



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)

2023

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 8th meeting of the ninth session of the Board, among whom, Mr. Yang Jun, vice chairperson of the Company, Mr. Chen Yajin and Ms. Sun Baoqing, the independent non-executive directors, attended the meeting by telephone; Mr. Wong Lung Tak Patrick, an independent non-executive director, was unable to attend the meeting and authorized Mr. Huang Min, an independent non-executive director, to attend and exercise the right to vote on his behalf.
- III. The financial reports of the Group and the Company for the year ended 31 December 2023 were prepared in accordance with the China Accounting Standards for Business Enterprises, which were audited by WUYIGE Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.
- IV. Mr. Li Chuyuan (chairperson of the Board), Ms. Liu Fei (financial officer) and Ms. Wu Chuling (director of the Financial Department) declared that they warrant the truthfulness, accuracy and completeness of the financial reports contained in this annual report.
- V. Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

As audited and confirmed by WUYIGE Certified Public Accountants LLP: the consolidated net profit of the Group attributable to the shareholders of the Company amounted to RMB4,055,678,691.49 in 2023. Based on the net profit of the Company of RMB1,684,022,544.74 in 2023, a 10% statutory surplus reserve in the amount of RMB168,402,254.47 is provided, with the addition of the undistributed profit carried over from 2023 in the amount of RMB8,063,724,029.08, and after deducting the cash dividends of 2022 in the amount of RMB1,190,078,974.68, the undistributed profits in the statement of the Company's parent company at the end of 2023 amounted to RMB8,389,265,344.67.

Based on the actual circumstances of the Company, it is proposed that based on the share capital of 1,625,790,949 shares as at the end of 2023, a cash dividend of RMB0.749 (inclusive of tax) for every share, amounting to an aggregate of RMB1,217,717,420.80 be distributed. The undistributed portion shall be carried over to the next distribution. There will not be any capitalization of capital reserve for 2023.

The profit distribution plan will be submitted to the 2023 annual general meeting of shareholders for approval.

- VI. Forward-looking statements such as plans for the future and development strategy contained in this annual report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.

## Important Notice

- VII. There was no non-operational appropriation of the funds of the Company by its controlling shareholders and related parties.
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company.
- IX. The Company does not have more than half of the Directors who cannot guarantee the 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.

# Definitions

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 2023 to 31 December 2023
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

## Definitions

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

## Definitions

GP Corp.	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Supply Chain	Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd (Formerly Guangzhou Cai Zhi Lin Medicine Co., Ltd. (原“廣州采芝林醫藥有限公司”))
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Hua Cheng	Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (廣州白雲山花城藥業有限公司)
Baxter Qiao Guang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)

## Definitions

Baiyunshan Biological	Guangzhou Baiyunshan Biological Products Co., Ltd. (formerly known as Guangzhou Nuo Cheng Biological Products Co., Ltd.) (廣州白雲山生物製品股份有限公司)
WLJ Ya'an Company	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司)
Weiling	Baiyuanshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣州白雲山化學藥科技有限公司)
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司)
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司)
Baiyunshan Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company (廣州白雲山醫療器械投資有限公司)
Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)
Yi Gan	Guangzhou Guangyao Yigan Biological Products Co., Ltd. (廣州廣藥益甘生物製品股份有限公司)
Haima Company	Guangzhou Pharmaceutical Haima Brand Integration and Marketing Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司)
Zhuhai Hengqin Pharmaceutical Industry Park Company	Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd. (廣藥(珠海橫琴)醫藥產業園有限公司)
Chemical & Pharmaceutical Zhuhai Company	Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd. (廣藥白雲山化學制藥(珠海)有限公司)
Baiyunshan Yihu Company	Guangzhou Baiyunshan Yihu Health and Technology Company Limited (廣州白雲山壹護健康科技有限公司)
Baiyunshan Jianhu Company	Guangzhou Baiyunshan Jianhu Medical Products Company Limited (廣州白雲山健護醫療用品有限公司)



# Definitions

Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)
Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd. (廣州白雲山潤康月子會所有限公司)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司)
Baiyunshan Culture Company	Guangzhou Baiyunshan Culture Industry Co., Ltd. (廣州白雲山文化產業有限公司)
Guangyao Group (Macau) Company	Guangyao Group (Macau) International Development Industry Co., Ltd (廣藥集團(澳門)國際發展產業有限公司)
C.Q. Pharmaceutical Holding	Chongqing Pharmaceutical Holding Company Limited (重慶控股股份有限公司)
GMP	the English abbreviation of Good Manufacturing Practice and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements
GAP	the English abbreviation of Good Agricultural Practice for Chinese Crude Drugs (Trial). It refers to the management system formulated with a view to standardize the Chinese crude drugs production, and to ensure its quality as well as to promote the standardization and modernization of the Chinese crude drugs
GSP	the English abbreviation of Good Supply Practice, which means the quality control standards for pharmaceutical trade
DTP pharmacy	the English abbreviation of Direct to Patient, and it means pharmacy committed to providing patients with more valuable and professional services directly
OEM	Original Equipment Manufacturer
OTC	the English abbreviation of Over The Counter, and it means the over-the-counter drug.

# Definitions

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 2023 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年版)》), being the national standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund
Provincial Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance at the provincial level of the PRC (基本醫療保險、工傷保險和生育保險藥品目錄) issued by every province of the PRC
GZ Chan Tou	Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd. (廣州產業投資控股集團有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
GP Fund	Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) (廣州廣藥基金股權投資合夥企業(有限合夥))
GP Capital	Guangzhou GP Capital Private Equity Fund Management Co., Ltd. (廣州廣藥資本私募基金管理有限公司)

## Definitions

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))
Meichen Group	Meichen Group Co., Ltd (美晨集團股份有限公司)
Guangyao Baiyun Toothpaste Company	Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd (廣藥白雲牙膏(廣州)有限公司)
Charmacy Pharmaceutical	Charmacy Pharmaceutical Co., Ltd (創美藥業股份有限公司)
The Material Assets Reorganization in 2013	the Group's major asset reorganization involving the merger and acquisition of Baiyunshan and issue of shares to purchase the assets of GPLH that was completed in 2013
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)

# Company Profile and Financial Highlights

## 1. COMPANY PROFILE

- (1) Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited  
English Name Abbreviation: GYBYS  
Legal Representative: Li Chuyuan
- (2) Secretary to the Board: Huang Xuezheng  
Securities representative: Huang Ruimei  
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Telephone: (8620) 6628 1218/6628 1216  
Fax: (8620) 6628 1229  
E-mail: huangxz@gybys.com.cn/huangrm@gybys.com.cn
- (3) Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Registered address and office before the change: No  
Postal code: 510130  
Website: <http://www.gybys.com.cn>  
E-mail: [sec@gybys.com.cn](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: Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》), China Securities Journal (《中國證券報》), Securities Daily (《證券日報》)  
Website designated by the CSRC for publishing the annual report: <http://www.sse.com.cn>  
Website of the HKEX for publishing the annual report: <http://www.hkex.com.hk>  
Place for inspection of the annual report: The secretariat of the Company

# Company Profile and Financial Highlights

## 1. COMPANY PROFILE *(Continued)*

- (5) Stock exchanges, names and codes of the Company's shares:
- A Shares: SSE  
Stock Code: 600332  
Stock Abbreviation: BAIYUNSHAN
- H Shares: HKEX  
Stock Code: 0874  
Stock Abbreviation: BAIYUNSHAN PH
- (6) Other information:
- First registration date: 1 September 1997  
First place of registration: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
- Date of registration of change: 31 July 2017  
Place of registration of change: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
- Unified social credit code: 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	2023	2022	Year on year increase/ (decrease) (%)	2021	2020	2019
Income from operations (RMB'000)	<b>75,515,404</b>	70,788,155	6.68	69,014,052	61,673,702	64,951,778
Net profit attributable to the shareholders of the Company (RMB'000)	<b>4,055,679</b>	3,966,522	2.25	3,719,878	2,915,245	3,188,885
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	<b>3,635,521</b>	3,319,308	9.53	3,306,416	2,627,691	2,746,248
Net cash flow from operating activities (RMB'000)	<b>4,103,625</b>	6,999,076	(41.37)	5,673,497	585,185	5,022,367
Total profit (RMB'000)	<b>5,110,498</b>	5,043,244	1.33	4,723,071	3,739,082	4,128,533
	<b>As at 31 December 2023</b>	As at 31 December 2022	Year on year increase/ (decrease) (%)	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
Net assets attributable to the shareholders of the Company (RMB'000)	<b>34,919,281</b>	32,065,125	8.90	29,062,184	26,144,843	24,184,797
Total assets (RMB'000)	<b>78,586,878</b>	74,665,299	5.25	66,117,790	59,760,063	56,893,659
Total liabilities (RMB'000)	<b>41,909,054</b>	41,027,441	2.15	34,791,121	31,554,796	30,904,172
Equity attributable to the shareholders of the Company per share (RMB)	<b>21.48</b>	19.72	8.90	17.88	16.08	14.88
Total equity (RMB'000)	<b>1,625,791</b>	1,625,791	–	1,625,791	1,625,791	1,625,791

# Company Profile and Financial Highlights

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

### (2) Principal financial indicators

Principal financial data	2023	2022	Year on year increase/ (decrease) (%)	2021	2020	2019
Basic earnings per share (RMB/Share)	2.495	2.440	2.25	2.288	1.793	1.961
Diluted earnings per share (RMB/Share)	2.495	2.440	2.25	2.288	1.793	1.961
Basic earnings per share after deducting non-recurring items (RMB/Share)	2.236	2.042	9.53	2.034	1.616	1.689
Weighted average return on net assets ratio (%)	12.07	12.97	A decrease of 0.90 percentage point	13.46	11.55	13.87
Ratio of weighted average return on net assets after deducting non-operating items (%)	10.82	10.85	A decrease of 0.03 percentage point	11.96	10.41	11.94
Ratio on total equity attributable to shareholders of the Company (%)	11.61	12.37	A decrease of 0.76 percentage point	12.80	11.15	13.19
Ratio on total equity attributable to shareholders of the Company to total assets (%)	44.43	42.95	An increase of 1.48 percentage points	43.96	43.75	42.51
Gearing ratio (%)	53.33	54.95	A decrease of 1.62 percentage point	52.62	52.80	54.32

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 2023 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	21,628,521	18,341,810	18,214,219	17,330,854
Net profit attributable to the shareholders of the Company	1,908,600	902,648	980,002	264,429
Net profit attributable to the shareholders of the Company after deducting non-recurring items	1,827,436	771,073	840,145	196,866
Net cash flow from operating activities	(2,838,882)	2,098,172	1,642,337	3,201,999

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

Items	Amount in 2023 (RMB'000)	Notes (if applicable)	Amount in 2022 (RMB'000)	Amount in 2021 (RMB'000)
Gain/(Loss) on disposal of non-current assets	26,167		15,109	43,112
Government grants included in the profit or loss for the current year except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	246,659	This is the amount of government subsidiaries received by the Company's subsidiaries which was transferred to non-operating income and other income.	480,552	331,878
Gain/(Loss) on changes in fair value arising from trading financial assets, derivatives financial assets, trading financial liabilities and derivatives financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company) as well as the investment gains received from disposal of trading financial assets, derivatives financial assets, trading financial liabilities, derivatives financial liabilities and debt investment	249,805		98,077	201,297
Write-off of provision for impairment of accounts receivable and contract assets under individual impairment test	14,867		28,151	1,653
Other non-operating income and expenses excluding the above items	(13,184)		(27,083)	(85,289)
Other profit and loss items that meet the definition of non-recurring	0		161,777	49,601
Less: Income tax effect	(90,819)		(91,360)	(106,518)
Effect on minority interest (after tax)	(13,337)		(18,009)	(22,272)
<b>Total</b>	<b>420,158</b>		<b>647,214</b>	<b>413,462</b>

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 2023 (CONSOLIDATED)

Items	Share capital (RMB'000)	Capital reserve (RMB'000)	Other comprehensive		Undistributed profits (RMB'000)	Total shareholders' equity attributable to the parent company (RMB'000)
			income (RMB'000)	Surplus reserve (RMB'000)		
Opening balance	1,625,791	10,105,714	(12,900)	2,084,387	18,262,133	32,065,125
Additions	-	-	(11,444)	168,402	4,055,679	4,212,637
Deductions	-	-	-	-	1,358,481	1,358,481
Closing balance	1,625,791	10,105,714	(24,344)	2,252,789	20,959,331	34,919,281

## 7. ITEMS RELATED TO FAIR VALUE MEASUREMENT

Items	Balance at the beginning of the Reporting Period (RMB'000)	Balance at the end of the Reporting Period (RMB'000)	Changes during the Reporting Period (RMB'000)	Impact on the profit for the Reporting Period (RMB'000)
Financial assets held for trading	56,873	4,000	(52,873)	-
Other equity instrument investments	109,570	103,812	(5,758)	-
Other non-current financial assets	1,038,819	1,005,936	(32,883)	(4,427)
Total	1,205,262	1,113,748	(91,514)	(4,427)

## 8. OTHERS

Applicable  Not Applicable

# Management Discussion and Analysis

## 1. DESCRIPTION AND ANALYSIS OF OPERATION

During the Reporting Period, the Group closely focused on the development theme of “improving both efficiency and effectiveness” and adhered to the general basic principle of “seeking progress while maintaining stability”, coordinated the management of various business operations, and vigorously promoted the improvement in both operational efficiency and development effectiveness, thus achieving steady growth in operating performance.

In 2023, the Group recorded an income from operations of RMB75,515,404,000, representing an increase of 6.68% year on year; total profit of RMB5,110,498,000, representing an increase of 1.33% year on year; and net profit attributable to shareholders of the Company of approximately RMB4,055,679,000, representing an increase of 2.25% year on year.

In 2023, the Group proactively worked on the following:

### (I) Further cultivating the business, strengthening varieties, controlling costs, expanding terminal business, and continually solidifying the foundation of the development of the Great Southern TCM

During the Reporting Period, the Great Southern TCM, firstly, further increased its support and cultivation for “Diva Brands” and “High-Potential Products” and promoted steady growth in the operating performance of Great Southern TCM by continually integrating internal resources, strengthening and smoothing sales channels, expanding terminal business, strictly controlling costs, etc.. During the Reporting Period, products such as Qing Kai Ling series, An Gong Niu Huang Pill, Mi Lian Chuan Bei Pi Pa Gao, Zhuang Yao Jian Shen Pill, Xiao Chai Hu Granule, Jin Ge, Xiao Ke Pill achieved a relatively rapid year-on-year increase in sales revenue. Secondly, the Great Southern TCM strengthened brand construction, continually stimulated the innovative vitality of time-honored brands, and persistently enhanced the visibility and recognition of its brand and products. Thirdly, the Great Southern TCM accelerated the construction process of major projects and achieved tangible results in the development of industrial bases. During the Reporting Period, both the project for the establishment of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. and the project of Gansu Guangyao Baiyunshan TCM Technology Industry Park (Phase I) were completed and either started trial production or was put into operation.

# Management Discussion and Analysis

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

### (II) Adhering to “one core with multi-elements”, tapping into the market, expanding channels, exploring new products, and further promoting the innovative development of the Great Health

During the Reporting Period, the Great Health seized the market opportunities provided by consumption recovery, deeply cultivated core channels, strengthened holiday marketing and promotion, online sales and exports of flagship products, fully expanded its catering advantages, continued to improve market coverage and market share, and built a solid foundation for the development of Wang Lao Ji herbal tea. The Great Health deeply cultivated the Ji Xiang (meaning auspicious) culture, created a series of products of the Ji Xiang culture featuring surname cans, blessing words cans, and Chinese zodiac cans, and strengthened the marketing for various blessed scenes. At the same time, the Great Health focused on promoting the youthfulness of brands, innovated the young marketing model, extended the “Ji” culture connotation, enhanced the brand’s culture influence, and elevated the core competitiveness of the Wang Lao Ji brand. On top of that, the Great Health focused on the growth trend of healthy plant-based beverages, developed diverse new products, and launched a variety of new products, including camellia flower flavored herbal tea, rattan pepper and green grape flavored herbal tea, durian flavored herbal tea, etc., and also developed a series of products using Xinjiang sea buckthorns and prunes as ingredients, including refined sea buckthorn juice beverages, new prune original beverages, prune kale high fiber gel, etc., further enriching the Great Health product series. The Great Health also further accelerated the process of brand internationalization by actively participating in international exhibitions, accelerating the localization of overseas products and continually promoting trademark registration.

# Management Discussion and Analysis

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

### (III) **Seizing opportunities, optimizing services, expanding networks, and accelerating the transformation and development of the Great Commerce**

During the Reporting Period, the Great Commerce continued to further enhance the variety expansion, network expansion, terminal access, logistics and distribution capabilities of the wholesale business, promoted market channel construction with variety resources, and further consolidated its integrated omni-channel strategy of “medical + commerce + e-commerce + retail”. GP Corp., the Company’s controlling subsidiary, firstly developed the distribution business of hospital nutrition products and special medical food, explored the co-construction model of special medical food, further strengthened strategic cooperation with key suppliers, obtained distribution rights for over 90 new drugs in the market and successfully won the bids of multiple SPD projects. Secondly, GP Corp. seized the opportunity of prescription outflow from medical institutions, continually expanded the practice of “dual channels” for retail business and “physical stores + OTO”, and increased the number of pharmaceutical retail outlets to 157, including 51 designated retail stores featuring “dual channels” in its retail business. Thirdly, GP Corp. accelerated investment, mergers and acquisitions, expanded its national sales network, newly established Guangyao Heilongjiang Pharmaceutical Co., Ltd. and Guangyao (Shaoguan) Pharmaceutical Co., Ltd., which both opened, and improved the layout of secondary subsidiaries in Guangdong Province, with subsidiaries in 9 cities in the Guangdong-Hong Kong-Macao Greater Bay Area established, and completed the establishment of wholly-owned subsidiaries in Shantou, Zhanjiang, Dongguan, and Huizhou. Fourthly, GP Corp. innovated the import and export business model. Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., a subsidiary of GP Corp., obtained the advanced AEO certification issued by the customs authority and completed the first cross-border transportation of important reagents produced by mainland medical institutions. Cai Zhi Lin, a subsidiary of the Company, continued to promote the transformation and development of hospital delivery business, and accelerated the construction of the intelligent TCM decoction center on the basis of winning consecutive bids for decoction projects granted by graded and community hospital represented by Guangdong Provincial Hospital of Chinese Medicine.

# Management Discussion and Analysis

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

### (IV) Promoting development and building brands to promote the stable development of the Great Medical Care

During the Reporting Period, Baiyunshan Hospital, as part of the Great Medical Care, kept improving its software and hardware, added six diagnosis and treatment departments including the Neurosurgery Department and the Respiratory Medicine Department, set up the Baiyunshan Internet Hospital, joined in the 120 Emergency Network, and became one of the first batch of designated hospitals providing preferential treatment to retired soldiers in Guangzhou, thus improving its comprehensive strength. Baiyunshan Traditional Chinese Medicine Hospital officially opened, thereby forming an operation mode in which Baiyunshan Traditional Chinese Medicine Hospital and Baiyunshan Hospital complement each other in terms of advantages and coordinated development. Runkang Confinement Company worked with gynecology and obstetrics experts and held special lectures and promotion activities, further improving and enhancing the confinement service center brand.

### (V) Continually strengthening R&D, innovation and investment and promoting the construction of the scientific research platform to boost innovation

In 2023, the Group invested a total of RMB0.782 billion in research and development. During the Reporting Period, the Group obtained 11 production approvals for products including dapoxetine hydrochloride tablets, 2 clinical trial approvals including Class 1.1 traditional Chinese medicine Yin-nourishing and Liver-soothing Granule as well as Xiao Chai Hu Granule for Children and newly obtained 1 approvals for supplementary applications for consistency evaluation; won 19 science and technology awards at various levels, including 2 international awards and 2 national awards, with Zhong Yi winning the gold medal at the 48th International Exhibition of Inventions Geneva in 2023 for its “Innovative Research and Application of Zi Shen Yu Tai Pill” project. 3 new provincial-level scientific research platforms and 1 new municipal-level scientific research platforms were added; 6 national scientific research qualifications, 10 provincial scientific research qualifications and 3 municipal research qualifications were newly confirmed. Specifically, the Company’s subsidiaries, Baiyunshan Hanfang was included in the list of “scientific reform enterprises” issued by the State-owned Assets Supervision and Administration Commission of the State Council, while Jing Xiu Tang and Guang Hua were evaluated as national intellectual property demonstration enterprises, and Guangxi Ying Kang was evaluated as a preponderant enterprise in terms of intellectual property. The Company’s 10 subsidiaries passed the recognition of small- and medium-sized enterprises in Guangdong Province featuring specialization, refinement, uniqueness and innovation, including Baiyunshan Hanfang, Pan Gao Shou and Xing Qun; and Baiyunshan Han Fang and Hanchao were awarded with the official recognition certificates from the China National Accreditation Service for Conformity Assessment (CNAS), meaning they possess the ability to carry out tests in accordance with international standards.

# Management Discussion and Analysis

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

### **(VI) Further standardizing and enhancing the quality management for products and technologies, and continuing to upgrade the digital smart platform**

During the Reporting Period, the Group continued to perfect the technology quality management system, completed the pharmacovigilance system construction, and built a monitoring system for adverse drug reactions. The Group vigorously pushed forward with the renovation project for standardization, effectively facilitated the transformation into automatic and intelligent manufacturing of the Group, and enhanced production efficiency. Among others, Zhong Yi built the digital pharmaceutical manufacturing workshop which honored as the “Pilot Intelligent Manufacturing Demonstration Projects of Guangdong Province” and became one of the six Chinese patent medicine enterprises with an AA rating in China as it passed the evaluation of the management system integrating IT application with industrialization. At the same time, the Group also promoted the collaborative innovation model and established a dual prevention mechanism featuring the hierarchical control of security risks and the identification and management of potential hazards on the basis of digitization and big data technology.

### **(VII) Setting up new funds and developing new businesses to further expand the Company’s development track**

In 2023, to further accelerate the transformation and upgrade of the Company in the biopharmaceutical and healthcare sector, GP Fund set up by the Company contributed RMB334 million to establish WBA GP Fund with GP Capital and WBA Asia Investments Limited. WBA GP Fund has been registered with the relevant administration for industry and commerce, has filed its products with the Asset Management Association of China and is the first pilot Qualified Foreign Limited Partnership (QFLP) fund successfully running in Guangzhou City. In the meantime, GP Fund plans to contribute no more than RMB690 million to set up GP Venture Capital Fund with GP Capital and Guangzhou Industrial Investment Biomedical and Health Special MasterFund Partnership Enterprise (Limited Partnership) \* (廣州產投生物醫藥與健康專項母基金合夥企業(有限合夥)). In addition, Guangyao Baiyun Toothpaste Company was jointly established by the Company and Meichen Group to introduce “Baiyun Toothpaste” as new series of products, thus further enriching the Company’s product matrix.

### **(VIII) Vigorously taking actions aimed at “Improving both efficiency and effectiveness” to improve management efficiency and development quality**

During the Reporting Period, the Group reduced production costs and improved economic benefits by continually optimizing procurement strategies, transforming technologies and redesigning processes, etc. In the meantime, the Group focused on the weaknesses of management, optimized the management process, strengthened the overall management, further established and perfected the compliance management and compliance review system, to lower management costs, enhance management efficiency and improve development quality.

# Management Discussion and Analysis

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

The pharmaceutical industry constitutes an important part of the national economy of China. Following the improvement of people's living standards and the accelerated aging of the population, the demand for healthcare is constantly growing, and the pharmaceutical industry is receiving increasing attention. The overall trend of the future development of the pharmaceutical industry is clear. The aging population and the increasing awareness of health management are driving the continuous growth of pharmaceutical demand, and the size of the pharmaceutical and health market will continue to expand.

The "14th Five-Year Plan" further encourages pharmaceutical innovation and research and development, proposes the development of high-end formulation production technology, improves the level of industrialization technology, and focuses on promoting the healthy development of the innovative drug and traditional Chinese medicine industries. The construction of a healthy China, a strong manufacturing power and the national support for the development of the biopharmaceutical industry will help to gain more policy resources support for developing the pharmaceutical industry, while innovation, transformation and improvement of manufacturing level are still the directions for pharmaceutical enterprises to work on. Meanwhile, the implement of digital and intelligent technologies will also bring new development opportunities to the pharmaceutical industry. In general, China's pharmaceutical industry will still be in a period of important strategic opportunities in the coming future.

In 2023, in the face of the still complex external environment, affected by industry policies and other factors, the pharmaceutical industry is also in an important window period of transformation and upgrading. On the one hand, the pharmaceutical industry is facing challenges such as consistency evaluation, centralized volume-based procurement of drugs, rising raw material prices, medical insurance payment, etc. On the other hand, the successive issuance of policies on the revitalization and development of traditional Chinese medicine, the guidance of drug development and imitation, medical services, etc. will effectively stimulate the innovation and creativity vitality of pharmaceutical enterprises, continuously strengthen the innovative attributes of the pharmaceutical manufacturing industry, and further promote the high-quality development of the pharmaceutical industry. Innovation and high-quality development remain important driving forces for the growth of the industry.

In 2023, due to factors such as drug price cuts and rising raw material prices, the main economic indicators of the pharmaceutical manufacturing industry remained in a downward trend, and the operating trends of various sub-sectors continued to diverge. The operating revenue of pharmaceutical manufacturing enterprises above designated size in the PRC reached RMB2.52057 trillion, representing a year-on-year decrease of 3.7%, and the total profit reached RMB347.3 billion, representing a year-on-year decrease of 15.1%. The operating revenue of liquor, beverage and refined tea manufacturing enterprises above designated size reached RMB1.55162 trillion, representing a year-on-year increase of 7.4%, and the total profit reached RMB311 billion, representing a year-on-year increase of 8.5%. (Data from the website of the National Bureau of Statistics)



# Management Discussion and Analysis

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

### (1) Main business and Products

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

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

There are 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 timehonored brand enterprises in China such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc., among which, 10 of them are century-old time-honored enterprises. The Group and its joint ventures in aggregate have 324 products which are included in the National Medical Insurance Catalogue, 331 products which are included in the Provincial Medical Insurance Catalogue and 143 products which are included in the National Essential Drug List. The Group's Chinese medicine products mainly include Xiao Ke Pill, Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Ban Lan Gen Granule series, Hua Tuo Zai Zao Pill, Nao Xin Qing Tablet series, Qing Kai Ling series, Compound Ban Lan Gen Granule series, Compound Danshen Tablet series, An Gong Niu Huang Pill, Xia Sang Ju Granule, Bao Ji series, Mi Lian Chuan Bei Pi Pa Gao, Zhuang Yao Jian Shen Pill, Da Shen Kou Yan Qing Granule, 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 Group's chemical medicine preparations include Sildenafil Citrate Tablets (Trade name "Jin Ge (金戈)"), Cefuroxime Sodium for injection, Amoxicillin, Akafen Powder, Cefixime series, Amoxicillin and Clavulanate Potassium, Clindamycin Phosphate Injection, Paracetamol, Cefathiamidine, 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, lozenges and tortoise herb jelly, etc. Wang Lao Ji Herbal Tea has a relatively strong advantage in terms of brand value and product competitiveness, and accounts for a comparatively large market share of the herbal tea industry in China.

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

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

# Management Discussion and Analysis

## 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
a	Bulk Chinese herbal medicine and TCM decoction-piece products	Cai Zhi Lin, relevant subsidiaries with GAP	Pursuant to the procurement requirements of the bulk Chinese herbal medicine, the Group established direct links with the production spots of the raw materials of medicine, ensured the valuable raw materials resources were stable and controllable through certificated GAP bases, so as to ensure the quantity, quality, time and cost of the bulk supply of Chinese herbal medicine.
b	Bulk raw materials and auxiliary materials, packaging materials	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.
c	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.

# Management Discussion and Analysis

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

### (2) Operating model (Continued)

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

##### 2) Production Model

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

##### 3) Sales Model

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

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

###### ② Sales platform

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

# 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)

##### 3) Sales Model (Continued)

##### ② Sales platform (Continued)

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

#### (ii) Great Health Industry

##### 1) Procurement Model

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

##### 2) Production Model

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

##### 3) Sales Model

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

# Management Discussion and Analysis

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

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

#### (iii) Great Commerce

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

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

As at 31 December 2023, the Group had 157 retail chain pharmacy outlets, including 60 "Jian Min" pharmacy outlets which specialized in traditional Chinese medicines, Western medicine, medical apparatus and medical equipment and 63 "GPC Prescription Pharmacy" which specialized in the retail of prescription drugs, 22 chain stores of Hainan Guangyao Chenfei Pharmaceutical Chain Co., Ltd and 12 retail stores of branch/subsidiary of GP Corp..

### (3) Periodic characteristics

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

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

During the Reporting Period, the Group's revenue amounted to RMB75,515,404,000, representing a year-on-year increase of 6.68%. For details, please refer to the "1. Description and Analysis of Operation" in this section for details.

# Management Discussion and Analysis

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

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

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

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

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



# 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)*

- (iii)** The Group has a relatively complete production chain system. Through the internal and external forward integration and backward integration, the existing major pharmaceutical assets of the Group has formed a thorough raw materials, research and development, production, circulation and terminal production chain. In respect of the supply of Chinese herbs and the selection of planting bases of medicinal herbs nationwide with adaptations to varying local conditions, the Group and its joint ventures have more than 80 GAP herbs bases nationwide and established a centralized procurement platform for raw and auxiliary materials, which effectively ensure the quality and supply of Chinese herbs and control the production costs. In respect of research and development of products, the Group continues to build a comprehensive technological innovation system. The Group has built an extensive collaborative network with renowned scientific research institutions, both domestic and abroad, formulated a professional think tank which employs noble prize winners and renowned scholars to create a synergy effect between both sides for highly effective utilization of favourable resources from various parties, promoting development through the support of technology.
- (iv)** The Group has a large-scale pharmaceutical wholesale distribution and delivery network and a broad and stable customer base in China, and the Company is one of the first pharmaceutical trading enterprises in Guangdong Province that obtained the GSP certificate. The Group has also established the largest medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with tens of thousands of customers in more than 30 provinces, cities and autonomous regions across the country, including medium-and-large-sized hospitals, pharmaceutical wholesalers, distributors and retailers. The Group also has the industry leading digital integration and operation informatisation management system. GP Corp., a subsidiary of the Company, was in the first batch of enterprises in the country which passed the assessment of the digital integration and operation informatisation management system.

# 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)*

- (v) The Group has an ever-improving technological innovation system. The Group has continuously strengthening the construction of platforms for many years, improving the scientific research innovation system. As at the date of this report, the Group and its joint ventures have 5 state level research and development institutions, 1 national level corporate technical center, 2 postdoctoral workstations, 17 provincial level corporate technical centers, 18 provincial level engineering technical centers, 5 provincial level key laboratories, 1 provincial level engineering laboratory, 1 provincial level TCM innovation center, 1 provincial level research and development institution, 1 provincial level engineering research center, 15 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 CO<sub>2</sub> extraction, reversal extraction, separation by macroporous adsorption resin, quality control of Chinese medicine by chromatographic fingerprinting, synthesis and technology of cephalosporins antibiotic APIs, 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 competitive work environment and remuneration package, nurturing them with its excellent corporate culture and motivating them with promising corporate visions, created respectful atmosphere for talent, knowledge and creation. Those measure have stimulated the creativity and innovativeness and entrepreneurial vitality of the workforce, built a business platform and led creative and high-quality development. Currently, the Group has a strong high- level talent team with 3 Nobel Laureates, one innovation team from Guangdong province, 21 domestic double invite academicians and Chinese medicine master people, 7 foreign consultants, 1 foreign member of the Russian Academy of Engineering, 5 State Council Special Allowance experts in-service, 54 senior experts and above, and over a hundred of doctors and postdoctorales.

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

# Management Discussion and Analysis

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

### (1) Analysis of principal operations

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

Items	The Reporting Period (RMB'000)	The corresponding period of 2022 (RMB'000)	Increase/ (Decrease)
			over the corresponding period of 2022 (%)
Revenue	75,515,404	70,788,155	6.68
Include: income from principal operations	75,274,869	70,550,190	6.70
Cost of sales	61,328,110	57,510,952	6.64
Include: cost from principal operations	61,265,910	57,452,974	6.64
Selling and distribution expenses	6,104,738	5,875,439	3.90
General and administrative expenses	2,421,540	2,218,270	9.16
Research and development expenses	782,144	819,454	(4.55)
Financial expenses	(19,561)	(162,456)	87.96
Profit before tax	5,110,498	5,043,244	1.33
Net profit attributable to shareholders of the Company	4,055,679	3,966,522	2.25
Net cash flow from operating activities	4,103,625	6,999,076	(41.37)
Net cash flow from investing activities	(3,114,859)	(7,253,188)	57.06
Net cash flow from financing activities	(1,978,001)	45,950	(4,404.70)
Investment income	264,842	421,175	(37.12)
Gains from changes in fair value	38,637	(3,591)	1,175.97
Impairment losses in respect of credit	(83,144)	(45,146)	(84.17)
Impairment losses in respect of assets	(3,521)	(7,984)	55.90
Gains on disposal of assets	12,027	690	1,643.31
Non-operating income	29,276	18,120	61.57

# 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) Financial expenses increased year-on-year due to: influenced by bank interest rate movements, the year-on-year decrease in interest income from deposits of the Company and its subsidiaries.
- (2) Net cash flow from operating activities decreased year-on-year due to: purchase settlements of the Company's subsidiaries increased year-on-year during the Reporting Period.
- (3) Net cash flows from investing activities increased year-on-year due to: the year-on-year decrease in the purchased time deposits and large-denomination certificates of deposit by subsidiaries of the Company; the decrease in external equity investments of the Company and its subsidiaries during the Reporting Period.
- (4) Net cash flow from financing activities decreased year-on-year due to: a holding subsidiary of the Company repaid super short-term commercial paper upon maturity during the Year; the year-on-year increase in repayment of borrowings by the Company and its subsidiaries.
- (5) Investment income decreased year-on-year due to: Baiyunshan Biological was included in the scope of consolidation of the Company during 2022, and the equity interests previously held was remeasured at their fair values at the acquisition date, resulting in recognized investment gains of RMB162 million and no such event occurred during the Reporting Period.
- (6) Gains from changes in fair value increased year-on-year due to: a year-on-year increase in fair value of financial assets held by the Company and its subsidiaries at the end of the Reporting Period.
- (7) Impairment losses in respect of credit decreased year-on-year due to: a year-on-year increase in credit impairment losses on accounts receivable accrued by subsidiaries of the Company.
- (8) Impairment losses in respect of assets increased year-on-year due to: a year-on-year decrease in provision for inventory decline accrued by subsidiaries of the Company.
- (9) The year-on-year increase in gains on disposal of assets due to: the year-on-year increase in gains recognized from disposal of assets by the subsidiaries of the Company.
- (10) The year-on-year increase in non-operating income due to: a year-on-year increase in income from government compensations for land requisition and resettlement recognized by the subsidiaries of the Company.

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 industries					
	Income from principal operations	Cost of principal operation		Gross profit margin of principal operations		
	Increase/ (Decrease) over the same period of 2022 (RMB'000) (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2022 (%)	Gross profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2022 (percentage point)	
Great Southern TCM	10,889,141	4.09	5,581,403	2.50	48.74	An increase of 0.79 percentage point
Great Health	11,117,427	6.15	6,180,184	4.48	44.41	An increase of 0.89 percentage point
Great Commerce	52,761,640	7.39	49,072,585	7.43	6.99	A decrease of 0.04 percentage point
Others	506,661	4.67	431,738	3.79	14.79	An increase of 0.73 percentage point
<b>Total</b>	<b>75,274,869</b>	<b>6.70</b>	<b>61,265,910</b>	<b>6.64</b>	<b>18.61</b>	<b>An increase of 0.05 percentage point</b>

Types of products	Results of principal operations by products					
	Income from principal operations	Cost of principal operation		Profit margin of principal operations		
	Increase/ (Decrease) over the same period of 2022 (RMB'000) (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2022 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2022 (percentage point)	
Chinese patent medicine	6,270,792	11.64	3,528,389	7.81	43.73	An increase of 2.00 percentage points
Chemical medicine	4,618,348	(4.67)	2,053,014	(5.49)	55.55	An increase of 0.39 percentage point
<b>Total of Great Southern TCM</b>	<b>10,889,141</b>	<b>4.09</b>	<b>5,581,403</b>	<b>2.50</b>	<b>48.74</b>	<b>An increase of 0.79 percentage point</b>

# 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		Cost of principal operation		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the	Gross margin of principal operations (%)	Gross profit Increase/(Decrease) over the same period of 2022 (percentage point)
		same period of 2022 (%)		same period of 2022 (%)		
Southern China	55,866,768	1.19	47,206,755	1.37	15.50	A decrease of 0.15 percentage point
Eastern China	6,319,898	18.89	4,528,094	18.93	28.35	A decrease of 0.03 percentage point
Northern China	3,543,092	37.11	2,431,784	50.12	31.37	A decrease of 5.95 percentage points
North-Eastern China	1,915,484	221.72	1,614,370	260.05	15.72	A decrease of 8.97 percentage points
South-Western China	5,004,743	8.48	3,395,579	4.95	32.15	An increase of 2.28 percentage points
North-Western China	2,280,580	15.58	1,775,813	15.85	22.13	A decrease of 0.18 percentage point
Exports	344,304	34.24	313,515	30.98	8.94	An increase of 2.26 percentage points

# Management Discussion and Analysis

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

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

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

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

Sales models	Results of principal operations by sales models					
	Income from principal operations		Cost of principal operation		Gross profit margin of principal operations	
	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the same period of 2022 <i>(%)</i>	Cost of principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the same period of 2022 <i>(%)</i>	Gross profit margin of principal operations <i>(%)</i>	Increase/(Decrease) over the same period of 2022 <i>(percentage point)</i>
Industrial model	22,006,568	5.12	11,761,587	3.53	46.55	An increase of 0.82 percentage point
Commercial model	52,761,641	7.39	49,072,585	7.43	6.99	A decrease of 0.04 percentage point
Other models	506,661	4.67	431,738	3.79	14.79	An increase of 0.73 percentage point

Gross profit margin of principal operations = (Income from principal operations – Cost of principal operations)/Income from principal operations x 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 2022 (%)	Sales increase/ (decrease) over the same period of 2022 (%)	Inventory increase/ (decrease) over the same period of 2022 (%)
Sildenafil Citrate Tablet (thousand tablets)	94,650.44	101,173.66	16,158.20	18.76	16.52	(28.86)
Xiao Ke Pill (thousand bottles)	39,553.51	37,971.77	6,041.73	26.83	10.26	46.49
Xiao Chai Hu Granule (thousand boxes)	43,957.33	43,415.11	6,037.59	18.83	12.95	6.44
Zi Shen Yu Tai Pill (thousand boxes/thousand bottles)	8,703.00	8,011.09	1,281.05	1.91	(3.67)	(2.27)
Cefuroxime Sodium for Injection (thousand bottles)	104,769.33	98,644.58	88.41	17.59	17.02	(71.24)
Hua Tuo Zai Zao Pill (thousand boxes)	7,482.17	7,389.85	1,750.74	7.40	18.26	22.30
Qing Kai Ling series (thousand packs/thousand pieces/ thousand grains)	713,565.84	597,895.53	100,370.25	137.57	58.83	523.20
Amoxicillin series (thousand packs/thousand grains)	1,562,969.66	1,432,652.47	131,592.04	34.85	10.45	9,458.07
Paracetamol Caffeine and Aspirin Powder (thousand boxes)	27,295.81	29,895.08	2,607.73	5.07	11.31	11,973.82
An Gong Niu Huang Pill (thousand grains)	5,550.69	5,043.68	838.75	27.66	23.76	506.48



# Management Discussion and Analysis

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

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

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

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

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

- (1) The reason for the year-on-year increase in the inventory of Xiao Ke Pill is that the product has strengthened its market promotion and product marketing efforts this Year, leading to a simultaneous increase in production and sales. The subordinate manufacturing enterprises anticipated an increase in future market demand and prepared additional inventory ahead of time, resulting in an increase in inventory.
- (2) The reason for the year-on-year decrease in the inventory of Cefuroxime Sodium for Injection is that this product is a centrally procured and bidwinning product, with its sales market primarily consisting of first-tier public hospitals. In this year, the significant increase in market demand for the product as a result of optimized adjustments to prevention and control policies and the continuous high incidence of influenza, leading to an increase in the inventory turnover rate of this product and a year-on-year decrease in inventory.
- (3) The reason for the year-on-year increase in the production, sales, and inventory of Qing Kai Ling Series is due to the significant increase in market demand for the product as a result of optimized adjustments to prevention and control policies and the continuous high incidence of influenza. The subordinate enterprises also increased marketing efforts to enhance the product's popularity. As the product was a bid-winning variety in the Guangdong Union's centralized procurement of traditional Chinese medicine such as Qing Kai Ling, sales increased year-on-year. To meet market demand, enterprises prepared their inventory in advance, both production and inventory increased year-on-year.

