.60)	(385,666,507.83)	-	879,742,360.87	385,666,507.83

# Notes to the Financial Statements

(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	2,648,971,810.47	1,040,230,120.17	3,189,970,127.88	1,259,339,832.14
Other businesses	335,661,706.90	32,113,282.14	382,366,191.41	41,665,080.36
Total	<u>2,984,633,517.37</u>	<u>1,072,343,402.31</u>	<u>3,572,336,319.29</u>	<u>1,301,004,912.50</u>

#### (2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	2,648,971,810.47	1,040,230,120.17	3,189,970,127.88	1,259,339,832.14
Total	<u>2,648,971,810.47</u>	<u>1,040,230,120.17</u>	<u>3,189,970,127.88</u>	<u>1,259,339,832.14</u>

#### (3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	2,212,262,860.22	778,895,018.29	2,712,961,876.34	943,367,351.45
Eastern China Area	133,885,610.95	95,677,015.16	156,687,981.07	118,164,503.25
Northern China Area	64,026,623.30	45,420,008.82	102,750,255.32	75,411,534.19
Northeast Area	14,843,307.28	9,365,832.31	7,642,337.49	4,144,552.24
Southwest Area	198,860,521.99	92,978,335.15	186,194,666.54	101,545,927.33
Northwest Area	25,092,886.73	17,893,910.44	23,733,011.12	16,705,963.68
Total	<u>2,648,971,810.47</u>	<u>1,040,230,120.17</u>	<u>3,189,970,127.88</u>	<u>1,259,339,832.14</u>

# Notes to the Financial Statements

(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	<b>492,708,740.41</b>	470,650,909.20
Investment Income from long-term equity investments under equity method	<b>(50,472,643.72)</b>	109,461,200.36
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	<b>115,004,633.92</b>	1,559,539.80
Interest income from financial products and structured deposits	<b>197,234,975.53</b>	154,487,277.16
Derecognition income of financial assets measured at amortized cost	<b>(478,349.09)</b>	(5,363,152.55)
Total	<b><u>753,997,357.05</u></b>	<u>761,615,380.03</u>

# Notes to the Financial Statements

(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. Gains and losses from the disposal of non-current assets, including the reversal of previously recognized impairment provisions.	8,821,026.20
2. Government grants recognized in current profit or loss, except for those closely related to the company's normal business operations, in compliance with national policies, received based on standardized criteria, and having a continuous impact on the company's profit or loss.	221,800,532.12
3. Gains and losses arising from fair value changes and disposal of financial assets and financial liabilities held by non-financial enterprises, except for effective hedging activities related to the company's normal business operations.	318,310,804.70
4. Interest income from funds provided to non-financial enterprises recognized in current profit or loss.	
5. Gains and losses from entrusting others to invest or manage assets.	
6. Gains and losses from entrusted loans to external parties.	
7. Losses arising from force majeure events, such as natural disasters.	
8. Reversal of impairment provisions for individually tested accounts receivable.	6,861,960.77
9. Gains arising when the investment cost of acquiring a subsidiary, associate, or joint venture is lower than the fair value of the identifiable net assets at the time of acquisition.	—
10. Net profit or loss from the beginning of the period to the merger date for subsidiaries acquired in a business combination under common control.	
11. Gains and losses from non-monetary asset exchanges.	
12. Gains and losses from debt restructuring.	
13. One-time expenses incurred due to the discontinuation of related business activities, such as employee severance payments.	
14. One-time impacts on current profit or loss due to adjustments in tax, accounting, or other legal regulations.	
15. One-time recognition of share-based payment expenses due to the cancellation or modification of an equity incentive plan.	
16. Gains and losses from changes in the fair value of share-based payments settled in cash after the vesting date.	
17. Gains and losses from fair value changes in investment properties measured using the fair value model.	
18. Gains from transactions with significantly unfair pricing.	
19. Gains and losses from contingent events unrelated to the company's normal business operations.	
20. Management fees earned from entrusted operations.	
21. Other non-operating income and expenses not covered by the above items.	13,354,520.10
22. Other gains and losses that meet the definition of non-recurring profit or loss.	18,049,400.00
Less: Amount of income tax influence	(97,199,332.07)
Amount of minority equity impact (after income tax)	(10,933,949.45)
Total	<u>479,064,962.37</u>

# Notes to the Financial Statements

(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	<b>7.99</b>	12.07	<b>1.744</b>	2.495	<b>1.744</b>	2.495
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	<b>6.64</b>	10.82	<b>1.449</b>	2.236	<b>1.449</b>	2.236

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited  
Li Xiaojun, Chairperson  
13 March 2025