# Management Discussion and Analysis

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

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

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

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

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

- (4) The reason for the year-on-year increase in the production and inventory of Amoxicillin Series is that the demand for this product was released after the optimization of prevention and control policies, resulting in a rapid decline in inventory at the end of 2022. This Year, the market demand for this product recovered and grew, prompting the subordinate enterprises to schedule production and stock up according to demand, leading to a corresponding year-on-year increase in production and inventory.
- (5) The reason for the year-on-year increase in the inventory of Akafen powder is that the demand for this product was released after the optimization of prevention and control policies, resulting in a rapid decline in inventory at the end of 2022. This Year, the product returned to normal production and sales, leading to a significant year-on-year increase in inventory.
- (6) The reason for the year-on-year increase in the inventory of An Gong Niu Huang Pill is that in this year, in order to meet market demand, the subordinate enterprises scheduled production and stocked up according to demand, leading to a significant year-on-year increase in ending inventory.

# 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	2023		2022		Increase/ (decrease) over the same period of 2022 (%)	Explanation
		Amount (RMB'000)	% of the proportion of operation cost (%)	Amount (RMB'000)	% of the proportion of operation cost (%)		
Manufacturing business	Raw materials	8,744,832	74.20	8,652,129	75.85	1.07	-
	Fuel	170,673	1.45	155,225	1.37	9.95	-
	Labor costs	423,812	3.60	501,879	4.40	(15.55)	-
	Others	2,444,651	20.75	2,095,838	18.38	16.64	-
Pharmaceutical distribution business	Cost of purchase	49,072,585	100.00	45,676,898	100.00	7.43	-
	Others	409,357	100.00	371,004	100.00	10.34	-

#### 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 RMB8,144,181,000 (2022: RMB7,204,127,000), representing approximately 10.82% of the total sales (2022: 10.21%) of the Group. The sales to the largest customer amounted to RMB2,136,527,000 (2022: RMB2,079,377,000), representing 2.84% (2022: 2.95%) of the total sales of the Group. The sales to the top five customers included RMB0 being sales to related parties, representing 0% of the total sales of the Group for the Year.

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

Applicable    Not applicable

# Management Discussion and Analysis

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

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

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

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

###### ① Major sales *(Continued)*

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

No.	Name of customer	The amount of the sales (RMB'000)	Proportion of the total sales of the Group for the Year (%)
1	Customer 1	1,239,150	1.65

###### ② Major suppliers

During the Year, purchases by the Group from the top five suppliers amounted to RMB8,046,524,000 (2022: RMB7,170,871,000), representing approximately 12.95% of the total purchases (2022: 10.47%) of the Group for the Year. The purchases from the largest supplier amounted to RMB1,971,415,000 (2022: RMB1,868,245,000), representing 3.17% (2022: 2.73%) of the total purchases of the Group for the Year. The purchases from the top five suppliers included RMB0 being purchases from related parties, representing 0% of the total purchases of the Group for the Year.

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

Applicable     Not applicable

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 had any interest in any of the top five customers and suppliers as were mentioned above.

# Management Discussion and Analysis

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

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

#### (iii) Expenses

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB6,104,738,000 (2022: RMB5,875,439,000), representing an increase of approximately 3.90% as compared with last year.

During the Reporting Period, the Group's general and administrative expenses were approximately RMB2,421,540,000 (2022: RMB2,218,270,000), representing an increase of approximately 9.16% as compared with last year.

During the Reporting Period, the Group's research and development expenses were approximately RMB782,144,000 (2022: RMB819,454,000), representing a decrease of approximately 4.55% as compared with last year.

During the Reporting Period, the Group's financial expenses were approximately RMB-19,561,000 (2022: RMB-162,456,000), representing an increase of approximately 87.96% as compared with last year.

During the Reporting Period, the Group's income tax expenses were approximately RMB851,170,000 (2022: RMB789,874,000), representing an increase of approximately 7.76% 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)	782,144
Capitalization of research and development expenses in the current year (RMB'000)	70,049
Total research and development expenses (RMB'000)	852,193
Ratio of research and development expenses to income from operations (%)	1.13
Ratio of total research and development expenses to net assets (%)	2.32
Ratio of research and development expenses to capitalization (%)	8.22

# 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	535
Proportion of research and development staff of the Company (%)	1.91

#### Educational level of research and development staff

Categories of educational level	Total amount
Doctor degree	44
Master degree	191
Bachelor degree	242
Completion of specialized education	58
Completion of general secondary education & under	0

#### Age structure of research and development staff

Categories of age	Total amount
Below 30 years old (<30)	245
30-40 years old ( $\geq 30$ , <40)	222
40-50 years old ( $\geq 40$ , <50)	49
50-60 years old ( $\geq 50$ , <60)	19
60 years old and above 60	0

##### 3) Detailed description

Applicable  Not applicable

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

Applicable  Not applicable

# Management Discussion and Analysis

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

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

#### (v) Cash flow

Applicable  Not applicable

Items	The Reporting Period (RMB'000)	The corresponding period of 2022 (RMB'000)	Increase/ (Decrease) as compared with the same period of 2022 (%)	Reasons
Net cash flow from operating activities	4,103,625	6,999,076	(41.37)	Purchase settlements of the Company's subsidiaries increased year-on-year during the Reporting Period.
Net cash flow from investing activities	(3,114,859)	(7,253,188)	57.06	①The year-on-year decrease in the purchased time deposits and large-denomination certificates of deposit by the subsidiaries of the Company; ②the decrease in external equity investments of the Company and its subsidiaries during the Reporting Period.
Net cash flow from financing activities	(1,978,001)	45,950	(4,404.70)	①A holding subsidiary of the Company repaid super short-term commercial paper upon maturity during the Year; ②the year-on-year increase in repayment of borrowings by the Company and its subsidiaries.



# Management Discussion and Analysis

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

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

Applicable  Not applicable

### (3) Analysis of financial conditions

#### (i) *Liquidity*

As at 31 December 2023, the current ratio of the Group was 1.55 (31 December 2022: 1.53), and its quick ratio was 1.23 (31 December 2022: 1.24). Accounts receivable turnover rate was 5.45 times (31 December 2022: 5.54 times), representing a decrease of 1.59% as compared with the corresponding period of 2022. Inventory turnover rate was 5.49 times (31 December 2022: 5.41 times), representing an increase of 1.49% as compared with the corresponding period of 2022.

#### (ii) *Financial resources*

As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB19,823,544,000 (31 December 2022: RMB20,804,699,000), of which approximately 99.79% and 0.21% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2023, the Group had bank borrowings of RMB11,159,204,000 (31 December 2022: RMB10,675,850,000), including short-term borrowings of RMB7,799,036,000 (31 December 2022: RMB8,538,065,000), current portion of non-current liabilities of RMB36,451,000 (31 December 2022: RMB498,582,000) and long-term borrowings of RMB3,323,718,000 (31 December 2022: RMB1,639,203,000).

# Management Discussion and Analysis

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

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

#### (iii) **Capital structure**

As at 31 December 2023, the Group's current liabilities amounted to RMB36,235,291,000 (31 December 2022: RMB37,395,116,000), representing a decrease of 3.10% as compared with the corresponding period of 2022, and its long-term liabilities was RMB5,673,763,000 (31 December 2022: RMB3,632,325,000), with an increase of 56.20% as compared with the corresponding period of 2022. The shareholders' equity attributable to the shareholders of the Company amounted to RMB34,919,281,000 (31 December 2022: RMB32,065,125,000), with an increase of 8.90% as compared with the corresponding period of 2022.

#### (iv) **Capital expenditure**

The Group expects the capital expenditure for 2024 to be approximately RMB2.096 billion (2023: RMB1.936 billion), which would be mainly applied in the construction of research and development bases and production bases, and upgrade of equipments, etc. The Group will raise funds to meet the capital requirements of capital expenditure plan by resorting to its internal funds, bank loans, etc.

# Management Discussion and Analysis

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

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

#### (v) Assets and liabilities

Items	As at 31 December 2023 (RMB'000)	% of the total assets (%)	As at 31 December 2022 (RMB'000)	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2022 (%)	Reasons for changes
Financial assets held for trading	4,000	0.01	56,873	0.08	(92.97)	During the Reporting Period, the related projects involving performance commitments between GP Corp., a subsidiary of the Company, and its non-controlling shareholders have completed evaluation and special audits in accordance with the relevant agreement, resulting in a year-on-year decrease in the amount of this project.
Current portion of non-current assets	159,360	0.20	653,116	0.87	(75.60)	During the Reporting Period, the large-denomination certificates of deposit held by the Company and its subsidiaries expired in the year, resulting in a year-on-year decrease in the amount of this item.
Debt investment	6,536,372	8.32	3,164,499	4.24	106.55	The time deposits and large-denomination certificates of deposit held to maturity of the Company and its subsidiaries increased year-on-year.

# Management Discussion and Analysis

## 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 2023 <i>(RMB'000)</i>	% of the total assets (%)	As at 31 December 2022 <i>(RMB'000)</i>	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2022 (%)	Reasons for changes
Deferred tax assets	1,163,548	1.48	865,339	1.16	34.46	In accordance with the relevant requirements of accounting standard interpretations, the Company and its subsidiaries presented the deferred income tax assets related to leases on a gross basis, resulting in an increase in the amount of this item.
Other non-current assets	86,446	0.11	239,830	0.32	(63.96)	The Company and its subsidiaries decreased prepaid project payment in accordance with the contract during the current period.
Current portions of non-current liabilities	249,829	0.32	706,732	0.95	(64.65)	During the Reporting Period, the Company and its subsidiaries repaid long-term loans with a term of less than one year, resulting in a year-on-year decrease in the amount of this item.

# 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 2023 <i>(RMB'000)</i>	% of the total assets (%)	As at 31 December 2022 <i>(RMB'000)</i>	% of the total assets (%)	Increase/ (decrease) over the corresponding period of 2022 (%)	Reasons for changes
Other current liabilities	695,880	0.89	1,325,366	1.78	(47.50)	A subsidiary of the Company, repaid the super short-term commercial paper it had issued during the previous period upon their maturity, resulting in a year-on-year decrease in the amount of this item.
Long-term borrowings	3,323,718	4.23	1,639,203	2.20	102.76	The bank loans of the Company's subsidiaries increased year-on-year.
Deferred tax liabilities	639,529	0.81	394,588	0.53	62.08	In accordance with the relevant requirements of the accounting standard interpretations, the Company and its subsidiaries presented the deferred income tax liabilities related to leases on a gross basis, resulting in an increase in the amount of this item.
Other comprehensive income	(24,344)	(0.03)	(12,901)	(0.02)	(88.70)	The change in fair value of financial assets of the Company and its subsidiaries decreased.

# Management Discussion and Analysis

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

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

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

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates. 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 2023, cash and cash equivalents of the Group amounted to RMB19,823,544,000 with a decrease of RMB981,155,000 as compared with the beginning of 2023. Net cash flow from operating activities amounted to RMB4,103,625,000 with a year-on-year decrease of RMB2,895,451,000.

#### **(viii) Contingent liabilities**

As at 31 December 2023, the Group had no material contingent liabilities.

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

As at 31 December 2023, 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 HKD5,847,000, 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 USD429,000 in value had also been obtained.

# Management Discussion and Analysis

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

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

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

As at 31 December 2023, the bank loans of the Group amounted to RMB11,159,204,000 (31 December 2022: RMB10,675,850,000), with an increase of RMB483,354,000 as compared with the beginning of 2023. The above bank loans included short-term borrowings of RMB7,799,036,000, long-term borrowings of RMB3,323,718,000 and current portion of non-current liabilities of RMB36,451,000.

#### (xi) **Gearing ratio**

As at 31 December 2023, the Group's gearing ratio (total liabilities/total assets×100%) was 53.33% (31 December 2022: 54.95%).

#### (xii) **Material investment**

As at 31 December 2023, 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 2023 annual report, the Group did not have any other material additional investment.

# Management Discussion and Analysis

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

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

#### **(xiii) Overseas assets**

Applicable  Not applicable

##### 1) Asset size

Among which, overseas assets account for RMB396,029,000, representing 0.50% of total assets.

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

Applicable  Not applicable

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

Applicable  Not applicable

#### **(xv) Others**

Applicable  Not applicable

### (4) Analysis of industry operation information

Applicable  Not applicable

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

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

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

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

Applicable  Not applicable



# 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)

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

##### ① Chinese patent medicine

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

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.

# Management Discussion and Analysis

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

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

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

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

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

##### ② Chemical medicine

In recent years, encouraged by various medical policies, including the consistency evaluation for generic drugs, the adjustment to the National Medical Insurance Catalogue (《國家醫保目錄》), and the shortened review and approval process for innovative drug, the innovation-driven transformation of chemical medicines has been accelerated. In terms of raw material medicine, the Implementation Plan for Promoting the High-Quality Development of the Raw Material Medicine Industry (《關於推動原料藥產業高質量發展的實施方案》) clearly proposed to promote the innovation and upgrading of production technology, the green and low-carbon transformation of the industry as well as the optimization and adjustment of the industrial structure. 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 (Draft for Soliciting Comments)(《藥品管理法實施條例(徵求意見稿)》) clearly showed the determination to encourage the development of new drug research. The above-mentioned policies and regulations will affect the revenues and profits of the chemical drug enterprises, and lots of production enterprises with extreme homogeneity will face the industry's major reshuffle, while innovative drugs and generic drugs which have passed consistency evaluation will embrace new development opportunities.

# 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 and strengthens its competitiveness in the pharmaceutical market.

# Management Discussion and Analysis

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

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

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

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

2) Policies related to the industry

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

(1) Issue 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 on 10 February 2023, 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.

*Actions to take: The Group will conduct R&D and innovation of TCM in accordance with relevant policies and regulations. In combination with the categorized registration of TCM, the Group will choose appropriate R&D path or mode that aligns with the characteristics based on the varieties.*

# Management Discussion and Analysis

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

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

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

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

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

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

##### (2) Issue of Implementation Plan for the Major Project of Revitalization and Development of Traditional Chinese Medicine (《中醫藥振興發展重大工程實施方案》)

In order to promote the revitalization and development of traditional Chinese medicine, the General Office of the State Council issued the Implementation Plan for the Major Project of Revitalization and Development of Traditional Chinese Medicine on 28 February 2023, clarifying the initiatives to carry out high-quality development project of TCM healthcare service, project for simultaneous advancement of TCM and western medicine, project of TCM innovation and modernization, cultivation project of special TCM talents (Qi Huang Project), quality improvement and industry reinforcement project of TCM, promotion project of TCM culture, open development project of TCM, national pilot project of comprehensive TCM reform, etc.

*Actions to take: The Group will take the initiative to engage in the revitalization and development of TCM, and comprehensively push ahead with the quality improvement of TCM, innovation and development of TCM, cultivation of TCM talents, promotion of TCM culture, etc.*

# Management Discussion and Analysis

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

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

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

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

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

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

(3) Issue of the Measures for the Administration of Drug Standards (《藥品標準管理辦法》)

The National Medical Products Administration issued the Measures for the Administration of Drug Standards on 5 July 2023, defining the normalization and enhancement of the administration of drug standards, and clearly explaining the procedures, requirements and relations of development and revision of the three major types of standards, i. e., national drug standards, drug registration standards and provincial TCM standards. The Measures are conducive to the management of the whole life cycle of drugs and the development of drug regulation capacity, promoting the high-quality development of the pharmaceutical industry.

*Actions to take: in compliance with the requirements of the Measures for the Administration of Drug Standards and considering the requirements for the high-quality development of biomedicine industry, the Group will give full play to the role of “chain master” of the Group’s biomedicine and healthcare industry, proactively organize and carry out the research and development of drug standards, and shore up its core competitiveness.*

# Management Discussion and Analysis

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

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

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

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

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

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

##### (1) Centralized procurement was conducted in a normal and institutional manner.

The Joint Procurement Office of State-organized Drugs announced the 41 drugs and their prices of the 9th batch of state-organized centralized procurement of drugs on 16 November 2023, covering the medicines for common diseases and chronic diseases, such as infections, tumors, cardiovascular and cerebrovascular diseases, gastrointestinal diseases and psychiatric disorders, as well as key medicines including drugs for emergency and medicines in short supply. Since 2018, the National Healthcare Security Administration has organized and conducted 9 state-organized centralized procurement of drugs, with a total of 374 drugs included.

*Actions to take: The Group will continue to actively promote the consistency evaluation of generic drug, and further improve the efficiency in production and administration of generic drug, while effectively reducing production cost and stepping up product competitiveness. The Group will proactively participate in the bidding of state-organized volume-based procurement and constantly drive up the market share of relevant products. In the meanwhile, the Group will fully and appropriately prepare for the engagement in the centralized procurement of Chinese patent medicine. On top of that, the Group will fully leverage on the strengths in drug circulation and actively take part in the distribution service of drugs from state-organized volume-based centralized procurement.*

# Management Discussion and Analysis

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

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

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

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

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

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

(2) Regulation of healthcare security funds was strengthened.

The General Office of the State Council and the National Healthcare Security Administration issued the Implementation Opinions on Strengthening the Normalized Supervision of the Use of Medical Security Funds (《加強醫療保障基金使用常態化監管的實施意見》) and the Notice on Further Promoting the Intelligent Review and Monitoring of Medical Security Funds respectively (《關於進一步深入推進醫療保障基金智能審核和監控工作的通知》) in May and September of 2023, comprehensively consolidating the normalized supervision of the use of medical security funds, guaranteeing the safe operations of medical security funds, and elevating the efficiency of funds use.

*Actions to take: The enterprises affiliated to the Group will actively respond to the policies and requirements, cooperate with the government in performing the supervision of medical security funds. Meanwhile, the Group will further improve the development of business operations systems and the supervision and management process, and standardize the medical service-related behaviors in light of the policies and requirements.*



# Management Discussion and Analysis

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

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

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

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

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

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

##### (3) Issue of the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023)(《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年)》)

The National Healthcare Security Administration and the Ministry of Human Resources and Social Security jointly issued the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023) on 13 December 2023, adding a total of 126 new drugs for chronic diseases (such as tumors, novel coronavirus pneumonia, infections, diabetes, psychiatric diseases, rheumatoid and immune diseases), rare diseases and other fields. After this adjustment, the total number of the medicines in the catalogue is increased to 3,088 types, further enhancing the guarantee of medicine supply for chronic diseases, rare diseases, children category, etc.

*Actions to take: The Group will continue to properly carry out work in relation to R&D and manufacturing process management, increase investment in R&D, continuously promote the implementation of new drugs projects, further reduce costs and increase efficiency in manufacturing, effectively enhancing the competitiveness of products. In addition, the Group will continue to rely on the resource advantages such as Chinese patent medicine brands, adhere to the principle of "emphasizing both Chinese and Western medicines", and appropriately promote the coordinated development of chemical medicines, Chinese patent medicines and Chinese herbal medicines.*

# Management Discussion and Analysis

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

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

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

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

2) Policies related to the industry (Continued)

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

(1) Issue of the Action Plan for Comprehensively Improving Medical Quality (2023-2025)(《全面提升醫療品質行動計畫(2023-2025年)》)

On 26 May 2023, the National Health Commission and the National Administration of Traditional Chinese Medicine issued the Action Plan for Comprehensively Improving Medical Quality (2023-2025), which clarifies 28 specific actions in total in such three aspects as strengthening basic quality and safety management, enhancing key links and behavior management, and developing a sophisticated quality management network, so as to comprehensively promote the improvement of overall medical quality and safety.

*Actions to take: The Group will fully implement the relevant work, do a good job in the medical service quality control and provide better services for more patients according to the requirements set out in the document.*

(2) Issue of the Guidelines for Community-dwelling Integrated Medical and Elderly Care Services (for Trial Implementation)(《居家和社區醫養結合服務指南(試行)》)

On 8 November 2023, the National Health Commission, together with the National Administration of Traditional Chinese Medicine, and the National Administration of Disease Control and Prevention, researched and formulated the Guidelines for Community-dwelling Integrated Medical and Elderly Care Services (for Trial Implementation), which clearly standardizes the general principles, basic requirements, service content and requirements, service process and requirements of the community-dwelling integrated medical and elderly care services.

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

# Management Discussion and Analysis

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

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

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

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

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

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

(3) Issue of the Guiding Opinions on Promoting the High-Quality Development of the Disease Prevention and Control Undertakings (《關於推動疾病預防控制事業高質量發展的指導意見》)

On 26 December 2023, the General Office of the State Council issued the Guiding Opinions on Promoting the High-Quality Development of the Disease Prevention and Control Undertakings, which overall planned the strategic objectives of developing the disease prevention and control undertakings, systematically reshaping the disease prevention and control system, comprehensively enhancing disease prevention and control capabilities, and promoting the high-quality development of disease prevention and control undertakings and a Healthy China.

*Actions to take: The Group will actively respond to the policy, participate in the development of the national disease prevention and control system, and duly contribute to promoting the high-quality development of disease prevention and control.*

# Management Discussion and Analysis

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

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

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

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

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

D) The changes and impacts of high-quality manufacturing development policies and actions to take

In January 2023, the Central Committee of the Communist Party of China and the State Council printed and issued the Outline for Building a Powerful Country with Quality (《品質強國建設綱要》). In December of the same year, the Ministry of Industry and Information Technology and other departments jointly issued the Implementation Opinions on Excellent Quality Projects of the Manufacturing Industry (《製造業卓越品質工程實施意見》) and the Guiding Opinions on Accelerating the Transformation and Upgrade of the Traditional Manufacturing Industry (《加快傳統製造業轉型升級的指導意見》). The above policies clearly require comprehensive promotion of building excellent quality capacities for manufacturing enterprises, adherence to innovation-driven development, acceleration of digital technology empowerment, enhancement of green and low-carbon development, as well as advancement of industrial integration and mutual promotion, so as to realize the transformation and upgrade of traditional manufacturing enterprises and move towards the high-quality development.

*Actions to take: The Group will actively respond to the national requirements for high-quality economic development in accordance with the requirements of the policies, comprehensively promote enterprises to carry out projects including quality improvement, product research, development and innovation, digital economy development, green and low-carbon development.*

# Management Discussion and Analysis

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

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

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

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

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

Applicable    Not applicable

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

Applicable    Not applicable

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 List	Whether to be included in the National Medical Insurance Directory	Whether to be included in the Provincial Medical Insurance Directory
Sildenafil Citrate Tablet	Drugs for male	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 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
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

# Management Discussion and Analysis

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

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

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

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

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

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 List	Whether to be included in the National Medical Insurance Directory	Whether to be included in the Provincial Medical Insurance Directory
Zi Shen Yu Tai Pill	Drugs used in internal	Kidney-nourishing, spleen-invigorating, primordial Qi-reinforcing, blood-nourishing, miscarriage-preventing and body-strengthening. It is fit for those who suffer spleen and kidney deficiency and miscarriage due to dysfunction of thoroughfare and conception vessels (to prevent habitual miscarriage and threatened miscarriage)	From 27 August 2004 to 27 August 2024 (quality testing method)	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

# Management Discussion and Analysis

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

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

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

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

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

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 List	Whether to be included in the National Medical Insurance Directory	Whether to be included in the Provincial Medical Insurance Directory
Hua tuo zai zao Pill	Drugs used in internal	The product is indicated for blood- activating and stasis-eliminating, eliminating phlegm and freeing channels and promoting qi circulation and relieving pain.	No	Chinese patent medicine	No	Yes	No	Yes	Yes	No
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 2042	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
Amoxicillin series	Antimicrobial drug	The product is indicated for infection caused by sensitive bacteria Non-β - lactamase – producing strains.	No	Chemical medicine	No	Yes	No	Yes	Yes	No

# Management Discussion and Analysis

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

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

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

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

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

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 List	Whether to be included in the National Medical Insurance Directory	Whether to be included in the Provincial Medical Insurance Directory
Paracetamol Caffeine Aspirin Powder	Drug for analgesia, antipyretic, anti-inflammatory, anti-rheumatism, anti-gout	It is used for fever caused by the common cold or influenza, and also for the relief of mild to moderate pain such as headache, joint pain, migraine, toothache, muscle pain, neuralgia, dysmenorrhea.	From January 2019 to January 2039	Chemical medicine	No	No	No	No	No	No
An Gong Niu Huang Pill	Drugs used in internal	High fever, stroke, encephalitis, meningitis, toxic encephalopathy, cerebral hemorrhage, septicemia, etc.	No	Chinese patent medicine	No	Yes	No	Yes	Yes	Yes

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



# Management Discussion and Analysis

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

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

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

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

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

Applicable    Not applicable

As at the end of the Reporting Period, a total of 324 varieties of the Group and joint ventures were included in the National Medical Insurance Catalogue 《(國家醫保目錄)》. Among those, there was 1 product entered into the national medical insurance and there were 14 products of which the indication limits was adjusted.

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

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

# Management Discussion and Analysis

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

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

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

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

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

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

Number	Product name	Type of product	Indications/Functions	Adjustment Type
1	Cefdinir Capsules	Western Medicine	Infections caused by strains that are sensitive to cefdinir.	New entrance
2	An Gong Niu Huang Pill	Traditional Chinese Medicine	Clearing heat and detoxifying, relieving panic and opening orifice.	Remarks changed. Only for clearing heat and detoxification, relieving panic and opening orifice. For fever, febrile convulsion, dizziness and delirium; Apoplexy coma, encephalitis, meningitis, toxic encephalopathy, cerebral hemorrhage and septicemia were seen as the above syndromes

# Management Discussion and Analysis

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

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

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

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

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

Number	Product name	Type of product	Indications/Functions	Adjustment Type
3	Wu Fu Hua Du Pill	Traditional Chinese Medicine	Clearing heat and detoxifying, cooling blood and detumescence.	Delete "children only"
4	Cefoxitin sodium	Western Medicine	It is suitable for infection caused by bacteria sensitive to this product.	Remove restrictions on use
5	Cefoperazone sodium/ Sulbactam sodium	Western Medicine	1. It is suitable for the treatment of infections caused by sensitive bacteria when using alone; 2. Drug combination.	Remove restrictions on use
6	Piperacillin sodium/ Tazobactam sodium	Western Medicine	It is mainly used for various infections caused by pseudomonas aeruginosa, Proteus, Serratia marcescens, Escherichia coli, pneumococcus and gram-negative bacteria sensitive to this product.	Remove restrictions on use
7	Aztreonam	Western Medicine	It is suitable for the treatment of infection caused by sensitive aerobic gram-negative bacteria.	Remove restrictions on use

# Management Discussion and Analysis

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

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

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

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

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

Number	Product name	Type of product	Indications/Functions	Adjustment Type
8	Citicoline sodium/ Injection	Western Medicine	It is used for acute craniocerebral trauma and postoperative consciousness disorder.	Remove restrictions on use
9	Tropisetron hydrochloride	Western Medicine	It is used to prevent and treat nausea and vomiting caused by chemotherapy for malignant tumors, and can also be used for nausea and vomiting after surgery.	Remove restrictions on use
10	L-carnitine/ injection	Western Medicine	It is suitable for a series of concurrent symptoms caused by secondary carnitine deficiency in chronic renal failure patients with long-term hemodialysis.	Remove restrictions on use
11	Amoxicillin dry suspension	Western Medicine	It is suitable for infection caused by sensitive bacteria (strains that do not produce $\beta$ -lactamase).	Remove restrictions on use
12	Clodronate disodium capsules/ injection	Western Medicine	Hypercalcemia in malignant tumors; Bone pain caused by metastatic osteolytic cancer.	Remove restrictions on use

# Management Discussion and Analysis

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

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

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

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

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

Number	Product name	Type of product	Indications/Functions	Adjustment Type
13	Brucea oil oral emulsion	Traditional Chinese Medicine	Adjuvant therapy for lung cancer, lung cancer brain metastases, digestive tract tumors and liver cancer.	Remove restrictions on use
14	Glutathione	Western Medicine	It is used in chemotherapy patients especially during high-dose chemotherapy; radiotherapy patients; acute hypoxemia, adult respiratory distress syndrome, sepsis, etc.; liver disease; also for adjuvant therapy of organophosphorus, amine, or nitroso compound poisoning.	Limit of use adjusted to "Patients with AST or ALT greater than 120U/L".
15	Roxithromycin granules	Western Medicine	Adapted to infections caused by susceptible strains.	Delete "children only"

# Management Discussion and Analysis

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

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

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

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

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

Applicable    Not applicable

Product name	Bidding price or price range	Total actual purchases of medical institutions
Zi Shen Yu Tai Pill (5g*6packs)	RMB82.67	1,381,747 boxes
Cefuroxime Sodium for injection	0.25g: RMB3.67 per bottles 0.75g: RMB8.5 per bottles 1.5g: RMB14.45 per bottles	116,817,200 bottles (calculated by 0.75g/bottles)

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

Major TCM products of the Group include Xiao Ke Pill, Xiao Chai Hu Granule, Zi Shen Yu Tai Pill, Hua Tuo Zai Zao Pill, Qing Kai Ling Granules, An Gong Niu Huang Pill, Xia Sang Ju Granule, Bao Ji Series, Mi Lian Pi Pa Gao, Zhuang Yao Jian Shen 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 Ke Pill	Zhong Yi	Trichosanthin, corn beard, schisandra chinensis, rehmannia glutinosa, radix puerariae, etc.	Purchasing by Invitation to Bid	The purchasing cost of trichosanthin and rehmannia glutinosa rose obviously, and in 2023, their preserved rice is unchanged with the previous period due to reserve in advance; the price of corn beard, schisandra chinensis and radix puerariae is unchanged with the previous period, thus the total cost is changed little

# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Xiao Chai Hu Granule	Guang Hua	Chinese thorowax root, scutellaria baicalensis, codonopsis pilosula, ginger pinellia etc.	Purchasing by Invitation to Bid	The price of scutellaria baicalensis, codonopsis pilosula, ginger pinellia increased while the price of Chinese thorowax root and ginger remained stable, thus the overall cost increased.
Zi Shen Yu Tai	Zhong Yi	Cuscuta, chao ren, rehmannia, codonopsis pilosula, macrocephalae rhizoma, dipsacus root etc.	Purchasing by Invitation to Bid	The price of codonopsis pilosula, macrocephalae and rehmannia rose, leading to the increase in the overall cost.
Hua Tuo Zai Zao Pill	Qi Xing	Ligusticum chuanxiong, evodiae, angelicae, paeoniae, radix ophiopogonis, angelica sinensis, etc.	Purchasing by Invitation to Bid	The price of aeoniae and angelica sinensis rose, and in 2023, their price was unchanged with the previous period due to reserve in advance, which had little impact on the cost; the purchasing price of radix ophiopogonis raised, which led to the increase in overall cost.
Qing Kai Ling Granules	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 and gardenia increased while the price of powder of buffalo horn decreased slightly, leading to the increase in overall cost.

# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
An Gong Niu Huang Pill	Zhong Yi	Breeded bezoar in vitro, Artificial musk, etc.	Breeded bezoar in vitro and Artificial musk are exclusive supplied, and other materials are purchased by bidding and inquiry	The price of natural bezoar rose obviously, which led to the increase in the cost of An Gong Niu Huang Pill that use natural bezoar. The cost of An Gong Niu Huang Pill that use breeded bezoar in vitro changed slightly.
Xia Sang Ju Granule	Xing Quan	Prunella vulgaris, wild chrysanthemum flower, folium mor, etc	Purchasing by Invitation to Bid	The negotiated price of Prunella vulgaris with bases remained stable while the purchasing price of wild chrysanthemum flower and folium mor was unchanged, therefore the overall cost had little change.
Bao Ji Series	Wang Lao Ji	Gambir Plant, magnolia officinalis, costus root, Mongolian Snakegourd Root, trichosanthin patchouli, radix puerariae, angelica dahurica, mint, poria cocos, etc.	Purchasing by Invitation to Bid	The supply and demand of major medicinal materials varieties was stable, the market is running smoothly, leading to small impact on the cost.



# Management Discussion and Analysis

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

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

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

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

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

Major TCM products	Manufacturers	Important medicinal material varieties	Purchasing modes	Supply and demand of medicinal material varieties and the influence of price fluctuation on cost
Mi Lian 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 remained stable, thus the overall price changed slightly.
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 cibotii rhizoma rose. The Company has entered into the contact to lock the price at previous period. The price of other materials changed little, and the overall cost remained stable.

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

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable     Not applicable

Main therapeutic areas	Product name	Operating income (RMB'000)	Operating costs (RMB'000)	Gross profit margin (%)	Changes of operating income compared with last year (%)	Changes of operating costs compared with last year (%)	Changes of gross profit margin compared with last year (%)
Drugs used in internal	Xiao Ke Pill	524,435.44	230,943.44	55.96	22.82	25.80	(1.04)
	Xiao Chai Hu Granule	524,412.87	234,260.54	55.33	23.68	16.98	2.56
	Zi Shen Yu Tai Pill	432,041.49	81,303.53	81.18	(7.84)	4.10	(2.16)
	Hua Tuo Zai Zao Pill	321,904.76	138,979.26	56.83	8.67	24.24	(5.41)
	Qing Kai Ling series	295,607.79	152,450.43	48.43	95.20	39.15	20.77
Antimicrobial drugs	Cefuroxime sodium for injection	347,509.77	234,699.71	32.46	(14.05)	(12.18)	(1.54)
	Amoxicillin series	282,092.95	195,109.25	30.84	5.24	(3.07)	5.93
Andrology medication	Sildenafil Citrate Tablet	1,289,524.96	106,308.53	91.76	22.58	15.85	0.48
Drugs for easing pain, clearing heat, and resisting inflammation, wind-damp and gout suppressants	Paracetamol Caffeine Aspirin Powder series	265,669.23	135,719.00	48.91	9.79	17.96	(3.54)

Explanation:

✓ Applicable     Not applicable

# Management Discussion and Analysis

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

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

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

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

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

During the Reporting Period, the gross profit margin of the principal operation of the Company was 18.61% among which, the gross profit margin of the Great Southern TCM was 48.74%. The relatively significant difference in gross profit margin between the Great Southern TCM of the Company and the companies in the same industry mentioned below was mainly due to the difference in the products structure and the significant difference in the gross profit margins of principal products.

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

Stock code	Abbreviation	Operation revenue (RMB'000)	Overall gross profit margin (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	13,808,761.33	24.67
600511	China National Medicines Co., Ltd.	45,498,583.76	8.40
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	231,981,299.76	13.14
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	43,951,546.90	47.28
600085	Tongrentang Chinese Medicine	15,372,423.36	48.80

Notes:

- A. The above data of relevant companies in the same industry is obtained from their annual reports in 2022.
- 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

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

##### ① Products in research

As at the end of the Reporting Period, the Group had 154 products in research. The main areas included new drug development, generic drug quality consistency evaluation, secondary product development, food and health food development, etc.

# Management Discussion and Analysis

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

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

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

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

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

##### ② Science and Technology Awards

During the Reporting Period, the Group obtained 2 international awards, 2 national scientific research awards and 1 provincial science and technology award, the details are as follows:

#### Classification

Level	Name f of Winner	Winning Project	Award
International level	Zhong Yi	Innovative research and application of Zi Shen Yu Tai Pill	Gold Medal at Geneva International Exhibition of Inventions
	Wang Lao Ji	Quality research and industrial application of Wang Lao Ji herb tea	Sliver Medal at Geneva International Exhibition of Inventions
State-level	Baiyunshan General Factory	Drug composition of Cefprozi	The 24th China Patent Excellence Award
	Xing Qun	Alfacalcitol soft capsule and its preparation method	The 24th China Patent Excellence Award
Provincial level	Jing Xiu Tang	Series of innovation and scale application of kidney bone theory prevention and treatment of degenerative bone disease	First Prize of Guangdong Province Science and Technology Progress Award in 2022

##### ③ Patents and intellectual property rights

During the Reporting Period, the Group had applied for a total of 134 patents, which included 110 invention patents and 24 utility model patents, and obtained 89 granted patents which included 67 invention patents and 22 utility model patents.

# Management Discussion and Analysis

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

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

#### **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)
Study on lyophilized human rabies vaccine (Vero cells)	Lyophilized rabies vaccine for human use (Vero cells)	Category 3.3 of biological products	Prevention of rabies	Yes	No	Pre-market registration application
1. Phase Ia clinical trial of class 1 new drug of anti-tumor Trk inhibitor; 2. 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 ROS 1 fusion mutation-positive solid tumors	Yes	No	Phase I of clinical
Phase I clinical study of class 1 new drug of anti-tumor RET inhibitor for BYS 10 tablets	BYS 10 tablets (RET inhibitor)	Class 1 of chemical drug	Mutant solid tumors in advanced solid tumors including non-small cell lung cancer and medullary thyroid carcinoma	Yes	No	Phase I of clinical
Imitation of the calcitriol soft capsule	The calcitriol soft capsule	Generic drug	Postmenopausal osteoporosis, renal malnutrition, rickets, etc	Yes	No	Has been reported according to generic requirements

# 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)
Study on phase I clinical trial of cefazamidine sodium for injection of class 1 innovative drug	Cefazimidine sodium for injection	Class 1 of chemical drug	Community-acquired pneumonia	Yes	No	Phase I of clinical
Study on secondary development of Shu Jin Jian Yao Pill; evaluate the efficacy and safety of lumbar disc herniation and lumbar spinal stenosis based on real-world research method of Shu Jin Jian Yao Pill	Shu Jin Jian Yao Pill	Category 9 of TCM	Repair the liver and kidney, strong muscles and bones, wind and dehumidification, activation and analgesic. For waist and knee pain.	No	No	Technical study

# Management Discussion and Analysis

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

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

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

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

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

✓ Applicable     Not applicable

During the Reporting Period, the Group obtained 2 notifications of medicine clinical trial approval, 8 medicine registration certificates, 3 notifications of approval for marketing application of chemical raw materials, 1 notice of approval for medicine supplementary application, 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.

Product name	Registry classification	Indication/Major functions
Xiao Cai Hu Granule for children	Application of clinical test Classification 2.3 of TCM	For children gastrointestinal cold
Yang Yin Shu Gan Granule	Application of clinical test Classification 1.1 of TCM	The approved indication is for kidney deficiency and liver depression syndrome caused by early-onset ovarian insufficiency.
Dapoxetine hydrochloride tablets (30mg)	Classification 4 of Chemical medicine	For the treatment of premature ejaculation in patients over 18 years old
Dapoxetine hydrochloride tablets (60mg)		
Cefdinir capsules	Classification 4 of Chemical medicine	It is suitable for the treatment of infections caused by strains sensitive to cefdinir.
Xin Yi Bi Yan Pill	Medicine (registered in Australia)	Dispel the wind, clear the heat, detoxification, used for rhinitis.
San Qi Hua Zhi Pill	-	Clearing heat and detoxification, hemostasis and relieving pain.
Compounded Ban Lan Gen Granule	-	Anti-inflammatory detoxification.



# Management Discussion and Analysis

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

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

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

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

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

Product name	Registry classification	Indication/Major functions
Sildenafil citrate tablets	Classification 4 of Chemical medicine	Mainly suitable for therapeutic erectile dysfunction.
Jia Wei Huo Xiang Zheng Qi Pill	Natural health products (registered in Canada)	The main function is to solve the surface moisture. It is used for external cold, internal injury and wet stagnation, heavy headache, chest and diaphragm, abdominal distension and pain, vomiting and diarrhea.
Cefdinir	Application for the listing of domestic production of chemical API	It is suitable for respiratory system, urinary system, reproductive system, otolaryngology, skin and soft tissue infections caused by sensitive bacteria.
Refined olive oil	Application for the listing of domestic production of chemical API	It is suitable for taking orally or patients who are unable, insufficient or taboo to intake nutrition, to take parenteral nutrition to supplement fat.
Chlorpheniramine maleate	Application for the listing of domestic production of chemical API	It is mainly used for rhinitis, skin and mucosal allergy and relieve tears, sneezing, runny nose and other cold symptoms.
Cefuroxime sodium for injection	Consistency evaluation of quality and efficacy of generic drug	It is used for acute bacterial infection in the respiratory tract and urinary tract and other sites, but also for prophylactic infection during surgery.

# 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)*

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

Applicable  Not applicable

- 5) Accounting policies for research and development:

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

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

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

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

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

# Management Discussion and Analysis

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

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

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

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

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

Comparison within the same industry

✓ Applicable     Not applicable

Stock code	Abbreviation of companies	Amount of the research and investment in the same industry (RMB'000)	Research and development investment accounted for the proportion of revenue (%)	Research and development investment accounted for the proportion of net assets (%)	Research and development investment accounted for the proportion of capitalization (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	163,365.37	1.18	3.77	29.11
600511	China National Medicines Co., Ltd.	98,864.74	0.22	0.70	32.24
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	2,800,233.90	1.21	4.18	24.57
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	5,885,000.00	13.39	13.20	26.90
600085	Tongrentang Chinese Medicine	366,083.08	2.38	3.10	0
Average amount of the research and development investment of the same industry during the Reporting Period (RMB'000)					1,862,709
Amount of the research and development investment of the Group during the Reporting Period (RMB'000)					852,193
Research and development investment accounted for the proportion of revenue of the Group during the Reporting Period (%)					1.13
Research and development investment accounted for the proportion of net assets of the Group during the Reporting Period (%)					2.32
Research and development investment accounted for the proportion of capitalization of the Group during the Reporting Period (%)					8.22

# 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 2022;
- b. The average R&D investment amount in the industry is the arithmetic average of the five companies in the same industry.

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

Applicable     Not applicable

# Management Discussion and Analysis

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

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

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

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

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

Applicable    Not applicable

R&D project	Company	R&D investment amount (RMB'000)	Expense amount of R&D Investment (RMB'000)	Capitalized amount of R&D investment (RMB'000)	Ratio of R&D investment to revenue (%)	Change in ratio of amount in the Reporting Period compared with the same period	Presentation of condition
						of last year	
Study on lyophilized human rabies vaccine (Vero cells)	Baiyunshan Biological	68,290.30	0	68,290.30	-	85.47	In 2023, the test batch, the engineering batch, and the preparation and research of enterprise standards were carried out, and the research and development task was heavily invested, leading to the increase in the R&D investment year-on-year.
Phase Ib clinical trial of anti-tumor Trk inhibitor	Baiyunshan General Factory	22,625.71	22,625.71	0	0.94	-16.95	-
Phase I clinical study of BYS 10 tablets in new drug class 1 of anti-tumor Trk inhibitor	Baiyunshan General Factory	19,385.41	19,385.41	0	0.81	-22.60	-

# Management Discussion and Analysis

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

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

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

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

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

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	Presentation of condition
						of last year (%)	
Imitation of the calcitriol soft capsule	Baiyunshan General Factory	13,793.38	13,793.38	0	0.58	-	This project is a new R&D project in 2023.
Phase I clinical trial of cefazimidine sodium for injection of class 1 innovative drug	Baiyunshan General Factory	7,827.06	7,827.06	0	0.33	-57.26	In 2022, most of the work for phase I clinical project of this project has already completed, and the R&D expenditure is relatively large. The expenses of the project are mainly the balance of the outsourcing contract in 2023, and the expenditure decreases compared with the same period last year.

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

<b>Items</b>	<b>Amount incurred for the Reporting Period (RMB'000)</b>	Percentage of amount incurred for the Reporting Period in the total sales cost (%)
Employee remuneration	<b>3,037,839</b>	49.76
Sales service fee	<b>1,000,978</b>	16.40
Travelling expenses	<b>160,279</b>	2.63
Office expenses	<b>36,722</b>	0.60
Freight and miscellaneous charges	<b>236,146</b>	3.87
Rental expenses	<b>24,497</b>	0.40
Conference expenses	<b>90,566</b>	1.48
Advertising and promotion fees	<b>1,082,172</b>	17.73
Depreciation charges	<b>282,287</b>	4.62
Others	<b>153,249</b>	2.51
<b>Total</b>	<b>6,104,738</b>	<b>100.00</b>



# Management Discussion and Analysis

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

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

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

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

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

Comparison within the same industry

Applicable  Not applicable

Stock Code	Stock Abbreviation	Selling and distribution expenses (RMB'000)	Selling and distribution expenses accounted for the proportion of revenue (%)
600664	Harbin Pharmaceutical Group Co., Ltd.	1,753,875.74	12.70
600511	China National Medicines Co., Ltd.	956,496.37	2.10
601607	Shanghai Pharmaceuticals Holding Co., Ltd.	14,278,974.91	6.16
600196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	9,171,176.08	20.87
600085	Tongrentang Chinese Medicine	3,071,452.22	19.98
The average amount of the sales expenses of the same industry (RMB'000)			5,846,395
Total amount of the sales expenses of the Group during the Reporting Period (RMB'000)			6,104,738
Sales expenses accounted for the proportion of revenues of the Group during the Reporting Period (%)			8.08

# 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 *(Continued)*

Notes:

- a. The above data of relevant companies in the same industry is obtained from their annual reports in 2022;
- b. The average amount of the sales expenses is the arithmetic average of the five companies in the same industry.

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

Applicable  Not applicable

(iv) *Others*

Applicable  Not applicable

### (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 RMB1,805,641,000, with an increase of RMB221,578,000, as compared with last year, mainly due to: The Company's investment in associated companies has increased.

1) *Significant equity investment*

Applicable  Not applicable

# Management Discussion and Analysis

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

### (5) Investment situation (Continued)

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

#### 2) Significant non-equity investment

✓ Applicable     Not applicable

Name of Investment project	Subject of investment and construction	Particulars of Investment Project	Planned Investment Amount (RMB'0000)	Progress of Project Execution
The project for the establishment of Guangzhou Baiyunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd.	Chemical & Pharmaceutical Technology Company	Construction of chemical raw medicine production base for production and sales of cefathiamidine, sildenafil citrate and other raw medicine	73,187.91	Reached the scheduled usable state.
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 entrepreneurship and innovation base	109,985.30	The curtain wall project is approaching to the end, interior decoration and mechanical and electrical equipment installation are in progress.
Nansha Base (Phase I) Project of Guangzhou WLJ Great Health Industry Co., Ltd.	WLJ Great Health	Establishment of WLJ herbal tea canning production line	74,965.73	Reached the scheduled usable state.
The Construction Project of Guangyao Baiyunshan affordable rental housing and talent apartment	Chemical Pharmaceutical Factory	Housing, kindergarten, garage and community public services and other supporting facilities	108,286.03	It has completed the land survey work and is at the stage of application for construction land planning conditions and the site investigation.

# 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	Current gains and loss on changes in fair value	Accumulative changes in fair value included in interests	Impairment accrued in the current period	Current purchase amount	Current sale/ redeem amount	Other changes	Closing balance
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)		(RMB'000)	(RMB'000)
Financial assets held for trading	56,873	-	-	-	-	-	(52,873)	4,000
Other equity instrument investment	109,570	-	(8,017)	-	2,259	-	-	103,812
Other non-current financial assets	1,038,819	38,637	-	-	7,568	-	(79,088)	1,005,936

# 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)

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	1,132	128	-	-	-	-	1,260	Other non-current financial assets
A Share of Shenzhen Stock Exchange	000950	CQ Pharmaceutical Holding	150,145	Self-raised funds	132,041	(2,859)	-	-	-	1,560	129,182	Other non-current financial assets
H Share	02289	Charmacy Pharmaceutical Co., Ltd. (Note)	7,568	Self-raised funds	-	4,863	-	7,568	698	-	11,733	Other non-current financial assets
Total	/	/	161,418	/	133,173	2,132	-	7,568	698	1,560	142,175	

Note: During the Reporting Period, the Company sold part of the equity of Charmacy Pharmaceutical Co., Ltd., and the rest of the equity was transferred into financial assets accounting.

# 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

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, dairy products, etc.	900,000.00	100.00	10,012,829	4,434,130	17,205,695	9,761,359	1,459,802
GP Corp.	Pharmaceutical business	Wholesale and retail	2,449,305.50	90.92	52,538,650	3,269,537	31,663,258	7,065,526	637,189

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

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

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

Applicable    Not applicable

# Management Discussion and Analysis

## 6. DISCUSSION AND ANALYSIS OF FUTURE DEVELOPMENT

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

Applicable    Not applicable

- (i) The Policy supports for the development of the biological medicine and health industry. The biological medicine and health industry as one of the strategic emerging industries in China has got strong policy support from the government in recent years. Industry regulators tend to systematize the guiding and normative policies; local governments introduce differentiated industrial development plans and industrial cluster plans based on industrial foundation, location characteristics and resources to provide support in terms of land, capital, platform and etc. for the development of the biological medicine and health industry.
- (ii) With the frequent introduction of pharmaceutical policies and the maintenance of stringent medical supervision, pharmaceutical companies are being driven to enhance product quality and reduce costs. A series of 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 pharmaceutical enterprises, making high-quality development an imperative requirement for the pharmaceutical industry.
- (iii) China has attached great importance to the development of traditional Chinese medicine, which has ushered in a new round of development opportunities. The state has issued a series of policies at all level, actively supporting and promoting TCM heritage innovation and quality development. The construction of a modernized scientific research system of TCM, the review and approval and registration mechanism of TCM are being gradually improved, while the construction of TCM characteristic talent teams and the brand building of TCM, etc. are also expected to gain accelerated development, and the recognition of traditional Chinese medicine's efficacy is increasing. However, the beginning of national centralized volume-based of TCM and the pressure of cost control will force TCM enterprises to transform and upgrade. The further standardization of the use of Chinese patent medicine in the future and the establishment of a mechanism monitoring key drugs will bring about considerable challenges to TCM manufacturing enterprises.
- (iv) As the capital market environment has gradually improved, the restructuring and integration of the pharmaceutical industry have accelerated. The merger and acquisition and reorganization characterized by strategic resources complementary industrial integration, unification and strong alliance will gradually become the mainstream.



# Management Discussion and Analysis

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

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

- (v) As China deepens its implementation of the innovation-driven development strategy and strengthens its strategic technological capabilities, technological innovation has become a crucial force driving economic transformation and upgrading as well as enhancing economic vitality. The pharmaceutical manufacturing industry possesses strong technological innovation attributes, and at the same time, technological innovation is also one of the significant drivers promoting the development of the pharmaceutical manufacturing industry. Guided by policies, the industry will continue to increase investment in innovation, facilitating breakthroughs in key core technologies and the research and development of innovative products. This will propel the industrialization and application of innovative drugs and high-end medical devices, further contributing to industrial upgrading and high-quality development.

### (2) Development strategy and annual work plan for year 2024

Applicable    Not applicable

In 2024, the Group will closely focus on the development theme of “digital economy year”, actively promote the integrated development of digital economy and the pharmaceutical and health industry, further cultivate the market and foster growth driving forces to promote the high-quality development of each business segments. The Group will mainly push ahead the following work:

- (l) Continually solidifying the foundation for the development of Great Southern TCM. The Company will continue to actively participate in centralized volume-based procurement of national or inter-provincial pharmaceutical alliances. At the same time, the Company will strongly promote marketing integration and model innovation, advance the “1+4” marketing integration, and work to boost growth in the OTC, terminal and e-commerce and other markets. Apart from that, the Company will build more “Diva brands” under different categories in different fields by implementing various strategies. Meanwhile, the Company will accelerate the stimulation of the sleep category and cultivation of potential categories. The Company will promote the secondary development of Chinese patent medicine in a targeted manner by focusing on common diseases for which TCM treatment has obvious advantages, continually strengthen the construction of “fashionable TCM”, and extend the TCM industry chain. By vigorously promoting fashionable product packaging, promoting the revitalization and development of timehonored brands, and continually stimulating the new development potential of time-honored brands, the Company will strive to create more fashionable and competitive brand image and cultural connotation, and enhance product influence and brand strength. The Company will also optimize specialized active pharmaceutical ingredients (APIs), and promote the development of high margin categories, while expanding the international market for APIs and enhancing the competitiveness of its international business.

# Management Discussion and Analysis

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

### (2) Development strategy and annual work plan for year 2024 *(Continued)*

- (II) Further fostering new driving forces for the development of the Great Health. The Company will consolidate channel construction, comprehensively expand the market share, and continue to consolidate its leading position in the herbal tea sector and in terms of product categories. By pursuing diversified development, the Company will improve the market recognition of new products of herbal tea, Ci Ning Ji, Li Xiao Ji and other new products, and actively expand the market for potential products such as lozenges, tortoise herb jelly and coconut juice. The Company will deeply cultivate the Ji Xiang culture, promote brand upgrade, further optimize the brand perception and visual image, and improve the market coverage and penetration. In addition, the Company will accelerate the overseas market layout, enrich the overseas product matrix and enhance the international brand awareness.
- (III) Activating the driving forces for innovative development of the Great Commerce. The Company will insist on the network terminalization, and improve the market share, market position and comprehensive competitiveness of the pharmaceutical distribution business. By capitalizing on the prescription outflow policies, the Company will consolidate retail business layout relying on the S2B2C platform of GP Corp., and actively improve the profitability and capacity of the retail business. By seizing the opportunities provided by policies in the Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Island, the Company will expand the cross-border e-commerce and import and export business; promote the logistics integration of the overall business throughout the country, and improve the logistics service system. In addition, the Company will accelerate the construction of the Cai Zhi Lin TCM intelligent decoction center (phase II) project, and strengthen the supply service capacity of smart pharmacies.
- (IV) Striving to create development advantages for the Great Medical Care. The Company will advance the benchmarking construction of Baiyunshan Hospital, strengthen the operation management capacity building, and build professional operation management teams. In the meantime, the Company will comprehensively improve the medical service capabilities, and accelerate the establishment of superior disciplines of Baiyunshan Chinese Medicine Hospital, which will form a complementary collaborative development relationship with Baiyunshan Hospital. The Company will continually improve the brand influence of Runkang Confinement Company. Also, the Company will promote the business layout of medical testing, first aid and other medical instruments, speed up the development of featured products that are closely related to food, clothing, accommodation and transportation and have high-tech elements, and accelerate transformation and upgrading efforts.

# Management Discussion and Analysis

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

### (2) Development strategy and annual work plan for year 2024 *(Continued)*

- (V) Promoting self-reliance and self-improvement work construction of scientific research. The Company will continue to improve the construction of scientific research platforms at all levels, raise the overall level of scientific research platforms, and establish a first-class scientific research platform system. The Company will ramp up efforts to expand the layout of R&D pipelines of innovative drugs, develop new drugs by means of independent research and development, joint development, purchase and introduction, and continue to vigorously carry out the secondary development of large categories, consistency evaluation of generic drugs and stimulation of the sleep category, as well as cultivation, research and development of famous drugs. While strengthening industry-collegeresearch cooperation and exchanges, the Company will enhance connection and cooperation with hospitals, scientific research institutions and both overseas and domestic enterprises, and promote the implementation of more results.
- (VI) Continually enhancing capital operation. The Company will vigorously promote the quotation on the NEEQ (National Equities Exchange and Quotations) of GP Corp. and the listing of GP Corp.'s shares on the Beijing Stock Exchange to improve its financing capacity. The Company will promote the joint investment in innovative projects by the GP Fund and other funds, accelerate the establishment of the GP Venture Capital Fund, exploit the advantages of the WBA GP Fund, and further promote the Company's biomedical industry layout. The Company will also accelerate the pace of capital operation, promote the investment, merger and acquisition of various types by category in each business segment, and further optimize the product mix and business segments.
- (VII) Vigorously promoting the development of the digital economy. The Company will advance the intelligent transformation of drug production, promote the establishment of a refined production management system, and push forward with the construction of digital factories. In addition, the Company will establish a unified data platform, promote the industrial internet innovation projects, strengthen modern and refined management capabilities, and improve digital management capabilities.
- (VIII) Insisting on the development of the Company with the support of talents. The Company will continue to improve the talent quality and talent management. The Company will further refine the working mechanism, optimize the risk control and monitoring platform, strengthen the risk control, always do a good job in preventing and controlling risks and properly managing the line of defense, and continually promote the high quality development of the Group.

# Management Discussion and Analysis

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

### (3) Potential challenges and risks

Applicable  Not applicable

The pharmaceutical industry is one of the sectors most profoundly influenced by national policies, and thus faces significant policy risks. With the in-depth advancement of a series of healthcare reform measures such as consistency evaluation, volume-based procurement, and reform of healthcare payment methods, the pharmaceutical market landscape continues to evolve, industry competition intensifies, and inevitable changes such as innovative transformation, industrial integration, and business model shifts ensue. This situation compels the Company to further strengthen its innovative research and development capabilities and introduce new products with differentiated advantages. As a result, the Group is confronted with the pressure of transformation and upgrading.

Moreover, the Group also encounters risks pertaining to product quality control, research and development, market fluctuations, and more. Guided by policies, the Group will closely monitor the promulgation of national and industry policies, as well as market changes. Leveraging the brand and resource advantages, the Group will formulate corresponding development plans, continuously enhance our competitiveness, and achieve sustainable and high-quality development.

### (4) Others

Applicable  Not applicable

## 7. OTHER MATTERS

### (1) Accounts

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement.

The financial condition of the Group as at 31 December 2023 is set out in the consolidated balance sheet.

The cash flows of the Group for the year ended 31 December 2023 are set out in the consolidated cash flow statement.

The cash flows of the Company for the year ended 31 December 2023 are set out in the cash flow statement.

# Management Discussion and Analysis

## 7. OTHER MATTERS *(Continued)*

### (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 2023 calculated in accordance with the China Accounting Standards for Business Enterprises was RMB8,389,265,000.

### (5) Fixed assets

Details of the movements of fixed assets of the Group for the year ended 31 December 2023 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 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, Guangzhou Pharmaceuticals Baiyunshan Hong Kong Company, in accordance with the Mandatory Provident Fund Schemes Ordinance of Hong Kong, and the enterprise annuity plans (the “Enterprise Annuity Plan”) established by part of the domestic enterprises of the Company based on the relevant policies of the national enterprise annuity system as stated in the Annual Report pursuant to paragraph 26(2) of Appendix D2 to the Listing Rules.

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

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

# Management Discussion and Analysis

## 7. OTHER MATTERS *(Continued)*

### (12) Environmental policy

The environmental policy and its performance of the Group were set out in the 2023 Corporate Social Responsibility Report and ESG (Environmental, Social and Governance) 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 Companies Law of the PRC, the Securities Law of the PRC, related laws and regulations of the CSRC and the Listing Rules of the SSE and 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.

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 2023 is set out in the section headed "III. Management Discussion and Analysis" in this annual report.



# Corporate Governance

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

### (1) *(Continued)*

The Board confirmed that it was responsible for risk management and internal control and was responsible for continuously reviewing 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 2024 on 15 March 2024 to review and approve the Company's 2023 internal control evaluation report. The Audit Committee (and the Board) are of the view that the internal control and risk management system of the Company is adequate and effective, and the Company has complied with the provisions of the Corporate Governance Code regarding internal control and risk management system, including:

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

Based on comprehensive risk management, the Company, by collecting 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.

## 1. DESCRIPTION OF CORPORATE GOVERNANCE (Continued)

### (1) (Continued)

(iv) Self-assessment and risk management review of internal control are conducted semi-annually and annually by the Company. The Company identify key risks based on risk assessment and take measures for the management of key risks; base on the risks, review critical internal control activities of key business procedures for high-risk or important business and give the above a high-priority rating regarding effectiveness assessment 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.

### (v) **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.

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

(i) The Company conducted a self-examination on the internal control and social responsibility as of 31 December 2022 pursuant to the requirements of the Notice on Proper Preparation of the 2022 Annual Report by Listed Companies on the Main Board (《關於做好主板上市公司2022年年度報告披露工作的通知》) issued by the SSE, and formed the 2022 Internal Control Evaluation Report (《2022年度內部控制評價報告》) and 2022 Social Responsibility Report and ESG (Environment, Social and Governance) Report (《2022社會責任報告暨ESG(環境、社會及管治)報告》), which were disclosed after being duly considered and approved by the Board meeting of the Company held on 17 March 2023.

# Corporate Governance

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

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

- (ii) In order to further improve the standardized operation of the Company, fully leverage the positive contributions of the independent directors and protect the legitimate rights and interests of the Company and minority shareholders, in accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance of Listed Companies, the Rules for Independent Directors of Listed Companies, the Listing Rules of SSE, the Listing Rules of HKEX and the Articles of Association, the Company has revised relevant provisions of the Independent Directors System and established the Rules for Special Meeting of Independent Directors. The above rules were disclosed after being considered and approved at the 7th meeting of the ninth session of the Board of the Company held on 28 December 2023.
- (iii) In order to improve the governance structure of the Company, standardize the nomination, selection and assessment procedures of the Directors and senior management of the Company, establish a management system for the nomination, assessment and remuneration of the Directors and senior management, and ensure that the members of the Board possess the experience and quality of diversity that are relevant to the Company's business, in accordance with the Company Law, the Articles of Association and relevant regulations, the Company amended the relevant provisions of the Implementation Rules for the Nomination and Remuneration Committee of the Board. The above amendments were disclosed after being considered and approved at the 7th meeting of the ninth session of the Board of the Company held on 28 December 2023.
- (iv) In terms of internal control and auditing, the Company focused on the requirements of "concentrating on the weaknesses of management, overcoming the shortcomings, strengthening the weaknesses, and further improving the modernization of enterprise management systems and management capabilities", it mainly carried out the following work:
  - (A) Fully promoting the special audit of the major subordinate enterprises with focus on their operation and management, analyzing the business results, evaluating the establishment, enhancement and implementation of the internal control system, as well as providing reasonable audit opinions.

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

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

(iv) *(Continued)*

- (B) Locating the potential risks of the Company in relation to operation management, decision making and state-owned property management, etc. Carrying out risk self-examination and self-correction, identifying deficiencies and risk points in a timely manner, improving the risk defense capabilities of enterprises, and helping enterprises develop with high quality.
- (C) Concentrating on key points and strengthening audit supervision. Carrying out annual special inspections of raised funds with focus on its legal compliance of use process; Carrying out special audit and internal control evaluation for major risks to ensure the smooth operation of the internal control system.
- (D) Expanding the scope of risk supervision, preliminarily establishing the “1+N” online risk control and supervision platform. Setting risk early warning standards to improve the timeliness and accuracy of risk early warning identification.
- (E) Continuing to promote the comprehensive risk management of key enterprises, major contracts and accounts receivable, regularly tracking the operation of key enterprises, tracking and analyzing the condition of risky accounts receivable, and organizing the review and annual risk-assessment of major economic contracts.
- (F) Carrying out post-evaluation of equity investment projects, standardizing investment behavior, improving the level of investment project management, and improving the success rate and investment income of projects.
- (G) Actively promoting the departure audit and in-service audit of the legal representative in subordinate enterprises.

# Corporate Governance

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

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

### (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 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 facing relocation which was led by the receiving of the letter from relevant government departments on land purchase and storage.

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

## 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 *(Continued)*

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'S 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;



# Corporate Governance

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

- (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.

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>

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

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 it holds in the Company and the Company shall comply with such shareholder's request upon verification of its shareholder capacity.

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

Shareholders of different classes of shares are classified as class shareholders. Class shareholders have the rights and obligations pursuant to the provisions of the laws, administrative regulations and the Articles of Association. Variations or abrogation of the rights conferred on a class of shareholders shall be approved by special resolution passed at general meeting and approved by holders of shares of that class at a class meeting convened in compliance with the rules of the Articles of Association. Pursuant to the Articles of Association, the resolutions of the class meeting of shareholders shall be passed only through voting by shareholders having more than two-thirds of equity interest with voting rights and attending such class meeting.

# Corporate Governance

## 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 2022	30 May 2023	Annual Report and its summary for year 2022, Report of the Board for year 2022, Report of the supervisory committee of the Company for year 2022, Financial report of the Company for year 2022, Auditors' report of the Company for year 2022, Proposal on profit distribution and dividend payment of the Company for year 2022, Proposal on the financial and operational targets and annual budget of the Company for year 2023, Resolutions on the emoluments to be paid to the directors of the 8th session of Board of the Company for year 2023, Resolutions on the emoluments to be paid to the supervisors of the 8th session of the supervisory committee of the Company for year 2023, Resolution on the application for omnibus credit lines by the Company and its subsidiaries from financial institutions, Resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for year 2023, Resolution on the re-appointment of WUYIGE Certified Public Accountants LLP as the internal control auditor of the Company for year 2023, Resolution in relation to the emoluments to be paid to Mr. Jian Huidong, a supervisor representing the employees of the 9th session of the supervisory committee of the Company, for year 2023, Resolutions on the election of executive directors of the 9th session of the Board of the Company and the emoluments to be paid for year 2023, Resolutions on the election of independent non-executive directors of the 9th session of the Board of the Company and the emoluments to be paid for year 2023, Resolutions on the election of supervisors representing the shareholders of the 9th session of the supervisory committee of the Company and the emoluments to be paid for year 2023.	Passed	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 2023 (SSE) 30 May 2023 (HKEX)

Extraordinary general meetings requested by preferred shareholders who were reinstated

Applicable  Not applicable

Description of general meetings

Applicable  Not applicable

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

### (1) Existing Directors, Supervisors and senior management

#### (i) Profile of executive Directors

**Mr. Li Chuyuan**, aged 58, holds an EMBA degree and is a member of the Russian Academy of Engineering, a senior economist, a senior engineer of professor grade as well as a member of delegates to the 14th National People's Congress, a member of the 12th CPC Guangzhou Municipal Committee. Mr. Li is entitled to the special allowances granted by the State Council. He received the "National Model Workers Award", and was awarded the 2022 Person of China's Pharmaceutical Economy (2022 中國醫藥經濟年度人物) and was selected for the "List of Chinese Good Fellows (中國好人榜)", was awarded the "Top Ten Economic Figures of China", the person of "China Double Embrace", "Guangdong Top 10 Innovative Persons", "Guangdong Top 10 Most Influential Persons in Economy" and "Guangzhou Top 10 Outstanding Youth". He is the representative of Guangzhou Communist Party, Guangzhou Outstanding Management Expert. Since Mr. Li began his career in July 1988, Mr. Li had successively served as the deputy director of operation department of Baiyunshan General Factory, deputy general manager, secretary of the party committee and chairperson of Baiyunshan, director and secretary of the party committee of Guangzhou Baiyunshan Chinese Medicine Factory, the general manager, vice chairperson and deputy secretary of the party committee of HWBYS, general manager, vice chairperson, deputy secretary of the party committee of GPHL, the vice chairperson of the Company and the vice chairperson of the GP Corp. Mr. Li has served as the vice chairperson of the Company since 28 June 2010 and the chairperson of the Company since 8 August 2013, and now is the secretary of the party committee and chairperson of GPHL, secretary of the party committee and chairperson of the Company, vice chairperson of HWBYS and non-executive director of GP Corp. Mr. Li has extensive experience in the fields of corporate operation and management.

**Mr. Yang Jun**, aged 55, 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; deputy secretary of the party committee and standing deputy general manager of Guangzhou International Group Co., Ltd; chairperson of Guangzhou Rubber Enterprises Group Co., Ltd; deputy secretary of the Party Committee, standing deputy general manager, labor union chairperson, and staff director of Vanlead Group Co., Ltd; deputy secretary of the party committee and director of Guangzhou Public Transport Group Co., Ltd; secretary of the party committee of Guangzhou First Bus Co., Ltd. Mr. Yang has been a Director of the Company since January 2020 and has been the vice chairperson since June 2020. Mr. Yang is currently the deputy secretary of the party committee, vice chairperson, General Manager of GPHL, and the chairperson of Guangyao Group (Macau) Company and Tian Xin. Mr. Yang has extensive experience in party construction and innovation and enterprise management.

# Corporate Governance

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

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

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

**Ms. Cheng Ning**, aged 58, 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 GPLH, a director of each of Zhong Yi, Cai Zhi Lin, Qi Xing, Guangxi Yingkang, WLJ Investment, Wang Lao Ji Catering and GP Corp. and the chairperson of the supervisory committee of WLJ Great Health. Ms. Cheng has been a Director since 19 September 2012, the vice chairperson of the Company since 3 June 2019, and is also currently the standing deputy general manager and a member of the party committee of GPLH, 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.

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

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

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

**Ms. Liu Juyan**, aged 59, completed postgraduate education and holds a doctorate degree in medicine and is a senior engineer of professor grade. She is also an expert who enjoys special allowances from the State Council. Ms. Liu was awarded the “March 8th Flag Bearer Pacesetter” of China and the most beautiful women struggler. She was an “Outstanding City Management Expert” of Guangzhou and also was a Ding Ying science and technology worker of Guangdong province. Ms. Liu began her career in July 1990 and had been the chairperson and general manager of Baiyunshan Han Fang, the head of the technology and quality department of GPHL, the chairperson of Yi Gan, the chairperson of the Guangyao General Institute and the chairperson of Baiyunshan Biological. Ms. Liu has been a Director of the Company since January 2014. Ms. Liu is currently the deputy general manager and the chief engineer of GPHL. She also serves as the chief technical officer of the Company, the vice chairperson of Baiyunshan Biological, a director of Zhuhai Hengqin Pharmaceutical Industry Park Company (珠海橫琴醫藥產業園公司), director of Guangyao International (Zhuhai Hengqin) Tradition Chinese Medicine Industry Co., Ltd (廣藥國際(珠海橫琴)中醫藥產業有限公司) and director of Guangyao General Institute. Ms. Liu has extensive experience in scientific research and development, technological research and quality management.

**Mr. Zhang Chunbo**, aged 47, holds an EMBA degree, is a senior economist (technology entrepreneur) and a druggist and received the award of “National Model Workers”. Mr. Zhang graduated from the China Pharmaceutical University in July 2000 and began his career in the same year. In December 2010, he obtained a master degree of EMBA from the Lingnan (University) College of the Sun Yat-Sen University. He had served as the vice manager of the second zone, the assistant to the manager of sales department, the standing deputy manager of operating department, the manager of sales department, the vice director of marketing department of HWBYS, the deputy general manager, standing deputy general manager, general manager and chairperson of Zhong Yi, and general manager and chairperson of Qi Xing. Mr. Zhang has been as the deputy general manager of the Company between January 2015 and August 2021, and a Director of the Company since 28 June 2019, and is currently a member of the party committee and the deputy general manager of GPHL, a member of the party committee of the Company, the chairperson and the secretary of the party committee of each of Zhong Yi and Qi Xing, the director of each of Tian Xin, Baiyunshan Pharmaceutical Marketing and Haima Company, the non-executive director of GP Corp., a member (director) of decision-making committee of Guangdong Shennong Enterprise Management Partnership (Limited Partnership). Mr. Zhang has extensive experiences in corporate management and marketing.

# Corporate Governance

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

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

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

**Mr. Wu Changhai**, aged 58, holds an EMBA degree, is a Senior Economist (Technology Entrepreneur). Mr. Wu began his career in August 1989 and had been the deputy general manager of Guangxi Ying Kang, the deputy general manager, general manager, chairperson and secretary of the communist party of Zhong Yi, the chairperson of Qi Xing, the chairperson of Xing Qun, chairperson of WLJ Great Health, chairperson of WLJ Ya'an, chairperson of Wang Lao Ji Great Health Industry (Mei Zhou) Co., Ltd., director and general manager of GPC and the standing deputy general manager of the Company. Mr. Wu has served as a Director of the Company since 28 June 2010, and is currently a member of the party committee and the deputy general manager of GPHL, a member of the party committee and a Director of the Company, the chairperson and general manager of Medical Instrument Investment Company, a director of Baiyunshan Medical and Healthcare Industry Company, a director of Baiyunshan Hospital, a director of Guangzhou Baiyunshan Traditional Chinese Medicine Hospital Co., Ltd (廣州白雲山中醫院有限公司) and a director of Baiyunshan Tibetan-style Health Preservation Castle in Nyingchi of Tibet Management Co., Ltd. (西藏林芝白雲山藏式養生古堡管理有限公司). Mr. Wu has extensive experience in listed companies and pharmaceuticals, food and beverage, healthcare, medical devices, businesses operation and management, marketing and scientific research, development.

**Mr. Li Hong**, aged 57, 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 and an assistant to the general manager of GPHL. 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) and Baiyunshan Yi Xin Tang. Mr. Li has extensive experience in enterprise management and marketing.

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

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

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

**Mr. Chen Yajin**, aged 61, holds a doctorate degree, and is a professor and chief physician. Mr. Chen is the vice-officer of the Biliary Surgery Expert Committee of the Capacity Building and Continuing Education Committee of the National Health Commission of the PRC, officer of the Hepatobiliary and Pancreatic ERAS Expert Committee of the Chinese Branch of the International Hepato-Pancreato-Biliary Association, officer of the Hepatobiliary Surgery Branch of Guangdong Medical Doctor Association, a standing committee member of the Bile Duct Expert Committee of the Surgery Branch of Chinese Medical Doctor Association, the vice-officer of the Digestive Oncology Branch of Chinese Research Hospital Association, a member of the Biliary Surgery Group of the Surgery Branch of Chinese Medical Association, a member and the vice-officer of the China Branch of Asian-Pacific Laparoscopic Hepatectomy Promotion Committee, and a standing committee member of the International Laparoscopic Liver Society (ILLS). Mr. Chen began his career in July 1986, and successively held various positions such as the director of hepatobiliary surgery department and deputy officer of the Southern Hospital District Management Committee of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University and has been an independent non-executive director of the Company since 29 June 2020. Mr. Chen is currently the director of hepatobiliary surgery department of Sun Yat-Sen Memorial Hospital of Sun Yat-Sen University. Mr. Chen has extensive experience in scientific research and development and technical research.

**Mr. Huang Min**, aged 60, holds a postgraduate degree and a doctorate degree in pharmacology, and is a professor (Grade II). Mr. Huang is a member of the Pharmacopoeia Commission of the PRC, the vice-officer of the Drug Metabolism Expert Committee, a standing committee member of Guangdong Provincial Association for Science and Technology and the president of Guangdong Provincial Assessment & Accreditation Federation of Technology. Mr. Huang began his career in June 1983, and successively held various positions such as a lecturer and an associate professor of the Department of Clinical Pharmacology of Zhongshan Medical University, and executive vice-dean and dean of School of Pharmaceutical Sciences of Sun Yat-Sen University. Mr. Huang has been an independent non-executive director of the Company since 29 June 2020 and is currently a professor and the director of the Institute of Clinical Pharmacology of Sun Yat-sen University. Mr. Huang has extensive experience in the teaching, scientific research and scientific and technological development in the field of pharmacy.



# Corporate Governance

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

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

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

**Mr. Wong Lung Tak Patrick**, aged 76, 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.

**Ms. Sun Baoqing**, aged 53, 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, an evaluation expert of the National Natural Science Foundation of China, a member of the first expert database of national health science popularization, the deputy chairman of the Prevention and Control Committee for Allergy Diseases of Chinese Preventive Medicine Association, the head of Allergen Diagnosis Group of Chinese Preventive Medicine Association, the deputy chairman of Allergy Medicine Committee of the Chinese Research Hospital Association, the deputy head of the Research Group of Science Popularization of the Allergy Medicine Committee of the Chinese Research Hospital Association, the chairman of the Prevention and Control Committee for Allergy Diseases of Guangdong Preventive Medicine Association, the chairman of the Medical Examination Committee of Guangdong Association of Thoracic Diseases, and the vice president of the Guangdong Association of Human Genetic Resources Protection and Application. Ms. Sun started her career in July 1992 and is currently the deputy director and 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 chairman of Guangdong Zhongnanshan Medical Foundation. Ms. Sun has extensive experience in clinical testing, scientific research and technology development.

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

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

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

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

#### (iii) **Profiles of Supervisors**

**Mr. Cai Ruiyu**, aged 56, holds an EMBA degree, is a senior human resource manager, accountant and economist. Mr. Cai began to work in July 1988, and successively served as the financial supervisor of Guangzhou Baiyunshan Traditional Chinese Medicine Factory; the chief financial officer, the manager of the production dispatching office, and the deputy manager of the production technology department of Bozhou branch factory; assistant to the general manager, party committee member and deputy general manager of HWBYS; vice director of the organization department, HR department and unified front work department of the Company and as a member of the commission for discipline inspection, the director of the organization department of party Committee, HR department and unified front work department of GPHL. Mr. Cai served as a Supervisor of the Company since September 2019 and chairperson of Supervisory Committee of the Company since January 2020. Mr. Cai currently serves as a member of the commission for discipline inspection, the director of the organization department of party commission, HR department and unified front work department as well as the legal representative of GPHL Digital Economy Research Institute. Mr. Cai has been engaged in the management of finance, production and operation, administration and personnel, party affairs and administration for more than 30 years, boasting rich experience in party construction innovation, administrative management, operation management and management of cadres and talents.

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

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

#### *(iii) Profiles of Supervisors (Continued)*

**Mr. Cheng Jinyuan**, aged 51, 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 51, 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)*

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

#### (iv) Profiles of senior management

**Mr. Huang Haiwen**, aged 43, a senior economist, holds a bachelor's degree in economics, graduated from the Peking University with major in finance. Mr. Huang Haiwen started his career in July 2004. He served successively as Shanxi OTC manager of Guangzhou Baiyunshan Traditional Chinese Medicine Factory, manager of Shandong marketing center for Eastern China, deputy director of marketing and general manager of sales department for Jilu Region, and general manager of Shandong marketing center of HWBYS; head and deputy general manager of operating division of Guangxi Ying King; head and vice manager of operating division of Baiyunshan General Factory and deputy general manager of Baiyunshan Pharmaceutical Marketing. Mr. Huang has been a deputy general manager of the Company since July 2019 and currently serves as the secretary of the party committee and chairperson of Baiyunshan Pharmaceutical Marketing, director of management committee of Baiyunshan General Factory, director of Jing Xiu Tang and Chemical & Pharmaceutical Technology Company. Mr. Huang has rich experience in marketing management and market operation.

**Ms. Zheng Haoshan**, aged 48, holds a master's degree in management of South China University of Technology and is a senior economist. She was awarded the "March 8th Flag Bearer" of Guangzhou. 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, and the deputy director of the business administration department of GPLL. 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.

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

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

#### (iv) Profiles of senior management *(Continued)*

**Mr. Zheng Jianxiong**, aged 54, 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 50, 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.

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

### (2) Former Directors, Supervisors and senior management

**Mr. Wong Hin Wing**, aged 61, holds a master's degree in executive business administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England & Wales, the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Chartered Governance Institute. He is also a member of the American Institute of Certified Public Accountants and a chartered member of the Chartered Institute for Securities & Investment. Mr. Wong was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region. He is an independent non-executive director of Inner Mongolia Yitai Coal Co., Ltd. (a public company with B shares listed on the SSE and H shares listed on the HKEX), Jiangxi Bank Co., Ltd. (a public company with H shares listed on the HKEX), Zhaoke Ophthalmology Limited (a public company listed on the HKEX) and Kingmaker Footwear Holdings Limited (a public company listed on the HKEX). He is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference, a panel member of Securities and Futures Appeals Tribunal as well as Accounting and Financial Reporting Review Tribunal, a member of the Construction Industry Council, the Betting and Lotteries Commission and the Medical Council of Hong Kong as well as a board member of Ocean Park Corporation. He is the managing partner and responsible officer of Hermitage Capital HK Limited, a private equity firm licensed under the Securities and Futures Ordinance. Prior to this, he had worked with an international audit firm for four years and then a listed company as chief financial officer for seven years, after which he co-founded Silk Road International Capital Limited (a licensed corporation formerly known as Legend Capital Partners Inc.) and led the company as the executive director and responsible officer for twenty-three years. Mr. Wong acted as an independent non-executive director of the Company from 23 June 2017 to 30 May 2023. Overall, he has over three decades of solid experience in corporate management and governance, investment management and advisory, accounting and finance.

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

### (2) Former Directors, Supervisors and senior management *(Continued)*

**Ms. Wang Weihong**, aged 61, completed postgraduate education and holds a master degree in management. Ms. Wang is a professor in management, a Counsellor of the Counsellors' office of the People's Government of Guangdong Province, a member of each of the ninth, tenth and eleventh session of the Chinese People's Political Consultative Conference of Guangdong Province and a member of the twelfth session of the Counsellor Consultative Committee of the Chinese People's Political Consultative Conference. Ms. Wang graduated from the Hunan Institute of Economics and Finance (currently known as the Hunan University). She began her career in July 1986 and had successively been lecturer of the Department of Trade and Economics and the director of the Teaching and Research Office of the Hunan Institute of Finance and Economics, and an associate professor of the Department of Marketing and Sale of the Business Faculty of the Hunan University. Since 1999, Ms. Wang has been the head of the Market and Enterprises Research Center of the Business College and a professor of the Guangdong University of Foreign Studies. In recent years, Ms. Wang has become a committee member of the Guangdong Provincial Business Administration Teaching and Guidance Committee, an evaluation expert of the Association of the Social and Scientific Sectors of Guangdong (廣東省社會科學界聯合會) and an evaluation expert of the Guangdong Association of Science and Technology's Science and Technology Progress Award. Ms. Wang is also a standing director of the China Marketing Association, the deputy secretary general of China Business Administration Association of University (中國高校商務管理研究會), and a standing director of China Marketing Association of University (中國高校市場學研究會). Ms. Wang acted as an independent non-executive director of the Company from 23 June 2017 to 30 July 2023. Ms. Wang has extensive experience in strategy management, science and technology innovation management, marketing management and brand planning and operation.

## 5. CHANGES IN INTERESTS AND EMOLUMENTS

### (1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2023)

#### (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 ③ (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period Note ④ (RMB'000)
Li Chuyuan	Chairperson	Male	58	2010-06-28	Note ①	0	0	0	N/A	/	1,743.68
Yang Jun	Vice chairperson	Male	55	2020-01-13	Note ①	0	0	0	N/A	/	1,713.31
Cheng Ning	Vice chairperson	Female	58	2012-09-19	Note ①	0	0	0	N/A	/	1,582.97
Liu Juyan	Executive Director	Female	59	2014-01-28	Note ①	0	0	0	N/A	/	1,570.27
Zhang Chunbo	Executive Director	Male	47	2015-01-12	Note ①	0	0	0	N/A	/	1,544.19
Wu Changhai	Executive Director	Male	58	2010-06-28	Note ①	0	0	0	N/A	/	1,570.27
Li Hong	Executive Director, General manager	Male	57	2018-06-22	Note ①	0	0	0	N/A	1,539.03	/
Chen Yajin	Independent non-executive Director	Male	61	2020-06-29	Note ①	0	0	0	N/A	120	/
Huang Min	Independent non-executive Director	Male	60	2020-06-29	Note ①	0	0	0	N/A	120	/
Wong Lung Tak Patrick	Independent non-executive Director	Male	76	2023-05-30	Note ①	0	0	0	N/A	70	/
Sun Baoqing	Independent non-executive Director	Female	53	2023-05-30	Note ①	0	0	0	N/A	70	/
Cai Ruiyu	Chairperson of the Supervisory Committee	Male	56	2019-09-24	Note ①	0	0	0	N/A	1,443.42	/
Cheng Jinyuan	Supervisor	Male	51	2020-01-13	Note ①	0	0	0	N/A	983.61	/
Jian Huidong	Supervisor	Male	51	2021-06-03	Note ①	0	0	0	N/A	431.53	544.46
Huang Haiwen	Deputy general manager	Male	43	2019-07-12	Note ①	0	0	0	N/A	1,326.78	/
Zheng Haoshan	Deputy general manager	Female	48	2019-07-12	Note ①	0	0	0	N/A	1,414.70	/
Zheng Jianxiong	Deputy general manager	Male	54	2020-08-28	Note ①	2,300	2,300	0	Note ④	1,694.81	/
Huang Xuezhen	Secretary to the Board	Female	50	2017-04-26	Note ①	0	0	0	N/A	1,241.84	/



# Corporate Governance

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

### (1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2023) (Continued)

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

Name	Position (Note)	Gender	Age	Commencement date of term of office	Ending date of term of office	Shares held as at the beginning of the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Change in shareholding during the Reporting Period	Reasons for change	Emoluments received from the Company during the Reporting Period (RMB'000) (before tax)	Emoluments received from the Company's shareholder during the Reporting Period (RMB'000)
Wong Hin Wing	Independent non-executive Director	Male	61	2017-06-23	2023-05-30	0	0	0	N/A	50	/
Wang Weihong	Independent non-executive Director	Female	61	2017-06-23	2023-05-30	0	0	0	N/A	50	/

#### Notes:

- ① The term of office of members of the 9th session of the Board, Supervisory Committee and senior management commenced from 30 May 2023 up to the date on which the members of the new session of the Board are elected.
- ② The emoluments of Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo and Mr. Wu Changhai for the Year were received from the Company's shareholder, which included the basic salary, bonus, subsidy, insurance premiums, statutory surplus reserve and annuity for 2023 as well as settlement of annual salary for the previous year etc.

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

### (1) Interests in shares (A shares) and emoluments of the current and the outgoing Directors, Supervisors and senior management of the Company during the Reporting Period (Up to 31 December 2023) *(Continued)*

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

Notes: *(Continued)*

- ③ The emoluments of Mr. Li Hong, Mr. Cai Ruiyu, Mr. Cheng Jinyuan, Mr. Huang Haiwen, Ms. Zheng Haoshan, Mr. Zheng Jianxiong and Ms. Huang Xuezhen for the Year were received from the Company. Mr. Jian Huidong, the employee representative Supervisor of 9th session of the Supervisory Committee, serves as vice chairperson of labor union of the Company. Mr. Jian receives emolument from the Company since April 2023. The emoluments of above mentioned personnel included without limitation the basic salary, bonus, subsidy, insurance premiums, statutory surplus reserve, annuity and settlement of annual salary for the previous year etc.

The emoluments of Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick, Ms. Sun Baoqing, Mr. Wong Hin Wing and Ms. Wang Weihong were received from the Company. Among whom, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing receive emoluments from the Company since 30 May 2023.

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

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

As at 31 December 2023, none of the Directors, Supervisors and chief executives of the Company had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEX pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEX.

# Corporate Governance

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

### Position in shareholder's company:

Applicable    Not applicable

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

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

Applicable  Not applicable

The annual emoluments for Directors and Supervisors were proposed by the Board and the Supervisory Committee, respectively, and were approved at the General Meeting of the Company. In accordance with the rules of Procedure of the Board of Directors of the Company, the Board 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 2023 (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 2023 is as follows:

Range of the remuneration (RMB'0,000)	Number of people
0-100	0
101-150	3
151-	2

# Corporate Governance

## 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 17 March 2023, the Company held the 1st meeting of the Nomination and Remuneration Committee in 2023, at which it considered and approved the Proposal on the 2023 Remuneration of Directors of the eighth session of the Board, and unanimously agreed to submit the proposal to the Board for consideration. On 13 April 2023, the Company held the 2nd meeting of the Nomination and Remuneration Committee in 2023, at which it considered and approved the Proposal on Nominating Candidates for Directors of the ninth session of the Board of the Company and Recommending their Remuneration for 2023, and unanimously agreed to submit the proposal to the Board for consideration. On 16 November 2023, 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 2023 and unanimously agreed to submit the proposal to the Board for consideration.

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

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	RMB20,824,850

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

- (1) At the 2022 annual general meeting of shareholders of the Company held on 30 May 2023, Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai and Mr. Li Hong were elected as executive Directors of the ninth session of the Board of the Company. Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Long Tak Patrick and Ms. Sun Baoqing were elected as independent non-executive Directors of the ninth session of the Board of the Company. The term of office of the above Directors shall be three years from the date of election up to the date on which the members of the new session of the Board are elected.

# Corporate Governance

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

### (1) *(Continued)*

At the meeting of the 5th (enlarged) committee of the labor union of the Company held on 25 April 2023, Mr. Jian Huidong was elected as the employee representative Supervisor of the ninth session of the Supervisory Committee of the Company. At the 2022 annual general meeting of shareholders of the Company held on 30 May 2023, Mr. Cai Ruiyu and Mr. Cheng Jinyuan were elected as shareholder representative Supervisors of the ninth session of the Supervisory Committee of the Company. The term of office of the above supervisors shall be three years from 30 May 2023 up to the date on which the members of the new session of the Supervisory Committee are elected.

After the 2022 annual general meeting of shareholders of the Company held on 30 May 2023, Mr. Wong Hin Win and Ms. Wang Weihong retired as independent non-executive Directors of the Company.

- (2) At the first meeting of the ninth session of the Board of the Company held on 30 May 2023, Mr. Li Chuyuan was elected as the chairman of the ninth session of the Board of the Company. Mr. Yang Jun and Ms. Cheng Ning were elected as the vice chairmen of the ninth session of the Board of the Company. Mr. Li Hong was appointed as the general manager of the Company. Mr. Huang Haiwen, Ms. Zheng Haoshan and Mr. Zheng Jianxiong were appointed as the deputy general managers of the Company, and Ms. Huang Xuezheng was appointed as the secretary of the Board of the Company. The term of office of the above officers shall be from the date of election and appointment up to the date on which the members of the new session of the Board are elected.

At the first meeting of the 9th session of the Supervisory Committee held on the same day, Mr. Cai Ruiyu was elected as the chairman of the 9th session of the Supervisory Committee, and his term of office shall be from the date of election up to the date on which the members of the new session of the Supervisory Committee are elected.

In accordance with Rule 13.51(B)(1) of the Listing Rules of HKEX, the details of change in information of Directors after the publication of the interim report of the Company for the six months ended 30 June 2023 are as follows:

<b>Name of Director/ Supervisor</b>	<b>Detail of change</b>
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## 9. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the 8th session of the Board and each Supervisor of the 8th 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. The service contract terms of Directors of the 9th session of the Board and Supervisors of the 9th session of the Supervisory Committee is 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 or 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).

## 10. PERMITTED INDEMNITY

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

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

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

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

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

Applicable  Not applicable



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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules of HKEX, as well as the Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management Personnel formulated by the Company, as the code of conduct and norms for securities transactions by Directors and Supervisors. After making specific inquiries to all Directors and Supervisors, the Company has confirmed that during the Reporting Period, the Directors and Supervisors have complied with the standards for securities transactions stipulated in the aforementioned code of conduct and norms. The Company is not aware of any incidents of non-compliance with the Model Code by Directors and Supervisors.

## 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, consisting of 11 directors, including Mr. Li Chuyuan (chairperson), Mr. Yang Jun (vice chairperson), Ms. Cheng Ning (vice chairperson), Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai and Mr. Li Hong as executive Directors, and Mr. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive directors. Their 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.

The Board shall exercise the following powers:

- (A) convention of general meetings of shareholders, and report to the general meetings;
- (B) implementation of the resolutions of the general meeting;
- (C) formulation of the business plan and investment scheme of the Company;
- (D) formulation of the annual financial budget and financial accounting policy of the Company;
- (E) formulation of the profit distribution policy and loss recovery policy of the Company;

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

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

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

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

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

- (P) receiving the work report of the managers of the Company and checking the work of the managers;
- (Q) pass resolutions regarding the repurchase of the shares of the Company by the Company under the circumstances prescribed in (3), (5) and (6) of Article 30 of these Articles of Association;
- (R) other powers granted by the Articles of Association and the general meetings of shareholders.

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

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

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

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

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

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

During the Reporting Period, the Directors of the Company participated in the sustainable professional development in order to update their relevant knowledge and skills and ensure they are able to make informed contributions to the Board of the Company. The Company regularly arranges every Director to participate in the professional trainings organized by the CSRC and the stock exchanges on which the Company is listed, and certificates of qualification for training or certificate recognized by the relevant authorities were obtained. The Company secretary of the Company also participates in the relevant professional trainings of not less than 15 hours each year. All Directors had provided the secretary of the Board with records on their trainings during the Reporting Period. The Company encourages all Directors to attend the relevant training courses and bears the relevant expenses. Details of training (including participation of professional trainings organized by institutes, reading related subject's materials, etc.) on Directors and secretary of the Company in 2023 are as follows:

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

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.

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

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

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.



# Corporate Governance

## 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	2
Number of meetings by way of communication	7
Number of on-site meetings combined with participation by communication	2

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

Applicable  Not applicable

### (3) Independent non-executive Directors

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

During the Reporting Period, the Board of the Company carefully reviews the validity of the Articles of Association, "Rules of Procedures of the Board", "Independent Directors System", "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.

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

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

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 Director 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 Director complied with the relevant guidance set out in Rule 3.13 of the Listing Rules of HKEX and still considered the existing independent non-executive Directors to be independent.

Pursuant to the "Notice on Proper Preparation of the 2023 Annual Report by Listed Companies on the Main Board" issued by SSE on 8 February 2024, 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 2023 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 shareholder or their respective connected persons.



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

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

The Directors acknowledge that it is their responsibilities to prepare the financial statements which give a true and fair view of the state of 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 2023, 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. COMMITTEES OF THE BOARD

### (1) Audit Committee

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

The Audit Committee of the 8th session of the Board comprises Mr. Wong Hin Wing (chairperson of the Audit Committee), Ms. Wang Weihong, Mr. Chen Yajin and Mr. Huang Min. All of them are independent non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 29 June 2020 and has expired on 30 May 2023.

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 non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 30 May 2023 up to the date on which the members of new session of the Board are elected.

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

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

During the Reporting Period, the Audit Committee actively performed its duties in accordance with the Corporate Governance Guidelines for the Listed Companies, the Articles of Association, Code of Practice of the Audit Committee of the Board, the Corporate Governance Code and other relevant regulations. In 2023, the Audit Committee held 11 meetings and each of the members of the committee attended all the meetings, in which the members reviewed the 2022 Annual Report, 2023 Interim Report and financial reports of the Group as well as the recommendations on management issued by auditors and the respective response by the Company's management; reviewed the connected transactions of the Group; reviewed the Company's internal audit risk control report for 2022 and audit risk control work plan for 2023; review the Company's quarterly reports for the first and third quarters of 2023; review the report on inspection of the use of proceeds for the whole year of 2022 and half year of 2023; review the proposal for the Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) subscribes the limited partnership of the Guangzhou GP Industrial Investment Biomedical Venture Capital Fund (Limited Partnership) and connected transaction; review the proposal for the Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) subscribes the limited partnership of the WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) and connected transaction; the estimated number of day-to-day connected transactions in 2024 and other matters in relation to connected transaction; advised the Company on major events of the Company or reminded the management of relevant risks and reviewed the effectiveness of risk management and internal audit function; advised the Board regarding the change of auditing firm.

Major tasks accomplished by the Audit Committee in 2023 included:

#### **1) Work regarding the re-appointment of accounting firm**

During the Reporting Period, the Company re-appointed WUYIGE Certified Public Accountants LLP as the auditor for annual financial audit and internal control, and the Audit Committee believes that WUYIGE Certified Public Accountants LLP possesses the qualifications of securities and futures related business licenses, possesses the qualifications and competence to provide audit services to listed companies. The member did not violate the requirements for Independence under the Code of Ethics for Chinese Certified Public Accountants. WUYIGE Certified Public Accountants LLP possesses sufficient independence, integrity and ability to protect our investors, and thus satisfies the requirements of the Company for its annual financial audit and internal control audit work for 2023.

## 15. COMMITTEES OF THE BOARD

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

#### **2) *Review the Company's financial information and its disclosure***

During the Reporting Period, the Audit Committee of the Board of the Company reviewed the Company's 2022 annual financial report, 2023 interim financial report, and financial statements for the first and third quarters of 2023. The members of the Audit Committee earnestly performed their supervisory duties, paid close attention to and fully understood the basis and standards for making impairment provisions, and issued relevant audit opinions. It is believed that the Company's financial reports truly, accurately and completely reflect the Company's financial situation and operation management, that there is no possibility of fraud, malpractice and material misstatement, that there are no material accounting error adjustments, matters involving important accounting judgments and matters that lead to non-standard unqualified audit reports, and that the disclosure content and procedures are compliant and legal.

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

The members of the Audit Committee communicated with the Company's auditor for the 2022 annual financial statements, WUYIGE Certified Public Accountants LLP, regarding among other matters, the scope and plan of the audit and seriously urged the auditor to conduct the audit with due diligence. The Audit Committee believes that the auditor has carried out the audit work for the Company in the year of 2022 with cautious, independent and objective standards, and managed to abide to their professional ethics, followed the auditing regulations closely, fulfilled their auditing responsibilities and submitted the auditors' report in time.

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

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

## 15. COMMITTEES OF THE BOARD

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

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

Pursuant to the Company Law and Internal Control Handbook as well as relevant supporting guidelines and requirements as stipulated by the CSRC and the SSE, the Company formulated the better corporate governance structures and governance systems. During the Reporting Period, the Company was able to implement various laws and regulations, the Articles of Association and related internal management systems, and the general meetings of shareholders, the Board, the Supervisory Committee and the management operated in a standardized manner, so as to effectively protect the legitimate rights and interests of the Company and shareholders. The Audit Committee earnestly reviewed the Company's Internal Control Evaluation Report and the Internal Control Audit Report issued by WUYIGE Certified Public Accountants LLP, reviewed and verified the Company's financial monitor, internal monitor, internal audit and risk management systems and implementation and effectiveness.

#### 6) *Supervision of major events*

- (i) Supervise the audit department to organize the inspection of the relevant matters of the Company, covering the implementation of major events such as the use of the Company's raised proceeds, guarantees, connected transactions, financial assistance, and external investment, as well as the Company's material capital transactions and capital transactions with Directors, Supervisors, senior managers, controlling shareholders, actual controllers and their affiliates.
- (ii) Supervise the use and management of the Company's raised proceeds, and the Company has carried out the deposit, use and management of raised proceeds in strict accordance with laws and regulations and the relevant provisions of the Management System for the Company's Raised Proceeds in 2023 without violations.
- (iii) Review the related party/connected transactions of the Company. During the Reporting Period, the Audit Committee reviewed the necessity and reasonableness of the Company's related party transactions, continued to pay attention to the compliance of the pricing model, deliberation and disclosure of related party transactions, reviewed the relevant matters of the Company's connected transactions one by one, confirmed that the pricing of the transactions was fair and reasonable, and did not find any related party/connected transactions harm the interests of the Company and its shareholders.

## 15. COMMITTEES OF THE BOARD

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

#### 6) *Supervision of major events (Continued)*

- (iv) Supervise of the Company's external guarantees. During the Reporting Period, the Company did not have any form of external guarantees, nor did the external guarantees that occurred in the previous period but continued to the current Reporting Period. During the Reporting Period, there were no external guarantees, and there were no cumulative guarantees.

Work relating to the annual audit for 2023 and the preparation of the annual report is as follows:

The Audit Committee actively coordinated with the Company in respect of the audit for 2023 and the preparation of the annual report for 2023 in accordance with Code of Practice of the Audit Committee of the Board and the Rules on the annual report of the Audit Committee, including:

- 1) On 3 January 2024, members of the Audit Committee conducted a pre-audit communication with the Company's auditors, the Finance Department, and the Audit Department through a combination of online and offline methods. They negotiated on matters related to the audit scope of the 2023 annual audit work, the independence of the accounting firm and relevant auditors, important timelines, key points of the annual report audit, and personnel arrangements. The members of the Audit Committee listened to the auditors' report on the 2023 annual report audit work and offered their opinions and suggestions.
- 2) On 1 March 2024, the Audit Committee reviewed the draft of the financial reports prepared by the Company and issued written recommendations thereon.
- 3) After the auditors' completion of the preliminary auditing work, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed that the 2023 financial reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.

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

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

#### 6) *Supervision of major events (Continued)*

- 4) On 15 March 2024, the Audit Committee convened the first meeting in 2024 and considered and passed the 2023 Annual Report and its summary, the Company's 2023 Financial Report, the Company's 2023 Internal Control Evaluation Report, etc., and agreed to submit to the Board for approval. At the same time, the Audit Committee finalized its evaluation of the audit work of the auditors and believed that the auditors had carried out the audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, adhering to the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors' report on time, as well as issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

### (2) Strategic Development and Investment Committee

In February 2001, the Company established the Investment Management Committee, which was renamed as Strategic Development and Investment Committee as approved at the 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 8th session of the Board comprises Mr. Li Chuyuan (chairperson of the committee), Ms. Liu Juyan, Mr. Li Hong, Ms. Wang Weihong and Mr. Chen Yajing. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 and has expired on 30 May 2023.

The Strategic Development and Investment Committee of the 9th session of the Board was established on 30 May 2023 and comprises Mr. Li Chuyuan (chairperson of the committee), Ms. Liu Juyan, Mr. Li Hong, Mr. Chen Yajin and MS. Sun Baoqing. 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 Strategic Development and Investment Committee had held 7 meetings and all the members attended each meeting.

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

### (3) Nomination and Remuneration Committee

In February 2002, the Company established the Remuneration Committee, which was renamed as Nomination and Remuneration Committee as approved at the 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 8th session of the Board comprises Mr. Huang Min (chairperson of the committee), Mr. Yang Jun, Mr. Wu Changhai, Mr. Wong Hin Wing and Mr. Chen Yajin. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 up to the date on which members of the new session of the Board are elected.

The Nomination and Remuneration Committee of the 9th session of the Board was established on 30 May 2023 and comprises Mr. Huang Min (chairperson of the committee), Mr. Yang Jun, Mr. Wu Changhai, Mr. Chen Yajin and Ms. Sun Baoqing. 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 Nomination and Remuneration Committee held three meetings to review the proposals on the emoluments of Directors of the Company for year 2023, the proposal on the fulfillment for emoluments of the Company's senior management for year 2023 and the proposal on amending the relevant provisions of "Rules for the Implementation of the Nomination and Remuneration Committee of the Board of Directors of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited". All the committee members had attended the meetings.

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

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

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. 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. The Company currently has 11 Directors, including 4 independent Directors and 3 female Directors, 2 of whom have professional backgrounds in finance and accounting, and 6 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 2023, the Group had 11,971 female employees, accounting for 42.68%, among which, more than 900 employees in middle management and more than 60 employees in senior management are female.



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

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

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.

### (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 8th session of the Board comprises Ms. Wang Weihong (chairperson of the committee), Ms. Cheng Ning, Mr. Zhang Chunbo, Mr. Wong Hin Wing and Mr. Huang Min. The term of office of the aforementioned committee members commenced from the date of their appointments on 29 June 2020 and has expired on 30 May 2023.

The Budget Committee of the 9th session of the Board was established on 30 May 2023 and comprises Mr. Chen Yajin (chairperson of the committee), Ms. Cheng Ning, Mr. Zhang Chunbo, Mr. Huang Min and Mr. Wong Lung Tak Patrick. 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 proposals on business objectives and annual budget plan for the year 2023 and the proposals for the budget plan for the year 2023. 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.

## 16. 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 9 meetings, all Supervisors had attended the meetings.
- (3) The Supervisory Committee has carefully reviewed the financial statements and other financial information of the Company during the Reporting Period, and considered that the Company's financial statements were fairly presented, the auditing and financial management were in line with the relevant regulations, and had not discovered any issues. The auditors issued their standard and unqualified auditor's reports after auditing the accounts of the Company for year 2023, which reflected an objective, true and fair view of the financial status and the operations results of the Company.
- (4) The Supervisory Committee monitored and inspected the connected transactions of the Company, and was of the opinion that: the connected transactions of the Company satisfied the development strategy and actual needs of the Company; the connected transactions were reasonable and necessary; the decision-making procedures in respect of connected transactions complied with the relevant laws and regulations and the provisions of the Articles of Association; and the interests of the Company and its minority shareholders were not prejudiced.
- (5) Description of any risks in the Company discovered by the Supervisors Committee of the Company.

Applicable     Not applicable

# Corporate Governance

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

### (1) Situation of the employees

Number of the employees of the parent company	2,062
Number of the employees of the major subsidiaries	25,986
Total number of employees	28,048
Number of retired employees whose expenses should be undertaken by the parent company and major subsidiaries	9,380
Gross payroll of the Group	RMB3.953 billion

### Composition

Category constitution	Number of constitute staff
Production staff	4,723
Sales personnel	12,207
Technical staff	3,482
Finance staff	825
Administrative staff	6,811
Total	28,048

### Educational Level

	Number
Postgraduate	799
Undergraduate	10,057
University college	8,416
Secondary and below	8,776
Total	28,048

Note: In-service employees of major subsidiaries of the Company increased mainly due to the increase of subsidiaries during the year and the GP Corp., the controlling subsidiary of the Company, calculated the number of employee on the basis of headquarter in 2022, excluding its subsidiaries.

## 17. 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

# Corporate Governance

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

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

Applicable  Not applicable

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

During the Reporting Period, having considered factors such as profit, cash flow, investment, funding needs and shareholders' returns planning, etc., in conjunction with the relevant provisions of the Articles of Association relating to profit distribution, the management of the Company submitted the proposal in relation to the profit distribution and dividend payment for 2022 to the Board. After the proposal on profit distribution and dividend payment for 2022 was approved by the Directors and Supervisors, it was submitted to the 2022 annual general meeting of shareholders of the Company for consideration and was approved. The dividends had been distributed by the end of July 2023.

### (2) Explanation of cash distribution policy

Applicable  Not applicable

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

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

### (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) <i>(RMB)</i>	Amount of profit distribution in cash (inclusive of tax) <i>(RMB)</i>	Net profit attributable to the shareholders of the Company for the distribution year as shown in the consolidated financial statements <i>(RMB)</i>	Proportion of payout distribution in the net profit attributable to the shareholders of the Company as showed in the consolidated financial statements <i>(%)</i>
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
2021	6.87	1,116,918,381.96	3,719,877,680.46	30.03

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

The Company will distribute the 2023 final dividend before the end of August 2024.

### (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

# Corporate Governance

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

### (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)	7.49
Number of shares to be transferred into share capital for every 10 shares (shares)	0
Amount of profit distribution in cash (RMB) (inclusive of tax)	1,217,717,420.80
Net profit attributable to the ordinary shareholders of the Company for the distribution year as shown in the consolidated financial statements (RMB)	4,055,678,691.49
Proportion of net profit attributable to the ordinary shareholders of the Company as showed in the consolidated financial statements (%)	30.02
Amount of repurchase of shares in cash included in profit distribution in cash (RMB)	0
Total amount of profit distribution (RMB) (inclusive of tax)	1,217,717,420.80
Proportion of net profit attributable to the ordinary shareholders of the Company as shown in the consolidated financial statements (%)	30.02

The aforesaid plan is pending for approval at the 2023 annual general meeting of shareholders of the Company. The annual general meeting of the Company in 2023 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. 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

### (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.



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

Applicable  Not applicable

The Company has always attached importance to the construction of internal control system, and constantly improve the internal control system. During the Reporting Period, the Company added and revised more than 30 systems, including audit, discipline inspection commission, party construction, human resource, informatization, procurement, finance, etc., 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

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

Applicable  Not applicable

According to the rules of the system of internal control, the Company guides its subsidiaries to establish and improve the effective implementation of internal management control system, mainly including the financial report management system, budget management system, asset management system, guarantee management system, the debt financing management system, foreign investment management system, and information system management system, etc., covering financing activity, asset management, procurement, sales, production management, research and development, information systems management, contract management, and other high-risk areas, to evaluate the effectiveness 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. Major decisions of each subsidiary conform to the rules of the Company. Each subsidiary should report the implementation of major issues to the responsible manager of the Company in time. The Company will send personnel to some subsidiaries, who can perform their duties normally.

## 22. AUDIT REPORT ON THE INTERNAL CONTROL

- (1) The assessment opinion of the audit firm: WUYIGE Certified Public Accountants LLP considered that as at 31 December 2023, 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

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

For details of the rectification of the peer competition between the Company and Hua Cheng, a subsidiary of GPLH, please refer to “Situation of same or similar business and operations which controlling shareholders, ultimate controllers and other companies under their control were engaged in, and the impacts 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.

## 24. 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.

## 24. OTHERS (Continued)

### (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 Year, the Company held 3 results presentations and participated in over 50 investor communication activities, receiving nearly 300 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 (RMB'0000) Approximately 930

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

Applicable  Not applicable

#### (i) Drainage information

Applicable  Not applicable

As at the end of the Reporting Period, Chemical Pharmaceutical Factory, He Ji Gong (factory in Liwan district) and Baiyunshan General Factory, being branches of the Company, and Baiyunshan Han Fang, Xing Qun, Bai Di Biological, Ming Xing, Tian Xin, Guang Hua, and Weiling, being the subsidiaries of the Company, were among the key pollutants discharging units. The key items of waste emissions being monitored are waste gas and wastewater.

Company name	Names of major pollutants and characteristic pollutants		Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
		Emission mode							
Chemical Pharmaceutical Factory	Sulfur dioxide	Intermittently	1	No. 78 Tongbao Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	4.00	"Integrated Emission Standard for Air Pollutants", ≤50	0.16	-	None
	Nitrogen oxides	Intermittently	1		100.70	"Integrated Emission Standard for Air Pollutants", ≤200	4.01	-	None
	Particulate matter (smoke dust)	Intermittently	5		0.92	"Integrated Emission Standard for Air Pollutants", ≤30	0.02	-	None
	Total VOCs	Intermittently	6		3.97	"Integrated Emission Standard for Air Pollutants", ≤120	0.19	-	None
	COD	Discharge after treatment	1		138.64	"Integrated Wastewater Discharge Standard (III-class criteria)" ≤500	13.80	-	None
He Ji Gong (factory in Liwan district)	COD	Discharge after treatment	1	No. 49 Liwan Road, Liwan District, Guangzhou City, Guangdong Province, the PRC	15	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.28	-	None

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Company name	Names of major pollutants and characteristic pollutants		Emission mode	Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
Baiyunshan General Factory	Chemical oxygen demand	Intermittently	1	No. 88 Yunxiang Road, Tonghe Street, Baiyun District, Guangzhou City, Guangdong Province, the PRC	35.75	"Wastewater Discharge Limits" DB44/26-2001	6.36	-	None	
	Total nitrogen	Intermittently	1		11.12	"Wastewater Discharge Limits" DB44/26-2001	1.98	-	None	
	Ammonia nitrogen	Intermittently	1		1.35	"Wastewater Discharge Limits" DB44/26-2001	0.24	-	None	
	Total phosphorus	Intermittently	1		0.39	"Wastewater Discharge Limits" DB44/26-2001	0.07	-	None	
Baiyunshan Han Fang	Sulfur dioxide	Discharge after treatment	1	No. 8 Hot spring Avenue, Conghua District, Guangzhou City, Guangdong Province, the PRC	7.46	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 100	0.15	-	None	
	Nitrogen oxide	Discharge after treatment	1		61.75	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 200	1.24	-	None	
	Particulate matter (smoke dust)	Discharge after treatment	3		1.41	"Emission Standard for Air Pollutants from Boiler" (DB44/765-2019) ≤ 20	0.11	-	None	
	Total VOCs	Discharge after treatment	9		0.44	"Emission Standard for Air Pollutants of Pharmaceutical Industry" (GB37823-2019) ≤ 150	0.27	-	None	
	COD	Discharge after treatment	1		132.69	"Wastewater Discharge Limits" (DB44/26-2001) ≤ 500	21.32	-	None	
	Ammonia nitrogen	Discharge after treatment	1		3.79	"Wastewater Discharge Limits" (DB44/26-2001) ≤ 500	0.48	-	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		Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
		Emission mode							
Xing Qun	COD	Discharge after treatment	1	No. 162 Nanzhou Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	167.66	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-015"	0.014	-	None
	Ammonia nitrogen	Discharge after treatment	1		5.64	"Water Quality Standard for Sewage Discharged into Urban Sewers GB/T 31962-015"	0.004	-	None
Bai Di Biological	COD	Discharge after treatment	1	No. 1 Wanbao North Street, Panyu District, Guangzhou City, Guangdong Province, the PRC	21.29	"Waste Water Discharge Standard of Medical Institution" 250mg/l	0.63	569.35	None
	NH3-N	Discharge after treatment	1		2.10	"Waste Water Discharge Standard of Medical Institution" (no limits for concentration)	0.06	102.48	None
Ming Xing	COD	Discharge after treatment	1	No. 48 Industry Avenue North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	46.00	"Integrated Wastewater Discharge Standard (III-class criteria)" 500mg/l	2.23	-	None
	Ammonia nitrogen	Discharge after treatment	1		0.84	"Integrated Wastewater Discharge Standard (III-class criteria)" 450mg/l	0.04	-	None

# 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		Number of emission ports	Distribution of emission ports	Annual average emission concentration (mg/m <sup>3</sup> , mg/l)	Implementation of pollutant emission standards (mg/m <sup>3</sup> , mg/l)	Total annual emissions (ton)	Approved total emissions (ton)	Excessive emissions
	pollutants	Emission mode							
Tian Xin	COD	Discharge after treatment	1	No. 808 Bingjiang East Road, Haizhu District, Guangzhou	42.48	"Integrated Wastewater Discharge Standard (III-class criteria)"	8.87	-	None
	Ammonia nitrogen	Discharge after treatment	1	City, Guangdong Province, the PRC	0.47	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.01	-	None
Guang Hua	COD	Discharge after treatment	1	No. 1 Nanshi Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	54.50	"Integrated Wastewater Discharge Standard (III-class criteria)"	0.29	-	None
Weiling	COD	Discharge after treatment	1	No. 36, Huancheng East Road, Heshan Community, Hepo Street, Jiexi County, Guangdong Province, the PRC	65.80	"Integrated Wastewater Discharge Standard (III-class criteria)"	2.10	4.60	None

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

# Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION STATUS (Continued)

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

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

Applicable    Not applicable

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Chemical	Sewage treatment facility tail gas treatment system DA008 (6#)	2018.02	Odor, VOCs	Washing + biofilter	3,895
Pharmaceutical	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



# 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)
	VOCs treatment system (dichloromethane; acetone and ethanol treatment)	2018.11	VOCs	Dichloromethane: water spray + L2 T-HPs resin adsorption method Acetone and ethanol: closed absorption through water circulation + water spray + biosorption	3,000 2,200
He Ji Gong	Sewage Treatment Station	2015.09	COD, ammonia nitrogen	AO Process	40
(factory in Liwan district)	Sewage Treatment Station	2003.06	COD, ammonia nitrogen	Contact biochemistry	25
Baiyunshan General Factory	West District Sewage Station	2000.08	COD, total nitrogen, ammonia nitrogen, total phosphorus	AO Process	1,200
Baiyunshan Han Fang	5th plant VOCs process organic waste gas treatment facilities (TA001)	2020.11	Benzene, VOCs, total non-methane hydrocarbons	Condensation recover + lye spray + UV photolysis+activated carbon adsorption	6,000
	5th plant VOCs process organic waste gas treatment facilities (TA002)	2020.11	Benzene, VOCs, total non-methane hydrocarbons	Condensation recover + lye spray + UV+activated carbon adsorption	12,000
	11th plant VOCs process organic waste gas treatment facilities (TA003)	2020.07	Particulate matter, VOCs, total non-methane hydrocarbons	Condensation recover + water spray	2,000
	11th plant VOCs process organic waste gas treatment facilities (TA004)	2020.11	VOCs, total non-methane hydrocarbons	Condensation recover + water spray	6,700

# 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)
	2nd plant VOCs process organic waste gas treatment facilities (TA005)	2020.11	Particulate matter, VOCs, total non-methane hydrocarbons	Condensation recover + water spray	5,000
	1st plant VOCs process organic waste gas treatment facilities (TA006)	2020.11	VOCs, total non-methane hydrocarbons	Condensation recover + water spray	5,000
	1st and 3rd plant VOCs process organic waste gas treatment facilities (TA007)	2020.11	VOCs, total non-methane hydrocarbons	Condensation recover + water spray	8,500
	2nd plant VOCs process organic waste gas treatment facilities (TA008)	2020.11	VOCs, total non-methane hydrocarbons	Condensation recover + water spray	7,000
	Experiment plant VOCs process organic waste gas treatment facilities (TA009)	2020.11	VOCs, total non-methane hydrocarbons	Lye spray + UV photolysis	12,000
	Waste water treatment system and waste gas treatment facilities (TA010)	2017.10	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000
	Waste water treatment system and waste gas treatment facilities (TA011)	2021.05	Odor concentration, ammonia (ammonia), hydrogen sulfide, non-methane total hydrocarbons	Lye spray + UV photolysis	5,000
	Sewage Treatment Station	2005.09	pH value, total phosphorus (measured in P), suspended solids, Ammonia nitrogen (NH <sub>3</sub> -N), 5-day BOD, chemical oxygen demand, total nitrogen (measured in N), total organic carbon, acute toxicity, total cyanide, animal and plant oil, chroma	Second order anaerobic + third order aerobic + third order precipitation	360

# Environmental and Social Responsibility

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

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

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

Company name	Name of pollution preventing facility	Date of being put into use	Pollution category	Procedure	Average daily processing capacity (m <sup>3</sup> /h)
Xing Qun	Sewage treatment station	2003.06	COD, ammonia nitrogen	Biochemical treatment process	20
Bai Di Biological	Sewage treatment station	2005.09	COD, ammonia nitrogen	Aerobic biological method	120
Ming Xing	Sewage treatment station DW001	1995.12	COD, ammonia nitrogen	AO Process	400 (ton/day)
	Laboratory waste gas treatment tower DA002	2020.09	Laboratory gas	Medicine + spray	22,500
	Sewage treatment station and waste gas treatment tower DA003	2014.08	Stench	Biological method + spray	2,600
	Air purification tower DA004	2015.09	Hydrolyzed odor	Biological method + spray	6,500
	Air purification tower DA005	2016.12	VOCs	Biological method + spray	10,000
	Air purification tower DA006	2019.06	VOCs, stench	Biological method + spray	24,000
Tian Xin	Sewage treatment station discharge Port TW001	2002.03	COD, ammonia nitrogen	SBR Process (interval)	800
Guang Hua	Sewage treatment station	2015.09	COD	AO Process	8.33
WLJ Ya'an Company	Sewage treatment station	2015.09	COD, ammonia nitrogen	AO Process	40
Weiling	Sewage treatment station	2016.06	COD, ammonia nitrogen	AO Process	40

# Environmental and Social Responsibility

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

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

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

Applicable  Not applicable

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

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

#### (iv) ***Environmental emergency response plan***

Applicable  Not applicable

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

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

Applicable  Not applicable

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

# 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)*

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

# Environmental and Social Responsibility

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

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

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

Applicable  Not applicable

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

Applicable  Not applicable

According to relevant environmental protection laws and regulations of the state, provinces and cities, the Company strictly controls the treatment and discharge of various pollutants through emission reduction from the source, green production in the intermediate process, and pollution prevention at the end. It not only meets discharge standards but also strives to minimize emissions. For example, the waste water discharged into the municipal pipeline is only required to meet the third-level discharge standard according to the law. The Company's subsidiaries strive to meet the first-level discharge standard through technical upgrading and strict management. In addition, it establishes nationwide planting bases of medicinal herbs with adaptations to varying local conditions, carries out standard plantation of Chinese medicinal herbs and conducts researches on planting technology on medicinal herbs, quality seedlings and quality traceability on Chinese medicinal herbs to promote biodiversity conservation. The Company actively advocates the concept of environmental protection, contributes to the green development of the whole society, and strives to promote the development of green economy, low-carbon economy and circular economy.

# Environmental and Social Responsibility

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

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

Whether take any measures to reduce carbon emissions	Yes
Equivalent of reduced carbon dioxide emissions (tons)	–
Type of reducing carbon emissions methods (e.g. using clean energy to generate electricity, using carbon reduction technologies in the production process, and developing and producing new products that contribute to carbon reduction)	The Company uses clean energy as combustion medium for boilers, which are brand boiler equipment with high heat efficiency. For the use of power energy, it proactively purchases power saving equipment and adopts LED lights for lighting and energy-saving electrical machinery. For power distribution equipment, it adopts capacitance compensation and provides power factors. Meanwhile, it proactively promotes the use of degradable and recyclable packaging materials in the production process.

Specific explanation

Applicable  Not applicable

## 2. WORK ON SOCIAL RESPONSIBILITIES

### (1) Whether to disclose social responsibility report, sustainable development report or ESG report separately

Applicable  Not applicable

The Company has complied with the requirements of the Notice on Proper Preparation of the 2023 Annual Report by Listed Companies issued by the SSE, the rules of Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Appendix C2 of the Listing Rules of the HKEX, and prepared the 2023 Social Responsibilities Report (ESG Report) (environment, society and governance), which was published on the websites of the SSE and the HKEX on the same day on which this annual report was published.

# Environmental and Social Responsibility

## 2. WORK ON SOCIAL RESPONSIBILITIES (Continued)

### (2) Situation of social responsibility report

Applicable  Not applicable

#### External donation/

#### Public welfare projects

	Amount/Content	Explanations
Total amount (RMB'0000)	2,817.04	/
Include: cash (RMB'0000)	1,105.98	/
Value of goods and materials (RMB'0000)	1,711.06	Mainly included drugs, great healthy products, etc
Number of people benefited (persons)	/	/

Specific explanation

Applicable  Not applicable

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

Applicable  Not applicable

#### Poverty-alleviation and rural revitalization projects

	Amount/Content	Explanations
Total amount (RMB'0000)	18,040.61	/
Include: cash (RMB'0000)	17,963.64	/
Value of goods and materials (RMB'0000)	76.96	Mainly included consumption for 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	/



# Environmental and Social Responsibility

## 3. NEEDY ALLEVIATION EFFORTS AND PERFORMANCE OF RURAL VITALIZATION *(Continued)*

Specific explanation

Applicable  Not applicable

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

1. Participated in the work of helping the township villages of Nanxing Town, Leizhou City, took advantage of the local resources according to the local conditions, and built the planting bases for Chinese herbal medicine in Pinglan village since 2022. In 2023, the Company continuously did a good job in the daily maintenance of the bases, technical guidance, complementary planting of seedlings and trial planting of new varieties. At present, the first phase of Microcos seedlings in the planting base of Pinglan Village has entered into the harvest period.
2. Successively donated funds to Kengwei Primary School in Pinglan Village, Nanxing Town, added multimedia teaching equipment to the classrooms, replaced the old tables and chairs and painted the school buildings.
3. The Group provides assistance for eight villages in three towns of Sandu county, Qiannan Prefecture, Guizhou, under the collaboration and paired assistance between the eastern and western regions. The projects commenced in 2022 successfully passed the acceptance inspections in 2023. The Company continuously provides assistance with a total investment of RMB100 million in 2023.
4. Carried out poverty alleviation through consumption and education, rural governance, and safeguard of people's wellbeing, and continued to promote, solidify and expand the results of alleviating poverty.
5. Undertook mission of developing the lychee industry in Guangdong actively, invested in the construction of Guangyao Wanglaoji Guangdong Lychee (Maoming) Industrial Park and Guangyao Wanglaoji Guangdong Lychee (Shantou) Industrial Park in the west and east of Guangdong Province respectively, deepened the layout of lychee industry and launched the first lychee brand "Li Xiao Ji" of deep processing.

## 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

# 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)*

#### (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

## 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	<p>1. 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.</p> <p>2. The undertaking letter will remain effective so long as new GPC legally and validly exists and GPLH owns controlling interest in new GPC.</p>
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)*

#### (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	<p>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.</p> <p>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.</p>

# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS *(Continued)*

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

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

Item	Content
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	In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to "two years since the effective date of the judgment on the law case of red can decoration", due to the disputes of red can decoration.  As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of the undertaking of injection of Wang Lao Ji trademark series by GPLH was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.
Compliance or not	Yes
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 WangLaoli 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
Remarks <i>(Continued)</i>	<p>On 27 December 2018, the resolution regarding the proposal on purchasing trademarks in cash and the relevant agreements and connected transactions was considered and approved at the 18th meeting of the seventh session of the Board of the Company, by using the appraised value as the pricing basis, which was determined in the Assets Evaluation Report on Proposed Transfer of Trademarks by Guangzhou Pharmaceutical Holdings Limited Involving the 420 Exclusive Use Rights of Trademarks Owned by Guangzhou Pharmaceutical Holdings Limited (Zhong Lian Guo Ji Ping Zi [2018] No. WIGPZ0701) with valuation reference date of 30 June 2018, the Company intended to acquire all rights of Wang Lao Ji series of trademarks held by 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.</p>



# Major Events

## 1. PERFORMANCE OF UNDERTAKINGS (Continued)

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

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

Item	Content
Remarks (Continued)	<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 384 trademarks changed and 34 trademarks pending approval.</p>

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

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

Applicable  Not applicable

# Major Events

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

Applicable  Not applicable

(Unit: RMB'000)

Name of shareholders or related parties	Relationships	Occupation time	Reasons remuneration	Balance at the beginning of the period	New occupied amount during the Reporting Period (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 (RMB'000)	Expected repayment amount (RMB'000)	Expected repayment time
HWBYS	Joint venture	Less than 1 year 1-2 years	Dividends	218,767	59,418	216,922	61,264	45,395	Cash	61,264	-

Proportion of total amount at the end of the Reporting Period to the latest audited net assets 0.17%

Decision-making process of controlling shareholders or other related parties for non-operational occupied funds -

Reasons for the occupation of non-operational funds by new controlling shareholders and other related parties, the investigation of responsible persons and the explanation of the measures proposed and taken by the Board of Directors -

Reasons, the investigation of responsible persons and explanation of the measures proposed and taken by the Board of Directors for failure to repay the occupied non-operational funds as planned -

Audit opinions of certified public accountants on occupation of funds (if any) -

Reasons for inconsistency between non-operational funds occupied by controlling shareholders and other related parties disclosed in the annual report and special audit opinions (if any) -

## 3. VIOLATION OF GUARANTEE

Applicable  Not applicable

## 4. EXPLANATION GIVEN BY THE COMPANY ON THE "NON STANDARD AUDITOR'S REPORT" ISSUED BY THE AUDITORS

Applicable  Not applicable

# Major Events

## 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 Ministry of Finance issued the “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (hereinafter referred to as “Interpretation No. 16”) on November 30, 2022. It regulates the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction for which the initial recognition exemption is not applicable.

#### ① *Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction*

Interpretation 16 stipulates that for individual transactions that do not affect accounting profit or taxable income (or deductible losses) and that do not result in temporary differences between the initial recognition of assets and liabilities and do not generate temporary differences that are deductible, as well as for individual transactions that lead to temporary differences and deductible temporary differences due to the initial recognition of assets and liabilities, which arise from lease transactions in which a lessee initially recognizes a lease liability on the commencement date of the lease and includes the right-of-use asset in the lease, and transactions in which an obligation to dispose of assets exists, and a provision is recognized and included in the cost of the related asset, and other transactions falling within the scope of this interpretation, the provisions of Article 11(2) and Article 13 of Accounting Standard for Enterprises No. 18, “Income Taxes,” regarding exemption from the initial recognition of deferred tax liabilities and deferred tax assets do not apply. Enterprises should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of Accounting Standard for Enterprises No. 18, “Income Taxes,” for the temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities due to the transaction.

## 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 (Continued)

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

#### ① Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction (Continued)

For individual transactions falling within the scope of this interpretation that occurred between the beginning of the earliest period reported in the financial statements during the initial implementation of this interpretation and the effective date of this interpretation, enterprises should make adjustments in accordance with the provisions of this interpretation. For lease liabilities and right-of-use assets recognized due to transactions falling within the scope of this interpretation and recognized obligations related to obligations to dispose of assets, as well as related assets generating temporary differences and deductible temporary differences recognized in the earliest period reported in the financial statements during the initial implementation of this interpretation, enterprises should adjust the accumulated impact amount in accordance with the provisions of this interpretation and Accounting Standard for Enterprises No. 18, "Income Taxes, " and retain earnings at the beginning of the earliest period reported in the financial statements and other relevant financial statement items. Enterprises performing such adjustments should disclose relevant information in the notes to the financial statements.

The impact of the implementation of Interpretation 16 on this group is as follows:

#### Consolidated Balance Sheet

Item	Balance as of December 31, 2022 before accounting policy change RMB	Impact of Interpretation 16 Adjustment RMB	Balance as of January 1, 2023 after accounting policy change RMB
Deferred Tax Assets	865,338,772.26	214,263,337.02	1,079,602,109.28
Deferred Tax Liabilities	394,588,189.23	214,263,337.02	608,851,526.25

# Major Events

## 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 *(Continued)*

### (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)	2,860	2,890
Term of office of the domestic Certified Public Accountants	2	2
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	2	2
	<b>Name</b>	<b>Remuneration</b> (RMB'000)
Internal control audit Certified Public Accountants	WUYIGE Certified Public Accountant LLP	400

During the Reporting Period, the auditor did not provide material non-audit services to the Company and the Company did not offer any material payment to the auditor for non-audit services.

## 6. APPOINTMENT, DISMISSAL OR CHANGE IN APPOINTMENT OF AUDITORS *(Continued)*

### Explanatory notes on the appointment and dismissal of auditors

Applicable  Not applicable

As considered and approved at the 2nd meeting of the Audit Committee in 2022, the 20th meeting of the eighth session of the Board and the 16th meeting of the eighth session of the Supervisory Committee, the Company approved the proposed renewal of appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2022. The said matter was approved at the annual general meeting of shareholders of the Company in 2021 convened on 26 May 2022. BDO China Shu Lun Pan Certified Public Accountants LLP would not service as the financial auditors and the internal control auditors of the Company, which had become effective since the general meeting of shareholders in 2021 on 26 May 2022.

As considered and approved at the 3rd meeting of the Audit Committee in 2023, the 28th meeting of the eighth session of the Board and the 24th meeting of the eighth session of the Supervisory Committee, the Company approved the proposed renewal of appointment of WUYIGE Certified Public Accountant LLP as the financial auditors and the internal control auditors of the Company for the year 2023. The said matter was approved at the annual general meeting of shareholders of the Company in 2022 convened on 30 May 2023.

### 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

# Major Events

## 7. RISK OF FACING SUSPENSION OF LISTING

### (1) Reasons leading to the risk warning of desisting

Applicable  Not applicable

### (2) The response measures intended to be taken

Applicable  Not applicable

### (3) The situation and reasons for facing desisting

Applicable  Not applicable

## 8. MATTERS RELEVANT TO WINDING UP AND SCHEME OF ARRANGEMENT

Applicable  Not applicable

## 9. MATERIAL LITIGATION AND ARBITRATION MATTERS

The Company had been engaged in significant litigation or arbitration during the Year.

The Company had not been engaged in any significant litigation or arbitration during the Year.

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

Applicable  Not applicable

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

Applicable  Not applicable

### (3) Other explanations

Applicable  Not applicable

**10. INFORMATION ON SUSPECTED OF VIOLATING LAWS AND REGULATIONS, PENALTIES, RECTIFICATION AND REFORM IN RESPECT OF THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER**

Applicable  Not applicable

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

Applicable  Not applicable

**12. CONNECTED TRANSACTIONS**

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

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

Applicable  Not applicable

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

Applicable  Not applicable



# Major Events

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	227,297	0.37	Cash
Baxter Qiao Guang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	130,928	0.21	Cash
Hua Cheng	Controlled by the same parent company	Purchase of goods	Medicinal material or medicine	Market price	4,321	0.01	Cash
Baiyunshan Yi Xin Tang	Joint venture	Purchase of goods	Medicinal material or medicine	Market price	1,738	0.00	Cash
<b>Subtotal</b>					<b>364,284</b>		
HWBYS	Joint venture	Purchase of goods	Other goods	Market price	27	0.00	Cash
<b>Subtotal</b>					<b>27</b>		
HWBYS	Joint venture	Acceptance of service	Exhibition services	Market price	19,790	1.83	Cash
Baiyunshan Yi Xin Tang	Joint venture	Acceptance of service	Exhibition services	Market price	159	0.01	Cash
Hua Cheng	Controlled by the same parent company	Acceptance of service	Exhibition services	Market price	99	0.01	Cash
GPHL	Parent company	Acceptance of service	Exhibition services	Market price	70	0.01	Cash
<b>Subtotal</b>					<b>20,118</b>		

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
HWBYS	Joint venture	Acceptance of service	Research and development service	Market price	1,585	0.00	Cash
GPHL	Parent company	Acceptance of service	Research and development service	Market price	23	0.00	Cash
<b>Subtotal</b>					<b>1,608</b>		
GP Capital	Controlled by the same parent company	Acceptance of service	Fund service	Market price	3,695	0.34	Cash
<b>Subtotal</b>					<b>3,695</b>		
HWBYS	Joint venture	Acceptance of service	Consigned processing	Market price	2,378	0.22	Cash
<b>Subtotal</b>					<b>2,378</b>		
<b>Total</b>					<b>392,110</b>		

# Major Events

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction <i>(RMB000)</i>	Proportion to the amount of same transaction <i>(%)</i>	Settlement method of related transaction
HWBYS	Joint venture	Sales of goods	Medicinal material or medicine	Market price	188,339	0.25	Cash
Baiyunshan Yi Xin Tang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	105,353	0.14	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	90,036	0.12	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Medicinal material or medicine	Market price	566	0.00	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	391	0.00	Cash
GPHL	Parent company	Sales of goods	Medicinal material or medicine	Market price	66	0.00	Cash
Baiyunshan Culture Company	Controlled by the same parent company	Sales of goods	Medicinal material or medicine	Market price	6	0.00	Cash
<b>Subtotal</b>					<b>384,757</b>		

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baiyunshan Yi Xin Tang	Joint venture	Sales of goods	Other goods	Market price	692	0.00	Cash
GPHL	Parent company	Sales of goods	Other goods	Market price	462	0.00	Cash
Guangyao Baiyunshan herbal craft beer (Guangzhou) Co., Ltd.	Controlled by the same parent company	Sales of goods	Other goods	Market price	327	0.00	Cash
HWBYS	Joint venture	Sales of goods	Other goods	Market price	213	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of goods	Other goods	Market price	22	0.00	Cash
Guangyao Group (Macau) Company	Controlled by the same parent company	Sales of goods	Other goods	Market price	18	0.00	Cash
Hua Cheng	Controlled by the same parent company	Sales of goods	Other goods	Market price	18	0.00	Cash
<b>Subtotal</b>					<b>1,752</b>		

# Major Events

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction <i>(RMB000)</i>	Proportion to the amount of same transaction <i>(%)</i>	Settlement method of related transaction
HWBYS	Joint venture	Rendering of service	Advertising agency service	Market price	38,586	75.10	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	5,821	11.33	Cash
GPHL	Parent company	Rendering of service	Advertising agency service	Market price	352	0.69	Cash
Baxter Qiao Guang	Joint venture	Rendering of service	Advertising agency service	Market price	114	0.22	Cash
GPHL Digital Economy Research Institute	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	68	0.13	Cash
GP Capital	Controlled by the same parent company	Rendering of service	Advertising agency service	Market price	5	0.01	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Consigned processing	Market price	24,869	10.75	Cash
HWBYS	Joint venture	Rendering of service	Consigned processing	Market price	17,027	7.36	Cash
HWBYS	Joint venture	Rendering of service	Research and development service	Market price	303	1.18	Cash

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Guangyao Group (Macau) Company	Controlled by the same parent company	Rendering of service	Research and development service	Market price	8	0.03	Cash
Baxter Qiao Guang	Joint venture	Rendering of service	Other service	Market price	4,730	0.44	Cash
HWBYS	Joint venture	Rendering of service	Other service	Market price	661	0.06	Cash
Hua Cheng	Controlled by the same parent company	Rendering of service	Other service	Market price	494	0.05	Cash
<b>Subtotal</b>					<b>93,038</b>		
Hua Cheng	Controlled by the same parent company	Providing patents, trademarks, etc.	Rights to use trademarks	Agreement price	857	30.23	Cash
HWBYS	Joint venture	Providing patents, trademarks, etc.	Rights to use trademarks	Agreement price	804	28.36	Cash
GPHL	Parent company	Others	Assets leased from related parties	Agreement price	10,217	3.09	Cash
HWBYS	Joint venture	Others	Assets leased from related parties	Agreement price	5,685	1.72	Cash
Baiyunshan Yi Xin Tang	Joint venture	Others	Assets leased from related parties	Agreement price	6	0.00	Cash
<b>Subtotal</b>					<b>17,569</b>		

# Major Events

## 12. CONNECTED TRANSACTIONS (Continued)

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

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

Related parties	Relationships	Type of related transactions	Content of related transactions	Pricing principles of related parties' transaction	Amount of related parties' transaction (RMB000)	Proportion to the amount of same transaction (%)	Settlement method of related transaction
Baxter Qiao Guang	Joint venture	Others	Assets leased to related parties	Agreement price	3,632	6.63	Cash
GPHL	Parent company	Others	Assets leased to related parties	Agreement price	730	1.33	Cash
Baiyunshan Yi Xin Tang	Joint venture	Others	Assets leased to related parties	Agreement price	523	0.96	Cash
HWBYS	Joint venture	Others	Assets leased to related parties	Agreement price	116	0.21	Cash
Baiyunshan Culture Company	Controlled by the same parent company	Others	Assets leased to related parties	Agreement price	44	0.08	Cash
<b>Subtotal</b>					<b>5,045</b>		
<b>Total</b>					<b>502,161</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.

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

Applicable     Not applicable

## 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:**

On 24 December 2021, the Group, GPLH and its subsidiaries entered into an agreement namely Daily Connected Transactions Agreement (“Agreement”), in relation to the purchase, sale, provision of labour services (advertising agency and research and development services), manufacturing consignment, provision of use for trademarks right, asset renting and etc. for a term of 2 years from 1 January 2022 to 31 December 2023. As mentioned above, GPLH is the controlling shareholder of the Company, holding approximately 45.04% total issued share capital of the Company and therefore is a connected person of the Company. Accordingly, the Agreement and the Transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

The terms of the Transactions will be determined with reference to the prevailing market prices at the material time when the Purchase Transactions, Sales Transactions, Provisions, Labour Services or Entrusted Processing, Use of Trademarks Under Licence, Asset Leasing From GPLH or Asset Leasing to GPH are entered into between the Company and its subsidiaries (or GPLH and its subsidiaries) on the one hand and the Independent Third Parties on the other hand (“Similar Transactions”) and will be determined on normal commercial terms or not less favourable terms than those available to the Group from the Independent Third Parties (or to the Independent Third Parties).

The Board considers that the transactions under the Agreement will bring commercial benefits to the Company and the Group as a whole and that the conclusion of the new continuing connected transaction agreement will facilitate the growth of the Group’s business. Details of the Agreement and the basis of pricing for the transactions contemplated thereunder have been disclosed in the announcements of the Company dated 24 December 2021 and 11 February 2022.

The Board believed that the continuing connected transactions have been conducted in accordance with the terms of relevant agreements or contracts governing the transactions. The Directors confirm that the cap for the rental expenditure, rental income, the licensing fee of trademarks of “Baiyunshan”, sale of finished goods and raw materials, purchase of finished goods and raw materials, and advertising agency service fee and consigned processing service fee, and actual amount incurred in 2023 of the Company are as follows:



# Major Events

## 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)*

Items	Cap/Approved amount for the Year <i>(RMB'000)</i>	Actual amount incurred in 2023 <i>(RMB'000)</i>
Rental expenditure	19,000	10,217
Rental income	1,000	774
Trademark licensing fee for trademarks of "Baiyunshan"	6,000	857
Sale of finished goods and raw materials	300,000	91,324
Purchase of finished goods and raw materials	150,000	4,321
Provision of labor services (advertising agency, research and development and other services)	64,000	6,748
Consigned processing service fee (providing commissioned processing services and accepting commissioned processing services)	60,000	28,756

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

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

## 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 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.

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

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

Applicable  Not applicable

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

Applicable  Not applicable

- (iii) Events not disclosed in temporary announcements**

Applicable  Not applicable

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

Applicable  Not applicable

# Major Events

## 12. CONNECTED TRANSACTIONS *(Continued)*

### (3) Material related party transactions on joint external investment

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

Applicable    Not applicable

##### Summary of events

On 19 December 2023, the 6th meeting of the ninth session of the Board of the Company considered and approved the proposal Connected Transaction: Participation in the Establishment of GP Venture Capital Fund, and approved that GP Fund contributed no more than RMB690 million to subscribe the shares of GP Venture Capital Fund, and enter into the Partnership Agreement with GP Capital and Guangzhou Industrial Investment Biomedical and Health Special Master Fund Partnership Enterprise (Limited Partnership) (廣州產投生物醫藥與健康專項母基金合夥企業 (有限合夥)) (“Industrial Investment Special Master Fund”). The Industrial Investment Special Master Fund is the third parties independent of the Company and its connected persons. GP Capital, the manager and GP of GP Venture Capital Fund, is the controlling subsidiary of GPHL, which is the controlled shareholder of the Company and holds 80% interests of GP Capital. Ms. Cheng Ning, the vice chairperson of the Company, appointed as the chairperson of GP Capital. Therefore, GP Capital constitutes a related party. The Company holds 99.90% of the interest equity of GP Fund, and GP Fund is the controlling subsidiary of the Company. As a results, the transaction that the Company subscribed the shares of GP Venture Capital Fund constitutes a connected transaction. The Company considered that the investment is conducive to diversifying investment risks and improving investment efficiency, and will help the Company to accelerate its transformation and upgrading in the biomedical health industry and achieve rapid development.

##### Index for query

For details, please refer to the announcement of the Company dated 19 December 2023 disclosed on the websites of SSE (<http://www.sse.com.cn/>) and HKEX (<http://www.hkex.com.hk>)

## 12. CONNECTED TRANSACTIONS *(Continued)*

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

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

Applicable    Not applicable

On 2 March 2023, the 26th meeting of the eighth session of the Board of the Company considered and approved the proposal Connected Transaction: Participation in the Establishment of WBA GP Fund, and approved GP Fund to contribute RMB334 million to participate in the establishment of WBA GP Fund and to enter into the Cooperation Agreement with GP Capital, Alliance BMP Limited, etc.. GP Capital is the related party of the Company, which led the investment constitutes a connected transaction. For details, please refer to the announcement of the Company dated 2 March 2023 disclosed on the websites of SSE and HKEX.

WBA GP Fund completed the business registration and obtained the business license on 28 June 2023, and completed the first contribution of RMB674.75 million on 4 July 2023 (the date of establishment of the fund). On 14 July 2023, WBA GP Fund completed the filing procedures in the Asset Management Association of China. For details, please refer to the announcement of the Company dated 17 July 2023 disclosed on the websites of SSE and HKEX.

On 25 December 2023, after the consensus with all parties, WBA GP Fund newly entered into the Partnership Agreement of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership), admitting Guangzhou Emerging Industry Development Fund Management Co., Ltd. (廣州市新興產業發展基金管理有限公司) and Guangzhou Industrial Transformation and Upgrading Development Fund Co., Ltd. (廣州市工業輕型升級發展基金有限公司) as New Partners of WBA GP Fund and increasing the fund size from RMB674.75 million to RMB900 million. For details, please refer to the announcement of the Company dated 26 December 2023 disclosed on the websites of SSE and HKEX.

#### **(iii) Events undisclosed in temporary announcements**

Applicable    Not applicable

# Major Events

## 12. CONNECTED TRANSACTIONS *(Continued)*

### (4) Credit claims and liabilities between related parties

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

Applicable  Not applicable

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

Applicable  Not applicable

(iii) *Events undisclosed in temporary announcements*

Applicable  Not applicable

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

Applicable  Not applicable

### (6) Others

Applicable  Not applicable

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

No.	Approval body	Subject matter	Status
1	1st meeting of the Strategic Development and Investment Committee in 2023	The Company acquires 100% equity of Guangzhou Cai Zhi Lin Medicine Co., Ltd. from Cai Zhi Lin and Guangzhou Jian Min Pharmaceutical Chain Co., Ltd. With amount of RMB28.0168 million.	Completed
		He Ji Gong, a branch of the Company, changed the independent legal entity and established a wholly-owned subsidiaries, Guangzhou Baiyunshan He Ji Gong Pharmaceutical Co., Ltd. (subject to the approval of the industrial and commercial registration authority).	Completed
2	2nd meeting of the Strategic Development and Investment Committee in 2023	Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, accepted the offer and sold part of its shares in Charmacy Pharmaceutical.	Completed
3	3rd meeting of the Strategic Development and Investment Committee in 2023	Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd., a wholly-owned subsidiary of the Company, participated in the bidding for 181 mu of Class II industrial land, with an amount of about RMB252.28 million (the specific amount is subject to the actual bidding).	Completed
4	4th meeting and 6th meeting of the Strategic Development and Investment Committee in 2023	The Company performed capital injection to its wholly-owned subsidiary, WLJ Great Health with raised proceeds, for the WLJ Great Health Nansha Base (Phase I) project.	Completed

During the Reporting Period, the Group did not acquire or sell any material assets and equity interests.

The above transactions do not constitute transactions of the Company that require the publication of an announcement and/or approval of the shareholders under Chapter 14 or Chapter 14A of the Listing Rules of the HKSE.

# Major Events

## 14. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

### (2) Guarantees

Applicable  Not applicable

### (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

Other

Applicable  Not applicable

##### 2) *Individual entrusted wealth management products*

Applicable  Not applicable

Other

Applicable  Not applicable

##### 3) *Provision for impairment of entrusted wealth management*

Applicable  Not applicable

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

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

#### (ii) *The Company's entrusted loans*

1) *Overview of the entrusted loans*

Applicable  Not applicable

Others

Applicable  Not applicable

2) *One-off entrusted loans*

Applicable  Not applicable

Others applicable

Applicable  Not applicable

3) *Provision for impairment of entrusted loans*

Applicable  Not applicable

#### (iii) *Others*

Applicable  Not applicable

### (4) **Others material contracts**

Applicable  Not applicable



# Major Events

## 15. 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 proceeds in place	Total amount of the raised proceeds (RMB'0000)	Include: the over amount of the raised proceeds (RMB'0000)	The net raised proceeds after deducting all relevant expenses (RMB'0000)	The total amount of permitted proceeds invested (RMB'0000)	The total amount of permitted proceeds invested after adjustment (1) (RMB'0000)	The total amount of the aggregate proceeds invested as at the end of Reporting Period (2) (RMB'0000)	Amount of the proceeds carried forward to the current year (RMB'0000)	The progress of the aggregate proceeds invested as at the end of Reporting Period (%) (3) = (2)/(1)	The proceeds invested during the Year (4) (RMB'0000)	The proportion of the proceeds invested during the Year (%) (5) = (4)/(1)	The amount of proceeds changed use (RMB'0000)
Issue of shares to specific subjects	11 August 2016	788,580.76	0	786,344.65	786,344.65	796,117.73	753,524.10	157,085.61	94.65	64,879.14	8.15	207,144.27

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

### (2) Details of the proceeds projects

✓ Applicable    □ Not applicable

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:

Name of projects	Nature of projects	Whether changed the use of investment proceeds	The date when the raised proceeds in place	Whether used the over amount of the raised proceeds	The total amount of permitted proceeds invested	The total amount of permitted proceeds invested after adjustment (1)	The proceeds invested during the Year	The total amount of the aggregate proceeds invested as at the end of Reporting Period (2)	Date of the projects becoming ready for intended use (3) = (2)/(1)	Whether be concluded	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 on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
The construction project of the Great Southern TCM research and development platform	Construction of research and development, and production base	Yes	Issue of shares to specific subjects in August 2016	No	150,000.00	99,757.10	12,699.80	84,568.47	84.77 31 December 2025 (note a, e)	No	Yes	N/A	Reflected in the Company's effectiveness	No	/ /
The construction project of the Great Southern TCM production base (phase 1)	Construction of production base	Yes	Issue of shares to specific subjects in August 2016	No	100,000.00	64,391.67	17,584.90	56,256.24	87.37 31 January 2024 (note b)	No	Yes	N/A	In progress, N/A	No	/ /

# Major Events

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

### (2) Details of the proceeds projects (Continued)

Name of projects	Nature of projects	Whether changed the use of investment	The date when the raised proceeds in place	Whether used the over amount of the raised proceeds	The total amount of permitted proceeds invested	The total amount of permitted proceeds invested after adjustment	The proceeds invested during the Year	The total amount of aggregate proceeds invested as at the end of Reporting Period (2)	The total amount of aggregate proceeds invested as at the end of Reporting Period (3) = (2)/(1)	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 on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
Including, Ming Xing relocation improvement project	Construction of production base	No	Issue of shares to specific subjects in August 2016	No	60,000.00	60,000.00	17,584.90	51,864.57	86.44%	Yes	N/A			It is intended that the surplus proceeds will supplement the working capital.
He J Gong relocation improvement project	Construction of production base	Yes	Issue of shares to specific subjects in August 2016	No	40,000.00	4,391.67			23 November 2020	/	N/A	/	/	/
The extension project of modern medical logistic services extension	Operation management	Yes	Issue of shares to specific subjects in August 2016	No	100,000.00	/	/	/	Change in the intended use on 28 March 2019	/	/	/	/	5,596.02 /

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

### (2) Details of the proceeds projects (Continued)

Name of projects	Nature of projects	Whether changed the use of investment	The date when the raised proceeds in place	Whether used the over amount of the raised proceeds	The total amount of permitted proceeds invested (RMB'0000)	The total amount of permitted proceeds invested after adjustment (1) (RMB'0000)	The proceeds invested during the Year (2) (RMB'0000)	The total amount of aggregate proceeds invested as at the end of Reporting Period (3) = (2)/(1) intended use concluded (RMB'0000)	The progress of the aggregate proceeds invested as Date of the projects becoming Period (%) ready for (3) = (2)/(1) intended use concluded	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 on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
The project for acquiring the "Wang_Lao Ji" series trademarks held by GPHL (the controlling shareholder of the Company)	Operation management	Yes	In August 2016	No	108,000.00 (RMB'0000)	108,000.00 (RMB'0000)	/	108,000.00 (RMB'0000)	100	Yes	N/A	Reflected in the Company's effectiveness	Reflected in the Company's effectiveness	/ /
The project for establishment of channels and brands	Operation management	No	In August 2016	No	200,000.00 (RMB'0000)	200,000.00 (RMB'0000)	/	203,395.67 (RMB'0000)	101.70	/	N/A	Reflected in the Company's effectiveness	Reflected in the Company's effectiveness	12,317.64 /

# Major Events

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

### (2) Details of the proceeds projects (Continued)

Name of projects	Nature of projects	Whether changed the use of investment	Source of the raised proceeds	The date when the raised proceeds in place	Whether used the over amount of the raised proceeds	The total amount of permitted proceeds invested	The total amount of permitted proceeds invested after adjustment (1)	The proceeds invested during the Year (2)	The total amount of aggregate proceeds invested as at the end of Reporting 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 achieved effectiveness or results of the project	Explanation on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
The project for establishment of information platform	Operation management	Yes	Issue of shares to specific subjects	In August 2016	No	20,000.00 (RMB'0000)	2,774.99 (RMB'0000)	2,774.99 (RMB'0000)	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 e)	/	N/A	Reflected in the Company's effectiveness	/	/
The project for the establishment of Guangao Bayunshan Chemical & Pharmaceutical (Zhuhai) Co., Ltd	Construction of production base	Yes	Issue of shares to specific subjects	In August 2016	No	48,901.37 (RMB'0000)	48,901.37 (RMB'0000)	3,158.30 (RMB'0000)	61.44	31 December 2023 (note e)	Yes	N/A	Approximately completed, N/A	No	/ It is intended that the surplus proceeds will supplement the working capital.

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

### (2) Details of the proceeds projects (Continued)

Name of projects	Nature of projects	Whether changed the use of investment proceeds	Source of the raised proceeds	The date when the raised proceeds in place	Whether used the over amount of the raised proceeds	The total amount of permitted proceeds invested	The total amount of permitted proceeds invested after adjustment (1)	The proceeds invested during the Year	The total amount of aggregate proceeds invested as at the end of Reporting Period (2)	The progress of the aggregate proceeds invested as at the end of Reporting Period (3) = (2)/(1)	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 on significant changes of projects feasibility (if any)	Whether the proposed use of the rest amount of the proceeds will continue to be used in accordance with the intended use amount and schedule
The project for Nansha base Phase I of WU Health	Construction of production base	Yes	Issue of shares to specific subjects	In August 2016	No	RMB'0000 38,400.00	RMB'0000 38,400.00	RMB'0000 10,033.55	RMB'0000 20,172.21	52.53	Yes	N/A	Approximately completed, N/A	No	/
The project of Gansu Guoqiao Baiyunshan TCM Technology Industry Park Phase I Project	Construction of production base	Yes	Issue of shares to specific subjects	In August 2016	No	RMB'0000 11,842.90	RMB'0000 11,842.90	RMB'0000 7,722.59	RMB'0000 11,524.43	97.31	Yes	N/A	Approximately completed, N/A	No	/
Replenishment of liquidity	Refund the loan	No	Issue of shares to specific subjects	/	216,344.65	RMB'0000 222,049.70	/	RMB'0000 13,680.00	RMB'0000 236,705.20	106.64	/	N/A	Reflected in the Company's effectiveness	No	/

# Major Events

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

### (2) Details of the proceeds projects *(Continued)*

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

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

### (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 2023, 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 issued by the CSRC and the Self-regulatory Guidelines No. 1 for Listed Companies – Standard Operation on the Shanghai Stock Exchange and other relevant guidelines, the Company made a special report on the deposit and actual use of the proceeds in 2023 (the full text of which had been uploaded to the website of the SSE).



## Major Events

16. **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 RMB1,678,250,000 AND THE RENTAL EXPENSES IN RELATION TO WHICH CONTRACTS HAD BEEN ENTERED INTO BY THE GROUP BUT PAYMENTS HAD NOT BEEN MADE WERE RMB791,480,000.**
17. **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.**
18. **DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY SPECIAL TRANSACTION WITH ITS CONNECTED PARTIES INCLUDING DIRECT DONATIONS IN CASH OR ASSETS IN KIND, DIRECT EXEMPTION OR REPAYMENT FOR OTHERS.**
19. **EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS**

✓ Applicable    Not applicable

- (i) According to the overall strategic layout of the Company and in light of the business development needs of GP Corp. and in order to further broaden the Company's overseas financing channels and accelerate the implementation of the Company's internationalization strategy, the Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the Resolution in Relation to Authorizing the Management of the Company to Initiate the Relevant Preparatory Works for the Spin-off and Overseas Listing of a Subsidiary on The Stock Exchange of Hong Kong Limited was considered and approved. The Board authorized the management of the Company to initiate the preliminary preparation works for the spin-off and overseas listing of GP Corp. on the HKEX.

## 19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS *(Continued)*

(i) *(Continued)*

On 29 April 2020, GP Corp. completed the business registration for the change in ownership and became a company limited by shares. The resolution on the capital injection and enlargement of GP Corp. was considered and approved by the third meeting of the eighth session of the Board on 6 August 2020. The resolution on the initial public offering of foreign shares (H shares) by GP HK1\_5039752\_1 2 Code Riders Corp. by way of overseas listing and a series of resolutions related to the listing proposals were considered and approved by the sixth meeting of the eighth session of the Board on 30 September 2020. GP Corp. solicited qualified investors by way of a public tender process via the Guangzhou Enterprises Mergers and Acquisition Services from 12 October 2020 to 4 December 2020, and eventually solicited one strategic investor and five ordinary investors which, thereby increased 222,305,500 new shares by way of capital injection and enlargement. On 30 December 2020, GP Corp. completed the business registration for the changes related to the said capital injection and enlargement. On 9 March 2021, GP Corp. submitted the application materials for initial public offering of overseas listed foreign capital shares (H shares) and listing on the main board of HKEX to China Securities Regulatory Commission, and was accepted on 17 March 2021. On 31 March 2021, GP Corp. submitted a listing application (Form A1) to apply for listing and trading on the main board of HKEX. On 2 July 2021, GP Corp. received the reply on the Approval of Guangzhou Pharmaceutical Co., Ltd. to Issue Overseas Listed Foreign Capital Stocks issued by China Securities Regulatory Commission. For details, please refer to the announcements of the Company dated 10 September 2019, 29 April 2020, 6 August 2020, 30 September 2020, 31 December 2020, 18 March 2021, 31 March 2021 and 4 July 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

Since the issuance of spin-off plan for GP Corp., the board, management team of the Company and GP Corp. and relevant agents have advanced each project jointly. In view of the expiry of the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Guangzhou Pharmaceuticals Co., Ltd. (issued by the China Securities Regulatory Commission) on 23 June 2022 and having considered the changes of capital market of Hong Kong, and in conjunction with the development plan of the Company and GP Corp., the Company and GP Corp. determine to suspend proceeding with the Proposed Spin-off after due and careful consideration. However, the Company and GP Corp. do not exclude that they may, after taking into account future market circumstances and their business development needs, reconsider proceeding with the Proposed Spin-off at the appropriate time.

# Major Events

## 19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS *(Continued)*

(i) *(Continued)*

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.

- (ii) The Company held the 26th meeting of the seventh session of the Board on 10 September 2019, at which the Resolution on Approving GP Corp., a subsidiary of the Company, to Conduct Asset-backed Securitization was considered and approved, and it agreed GP Corp. to conduct asset-backed securitization of accounts receivable and approved Industrial Securities Asset Management Co., Ltd. (the “Industrial Securities Asset Management”) to establish the “Accounts Receivable Asset-backed Special Scheme”. The above-mentioned resolution was considered and approved at the second extraordinary general meeting of shareholders in 2019 held by the Company on 12 November 2019. On 26 November 2019, the Company received the Letter of No objection to the Listing Transfer of the Special Asset Support Plan with the support of Phase 1-5 assets of Xingye Yuanrong-GP Corp., which issued by SSE and forwarded by Industrial Securities Asset Management. On 11 December 2019, GP Corp. issued Xingye Yuanrong-GP Corp. phase 1 Special Asset Support Plan for Accounts receivable (“Phase 1 Special Plan”), with total issuance amount of RMB1 billion, of which the expiration date of phase 1 Special Plan is 30 June 2021. By the expiration date, the accumulative total sales for asset scale of GP Corp.’s receivables asset with securitization is RMB4.798 billion. On 30 July 2021, Phase 1 Special Plan has been settled. For details, please refer to the announcement of the Company dated 10 September 2019, 11 December 2019 and 13 August 2021 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

## 19. EXPLANATORY NOTES ON OTHER MAJOR EVENTS THAT MAY HAVE SIGNIFICANT EFFECTS ON VALUATION OR INVESTMENT DECISION BY INVESTORS *(Continued)*

(ii) *(Continued)*

On 10 September 2021, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase II Special Asset Support Plan for Accounts receivable (“Phase 2 Special Plan”), with effective amount of RMB1 billion during the fundraising period. Phase 2 special plan has reached the agreed fund scale of special plan and meets the establishment conditions. The total issuance amount of Phase 2 Special Plan is RMB1 billion. After its establishment, it will be filed in accordance with relevant regulations and requirements of relevant regulatory authorities. The expiry date of Phase 2 Special Plan is 8 May 2023. As of the maturity date, the cumulative asset sale scale of the securitization of the accounts receivable assets of GP Corp. was RMB3.807 billion, and the total purchase price received was RMB3.757 billion. On 21 June 2023, the Phase 2 Special Plan was liquidated. For details, please refer to the announcement of the Company dated 10 September 2021, 28 October 2022, 1 February 2023 and 7 July 2023 published on the websites of the SSE and the HKEX, respectively.

(iii) On 22 November 2022, the Company held the 24th meeting of the eighth session of the Board, at which the Resolution on Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), a controlled subsidiary of the Company, to conduct asset-backed securitization of accounts receivable was considered and approved, and it agreed GP Corp. to conduct assetbacked securitization of accounts receivable and approved Industrial Securities Asset Management Co., Ltd. (the “Industrial Securities Asset Management”) to establish the “Accounts Receivable Asset- backed Special Scheme”. The above-mentioned resolution was considered and approved at the first extraordinary general meeting of shareholders in 2022 held by the Company on 16 December 2022. On 15 March 2023, the Company received the Letter of No objection to the Listing Transfer of the Special Asset Support Plan with the support of Phase3-7 assets of Xingye Yuanrong- GP Corp. Receivables from Industrial Securities Asset Management, which issued by Shanghai Stock Exchange. On 20 March 2023, GP Corp. continued to issue Xingye Yuanrong-GP Corp. phase III Special Asset Support Plan for Accounts receivable (“Phase 3 Special Plan”), with effective amount of RMB1 billion. As at 31 December 2023, the cumulative asset sale scale of the securitization of the accounts receivable assets of GP Corp. was RMB1.387 billion, and the total purchase price received was RMB1.354 billion.

For details, please refer to the announcement of the Company dated 22 November 2022, 16 December 2022, 15 March 2023 and 30 October 2023 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the websites of the SSE and the HKEX, respectively.

# Changes in Share Capital and Shareholders

## 1. CHANGES IN SHARE CAPITAL

### (1) Changes in share capital

#### (i) Changes in share capital

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

#### (ii) Explanation of change in share capital

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### (2) Changes in restricted shares

Applicable  Not applicable

## 2. SECURITIES ISSUANCE AND LISTING

### (1) Securities issuance during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

### (3) Existing employee stocks

Applicable  Not applicable

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER

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

As at 31 December 2023, there were 94,302 shareholders in total, of which 94,251 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 51 were holders of overseas listed shares (H shares).

As at 29 February 2024, there were 90,002 shareholders in total, of which 89,950 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 52 were holders of overseas listed shares (H shares).

### (2) As at 31 December 2023, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows

The top 10 shareholders of the Company (without 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 (share)	Number of shares Pledged, Marked or locked (share)	Nature of Shareholders
Guangzhou Pharmaceutical Holdings Limited	0	732,305,103	45.04	0	0	State-owned legal person
HKSCC Nominees Limited	2,000	219,771,290	13.52	0	0	Others
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	0	73,313,783	4.51	0	0	Others
China Securities Finance Corporation Limited	0	47,277,962	2.91	0	0	Others
Hong Kong Securities Clearing Company Limited	(4,567,752)	27,514,590	1.69	0	0	Others
Guangzhou Industrial Investment and Capital Operating Holdings Group Ltd.	(24,628,810)	18,093,752	1.11	0	0	State-owned legal person
China Construction Bank Corporation – E Fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	5,360,402	10,566,457	0.65	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Others
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Others
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	0	8,662,836	0.53	0	0	Others

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

### (2) As at 31 December 2023, 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			
Shareholders (full name)	Number of shares without selling restrictions <i>(share)</i>	Class of shares	Number of shares <i>(share)</i>
Guangzhou Pharmaceutical Holdings Limited	732,305,103	Domestic shares denominated in RMB	732,305,103
HKSCC Nominees Limited	219,771,290	H shares	219,771,290
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	73,313,783	Domestic shares denominated in RMB	73,313,783
China Securities Finance Corporation Limited	47,277,962	Domestic shares denominated in RMB	47,277,962
Hong Kong Securities Clearing Company Limited	27,514,590	Domestic shares denominated in RMB	27,514,590
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	18,093,752	Domestic shares denominated in RMB	18,093,752
China Construction Bank Corporation – E fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	10,566,457	Domestic shares denominated in RMB	10,566,457
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
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	8,662,836	Domestic shares denominated in RMB	8,662,836
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 2023, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows (Continued)

Information on the top ten shareholders participate in the refinancing and securities lending business

✓ Applicable     Not applicable

#### Information on the top ten shareholders participating in the refinancing and securities lending business

Shareholders (full name)	The shareholdings of ordinary account and credit account at the beginning of the Reporting Period		The outstanding shares of refinancing and securities lending business at the beginning of Reporting Period		The shareholdings of ordinary account and credit account at the end of the Reporting Period		The outstanding shares of refinancing and securities lending business at the end of Reporting Period	
	Number of	Percentage	Number of	Percentage	Number of	Percentage	Number of	Percentage
	shares (share)	(%)	shares (share)	Percentage (%)	shares (share)	Percentage (%)	shares (share)	Percentage (%)
Guangzhou Pharmaceutical Holdings Limited	732,305,103	45.04	0	0	732,305,103	45.04	0	0
HKSCC Nominees Limited	219,769,290	13.52	Not available	/	219,771,290	13.52	Not available	/
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	73,313,783	4.51	0	0	73,313,783	4.51	0	0
China Securities Finance Corporation Limited	47,277,962	2.91	Not available	/	47,277,962	2.91	Not available	/
Hong Kong Securities Clearing Company Limited	32,082,342	1.97	Not available	/	27,514,590	1.69	Not available	/
Guangzhou Industrial Investment and Capital Operation Holding Group Ltd.	42,722,562	2.63	0	0	18,093,752	1.11	600,000	0.04
China Construction Bank Corporation – E fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	5,206,055	0.32	Not available	/	10,566,457	0.65	Not available	/
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	8,795,136	0.54	Not available	/	8,795,136	0.54	Not available	/
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	8,680,636	0.53	Not available	/	8,680,636	0.53	Not available	/
Boshi AMC – Agricultural Bank – Boshi China Securities Financial Asset Management Plan	8,662,836	0.53	Not available	/	8,662,836	0.53	Not available	/



# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

### (2) As at 31 December 2023, the top ten shareholders (or the shareholders not subject to selling restrictions) of the Company are set out as follows *(Continued)*

Changes of the top ten shareholders compared with last period

Applicable  Not applicable

#### Changes of the top ten shareholders compared with last period

Shareholders (full name)	Add/exit during the Reporting Period	The outstanding shares of refinancing and securities lending business at the end of Reporting Period		The shares held by the shareholders through ordinary account and credit account as well as the outstanding shares of refinancing and securities lending business at the end of Reporting Period	
		Number of shares	Percentage	Number of shares	Percentage
		(share)	(%)	(share)	(%)
China Construction Bank Corporation – E fund CSI 300 Medical and Health Trading Open Index Securities Investment Fund	Add	Not available	/	Not available	/
Dacheng AMC-Agricultural Bank-Dacheng China Securities Financial Asset Management Plan	Exit	Not available	/	Not available	/

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

Applicable  Not applicable

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

Applicable  Not applicable

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

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

As at 31 December 2023, the interests and short positions held by the persons (not being the Directors, Supervisors or senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO and to be recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Number of shares held (share)	Capacity	Approximate	Approximate
				% of the total issued domestic shares (%)	% of the total issued H shares (%)
GPHL	A shares	732,305,103 (long position)	Beneficial owner	About 52.09	–
GZ Chengfa	A shares	73,313,783 (long position)	Beneficial owner	About 5.21	–
Norges Bank	H shares	35,281,000 (long position)	Beneficial owner	–	About 16.04
Citigroup Inc. (note 1 and note 2)	H shares	23,816,036 (long position)	Interests in controlled corporation	–	About 10.83
		46,000 (short position)	Interests in controlled corporation	–	About 0.02
		23,762,269 (lending pool)	Approved lending agent	–	About 10.80
LSV ASSET MANAGEMENT	H shares	9,330,111 (long position)	Investment Manager	–	About 4.24
		3,856,000 (long position)	Others (note 3)	–	About 1.75

Notes:

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

- (1) Interests in 53,767 long position H shares and in 46,000 short position H shares in the Company were held by Citigroup Global Markets Limited ("Citigroup Markets"), which was owned as to 100% by Citigroup Global Markets Holdings Bahamas Limited ("Citigroup Bahamas"). Citigroup Bahamas was owned as to 90% by Citigroup Finance Products Inc. ("Citigroup Financial"). Citigroup Financial was wholly-owned by Citigroup Global Markets Holdings Inc. ("Citigroup Holdings"). Citigroup Holdings was wholly-owned by Citigroup Inc. Therefore, Citigroup Bahamas, Citigroup Financial, Citigroup Holdings and Citigroup Inc. were deemed to be interested in the shares held by Citigroup Markets under the SFO.
- (2) Interests in 23,762,269 long position H shares in the Company were held by Citibank, N.A., which was wholly-owned by Citicorp LLC. Citicorp LLC was wholly-owned by Citigroup Inc. Therefore, Citicorp LLC and Citigroup Inc. were deemed to be interested in the shares held by Citibank, N.A. under the SFO.

# Changes in Share Capital and Shareholders

## 3. INFORMATION ON SHAREHOLDERS AND CONTROLLING SHAREHOLDER *(Continued)*

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

Notes: *(Continued)*

2. In conclusion, Citigroup Inc. directly or indirectly held a long position of 23,816,036 H shares in the Company, of which 53,767 shares were indirectly held via its controlled corporations and 23,762,269 shares were held in the capacity of approved lending agent. In which 2,000 long position H shares in the Company are unlisted derivatives to be settled in cash.
3. Interests in 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 Chuyuan

Date of establishment 7 August 1996

Business scope To invest in and manage state-owned assets, to sell and manufacture pharmaceutical intermediates, Chinese and Western medicine, Chinese raw medicine, bio-tech products, medical apparatus, pharmaceutical equipment, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise; to undertake medicine related import and export affairs and to develop real estate.

Shareholding information of other domestic and overseas listed companies during the Reporting Period Not applicable

#### (ii) *Natural person*

Applicable  Not applicable

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

Applicable  Not applicable

# Changes in Share Capital and Shareholders

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

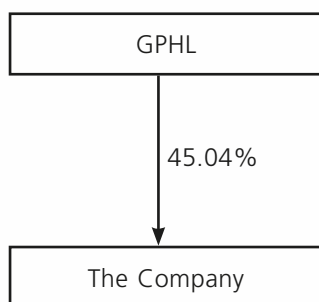
### (1) Controlling shareholder *(Continued)*

#### (iv) Information of change of controlling shareholder during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable



### (2) Beneficial owner

#### (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

# Changes in Share Capital and Shareholders

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

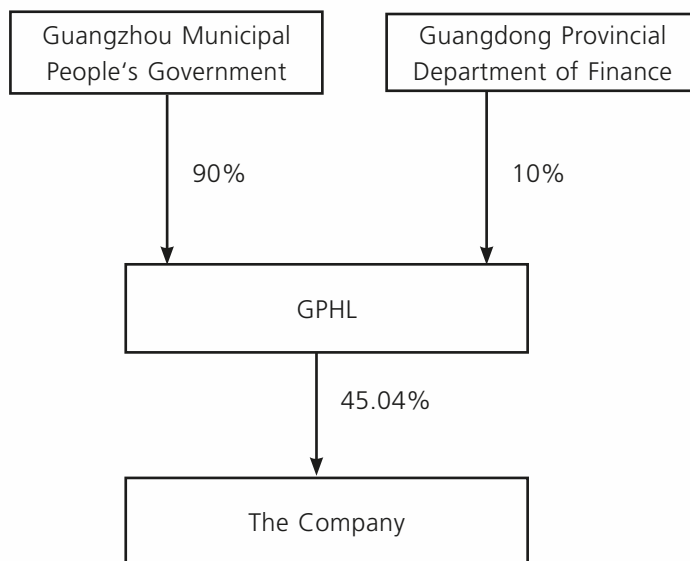
### (2) Beneficial owner (Continued)

#### (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

### (3) Other information of the controlling shareholder and beneficial owner

Applicable  Not applicable

# Changes in Share Capital and Shareholders

## 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.

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

## 9. PUBLIC FLOAT

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

## 10. PRE-EMPTIVE RIGHTS

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

## 11. DESCRIPTION ON RESTRICTIONS ON SHARES

Applicable  Not applicable

## 12. IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable  Not applicable

## Relevant Information on Preferred Shares

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 2023, 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 2023 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.

# AUDITOR'S REPORT

## 3. KEY AUDIT MATTERS (Continued)

### (1) Revenue recognition

#### ① Matters Description

As stated in the Note "V. (47) Operating Income and Operating Costs" of the financial statements, the Company's 2023 operating income is RMB75,515,403,994.78, of which the main business income is RMB75,274,869,097.13, accounting for 99.68% 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, 2023, 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.

# AUDITOR'S REPORT

## 4. OTHER INFORMATION

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. is responsible for the other information. The other information comprises the information included in the 2023 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. MANAGEMENT AND GOVERNANCE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (hereinafter referred to as "the Management") is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 6. AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## 6. AUDITOR'S RESPONSIBILITY *(Continued)*

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.
- (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.

# AUDITOR'S REPORT

## 6. AUDITOR'S RESPONSIBILITY *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**WUYIGE Certified Public Accountants LLP**  
(Special General Partnership)

CICPA:

Beijing•China

CICPA:

15 March 2024

# CONSOLIDATED BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Current assets:</b>			
Cash at bank and on hand	V.1	21,308,844,204.44	22,499,552,770.75
Financial assets held for trading	V.2	4,000,000.00	56,872,680.00
Derivative financial assets			
Notes receivable	V.3	870,884,277.92	1,127,351,252.18
Accounts receivable	V.4	15,112,494,798.69	14,857,591,768.49
Accounts receivable financing	V.5	3,614,318,262.22	3,182,767,002.04
Advances to suppliers	V.6	818,359,584.97	836,054,949.33
Other receivables	V.7	878,488,529.23	917,243,401.47
Including: Interest receivable			
Dividends receivable	V.7	61,263,627.92	218,766,959.00
Inventories	V.8	11,507,099,742.41	10,671,572,518.76
Contract assets			
Assets held for sales			
Current portion of non-current assets	V.9	159,360,467.41	653,115,558.10
Other current assets	V.10	1,709,863,857.80	2,262,189,612.17
<b>Total current assets</b>		<b>55,983,713,725.09</b>	57,064,311,513.29
<b>Non-current assets:</b>			
Debt investment	V.11	6,536,371,536.43	3,164,498,751.59
Other debt investment			
Long-term receivables			
Long-term equity investment	V.12	1,805,641,584.30	1,584,063,326.22
Other equity instrument investment	V.13	103,811,737.94	109,569,842.38
Other non-current financial assets	V.14	1,005,936,165.09	1,038,818,757.16
Investment properties	V.15	169,774,679.12	206,705,464.62
Fixed assets	V.16	4,379,797,422.14	3,709,183,725.56
Construction in progress	V.17	2,405,171,721.70	2,108,326,591.35
Bearer biological assets	V.18	2,105,655.00	2,455,065.00
Oil and gas assets			
Right-of-use assets	V.19	728,902,362.98	750,159,146.25
Intangible assets	V.20	2,886,413,941.35	2,585,098,403.38
Development expenditure	VI.2	309,893,312.45	240,668,063.93
Goodwill	V.21	829,473,066.90	829,473,066.90
Long-term prepaid expenses	V.22	189,876,764.45	166,798,201.40
Deferred tax assets	V.23	1,163,548,295.53	865,338,772.26
Other non-current assets	V.24	86,445,793.62	239,830,085.45
<b>Total non-current assets</b>		<b>22,603,164,039.00</b>	17,600,987,263.45
<b>Total Assets</b>		<b>78,586,877,764.09</b>	74,665,298,776.74



# CONSOLIDATED BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Current liabilities:</b>			
Short-term borrowings	V.26	7,799,035,643.76	8,538,065,161.82
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	V.27	3,844,035,975.33	3,760,482,808.87
Accounts payable	V.28	11,841,831,852.37	11,200,347,828.21
Advances from customers			
Contract liabilities	V.29	5,429,885,396.19	5,644,201,576.24
Employee benefits payable	V.30	1,068,998,831.85	1,009,349,656.60
Taxes payable	V.31	386,552,287.00	375,710,536.16
Other payables	V.32	4,919,241,645.67	4,834,860,628.52
Including: Interest payable	V.32		
Dividends payable	V.32	62,206,330.91	54,681,191.50
Liabilities held for sales			
Current portion of non-current liabilities	V.33	249,828,503.72	706,731,706.03
Other current liabilities	V.34	695,880,365.06	1,325,366,108.82
<b>Total current liabilities</b>		<b>36,235,290,500.95</b>	<b>37,395,116,011.27</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	V.35	3,323,717,917.22	1,639,203,064.38
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities	V.36	578,192,461.09	545,843,252.45
Long-term payables	V.37	19,971,964.60	20,396,504.60
Long-term employee benefits payable	V.38	293,264.21	318,220.83
Provisions	V.39	55,930,935.37	47,783,187.15
Deferred income	V.40	1,001,429,861.00	930,926,291.01
Deferred tax liabilities	V.23	639,528,919.04	394,588,189.23
Other non-current liabilities	V.41	54,698,033.81	53,265,976.60
<b>Total non-current liabilities</b>		<b>5,673,763,356.34</b>	<b>3,632,324,686.25</b>
<b>Total Liabilities</b>		<b>41,909,053,857.29</b>	<b>41,027,440,697.52</b>

# CONSOLIDATED BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Shareholders' equity:</b>			
Share capital	V.42	1,625,790,949.00	1,625,790,949.00
Other equity instruments Including: Preferred stock Perpetual bond			
Capital surplus	V.43	10,105,714,430.90	10,105,714,430.90
Less: Treasury shares			
Other comprehensive income	V.44	(24,344,469.59)	(12,900,928.58)
Special reserve			
Surplus reserve	V.45	2,252,789,227.30	2,084,386,972.83
Undistributed profits	V.46	20,959,330,809.10	18,262,133,346.76
<b>Total equity attributable to shareholders of the parent company</b>		<b>34,919,280,946.71</b>	32,065,124,770.91
<b>Minority interest</b>		<b>1,758,542,960.09</b>	1,572,733,308.31
<b>Total Shareholders' Equity</b>		<b>36,677,823,906.80</b>	33,637,858,079.22
<b>Total Liabilities and Shareholders' Equity</b>		<b>78,586,877,764.09</b>	74,665,298,776.74

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# CONSOLIDATED INCOME STATEMENT

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	V.47	<b>75,515,403,994.78</b>	70,788,155,068.45
Less: Operating costs	V.47	<b>61,328,109,614.88</b>	57,510,951,745.55
Taxes and surcharges	V.48	<b>344,162,082.69</b>	297,662,003.76
Selling and distribution expenses	V.49	<b>6,104,737,743.38</b>	5,875,439,169.65
General and administrative expenses	V.50	<b>2,421,539,832.01</b>	2,218,269,994.06
R&D expenses	V.51	<b>782,144,234.86</b>	819,454,349.98
Financial expenses	V.52	<b>(19,560,781.89)</b>	(162,455,524.14)
Including: Interest expense	V.52	<b>446,191,732.89</b>	434,408,023.62
Interest income	V.52	<b>486,336,348.90</b>	626,789,186.37
Add: Other income	V.53	<b>337,784,445.95</b>	480,422,865.61
Investment income ("-" for loss)	V.54	<b>264,842,172.40</b>	421,174,647.06
Including: Share of profit or loss of associates and joint ventures ("-" for loss)	V.54	<b>107,887,761.00</b>	136,587,586.49
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(14,771,116.09)</b>	(4,837,495.52)
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)	V.55	<b>38,637,354.11</b>	(3,590,915.95)
Impairment losses in respect of credit ("-" for loss)	V.56	<b>(83,144,473.48)</b>	(45,146,385.09)
Impairment losses in respect of assets ("-" for loss)	V.57	<b>(3,521,096.00)</b>	(7,983,747.94)
Gains on disposal of assets ("-" for loss)	V.58	<b>12,027,009.48</b>	689,816.02
<b>II. Operating profit ("-" for loss)</b>		<b>5,120,896,681.31</b>	5,074,399,609.30
Add: Non-operating income	V.59	<b>29,276,203.99</b>	18,120,146.41
Less: Non-operating expenses	V.60	<b>39,674,855.68</b>	49,275,684.47
<b>III. Total profit ("-" for loss)</b>		<b>5,110,498,029.62</b>	5,043,244,071.24
Less: Income tax expenses	V.61	<b>851,170,069.30</b>	789,873,737.26
<b>IV. Net profit ("-" for net loss)</b>		<b>4,259,327,960.32</b>	4,253,370,333.98
(I) Classified by the continuity of operations			
1. Net profit from continuing operations ("-" for loss)		<b>4,259,327,960.32</b>	4,253,370,333.98
2. Net profit from discontinued operation ("-" for loss)			
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company's shareholders ("-" for loss)		<b>4,055,678,691.49</b>	3,966,522,218.54
2. Minority interest ("-" for loss)		<b>203,649,268.83</b>	286,848,115.44

# CONSOLIDATED INCOME STATEMENT

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>V. Other comprehensive income, net of tax</b>		<b>(12,232,383.31)</b>	5,775,602.17
Other comprehensive income, net of tax attributable to the parent company's shareholders	V.44	(11,443,541.01)	4,575,428.30
(I) Other comprehensive income that will not be reclassified to profit or loss	V.44	(6,814,614.13)	(13,694,627.23)
1. Changes arising from the remeasurement of defined benefit obligation			
2. Other comprehensive income that will not be reclassified to profit or loss under equity method			
3. Change in fair value of other equity instrument investments	V.44	(6,814,614.13)	(13,694,627.23)
4. Change in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified into profit or loss		(4,628,926.88)	18,270,055.53
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments	V.44	(8,899,525.75)	2,550,507.82
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments	V.44	997,136.00	651,848.91
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements	V.44	3,273,462.87	15,067,698.80
7. Others			
Other comprehensive income, net of tax attributable to minority shareholders	V.44	(788,842.30)	1,200,173.87
<b>VI. Total comprehensive income</b>		<b>4,247,095,577.01</b>	4,259,145,936.15
1. Total comprehensive income attributable to shareholders of the parent company		4,044,235,150.48	3,971,097,646.84
2. Total comprehensive income attributable to minority shareholders		202,860,426.53	288,048,289.31
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share	XVII.2	2.495	2.440
2. Diluted earnings per share	XVII.2	2.495	2.440

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

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		75,343,488,570.80	71,970,022,365.52
Receipts of taxes refunds		23,532,172.96	61,657,364.36
Other cash receipts relating to operating activities	V.63	1,221,231,301.86	1,570,593,499.93
<b>Subtotal of cash inflow from operating activities</b>		<b>76,588,252,045.62</b>	<b>73,602,273,229.81</b>
Cash payments for goods purchased and services received		59,855,855,914.60	55,115,480,034.30
Cash payments to and on behalf of employees		5,905,714,593.28	5,605,753,108.08
Payments of all types of taxes		3,163,824,344.30	2,820,987,080.83
Other cash payments relating to operating activities		3,559,232,196.10	3,060,976,823.86
<b>Subtotal of cash outflow from operating activities</b>		<b>72,484,627,048.28</b>	<b>66,603,197,047.07</b>
<b>Net cash flow from operating activities</b>		<b>4,103,624,997.34</b>	<b>6,999,076,182.74</b>
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		2,421,449,713.73	684,674,286.30
Cash receipts from returns on investments		384,428,551.87	214,786,072.46
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		13,934,170.08	1,494,651.48
Net cash receipts from the disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	V.63	34,269.63	149,605,504.15
<b>Subtotal of cash inflow from investment activities</b>		<b>2,819,846,705.31</b>	<b>1,050,560,514.39</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,628,446,897.99	1,383,873,616.56
Cash payments to acquire investments		4,306,259,088.65	6,917,974,698.54
Net cash payments for acquisitions of subsidiaries and other business units			1,900,000.00
Other cash payments relating to investing activities			
<b>Subtotal of cash outflow from investment activities</b>		<b>5,934,705,986.64</b>	<b>8,303,748,315.10</b>
<b>Net cash flow from investing activities</b>		<b>(3,114,859,281.33)</b>	<b>(7,253,187,800.71)</b>

# CONSOLIDATED STATEMENT OF CASH FLOW

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>III. Cash flow from financing activities:</b>			
Cash receipts from investors making investment in the enterprise		19,960,000.00	32,650,000.00
Including: cash receipts from minorities making investment in subsidiaries		19,960,000.00	32,650,000.00
Cash receipts from borrowing		9,604,101,162.66	9,695,998,054.04
Other cash receipts relating to financing activities	V.63	3,984,246,695.89	3,748,509,386.46
<b>Subtotal of cash inflow from financing activities</b>		<b>13,608,307,858.55</b>	13,477,157,440.50
Cash repayments of amounts borrowed		9,377,812,966.61	8,150,603,270.35
Cash payments for distribution of dividends, profits or interest expenses		1,605,758,037.25	1,546,212,238.71
Including: payments for distribution of dividends or profit to minorities of subsidiaries		20,557,453.01	55,670,746.31
Other cash payments relating to financing activities		4,602,737,619.16	3,734,392,086.96
<b>Subtotal of cash outflow from financing activities</b>		<b>15,586,308,623.02</b>	13,431,207,596.02
<b>Net cash flow from financing activities</b>		<b>(1,978,000,764.47)</b>	45,949,844.48
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		8,079,830.54	(503,256.09)
<b>V. Net increase in cash and cash equivalents</b>			
Add: opening balance of cash and cash equivalents		(981,155,217.92)	(208,665,029.58)
		20,804,699,012.64	21,013,364,042.22
<b>VI. Closing balance of cash and cash equivalents</b>			
		19,823,543,794.72	20,804,699,012.64

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Current period												
	Equity attributable to the Shareholders of Parent Company												
	Other equity instruments		Less:		Other Comprehensive Income		Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity	Total Shareholders' Equity	
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Comprehensive Income	Other					
(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	1,758,942,960.09	36,677,823,906.80

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity		
	Prior period												
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits		Subtotal	Minority Equity
<b>I. Balance at 31 December 2021</b>	1,625,790,949.00				9,956,953,383.38		(17,476,356.88)		1,908,713,749.53	15,588,202,733.48	29,062,184,458.51	2,264,484,100.48	31,326,668,558.99
Add: Changes in accounting policies													
Correction of prior year's errors													
Combination of businesses under common control													
Others													
<b>II. Balance at 1 January 2022</b>	1,625,790,949.00				9,956,953,383.38		(17,476,356.88)		1,908,713,749.53	15,588,202,733.48	29,062,184,458.51	2,264,484,100.48	31,326,668,558.99
<b>III. Increase(decrease) in the current year ("-" for losses)</b>					148,761,047.52		4,575,428.30		175,673,223.30	2,673,930,613.28	3,002,940,312.40	(691,750,792.17)	2,311,189,520.23
(1) Total comprehensive income							4,575,428.30		3,966,522,218.54		3,971,097,646.84	288,048,289.31	4,259,145,936.15
(2) Shareholders' contributions and reduction in capital												(923,141,860.49)	(923,141,860.49)
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									175,673,223.30	(1,292,591,605.26)	(1,116,918,381.96)	(56,605,877.35)	(1,173,524,259.31)
2. Profit distribution to shareholders									175,673,223.30	(175,673,223.30)			
3. Others													

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Equity attributable to the Shareholders of Parent Company										Total Shareholders' Equity								
	Other equity instruments		Less: Treasury shares		Other Comprehensive Income		Special reserve		Surplus Reserve			Undistributed profits		Subtotal		Minority Equity		Total Shareholders' Equity	
	Share capital	Preferred stock	Perpetual bond	Others	Capital Reserve	Treasury shares	Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	Subtotal	Minority Equity	Total Shareholders' Equity						
(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 2022</b>	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	33,637,858,079.22						

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Current assets:</b>			
Cash at bank and on hand		<b>4,816,246,821.06</b>	5,383,835,840.29
Financial assets held for trading			
Derivative financial assets			
Notes receivable		<b>281,805,022.63</b>	383,960,482.81
Accounts receivable	XIV.1	<b>160,933,122.74</b>	110,342,009.47
Accounts receivable financing		<b>372,176,838.83</b>	400,430,516.35
Advances to suppliers		<b>15,823,403.07</b>	25,142,631.80
Other receivables	XIV.2	<b>508,400,266.29</b>	694,151,804.66
Including: Interest receivable			
Dividends receivable	XIV.2	<b>213,161,327.92</b>	381,821,857.43
Inventories		<b>481,677,074.29</b>	453,541,870.41
Contract assets			
Assets held for sales			
Current portion of non-current assets			653,115,558.10
Other current assets		<b>260,904,934.49</b>	1,252,199,926.87
<b>Total current assets</b>		<b>6,897,967,483.40</b>	9,356,720,640.76
<b>Non-current assets:</b>			
Debt investments		<b>5,110,644,132.00</b>	2,664,048,188.99
Other debt investments			
Long-term receivables			
Long-term equity investments	XIV.3	<b>13,543,303,375.27</b>	12,416,592,333.76
Other equity instrument investments		<b>103,811,737.94</b>	109,569,842.38
Other non-current financial assets		<b>981,882,999.57</b>	948,618,737.07
Investment properties		<b>171,606,817.57</b>	180,144,976.22
Fixed assets		<b>430,845,766.80</b>	451,915,223.45
Construction in progress		<b>841,717,730.94</b>	483,668,937.68
Bearer biological assets			
Oil and gas assets			
Right-of-use assets		<b>27,521,136.23</b>	14,273,444.83
Intangible assets		<b>1,862,499,485.32</b>	1,785,870,534.48
Development expenditure		<b>6,339,966.90</b>	6,135,559.73
Goodwill			
Long-term prepaid expenses		<b>5,766,830.06</b>	7,285,114.19
Deferred tax assets		<b>199,972,505.48</b>	180,714,236.05
Other non-current assets		<b>38,401,790.89</b>	121,431,926.78
<b>Total non-current assets</b>		<b>23,324,314,274.97</b>	19,370,269,055.61
<b>Total Assets</b>		<b>30,222,281,758.37</b>	28,726,989,696.37

# BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Current liabilities:</b>			
Short-term borrowings		250,000,000.00	276,411,860.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		398,043,280.96	410,593,055.43
Advances from customers		44,931.23	
Contract liabilities		205,815,322.47	357,386,911.37
Employee benefits payable		104,504,103.01	117,591,605.78
Taxes payable		55,575,395.70	125,630,045.49
Other payables		6,240,462,093.48	5,000,908,693.82
Including: Interest payable			
Dividends payable		1,264,940.14	1,093,954.89
Liabilities held for sales			
Current portion of non-current liabilities		13,804,885.92	305,654,210.33
Other current liabilities		28,091,070.54	48,054,862.21
<b>Total current liabilities</b>		<b>7,296,341,083.31</b>	<b>6,642,231,244.43</b>
<b>Non-current liabilities:</b>			
Long-term borrowings		97,520,000.00	
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liabilities		16,073,237.60	8,038,030.87
Long-term payables		7,777,684.39	7,802,224.39
Long-term employee benefits payable			
Provisions		922,641,569.19	759,731,949.19
Deferred income		68,085,002.83	56,380,333.95
Deferred tax liabilities		61,916,477.36	46,900,429.23
Other non-current liabilities		59,232,906.35	340,642.90
<b>Total non-current liabilities</b>		<b>1,233,246,877.72</b>	<b>879,193,610.53</b>
<b>Total Liabilities</b>		<b>8,529,587,961.03</b>	<b>7,521,424,854.96</b>

# BALANCE SHEET

31 DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	31 December 2023	31 December 2022
<b>Shareholders' equity:</b>			
Share capital		<b>1,625,790,949.00</b>	1,625,790,949.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital surplus		<b>9,819,327,969.93</b>	9,819,327,969.93
Less: Treasury shares			
Other comprehensive income		<b>(21,871,258.97)</b>	(15,056,644.84)
Special reserve			
Surplus reserve		<b>1,880,180,792.71</b>	1,711,778,538.24
Undistributed profits		<b>8,389,265,344.67</b>	8,063,724,029.08
<b>Total Shareholders' Equity</b>		<b>21,692,693,797.34</b>	21,205,564,841.41
<b>Total Liabilities and Shareholders' Equity</b>		<b>30,222,281,758.37</b>	28,726,989,696.37

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# INCOME STATEMENT

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>I. Operating income</b>	XIV.4	<b>3,572,336,319.29</b>	3,404,816,381.67
Less: Operating costs	XIV.4	<b>1,301,004,912.50</b>	1,222,837,896.12
Taxes and surcharges		<b>38,449,939.28</b>	39,969,356.35
Selling and distribution expenses		<b>693,058,414.38</b>	625,728,605.18
General and administrative expenses		<b>401,349,776.27</b>	393,076,988.60
R&D expenses		<b>257,637,519.19</b>	239,584,533.77
Financial expenses		<b>(135,911,638.50)</b>	(157,478,384.35)
Including: Interest expense		<b>14,556,875.97</b>	18,162,822.81
Interest income		<b>153,103,638.80</b>	176,110,039.41
Add: Other income		<b>30,847,590.33</b>	66,615,475.66
Investment income ("-" for loss)	XIV.5	<b>761,615,380.03</b>	822,775,560.99
Including: Share of profit or loss of associates and joint ventures	XIV.5	<b>109,461,200.36</b>	149,779,794.31
Gains on termination of financial assets measured at amortized cost ("-" for loss)		<b>(5,363,152.55)</b>	(6,211,310.05)
Gains on hedging of net exposure ("-" for loss)			
Gains from changes in fair value ("-" for loss)		<b>33,264,262.50</b>	(6,862,343.32)
Impairment losses in respect of credit		<b>(1,493,501.00)</b>	(118,918.82)
Impairment losses in respect of assets		<b>2,314,535.49</b>	6,117,199.69
Gains on disposal of assets ("-" for loss)			319,676.89
<b>II. Operating profit ("-" for loss)</b>		<b>1,843,295,663.52</b>	1,929,944,037.09
Add: Non-operating income		<b>10,256,862.72</b>	2,300,444.91
Less: Non-operating expenses		<b>2,609,498.95</b>	23,545,987.38
<b>III. Total profit ("-" for loss)</b>		<b>1,850,943,027.29</b>	1,908,698,494.62
Less: Income tax expenses		<b>166,920,482.55</b>	151,966,261.54

# INCOME STATEMENT

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>IV. Net profit ("-" for net loss)</b>		<b>1,684,022,544.74</b>	1,756,732,233.08
1. Net profit from continuing operations ("-" for loss)		1,684,022,544.74	1,756,732,233.08
2. Net profit from discontinued operation ("-" for loss)			
<b>V. Other comprehensive income, net of tax</b>		<b>(6,814,614.13)</b>	(13,694,627.23)
(1) Other comprehensive income that will not be reclassified to profit or loss		(6,814,614.13)	(13,694,627.23)
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		(6,814,614.13)	(13,694,627.23)
4. Change in fair value of the company's own credit risk			
(2) Other comprehensive income that may be reclassified into profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under equity method			
2. Change in fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Provision for credit loss of other debt investments			
5. Cash flow hedge reserve			
6. Difference arising from the translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>1,677,207,930.61</b>	1,743,037,605.85
<b>VII. Earnings per share (EPS):</b>			
1. Basic earnings per share			
2. Diluted earnings per share			

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# STATEMENT OF CASH FLOW

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Notes	Current period	Prior period
<b>I. Cash flow arising from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		2,025,382,663.85	2,337,183,702.87
Receipts of taxes refunds		174,788.10	517,320.24
Other cash receipts relating to operating activities		588,311,645.61	599,571,397.25
<b>Subtotal of cash inflow from operating activities</b>		<b>2,613,869,097.56</b>	2,937,272,420.36
Cash payments for goods purchased and services received		296,578,393.82	366,269,925.03
Cash payments to and on behalf of employees		543,739,346.81	510,319,461.75
Payments of all types of taxes		484,170,299.51	357,999,252.13
Other cash payments relating to operating activities		324,980,631.78	326,264,580.51
<b>Subtotal of cash outflow from operating activities</b>		<b>1,649,468,671.92</b>	1,560,853,219.42
<b>Net cash flow from operating activities</b>		<b>964,400,425.64</b>	1,376,419,200.94
<b>II. Cash flow from investing activities:</b>			
Cash receipts from returns of investments		1,628,311,713.85	99,274,286.30
Cash receipts from returns on investments		2,051,601,275.46	2,101,640,273.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		7,338,521.04	83,900.48
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		282,470,811.30	8,355,168.47
<b>Subtotal of cash inflow from investment activities</b>		<b>3,969,722,321.65</b>	2,209,353,628.53
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		305,368,069.26	265,143,858.75
Cash payments to acquire investments		3,499,591,241.52	5,715,139,698.54
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>4,054,959,310.78</b>	5,980,283,557.29
<b>Net cash flow from investing activities</b>		<b>(85,236,989.13)</b>	(3,770,929,928.76)



# STATEMENT OF CASH FLOW

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

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	284,990,735.05
Other cash receipts relating to financing activities			
<b>Subtotal of cash inflow from financing activities</b>		<b>347,550,000.00</b>	284,990,735.05
Cash repayments of amounts borrowed		573,560,000.00	351,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		1,205,922,664.36	1,138,079,650.89
Other cash payments relating to financing activities		14,325,304.00	9,675,099.22
<b>Subtotal of cash outflow from financing activities</b>		<b>1,793,807,968.36</b>	1,498,754,750.11
<b>Net cash flow from financing activities</b>		<b>(1,446,257,968.36)</b>	(1,213,764,015.06)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>5,512.62</b>	33,049.60
<b>V. Net increase in cash and cash equivalents</b>		<b>(567,089,019.23)</b>	(3,608,241,693.28)
Add: opening balance of cash and cash equivalents		5,383,220,433.89	8,991,462,127.17
<b>VI. Closing balance of cash and cash equivalents</b>		<b>4,816,131,414.66</b>	5,383,220,433.89

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Current period										Total Shareholders' Equity
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income	Special reserve	Surplus Reserve	Undistributed profits	
<b>I. Balance at 31 December 2022</b>	1,625,790,949.00				9,819,327,969.93		(15,056,644.84)		1,711,778,538.24	8,063,724,029.08	21,205,564,841.41
Add: Changes in accounting policies											
Correction of prior year's errors											
Others											
<b>II. Balance at 1 January 2023</b>	1,625,790,949.00				9,819,327,969.93		(15,056,644.84)		1,711,778,538.24	8,063,724,029.08	21,205,564,841.41
<b>III. Increase(decrease) in the current year ("-" for losses)</b>									168,402,254.47	325,541,315.59	487,128,955.93
(1) Total comprehensive income											
(2) Shareholders' contributions and reduction in capital											
1. Capital contribution from owners											
2. Capital contribution from other equity instruments holders											
3. Share-based payment recognized in shareholders' equity											
4. Others											
(3) Profit distribution									168,402,254.47	(1,358,481,229.15)	(1,190,078,974.68)
1. Appropriation to surplus reserve									168,402,254.47	(168,402,254.47)	
2. Profit distribution to shareholders											
3. Others										(1,190,078,974.68)	(1,190,078,974.68)

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Current period							Total Shareholders' Equity				
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income		Special reserve	Surplus Reserve	Undistributed profits	
(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>	<b>1,625,790,949.00</b>				<b>9,819,327,969.93</b>		<b>(21,871,258.97)</b>		<b>1,880,180,792.71</b>	<b>8,389,265,344.67</b>	<b>21,692,693,797.34</b>	

Item

- (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

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Prior period							Total Shareholders' Equity			
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income		Special reserve	Surplus Reserve	Undistributed profits
I. Balance at 31 December 2021	1,625,790,949.00				9,819,327,969.93		(1,362,017.61)		1,536,105,314.93	7,599,583,401.27	20,579,445,617.52
Add: Changes in accounting policies											
Correction of prior year's errors											
Others											
II. Balance at 1 January 2022	1,625,790,949.00				9,819,327,969.93		(1,362,017.61)		1,536,105,314.93	7,599,583,401.27	20,579,445,617.52
III. Increase/(decrease) in the current year ("-" for losses)							(13,694,627.23)		175,673,223.31	464,140,627.81	626,119,223.89
(1) Total comprehensive income							(13,694,627.23)				
(2) Shareholders' contributions and reduction in capital											
1. Capital contribution from owners											
2. Capital contribution from other equity instruments holders											
3. Share-based payment recognized in shareholders' equity											
4. Others											
(3) Profit distribution									175,673,223.31	(1,232,591,605.27)	(1,116,918,381.96)
1. Appropriation to surplus reserve									175,673,223.31	(175,673,223.31)	
2. Profit distribution to shareholders										(1,116,918,381.96)	(1,116,918,381.96)
3. Others											

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

JANUARY TO DECEMBER 2023

Prepared by: Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Unit: RMB

Item	Prior period							Total Shareholders' Equity				
	Share capital	Perpetual bond	Perpetual bond	Others	Capital Reserve	Less: Treasury shares	Other Comprehensive Income		Special reserve	Surplus Reserve	Undistributed profits	
(4) Internal carry-forward of shareholders' equity												
1. Transfer from capital reserve to capital (or share capital)												
2. Transfer from surplus reserve to capital (or share capital)												
3. Surplus reserve used to offset accumulated losses												
4. Transfer from changes in defined benefit obligation to retained earnings												
5. Transfer from other comprehensive income to retained earnings												
6. Others												
(5) Special reserve												
1. Current appropriation												
2. Current utilization												
(6) Others												
IV. Balance at 31 December 2022	1,625,790,949.00				9,819,327,969.93		(15,056,644.84)		1,711,778,538.24	8,063,774,029.08		21,205,564,841.41

Legal representative:  
**Li Chuyuan**

Principal in charge of accounting:  
**Liu Fei**

Head of accounting department:  
**Wu Chuling**

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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”.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION *(Continued)*

### 1. Company overview *(Continued)*

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 GPLH, the Company repurchased 261,400 shares of A shares held by GPLH 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 GPLH 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.

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 15 March 2024.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation

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

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

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



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Pharmaceutical Co., Ltd. (hereinafter referred to as "GP Corp.")	Direct holding
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Indirect holding
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Qi Hua Medical Instruments Co., Ltd.	Indirect holding
Fujian Guangyao Jie Da Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Guo Ying Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Xin Te Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Jian Ze Pharmaceutical Co., Ltd.	Indirect holding
Shenzhen Guangyao Lian Kang Pharmaceutical Co., Ltd.	Indirect holding
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Shanxi Pharmaceutical Co., Ltd.	Indirect holding
Guangdong Meixian Pharmaceutical Co., Ltd.	Indirect holding
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Sichuan Pharmaceutical Co., Ltd.	Indirect holding
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Indirect holding
Jian Min International Co., Ltd.	Indirect holding
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Indirect holding
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Indirect holding
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Indirect holding
Hainan Guangyao Chen Fei Pharmacy Chain Co., Ltd.	Indirect holding
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Indirect holding
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Indirect holding
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Indirect holding
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Indirect holding
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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Indirect holding
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd.	Indirect holding
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Indirect holding
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect holding
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Indirect holding
Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd.	Indirect holding
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Indirect holding
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (hereinafter referred to as "Guangzhou Bai Di")	Direct holding
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Biological Products Co., Ltd. (hereinafter referred to as "Baiyunshan Biological")	Indirect holding
Tibet Linzhi Guangyao Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (hereinafter referred to as "WLJ Great Health")	Direct holding
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Great Health E-Commerce Co., Ltd.	Indirect holding
Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd.	Indirect holding
Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Indirect holding
WLJ Great Health (Maoming) Lychee Industry Development Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Lychee Industry Development Co., Ltd.	Indirect holding
WLJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Indirect holding
Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (hereinafter referred to as "Guangxi Ying Kang")	Direct holding
Guangzhou Guangyao Yi Gan Biological Product Co., Ltd. (hereinafter referred to as "Yi Gan")	Direct holding
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (hereinafter referred to as "BYS M&H Industry")	Direct holding
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect holding

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION *(Continued)*

### 2. Scope of consolidation *(Continued)*

Name of subsidiary	Control
Guangzhou Baiyunshan Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Chinese Medicine Hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan 157 hospital Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (hereinafter referred to as "Xing Zhu")	Direct holding
Guangzhou Wang Lao Ji Investment Co., Ltd. (hereinafter referred to as "Wang Lao Ji Investment")	Direct holding
Guangzhou WLJ Catering Management Development Co., Ltd. (hereinafter referred to as "WLJ Catering")	Indirect holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (hereinafter referred to as "Tian Xin")	Direct holding
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (hereinafter referred to as "Guang Hua")	Direct holding
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (hereinafter referred to as "Guang Hua Health")	Indirect holding
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (hereinafter referred to as "Ming Xing")	Direct holding
Guangzhou Xing Ji Industries Co., Ltd.	Indirect holding
Baiyunshan Weiling Pharmaceutical Co., Ltd. (hereinafter referred to as "Weiling")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (hereinafter referred to as "Pharmaceutical Technological")	Direct holding
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (hereinafter referred to as "Guangyao Baiyunshan Hong Kong Company")	Direct holding
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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## I. GENERAL INFORMATION (Continued)

### 2. Scope of consolidation (Continued)

Name of subsidiary	Control
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (hereinafter referred to as "Guangyao Haima")	Direct holding
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Research Institute ("Guangyao General Institute")	Direct holding
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Medical Instruments Investment Co., Ltd. (hereinafter referred to as "Medical Instruments investment")	Direct holding
Guangzhou Baiyunshan Yi Hu Health Technology Co., Ltd.	Indirect holding
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Indirect holding
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Direct holding
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Direct holding
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Direct holding
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Direct holding
Guangzhou Baiyunshan Chemical Pharmaceutical Technology Co., Ltd.	Direct holding
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Direct holding
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd.	Indirect holding
Guangzhou Pharmaceutical Logistics Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Shantou) Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Huizhou) Co., Ltd.	Indirect holding
Guangyao Mudanjiang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Pharmaceutical (Zhanjiang) Co., Ltd.	Indirect holding
Dongguan Guangyao Baokang Pharmaceutical Co., Ltd.	Indirect holding
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Direct holding
Guangyao Pharmaceutical (Liangshan) Co., Ltd.	Indirect holding

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## II. BASIS OF PREPARATION

### 1. Basis of Preparation

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

### 2. Going Concern

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

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company and its subsidiaries are engaged in pharmaceutical operations. Based on the characteristics of the Company's actual productions and operations, the Company and its subsidiaries have determined several specific accounting policies and accounting estimates for revenue recognition and other transactions and events according to ASBE. For more details, please refer to Note III. 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 2023, and performance results and cash flows for the period then ended.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 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 2023 to 31 December 2023.

### 3. Operating Cycle

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

### 4. Functional Currency

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

### 5. Methods and Criteria for Determining Importance Standards

#### (1) The importance of financial statement items

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 6. Business Combination

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

#### (1) Business combination under common control

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

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

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

#### (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.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)*

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.

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)*

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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)*

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

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

##### ④ *Accounting treatment for disposal of subsidiaries.*

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 8. Classification and Accounting Treatment of Joint Arrangements and Joint Operation

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

The Company's investments in joint ventures are measured under equity method. Please refer to Note III. 17. (2) ② "Long-term equity investments measured under equity method" for accounting policies for joint venture investment.

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

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

### 9. Recognition Criteria for Cash and Cash Equivalents

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

#### (1) Methods for Translation of Foreign Currency Transactions

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments

The Company shall recognize a financial asset or financial liability at the date when the Company enters into a contract concerning about financial instruments.

#### (1) Classification, recognition and measurement of financial assets

Based on the business model of the Company's management on the financial asset and the features of the cash flows of the financial asset, the Company classifies financial assets into the following categories: financial assets measured at amortized cost; financial assets at fair value through other comprehensive income; financial assets at fair value through profit or loss for the current period.

Financial assets are initially recognized at fair value. Relevant transaction cost of financial assets at fair value through profit and loss for the current period, shall be recognized into profit and loss for the current period. Relevant transaction cost of financial assets listed in other categories shall be included in the amount recognized initially. For accounts receivable or notes receivable arising from the sale of products or rendering of services, exclusive of or without consideration of material financing elements, the initial recognition shall be the amount of consideration to which the company is expected to be entitled.

#### ① *Financial assets measured at amortized cost*

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

#### (2) Classification, recognition and measurement of financial liabilities

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

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

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

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

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

##### ② *Other financial liabilities*

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

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

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

If the enterprise neither transfers nor retains nearly all the risks and rewards in the ownership of the financial assets and does not give up its control over the financial assets, the relevant financial assets shall be recognized according to the degree of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuing involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to the change in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for the termination of recognition, the balance between the book value of the transferred financial assets and the consideration received due to the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income shall be recognized into the current profit and loss.

If the partial transfer of financial assets meets the conditions for the termination of recognition, the book value of the transferred financial assets shall be apportioned according to its relative fair value between the terminated recognition and the non-terminated recognition, and the difference between the consideration received as a result of the transfer and the accumulative amount of changes in the fair value originally recognized in other comprehensive income and the apportioned book amount shall be recognized in the current profit and loss.

The company shall determine whether almost all risks and rewards in the ownership of the financial assets sold by means of recourse or transferred by endorsement of the financial assets held by the company have been transferred. Where almost all risks and rewards in the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; If almost all risks and rewards in the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; If there is no transfer or retention of nearly all risks and rewards in the ownership of the financial asset, the enterprise shall continue to judge whether it has retained control of the asset and conduct accounting treatment according to the principles described in the preceding paragraphs.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

#### (4) Derecognition of financial liabilities

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

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

#### (5) Offsetting of financial assets and liabilities

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

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

- ② *Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition*

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

- ③ *Portfolio approach to assessing expected credit risk on a portfolio basis*

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

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

- ④ *Accounting treatment of the impairment of financial assets*

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



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 11. Financial Instruments *(Continued)*

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

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

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

Accounts receivable portfolio 1: Aging Portfolio

Accounts receivable portfolio 2: Individual Accrual Portfolio

Notes Receivable Portfolio 1: Aging Portfolio

Notes Receivable Portfolio 2: Low Risk Portfolio

Aging segment analysis is performed based on its entry date.

Portfolio (aging portfolio): expected credit loss rate:

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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:

<b>Aging</b>	<b>expected credit loss rate of aging portfolio on other receivables(%)</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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 12. Notes Receivables

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

### 13. Receivables Financing

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

### 14. Other Receivables

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

### 15. Inventories

#### (1) Category of inventories

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

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

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

#### (3) The perpetual inventory system is adopted

#### (4) Amortization method for low value consumables

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 15. Inventories *(Continued)*

(5) Recognition of net realizable value of inventory and accruing method of provision for the loss on decline in value of inventories.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. An enterprise shall determine the net realizable value of inventories based on solid evidence obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

Inventories are required to be measured at the lower of cost and net realizable value on the balance sheet date. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made. The provision for the loss on decline in value of inventory is assessed based on the difference between the cost of single inventory item and its net realizable value.

After the provision for the loss on decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for the loss on decline in value is reversed and the reversal is included in current profit or loss.

### 16. Assets Held for Sale and Disposal Company

If the Company recovers its book value primarily through the sale instead of the continuous use of a non-current asset or disposal group (including the exchange of non-monetary assets with commercial substance, the same below), then the assets shall be classified as assets held for sale. The specific criteria are all of the following conditions are achieved: a non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already decided on the sale plan and obtained the purchase commitment; the sale will be completed within one year. Among them, a disposal group refers to a group of assets that are disposed of as a whole through sale or other methods in a transaction, and liabilities that are directly related to these assets are transferred in the transaction. If the asset group or asset group to which the disposal group belongs is allocated the goodwill acquired in the business combination in accordance with *Accounting Standards for Business Enterprises No. 8 – Impairment of Assets*, the disposal group shall include the goodwill allocated to the disposal group.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 17. Long-term Equity Investments

Long-term equity investments in this part refers to the long-term equity investments that the Company can exercise control, joint control or significant influence over the investee. When the Company can no longer exercise control, joint control or significant influence over the investee, the long-term equity investment shall be treated as financial asset measured at fair value through profit or loss for the current year, and for non-transactional long-term equity investment among which, the Company can designate it to be financial asset measured at fair value through other comprehensive income upon initial recognition. Please refer to Note III. 11. Financial instrument for accounting policies.

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

#### (1) Recognition of Investment Cost

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



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 18. Investment Property *(Continued)*

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

### 19. Fixed Assets

#### (1) Recognition Criteria of Fixed Assets

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

#### (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.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 19. Fixed Assets *(Continued)*

#### (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.

### 20. Construction in Progress

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

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

Please refer to Note III. 24 "Long-term Asset Impairment" for the impairment test method and impairment provision method of construction in progress.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 21. Borrowing Costs

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 22. Biological assets

#### Bearer biological assets

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 22. Biological assets *(Continued)*

#### Bearer biological assets *(Continued)*

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

### 23. Intangible Assets

#### (1) 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 23. Intangible Assets *(Continued)*

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

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:

<b>Asset Category</b>	<b>Useful Life (Years)</b>	<b>Basis for Determining Useful Life</b>	<b>Amortization Method</b>
Land Use Rights	20-50	Duration of Land Use Rights	Straight-Line
Patent Rights	20/05/2024	Estimated Beneficial Life	Straight-Line
Non-patented Technology	20/05/2024	Estimated Beneficial Life	Straight-Line
Trademark Rights	10/05/2024	Estimated Beneficial Life	Straight-Line
Software	10/02/2024	Estimated Beneficial Life	Straight-Line

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 23. Intangible Assets *(Continued)*

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

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

### 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 24. Long-term Asset Impairment *(Continued)*

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.

### 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.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 27. Employee Benefits *(Continued)*

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

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

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

### 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 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.

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 29. Revenue *(Continued)*

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

#### (1) Sales of Goods:

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

Specific methods for revenue recognition:

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

#### (2) Rendering of Services:

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

### 30. Contract Costs

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 30. Contract Costs *(Continued)*

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

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

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

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

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

### 31. Government Grants

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

The specific standard that the Company make classification of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

The specific standard that the Company make classification of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 31. Government Grants *(Continued)*

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The assets-related government grants shall reduce assets-related book value or shall be recognized as deferred income. For those recognized as deferred income, charged into current profit or loss on stages using reasonable and systemic methods during its assets-related useful lives (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income)

The income-related government grants for compensation to the related expenses or loss of the Company in the subsequent periods shall be recognized as deferred income and current profit or loss during the recognition of related expenses or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss; those for compensation to the related expenses or loss incurred of the Company shall be recognized as current profit or loss (government grants related to ordinary business of the Company shall be charged into other income; those not related to ordinary business of the Company shall be charged into non-operating income) or shall offset related expenses or loss.

For government grants not clearly specifying subsidy object, basis of determination for asset related government grants or income related government grants are: government grants not clearly specifying subsidy object, but with sufficient evidence indicating that the government supporting fund is related to the formation of long-term asset, shall be recognized as asset related government grant. The others shall be recognized as income related government grant.

The government subsidies that contain both the portion pertinent to assets and the portion pertinent to income shall be subject to accounting treatment respectively according to different portions; and those that are difficult to be distinguished shall be classified as the government subsidies pertinent to income related as a whole.

The government subsidies pertinent to the daily activities of the Company shall be included in other income or used to offset relevant costs and expenses according to the substance of the economic business. The government subsidies irrelevant with the daily activities of the Company shall be included in non-operating revenues and expenses.

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

### 33. Lease *(Continued)*

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

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

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

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

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

##### ① *leasing classification*

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

##### 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 *(Continued)*

##### 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.

### 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".

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

#### (1) Changes in important accounting policies

The Ministry of Finance issued the "Interpretation No. 16 of the Accounting Standards for Business Enterprises" (hereinafter referred to as "Interpretation No. 16") on November 30, 2022. It regulates the accounting treatment of deferred income tax related to assets and liabilities arising from a single transaction for which the initial recognition exemption is not applicable.

① *Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction*

Interpretation 16 stipulates that for individual transactions that do not affect accounting profit or taxable income (or deductible losses) and that do not result in temporary differences between the initial recognition of assets and liabilities and do not generate temporary differences that are deductible, as well as for individual transactions that lead to temporary differences and deductible temporary differences due to the initial recognition of assets and liabilities, which arise from lease transactions in which a lessee initially recognizes a lease liability on the commencement date of the lease and includes the right-of-use asset in the lease, and transactions in which an obligation to dispose of assets exists, and a provision is recognized and included in the cost of the related asset, and other transactions falling within the scope of this interpretation, the provisions of Article 11(2) and Article 13 of Accounting Standard for Enterprises No. 18, "Income Taxes," regarding exemption from the initial recognition of deferred tax liabilities and deferred tax assets do not apply. Enterprises should recognize the corresponding deferred tax liabilities and deferred tax assets in accordance with the relevant provisions of Accounting Standard for Enterprises No. 18, "Income Taxes," for the temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities due to the transaction.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 important accounting policies (Continued)

- ① *Accounting treatment of deferred income tax not applicable to initial recognition exemption for assets and liabilities arising from a single transaction (Continued)*

For individual transactions falling within the scope of this interpretation that occurred between the beginning of the earliest period reported in the financial statements during the initial implementation of this interpretation and the effective date of this interpretation, enterprises should make adjustments in accordance with the provisions of this interpretation. For lease liabilities and right-of-use assets recognized due to transactions falling within the scope of this interpretation and recognized obligations related to obligations to dispose of assets, as well as related assets generating temporary differences and deductible temporary differences recognized in the earliest period reported in the financial statements during the initial implementation of this interpretation, enterprises should adjust the accumulated impact amount in accordance with the provisions of this interpretation and Accounting Standard for Enterprises No. 18, "Income Taxes," and retain earnings at the beginning of the earliest period reported in the financial statements and other relevant financial statement items. Enterprises performing such adjustments should disclose relevant information in the notes to the financial statements.

The impact of the implementation of Interpretation 16 on this group is as follows:

#### Consolidated Balance Sheet

Item	Balance as of December 31, 2022 before accounting policy change	Impact of Interpretation 16 Adjustment	Balance as of January 1, 2023 after accounting policy change
Deferred Tax Assets	865,338,772.26	214,263,337.02	1,079,602,109.28
Deferred Tax Liabilities	394,588,189.23	214,263,337.02	608,851,526.25

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

#### (2) Impairment of financial assets

Expected credit loss model is adopted by the Company to evaluate the impairment of financial assets. Adopting expected credit loss model requires making significant judgment and evaluation, considering all the reasonable and supportable information, including forward-looking information. To conclude the expected change in of credit risk of the debtor, the Company shall make such judgment and evaluation based on historical data with factors such as change in economy policies, macroeconomic indicators, industry risk, external market environment, technology environment, customer condition, etc.

#### (3) Provision for decline in value of inventories

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

#### (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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

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

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

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

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

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

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

#### (6) Depreciation and Amortization

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



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

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

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

#### (7) Deferred tax assets

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

#### (8) Income Taxes

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

#### (9) Provisions

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## IV. TAXES

### 1. Main Tax Types and Tax Rate

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

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

### Corporate income tax

Taxpayer	Income tax rate
The Company, Xing Qun, Zhong Yi, Chen Li Ji, Guangzhou Han Fang, Qi Xing, Jing Xiu Tang, Pan Gao Shou, Wang Lao Ji, Guangdong Hanchao, WLJ Great Health, Tian Xin, Guang Hua, Ming Xing, Guangyao General Institute, Guangxi Ying Kang, Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd., Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd., Guangzhou Pharmaceutical Information Technology Co., Ltd., Weiling, Guizhou Wang Lao Ji Ci Ning Ji Industry Development Co., Ltd.	Calculated and paid at 15% of the taxable income
The Group's domestic subsidiaries other than the above-mentioned enterprises	Calculated and paid at 25% of the taxable income
The Group's enterprises located in Hong Kong	Calculated and paid at 16.5% of the taxable income
The Group's enterprises located in Macao	Calculated and paid at 3% – 12% of the taxable income

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## IV. TAXES (Continued)

### 2. Important Tax Preferential Treatments and Approval Documents

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

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR202344004122), Xing Qun (No. GR202344002036), Zhong Yi (No. GR202344010147), Chen Li Ji (No. GR202344005874), Guangzhou Han Fang (No. GR202344010098), Qi Xing (NO. GR202344004761), Jing Xiu Tang (No. GR202344007214), Pan Gao Shou (No. GR202344009572), Wang Lao Ji (No. GR2023344003015), Guang Dong Han Chao (No. GR202344003019), Tian Xin (No. GR202344004253), Guang Hua (No. GR202244001816), Ming Xing (No. GR202344008105), Guangyao General Institute (No. GR202144002939), Guangxi Ying Kang (No. GR202145001254), Baiyunshan Weiling Pharmaceutical Co., Ltd. (No. GR202244012147), Guangzhou Pharmaceutical Information Technology Co., Ltd. (No. GR202344009159), WLJ Great Health (No. GR202244003684).

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 2023.

## 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	538,527.39	1,037,872.77
Cash at bank	19,810,319,063.95	20,710,292,430.48
Other currency balance(note)	1,497,986,613.10	1,788,222,467.50
Total	21,308,844,204.44	22,499,552,770.75
Including: Total amount of cash kept in foreign countries	192,479,407.37	111,627,660.26

Notes: Other currency balance RMB1,497,987 thousand (31 December 2022: RMB1,788,222 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 1. Cash at Bank and on Hand (Continued)

As on 31 December 2023, the amount of the Group's cash at bank and on hand with restrictions on ownership was RMB1,485,300 thousand (31 December 2022: RMB1,694,854 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	1,259,367,488.50	1,519,436,125.06
Frozen account funds	75,105,135.48	547,000.00
Guarantee deposits	62,888,186.67	72,410,170.86
Deposit for Letters of credit	51,483,738.44	42,329,142.20
Term deposit, Certificate of deposit	33,242,191.79	59,168,204.95
Housing funds	935,628.48	932,296.12
Other	2,278,040.36	30,818.92
Total	1,485,300,409.72	1,694,853,758.11

### 2. Transactional financial assets

Item	Closing balance	Closing balance of last year
Classification of financial assets that are measured at fair value and whose changes are included in the current profit and loss	4,000,000.00	56,872,680.00
Including: Debt instrument investment	4,000,000.00	4,000,000.00
Other(note)	—	52,872,680.00
Total	4,000,000.00	56,872,680.00

Note: The main others are mainly performance compensation of RMB52,872,680.00. In December 2020, Hainan ChenFei Investment Holding Co., Ltd., Chengdu Huixin Huiyuan Investment Co., Ltd., Shanxi Taoyunshang Information Technology Co., Ltd., Foshan Wenjian Commerce Co., Ltd. and Meizhou Haofeng Pharmaceutical Information Co., Ltd. respectively subscribed 142,624,225 new shares of the Pharmaceutical Company at a total price of RMB357,986,804.75 based on the total equity of their five subsidiaries. The above-mentioned original minority shareholders and their controlling parties ("performance compensation payers") have performance commitments on the performance of the above-mentioned five subsidiaries in 2020, 2021 and 2022: As the performance appraisal period has expired, the performance requirements stipulated in the gambling terms have not been fulfilled, Performance compensation is reported from "Transactional financial assets" to "Other receivables" in 2023.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable

#### (1) Category of notes receivable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	748,381,650.93	1,048,485,178.04
Commercial acceptance notes	126,667,368.93	79,996,148.27
Less: Bad debt reserves	4,164,741.94	1,130,074.13
Total	870,884,277.92	1,127,351,252.18

Note: The Company hold certain bank acceptance notes receivable with a business model objective is achieved by both collecting contractual cash flows and selling financial assets. These bank acceptance notes receivable are classified as financial assets measured at FVOCI and are included in the Financing receivables of the financial statements. The balance at the end of this period is RMB2,068,413 thousand.

#### (2) No pledged notes receivable at the end of the year

#### (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	–	549,930,337.37
Commercial acceptance notes	18,560,098.08	–
Total	18,560,098.08	549,930,337.37

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. Notes Receivable *(Continued)*

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

Notes:

- ① Pursuant to provisions of the Negotiable Instruments Law of the People's Republic of China, if the bank of acceptance refuses to pay the payables, the holding party is entitled to recover the payables (continuing involvement) from the Group. Consequently, the Group is in continuing involvement in the notes which are not matured at balance sheet date but have been endorsed or discounted of this amount, RMB18,560 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 The Group believes that the fair value of the continuing involvement is not significant, as the Group has transferred substantially all the risks and awards of the above-mentioned notes receivable which have been endorsed or discounted. The Group does not recognize any assets or liabilities arising from the continuing involvement in book. If the Group considers that almost all the risks and remuneration have not been completely transferred, the Group has not terminated the confirmation of notes receivable RMB549,930 thousand, and the short-term borrowings, accounts payable of RMB549,930 thousand.
- ③ The maximum loss from the continuing involvement of the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value of RMB549,930 thousand.
- ④ Undiscounted cash flows payable arising from the possibility that the Group may buy back the above-mentioned notes receivable which have been endorsed or discounted is equal to its book value, including the balance of notes receivable as on 31 December 2023 which shall be matured by 31 December 2024.
- ⑤ For the year from January to December 2023, no profit or loss is recognized at the date of the transfer. The Group did not recognize any current or accumulated income or expenses arising from the continuing involvement of derecognized financial assets.
- ⑥ The above-mentioned notes receivable, which have been endorsed or discounted, occurred roughly balanced in the current period and the distribution is roughly balanced either.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

- (4) As on 31 December 2023, the bank acceptance notes endorsed by the Group to other parties but not matured was RMB549,725 thousand (31 December 2022: RMB274,267 thousand). The top five drawers by balances are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	27 Oct 2023	27 Apr 2024	10,000,000.00
Customer 2	27 Oct 2023	27 Apr 2024	10,000,000.00
Customer 3	28 Sept 2023	28 Mar 2024	8,000,000.00
Customer 4	30 Oct 2023	30 Apr 2024	6,000,000.00
Customer 5	26 Sept 2023	26 Mar 2024	5,250,000.00

- (5) As on 31 December 2023 and 31 December 2022, there are no commercial acceptance notes endorsed by the Group but not matured.

- (6) As on 31 December 2023, bank acceptance notes discounted by the Group but not matured was RMB205 thousand (31 December 2022: RMB20,359 thousand). The Notes details are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	25 Jul 2023	25 Jan 2024	152,252.26
Customer 2	28 Jul 2023	28 Jan 2024	52,727.00

- (7) As on 31 December 2023, commercial acceptance notes discounted by the Group but not matured was RMB18,560 thousand (31 December 2022: RMB200 thousand). The Notes details are as follows:

Drawers	Billing date	Maturity date	Closing balance
Customer 1	28 Aug 2023	28 Jan 2024	16,935,791.73
Customer 2	21 Sept 2023	25 Jan 2024	1,624,306.35

Note: The above-mentioned unexpired but discounted commercial acceptance notes was RMB18,560 thousand. The group has entered into a non-recourse supplementary agreement with the bank. Therefore, the group has transferred the above commercial acceptance bill almost all the risks and rewards, no longer involved.

- (8) As on 31 December 2023 and 31 December 2022, the Group had no accounts receivable transferred from notes receivable due to the inability of performance by the drawer.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

#### (9) Notes receivable disclosed by methods of accruing provision for bad debts

Category	Book balance		Closing balance		Book value
	Amount	Proportion (%)	Provision for bad debts		
			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

Category	Book balance		Closing balance of last year		Book value
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Expected credit loss (%)	
Notes receivable subject to separate provision	-	-	-	-	-
Notes receivable subject to provision by portfolio	1,128,481,326.31	100.00	1,130,074.13	0.10	1,127,351,252.18
Including: portfolio 1	79,996,148.27	7.09	1,130,074.13	1.41	78,866,074.14
portfolio 2	1,048,485,178.04	92.91	-	-	1,048,485,178.04
Total	1,128,481,326.31	100.00	1,130,074.13	0.10	1,127,351,252.18



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)

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	94,466,610.43	944,666.08	1.00
1 To 2 years	32,200,758.50	3,220,075.86	10.00
Total	<u>126,667,368.93</u>	<u>4,164,741.94</u>	<u>3.29</u>

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

Item	Notes receivable	Closing balance	
		Provision for bad debts	Expected credit loss (%)
Notes receivable with extremely low credit risk	748,381,650.93	-	-
Total	<u>748,381,650.93</u>	<u>-</u>	<u>-</u>

(10) Provision for bad debts.

Item	Closing balance of last year	Provision	Current Movement		Closing balance
			Return or Recovery	Pay-off or write off	
Provision for bad debts of notes receivable	1,130,074.13	3,034,667.81	-	-	<u>4,164,741.94</u>
Total	<u>1,130,074.13</u>	<u>3,034,667.81</u>	<u>-</u>	<u>-</u>	<u>4,164,741.94</u>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Notes Receivable (Continued)

(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>14,091,285,020.44</b>	14,264,525,699.18
1 to 2 years	<b>1,130,613,239.71</b>	775,311,306.02
2 to 3 years	<b>214,868,845.04</b>	113,372,003.93
3 to 4 years	<b>60,863,494.35</b>	30,258,600.43
4 to 5 years	<b>22,715,935.81</b>	36,224,266.27
Over 5 years	<b>238,247,352.09</b>	212,044,861.90
Subtotal	<b>15,758,593,887.44</b>	15,431,736,737.73
Less: Provision for bad debts	<b>646,099,088.75</b>	574,144,969.24
Total	<b>15,112,494,798.69</b>	14,857,591,768.49

(2) Accounts receivable disclosed by method of accruing provision for bad debts

Category	Book balance		Closing balance		Book value Amount
	Amount	Proportion (%)	Provision for bad debts 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	<b>15,758,593,887.44</b>	<b>100.00</b>	<b>646,099,088.75</b>	<b>4.10</b>	<b>15,112,494,798.69</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)

Category	Book balance		Closing balance of last year		Book value Amount
	Amount	Proportion (%)	Amount	Expected credit loss (%)	
Accounts receivable subject to separate provision	307,608,004.47	1.99	283,480,882.04	92.16	24,127,122.43
Accounts receivable subject to provision by portfolio	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Including: portfolio 1	15,124,128,733.26	98.01	290,664,087.20	1.92	14,833,464,646.06
Total	<u>15,431,736,737.73</u>	<u>100.00</u>	<u>574,144,969.24</u>	<u>3.72</u>	<u>14,857,591,768.49</u>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

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

Accounts receivable (by debtor)	Book balance	Provision for bad debts	Expected credit loss (%)	Reason
Customer 1	145,866,752.86	145,866,752.86	100.00	Litigation is involved. Please refer to Note XV (11). 1. (2) ①(g)
Customer 2	32,010,110.35	4,916,042.76	15.36	Amount is expected to be unrecoverable fully.
Customer 3	25,686,364.29	25,686,364.29	100.00	Litigation is involved. Please refer to Note XV (11). 1. (2) ①(c)(d)(e)
Customer 4	19,432,662.47	19,432,662.47	100.00	Litigation is involved. Please refer to Note XV (11). 1. (2) ①(f)
Customer 5	18,611,963.06	18,611,963.06	100.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 6	10,182,695.97	10,182,695.97	100.00	Litigation is involved. Please refer to Note XV (11). 1. (2) ①(j)
Customer 7	8,533,215.28	8,533,215.28	100.00	Litigation is involved. Please refer to Note XV (11). 1. (2) ①(k)
Customer 8	8,171,056.57	7,353,950.91	90.00	Litigation is involved, which has been decided and is in the implementation stage
Customer 9	4,130,812.22	4,130,812.22	100.00	Amount is expected to be unrecoverable fully.
Customer 10	4,122,456.00	4,122,456.00	100.00	Litigation is involved, which has been decided and is in the implementation stage
Others	24,037,049.58	23,256,394.10	96.75	Amount is expected to be unrecoverable fully.
<b>Total</b>	<b>300,785,138.65</b>	<b>272,093,309.92</b>	<b>—</b>	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by method of accruing provision for bad debts (Continued)

##### ② Accounts receivable subject to provision by portfolio

Portfolio 1: aging portfolio

Aging	Closing balance			Closing balance of last year		
	Book balance	Provision for bad debts	Expected credit loss (%)	Book balance	Provision for bad debts	Expected credit loss (%)
Within 1 year	14,058,577,529.75	140,582,785.78	1.00	14,235,527,815.83	142,273,905.59	1.00
1 to 2 years	1,129,781,256.43	112,978,103.71	10.00	733,542,289.17	73,354,229.01	10.00
2 to 3 years	173,313,252.54	51,993,975.78	30.00	96,433,350.23	28,929,965.08	30.00
3 to 4 years	49,384,910.03	24,692,455.04	50.00	22,867,120.65	11,433,560.43	50.00
4 to 5 years	14,966,707.60	11,973,366.10	80.00	5,428,651.44	4,342,921.15	80.00
Over 5 years	31,785,092.44	31,785,092.44	100.00	30,329,505.94	30,329,505.94	100.00
Total	15,457,808,748.79	374,005,778.85	—	15,124,128,733.26	290,664,087.20	—

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

Category	Closing balance of last year	Provision	Current movement			Closing balance
			Return or recovery	Pay-off or write-off	Other decrease	
Provision for bad debts of accounts receivable	574,144,969.24	88,314,335.05	14,780,196.93	1,580,018.61	—	646,099,088.75
Total	574,144,969.24	88,314,335.05	14,780,196.93	1,580,018.61	—	646,099,088.75

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 (Continued)

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	7,952,559.64	It is expected to be unrecoverable	Recovery	Cash
Customer 2	5,762,294.75	It is expected to be unrecoverable	Recovery	Factoring receivable without recourse
Customer 3	743,572.35	It is expected to be unrecoverable	Recovery	Cash
Total	<u>14,458,426.74</u>	-	-	-

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

Item	Amount written off
Accounts receivable written off	<u>1,580,018.61</u>

Including: Significant written-off in the current period:

Name	Nature of accounts receivable	Written-off amount	Reason for written-off	Procedure for written-off	Whether it is caused by connected transactions
Customer 1	Payment for goods	1,319,423.94	Unrecoverable	Approved by the management	No
Total	-	<u>1,319,423.94</u>	-	-	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4. Accounts receivable (Continued)

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

Company	Closing balance	Proportion to total Closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	327,414,285.68	2.08	3,274,142.87
Customer 2	306,057,488.63	1.94	3,240,754.90
Customer 3	270,166,103.97	1.71	27,732,965.65
Customer 4	245,597,156.15	1.56	2,583,229.31
Customer 5	210,599,225.21	1.34	2,090,027.17
Total	1,359,834,259.64	8.63	38,921,119.90

### 5. Receivables Financing

(1) Financing situation of the receivables

Item	Closing balance	Closing balance of last year
Notes receivable	2,068,412,933.36	1,876,840,270.36
Accounts receivable	1,545,905,328.86	1,305,926,731.68
Total	3,614,318,262.22	3,182,767,002.04

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. Receivables Financing (Continued)

(2) Financing of receivables pledged at the end of the period

Item	Amount pledged
Bank acceptance notes	19,454,304.41
Total	19,454,304.41

(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	3,330,330,119.78	—
Total	3,330,330,119.78	—

### 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	807,813,231.35	98.71	748,897,952.75	89.58
1 to 2 years	6,595,875.04	0.81	79,538,846.05	9.51
2 to 3 years	2,421,500.94	0.29	6,136,395.61	0.73
Over 3 years	1,528,977.64	0.19	1,481,754.92	0.18
Total	818,359,584.97	100.00	836,054,949.33	100.00



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	112,291,839.37	13.72
Supplier 2	111,573,988.09	13.63
Supplier 3	43,739,079.30	5.34
Supplier 4	33,516,471.45	4.10
Supplier 5	32,398,831.37	3.96
Total	333,520,209.58	40.75

### 7. Other Receivables

Item	Closing balance	Closing balance of last year
Interest receivable	-	-
Dividends receivable	61,263,627.92	218,766,959.00
Other receivables	817,224,901.31	698,476,442.47
Total	878,488,529.23	917,243,401.47

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (1) Dividends receivable

① Dividends receivable are as follows

Item	Closing balance	Closing balance of last year
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Co., Ltd. (hereinafter referred to as "HWBYS")	61,263,627.92	218,766,959.00
Less: Provision for bad debts	-	-
Total	61,263,627.92	218,766,959.00

#### (2) Other receivables

① Other receivables disclosed per aging:

Aging	Closing balance	Closing balance of last year
Within 1 year	712,572,951.85	575,916,441.72
1 to 2 years	31,741,882.72	79,440,583.73
2 to 3 years	51,523,504.43	18,256,037.13
3 to 4 years	15,578,834.27	11,968,369.08
4 to 5 years	9,653,996.37	12,103,308.08
Over 5 years	38,985,653.43	39,449,523.13
Subtotal	860,056,823.07	737,134,262.87
Less: Provision for bad debts	42,831,921.76	38,657,820.40
Total	817,224,901.31	698,476,442.47

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### ② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from external parties	623,746,434.07	517,849,656.05
Margin, deposit and down payment	130,881,425.94	140,279,126.78
Advances to employees	29,001,473.93	25,242,645.68
Receivables due from related parties	8,191,528.76	10,019,571.89
Petty cash	832,352.96	3,305,911.82
Tax refund for exports	147,311.51	221,357.30
Others	67,256,295.90	40,215,993.35
Total	860,056,823.07	737,134,262.87

##### 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 2023	8,391,041.52	-	30,266,778.88	38,657,820.40
Provision at current period	4,605,932.97	-	593,903.51	5,199,836.48
Reversal of bad debt provision at current period	-	-	86,400.08	86,400.08
Written off at current period	327,237.20	-	612,097.84	939,335.04
Other changes	-	-	-	-
Ending balance on 31 December 2023	12,669,737.29	-	30,162,184.47	42,831,921.76

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7. Other Receivables (Continued)

#### (2) Other receivables (Continued)

##### ④ Provision for bad debts

Item	Closing balance of last year	Current movement				Closing balance
		Provision	Return of recovery	Pay-off or write-off	Other decrease	
Provision for bad debts of other receivables	38,657,820.40	5,199,836.48	86,400.08	939,335.04	-	42,831,921.76
	38,657,820.40	5,199,836.48	86,400.08	939,335.04	-	42,831,921.76

⑤ There is no significant return or recovery of bad debt reserves in the current period

⑥ Written off of other receivables actually in the current period.

Item	Written-off amount
Written-off of other receivables	939,335.04

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 compensation	52,872,680.00	Within 1 year	6.15	-
Other receivables 2	Purchase rebates receivable from suppliers	26,871,023.00	Within 1 year	3.12	268,710.23
Other receivables 3	Purchase rebates receivable from suppliers	22,941,522.89	Within 1 year	2.67	229,415.23
Other receivables 4	Purchase rebates receivable from suppliers	22,055,265.47	Within 1 year	2.56	220,552.65
Other receivables 5	Purchase rebates receivable from suppliers	20,386,627.34	Within 1 year	2.37	124,236.28
Total	-	145,127,118.70	-	16.87	842,914.39

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)

⑧ The Group had no other receivables due to centralized management of funds for this period.

### 8. Inventories

#### (1) Disclosure of inventories by categories is as follows:

Item	Closing balance			Closing balance of last year		
	Book balance	Provision for decline in value of inventories	Book value	Book balance	Provision for decline in value of inventories	Book value
Raw materials	930,337,507.35	15,158,999.49	915,178,507.86	884,088,494.23	8,614,452.16	875,474,042.07
Turnover materials	186,084,878.41	2,566,543.95	183,518,334.46	244,925,818.68	2,287,090.96	242,638,727.72
Consignment processing material	27,741,920.80	342,817.05	27,399,103.75	33,865,870.92	-	33,865,870.92
Work in progress	784,909,960.26	-	784,909,960.26	650,654,541.25	-	650,654,541.25
Commodity stocks	9,652,916,934.59	56,823,098.51	9,596,093,836.08	8,933,428,991.77	64,489,654.97	8,868,939,336.80
<b>Total</b>	<b>11,581,991,201.41</b>	<b>74,891,459.00</b>	<b>11,507,099,742.41</b>	<b>10,746,963,716.85</b>	<b>75,391,198.09</b>	<b>10,671,572,518.76</b>

#### (2) Provision for decline in value of inventories

Item	Increase in this period			Decrease in this period		Closing balance
	Closing balance of last year	Provision	Others	Reversed or Written-off	Return of recovery	
Raw materials	8,614,452.16	7,753,393.78	-	1,208,846.45	-	15,158,999.49
Commodity stocks	64,489,654.97	4,860,018.95	-	12,526,575.41	-	56,823,098.51
Turnover materials	2,287,090.96	590,933.76	-	311,480.77	-	2,566,543.95
Consignment processing material	-	342,817.05	-	-	-	342,817.05
<b>Total</b>	<b>75,391,198.09</b>	<b>13,547,163.54</b>	<b>-</b>	<b>14,046,902.63</b>	<b>-</b>	<b>74,891,459.00</b>

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

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

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Non-current assets due within one year

Item	Closing balance	Closing balance of last year
Debt investment due within 1 year	159,360,467.41	542,076,391.43
Other Non-current assets due within one year	—	111,039,166.67
Total	159,360,467.41	653,115,558.10

The important debt investments are as follows:

Item	Closing balance			Date due
	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	
Time deposit	100,000,000.00	3.50%	3.50%	9 Dec 2024
Time deposit	10,000,000.00	2.85%	2.85%	9 Jun 2024
Time deposit	10,000,000.00	2.75%	2.75%	22 Jun 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	14 Mar 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	11 Apr 2024
Certificate of deposit	10,000,000.00	2.90%	2.90%	25 Apr 2024
Total	150,000,000.00	—	—	—

Cont.

Item	Closing balance of last year			Date due
	Par value	Nominal interest rate	Effective rate of interest; true rate of interest	
Certificate of deposit	160,000,000.00	3.65%	3.65%	11 Sept 2023
Certificate of deposit	160,000,000.00	3.65%	3.65%	11 Sept 2023
Certificate of deposit	100,000,000.00	3.65%	3.65%	10 Sept 2023
Certificate of deposit	80,000,000.00	3.65%	3.65%	11 Sept 2023
Total	500,000,000.00	—	—	—

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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
Value-added tax debit balance outstanding	842,837,845.29	490,102,881.85
Certificate of deposit	569,795,815.08	1,574,937,430.76
Input VAT to be certified	203,349,888.45	74,049,235.84
Prepaid income tax	48,331,799.20	79,536,048.73
Refunds payable	3,859,286.05	3,266,283.84
Undisposed assets for whole relocation (Note)	1,498,397.39	1,498,397.39
Others	40,190,826.34	38,799,333.76
Total	1,709,863,857.80	2,262,189,612.17

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	4,572,661,793.28	-	4,572,661,793.28	1,728,853,366.70	-	1,728,853,366.70
Fixed deposit held to maturity	1,963,709,743.15	-	1,963,709,743.15	1,435,645,384.89	-	1,435,645,384.89
Total	6,536,371,536.43	-	6,536,371,536.43	3,164,498,751.59	-	3,164,498,751.59

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Long-term Equity Investment

Investee	Closing balance of last year	Change in the current period				Closing balance	Closing balance of provision for impairment		
		Increase	Decrease	Investment gains and losses recognized under equity method	Adjustment to other comprehensive income			Change in other equity	Declaration of cash dividends or profits
I. Joint ventures									
HMBYS	226,175,983.07	-	-	83,523,615.45	-	(59,418,476.27)	-	250,281,122.25	-
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	65,407,556.29	-	-	7,500,429.18	-	-	-	72,907,985.47	-
Chengdu Hejian	17,380,273.45	-	-	(643,083.14)	-	-	-	16,737,190.31	-
Subtotal	308,963,812.81	-	-	90,380,961.49	-	(59,418,476.27)	-	339,926,298.03	-
II. Associates									
Guangzhou Guangao Industry Investment Partnership (Limited Partnership)	84,071,808.54	-	-	(1,363,886.22)	-	-	-	82,707,922.32	-
Jinying Fund Management Co., Ltd	80,288,643.37	-	-	4,839,761.44	-	-	-	85,108,404.81	-
Guangzhou Baiyunshan Weiyi Medical Investment Management Co., Ltd.	2,070,479.77	-	-	14,360.75	-	-	-	2,084,840.52	-
Yi Xin Tang Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as "Yi Xin Tang")	856,447,221.40	-	(90,663,833.45)	28,488,297.08	-	-	-	794,271,683.03	-
Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment Development Co., Ltd. (hereinafter referred to as "Baiyunshan Yi Xin Tang")	86,360,500.42	-	-	(6,239,688.02)	-	-	-	80,060,802.40	-



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12. Long-term Equity Investment (Continued)

Investee	Closing balance of last year	Change in the current period		Investment gains and losses recognized under equity method	Adjustment to other comprehensive income	Change in other equity	Declaration of cash dividends or profits	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
		Increase	Decrease								
Guangdong Guangyao Jishen Equity Investment Fund Management Co., Ltd.	6,066,788.53	-	-	(322,630.86)	-	-	-	-	-	5,744,157.67	-
Guangzhou Guangyao Jizang equity investment partnership (limited partnership)	43,738,037.72	-	-	(3,914,252.58)	-	-	-	-	-	39,823,785.14	-
Guangzhou Lufen Health Industry Co., Ltd.	99,447.44	-	-	(24,184.59)	-	-	-	-	-	75,262.85	-
Guangzhou Baiyunshan Southern Anti-Tumor Biological Products Co., Ltd.	41,067,224.19	-	-	(1,507,895.23)	-	-	-	-	-	39,559,328.96	-
Chuang Mei Medicines Co., Ltd.	74,614,825.02	-	(66,546,074.08)	-	-	-	-	-	(8,128,750.94)	-	-
Guangzhou Zhongheng Medical Instruments Industry Development Co., Ltd.	234,537.01	-	-	(62,664.99)	-	-	-	-	-	171,872.02	-
Wobian Guangyao (Guangzhou) Equity investment partnership (limited partnership)	-	334,000,000.00	-	2,107,265.55	-	-	-	-	-	336,107,265.55	-
Subtotal	1,275,099,513.41	334,000,000.00	(157,209,909.53)	21,954,433.33	-	-	-	-	(8,128,750.94)	1,465,715,286.27	-
Total	1,584,063,326.22	334,000,000.00	(157,209,909.53)	112,335,394.82	-	-	(59,418,476.27)	-	(8,128,750.94)	1,805,641,584.30	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	Change in the current period			Other	Closing balance
			Decrease	Gains included in other composite income	Losses included in other composite income		
Sino-Israel Bio-industry Investment Fund	98,016,033.60	2,249,997.75	-	-	7,142,048.81	-	93,123,982.54
South China Center for Innovative Pharmaceuticals Co., Ltd.	10,900,000.00	-	-	-	850,000.00	-	10,050,000.00
Yilin Bio-industry Co., Ltd	653,808.78	9,090.90	-	-	25,144.28	-	637,755.40
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	-	-	-	-	-
<b>Total</b>	<b>109,569,842.38</b>	<b>2,259,088.65</b>	<b>-</b>	<b>-</b>	<b>8,017,193.09</b>	<b>-</b>	<b>103,811,737.94</b>

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	3,182,137.46	-	(23,498,512.96)	Long-term holdings for strategic purposes
South China Center for Innovative Pharmaceuticals Co., Ltd.	-	50,000.00	-	Long-term holdings for strategic purposes
Yilin Bio-industry Co., Ltd	-	169,573.50	-	Long-term holdings for strategic purposes
Guangzhou Nanxin Pharmaceutical Co., Ltd.	-	-	(7,677,876.51)	Long-term holdings for strategic purposes
<b>Total</b>	<b>3,182,137.46</b>	<b>219,573.50</b>	<b>(31,176,389.47)</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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>1,005,936,165.09</b>	1,038,818,757.16
Including: Debt instrument investment	<b>488,559,816.67</b>	538,390,000.00
Equity instrument investment	<b>517,376,348.42</b>	500,428,757.16
Total	<b>1,005,936,165.09</b>	1,038,818,757.16

Important other non-current financial assets are as follows:

Types	Item	Closing balance	Closing balance of last year
Debt instrument investment	Certificate of deposit	<b>488,559,816.67</b>	538,390,000.00
Equity instrument investment	Guangzhou Baxter Medical Supply	<b>229,000,000.00</b>	223,000,000.00
Equity instrument investment	C.Q.Pharmaceutical Holding Co.,Ltd	<b>129,181,880.10</b>	132,041,036.40
Total	—	<b>846,741,696.77</b>	893,431,036.40

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. Investment Properties

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

Item	Buildings	Land use right	Working in progress	Total
I. Original cost				
1. Opening balance	413,242,878.09	18,344,900.69	13,865,460.63	445,453,239.41
2. Increase	54,489,309.81	1,522,492.46	7,077,017.93	63,088,820.20
(1) Purchase	–	–	7,077,017.93	7,077,017.93
(2) Changes in foreign exchange rate	104,410.78	–	–	104,410.78
(3) Inventory, fixed assets and transferred from working in progress	54,384,899.03	1,522,492.46	–	55,907,391.49
3. Decrease	174,697,335.27	–	–	174,697,335.27
(1) Disposal	1,105,588.40	–	–	1,105,588.40
(2) transferred into inventory, fixed assets and working in progress	173,591,746.87	–	–	173,591,746.87
4. Closing balance	293,034,852.63	19,867,393.15	20,942,478.56	333,844,724.34
II. Accumulated depreciation and amortization				
1. Opening balance	227,818,615.29	10,929,159.50	–	238,747,774.79
2. Increase	12,742,198.58	599,408.35	–	13,341,606.93
(1) Provision or amortization	12,742,198.58	317,747.24	–	13,059,945.82
(2) Inventory, fixed assets and transferred from working in progress	–	281,661.11	- 281,661.11	–
3. Decrease	88,019,336.50	–	–	88,019,336.50
(1) Disposal	287,236.58	–	–	287,236.58
(2) Transferred into inventory, fixed assets and working in progress	87,727,484.94	–	–	87,727,484.94

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 (Continued)

Item	Buildings	Land use right	Working in progress	Total
(3) Changes in foreign exchange rate	4,614.98	-	-	4,614.98
4. Closing balance	152,541,477.37	11,528,567.85	-	164,070,045.22
III. Provision for impairment				
1. Opening balance	-	-	-	-
2. Increase	-	-	-	-
3. Decrease	-	-	-	-
4. Closing balance	-	-	-	-
IV. Book value				
1. Closing balance of book value	140,493,375.26	8,338,825.30	20,942,478.56	169,774,679.12
2. Opening balance of book value	185,424,262.80	7,415,741.19	13,865,460.63	206,705,464.62

① Depreciation is RMB12,742 thousand in 2023 (2022: RMB10,438 thousand). Amortization is RMB318 thousand in 2023 (2022: RMB329 thousand).

② All of the investment properties with land use right are located in Mainland China with useful life vary from 10 to 50 years.

### 16. Fixed Assets

Item	Closing balance	Closing balance of last year
Fixed assets	<b>4,411,948,633.92</b>	3,753,155,113.01
Disposal of fixed assets	-	-
Less: Provision for impairment	<b>32,151,211.78</b>	43,971,387.45
Total	<b>4,379,797,422.14</b>	3,709,183,725.56

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets

##### ① Fixed assets

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
I. Original cost							
1. Opening balance	3,642,188,402.28	3,217,050,777.29	126,793,730.43	353,052,465.39	360,530,476.84	60,495,587.16	7,760,111,439.39
2. Increase	722,182,206.48	406,825,381.72	15,339,843.53	40,031,284.33	57,367,918.04	10,000,990.04	1,251,747,624.14
(1) Purchases	5,433,376.55	60,114,147.47	6,956,675.74	9,079,828.46	29,494,368.16	109,788.76	111,188,185.14
(2) Transfer of construction, use assets, development expenditure, investment real estate							
3. Decrease	716,748,829.93	346,711,234.25	8,383,167.79	30,951,455.87	27,873,549.88	9,891,201.28	1,140,559,439.00
(1) Disposal or scrap	24,449,048.62	81,242,433.75	7,992,694.98	30,284,900.81	21,188,527.90	7,898.00	165,165,504.06
(2) Changes in foreign exchange rate	24,113,601.90	81,242,433.75	7,992,694.98	28,301,312.99	21,156,162.01	7,898.00	162,814,103.63
(3) Turn out of construction, use assets, development expenditure, investment real estate	64,731.77	-	-	-	32,365.89	-	97,097.66
4. Closing 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
	270,714.95	-	-	1,983,587.82	-	-	2,254,302.77

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets (Continued)

##### ① Fixed assets (Continued)

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
II. Accumulated depreciation							
1. Opening balance	1,594,412,501.73	1,831,086,940.89	82,853,926.65	214,591,600.20	238,455,352.64	45,556,004.27	4,006,956,326.38
2. Increase	226,658,436.35	256,386,187.01	6,807,638.73	21,740,843.70	41,534,689.07	4,111,479.87	557,239,274.73
(1) Provision	226,658,436.35	256,386,187.01	6,807,638.73	21,740,843.70	41,534,689.07	4,111,479.87	557,239,274.73
3. Decrease	15,291,314.90	74,525,629.21	7,651,292.60	11,955,331.94	20,020,685.36	6,421.55	129,450,675.56
(1) Disposal or scrap	14,887,513.17	74,525,629.21	7,651,292.60	11,955,331.94	19,818,784.49	6,421.55	128,844,972.96
(2) Changes in foreign exchange rate	403,801.73	-	-	-	201,900.87	-	605,702.60
4. Closing 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
III. Provision for impairment							
1. Opening balance	11,767,229.72	4,692,682.32	-	27,509,975.41	1,500.00	-	43,971,387.45
2. Increase	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
(2) Transfer of construction	-	-	-	-	-	-	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16. Fixed Assets (Continued)

#### (1) Fixed assets (Continued)

##### ① Fixed assets (Continued)

Item	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
3. Decrease	-	33,562.48	-	11,786,613.19	-	-	11,820,175.67
(1) Disposal or scrap	-	33,562.48	-	86,944.12	-	-	120,506.60
(2) Turn out of construction	-	-	-	11,699,669.07	-	-	11,699,669.07
4. Closing balance	11,767,229.72	4,659,119.84	-	15,723,362.22	1,500.00	-	32,151,211.78
IV. Book value							
1. Closing balance of book value	2,522,374,707.24	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
2. Opening balance of book value	2,036,008,670.83	1,381,271,154.08	43,939,803.78	110,950,889.78	122,073,624.20	14,939,582.89	3,709,183,725.56

Notes:

- ① The original price of transferring from construction in progress to fixed assets in 2023 is RMB915,782 thousand (2022: RMB450,577 thousand)
- ② Fixed assets depreciation accrued in 2023 is RMB557,239 thousand (2022: RMB425,818 thousand), which is comprised of depreciation in operating cost RMB278,383 thousand, depreciation in selling expenses RMB140,967 thousand, depreciation in general and administrative expenses RMB100,357 thousand and depreciation in R&D expenditure RMB37,532 thousand (2022: RMB169,272 thousand, RMB119,086 thousand, RMB101,632 thousand and RMB35,828 thousand).



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	297,399.95	–	133,213.41	/
Machinery and equipment	12,377,715.12	8,310,454.88	1,733,694.86	2,333,565.38	/
Total	<u>12,808,328.48</u>	<u>8,607,854.83</u>	<u>1,733,694.86</u>	<u>2,466,778.79</u>	/

##### ③ There is no fixed assets leased out under operating lease in this period

##### ④ Fixed assets which do not have a certificate of property right

Item	Reason for do not have certificate of property right	Estimated time for acquiring certificate of property right
Buildings	237,649,360.69	Processing but necessary procedures were not complete
Total	<u>237,649,360.69</u>	–

##### ⑤ As on 31 December 2023, 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\$5,847 thousand (Converted into RMB5,299 thousand), and investment property with the original costs of HK\$6,843 thousand and the net value of HK\$2,950 thousand (Converted into RMB2,673 thousand) pledged as collateral, and obtained a credit line with a limit of HK\$300 thousand, the letter of credit and the total amount of 90-day credits of HK\$100,000 thousand, and an issued but unexpired letter of credit of USD429 thousand from the Bank of China (Hong Kong) Co., Ltd.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress

Item	Closing balance	Closing balance of last year
Construction in progress	<b>2,418,878,925.15</b>	2,109,298,125.73
Construction material	–	–
Less: Provision for impairment	<b>13,707,203.45</b>	971,534.38
Total	<b>2,405,171,721.70</b>	2,108,326,591.35

#### (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	<b>2,418,878,925.15</b>	<b>13,707,203.45</b>	<b>2,405,171,721.70</b>	2,109,298,125.73	971,534.38	2,108,326,591.35
Total	<b>2,418,878,925.15</b>	<b>13,707,203.45</b>	<b>2,405,171,721.70</b>	2,109,298,125.73	971,534.38	2,108,326,591.35

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17. Construction in Progress (Continued)

#### (1) Construction in progress (Continued)

#### ② Changes of significant construction in progress in the current year

Project	Budget	Opening balance	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
			Increase	Decrease								
Construction of Bio-island R&D Headquarters	1,099,853,000.00	415,456,532.72	241,586,647.05	-	-	657,043,179.77	73.05	81.22	-	-	-	Self-faced funds, issuing shares
Construction of Guangao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd.	788,552,600.00	313,838,919.52	228,236,653.93	-	-	542,075,573.45	83.76	92.00	-	-	-	Self-faced funds, issuing shares
Mingxing relocation improvement	686,410,000.00	390,607,344.64	162,502,539.14	-	78,926,495.00	474,183,388.78	86.72	95.00	-	-	-	Self-faced funds, issuing shares
Baiyunshan Heji public relocation project	699,521,600.00	34,615,346.65	85,109,962.61	-	-	119,725,309.26	31.48	31.48	-	-	-	Self-faced funds, issuing shares
TCM Science and Technology Industrial Park of Gansu	186,809,000.00	69,740,401.26	76,983,224.76	10,171,100.73	21,867,019.60	114,685,505.69	95.15	98.85	1,102,800.00	551,400.00	3.00	Self-faced funds, issuing shares
Guangao Bai Yun Shan New plant construction project	426,135,900.00	49,659,457.18	41,665,720.39	-	-	91,325,177.57	21.43	24.94	-	-	-	Self-faced funds
Lanzhou production base	350,000,000.00	52,011,591.80	28,032,003.97	-	-	80,043,595.77	33.92	50.10	-	-	-	Self-faced funds
Intelligent workshop technical transformation project(A)	48,550,000.00	31,263,098.18	6,926,445.11	2,565,521.20	2,733,750.81	32,890,271.28	80.51	80.51	-	-	-	Self-faced funds
Nansha Base Project	750,000,000.00	290,148,110.61	165,071,865.48	428,156,141.26	-	27,063,894.83	76.88	89.02	-	-	-	Self-faced funds, issuing shares
New Factory R & D Workshop project	66,940,000.00	-	24,324,796.29	-	-	24,324,796.29	36.34	45.00	-	-	-	Self-faced funds
Intelligent three-dimensional warehouse project	102,740,000.00	8,923,747.04	14,033,924.07	-	-	22,957,671.11	24.58	40.00	-	-	-	Self-faced funds
Food supporting production line project	42,400,000.00	33,575,316.60	2,933,118.07	14,355,447.62	-	22,172,988.05	86.15	95.00	-	-	-	Self-faced funds

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	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	Ratio(%)	Source of funds
			Increase	Decrease								
Head Factory upgrading Project of Science and Technology Innovation Center	65,120,000.00	639,245.27	16,148,719.50	-	-	16,787,964.77	23.57	40.00	-	-	-	Self-raised funds
Production line expansion project	20,356,000.00	5,177,922.72	7,559,492.74	-	-	12,737,415.46	62.57	70.00	-	-	-	Self-raised funds
Intelligent workshop technical transformation project (B)	54,000,000.00	-	13,755,877.60	-	1,531,696.04	12,224,181.56	25.47	25.47	-	-	-	Self-raised funds
Baiyun Base Logistics Project, Phase II Q	615,124,000.00	-	11,014,362.35	-	-	11,014,362.35	1.79	1.79	-	-	-	Self-raised funds
Chinese medicine modernization GMP phase III construction project	287,620,000.00	148,614,460.26	29,938,387.42	175,320,781.22	-	3,232,066.46	92.00	92.00	-	-	-	Self-raised funds
Extension project R of Hospital service	208,320,000.00	20,805,464.14	14,901,937.02	17,998,463.78	14,717,333.60	2,991,603.78	74.36	74.36	-	-	-	Self-raised funds
Ya'an production base phase II project	67,000,000.00	29,776,144.59	23,977,410.79	-	53,753,555.38	-	80.23	100.00	-	-	-	Self-raised funds
Monoclonal antibody project	62,650,000.00	30,703,750.08	1,439,191.18	32,142,941.26	-	-	93.09	100.00	-	-	-	Self-raised funds
Total	-	1,925,556,855.26	1,196,162,279.47	680,710,397.07	173,529,850.43	2,267,478,887.23	-	-	1,102,800.00	551,400.00	-	-

Note:

- ① Other reductions in construction in progress this period were mainly due to the number of projects in progress transferred to intangible assets by the Group.
- ② At the end of 2022, the "Zhongluotian Wulonggang AB08070981 block" was changed to the "Baiyunshan Heji public relocation project", and the budget was increased from RMB159,750 thousand to RMB699,522 thousand.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 provision for impairment of construction in progress in current period.

The equipment project to be installed by Tianxin Pharmaceutical Co., Ltd., a subsidiary of the Company, was unable to obtain a value-added tax invoice due to the closure of the equipment supplier, and the production equipment could not be put into operation. Therefore, the equipment purchase payment paid for this project shall be fully depreciated.

④ Impairment of construction in progress

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Equipment to be installed	719,800.00	1,036,000.00	-	<b>1,755,800.00</b>	Tax invoice due to the closure of the equipment supplier, and the production equipment could not be put into operation
Total	<u>719,800.00</u>	<u>1,036,000.00</u>	<u>-</u>	<u><b>1,755,800.00</b></u>	

### 18. Bearer Biological Assets

#### (1) Cost Measurement Method

Item	Unripe bearer biological assets – Camellia Citrus	Total
I. Original cost		
1. Opening balance	3,678,000.00	3,678,000.00
2. Increase	-	-
3. Decrease	-	-
4. Closing balance	3,678,000.00	3,678,000.00
II. Accumulated depreciation		
1. Opening balance	1,222,935.00	1,222,935.00
2. Increase	349,410.00	349,410.00
(1) Provision	349,410.00	349,410.00
3. Decrease	-	-
4. Closing balance	1,572,345.00	1,572,345.00
III. Book value		
1. Closing balance of book value	2,105,655.00	2,105,655.00
2. Opening balance of book value	2,455,065.00	2,455,065.00

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	1,216,401,364.20	144,419,281.35	1,360,820,645.55
2. Increase	327,184,836.16	936,896.47	328,121,732.63
(1) New lease	327,184,836.16	936,896.47	328,121,732.63
3. Decrease	298,186,240.14	85,340,049.10	383,526,289.24
(1) Disposal	297,710,029.16	–	297,710,029.16
(2) Turn out of construction, use assets, development expenditure, investment real estate	–	85,340,049.10	85,340,049.10
(3) Other	476,210.98	–	476,210.98
4. Closing balance	1,245,399,960.22	60,016,128.72	1,305,416,088.94
II. Accumulated depreciation			
1. Opening balance	544,547,716.17	66,113,783.13	610,661,499.30
2. Increase	253,934,380.62	10,181,632.36	264,116,012.98
(1) Provision	253,934,380.62	10,181,632.36	264,116,012.98
3. Decrease	264,109,031.09	34,154,755.23	298,263,786.32
(1) Disposal	263,632,820.11	–	263,632,820.11
(2) Turn out of construction, use assets, development expenditure, investment real estate	–	34,154,755.23	34,154,755.23
(3) Other	476,210.98	–	476,210.98
4. Closing balance	534,373,065.70	42,140,660.26	576,513,725.96
III. Book value			
1. Closing balance of book value	711,026,894.52	17,875,468.46	728,902,362.98
2. Opening balance of book value	671,853,648.03	78,305,498.22	750,159,146.25

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. (65) Lease.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	1,042,153,992.67	45,650,172.55	64,952,446.55	1,562,384,531.60	127,793,900.00	336,690,330.69	3,179,625,374.06
2. Increase	359,396,159.96	273,584.91	181,666.38	50,000.00	-	38,345,910.55	398,247,321.80
(1) Purchase	359,396,159.96	273,584.91	181,666.38	50,000.00	-	38,089,127.90	397,990,539.15
(2) Internal R&D	-	-	-	-	-	87,435.40	87,435.40
(3) Other	-	-	-	-	-	169,347.25	169,347.25
3. Decrease	2,972,213.49	-	625,446.25	-	-	90,679.95	3,688,339.69
(1) Disposal	1,449,721.03	-	-	-	-	90,679.95	1,540,400.98
(2) Into Investment Real Estate	1,522,492.46	-	-	-	-	-	1,522,492.46
(3) Other	-	-	625,446.25	-	-	-	625,446.25
4. Closing 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
II. Accumulated amortization							
1. Opening balance	242,227,233.02	32,339,932.52	47,053,221.83	32,791,688.44	-	239,077,978.83	593,490,054.64
2. Increase	34,302,180.97	1,246,392.84	5,198,139.78	145,003.27	-	54,224,506.50	95,116,223.36
(1) Provision	34,069,343.77	1,246,392.84	5,198,139.78	145,003.27	-	54,081,705.66	94,740,585.32
(2) Other	232,837.20	-	-	-	-	142,800.84	375,638.04

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20. Intangible Assets (Continued)

#### (1) Intangible assets (Continued)

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
3. Decrease	1,016,140.87	-	831,737.04	-	-	24,901.31	1,872,779.22
(1) Disposal	734,479.76	-	-	-	-	24,901.31	759,381.07
(2) Into Investment Real Estate	281,661.11	-	-	-	-	-	281,661.11
(3) Other	-	-	831,737.04	-	-	-	831,737.04
4. Closing 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
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	1,123,064,666.02	11,884,089.06	13,089,042.11	1,529,102,467.48	127,793,900.00	81,479,776.68	2,886,413,941.35
2. Opening balance of book value	799,926,759.65	12,856,896.99	17,899,224.72	1,529,009,270.16	127,793,900.00	97,612,351.86	2,585,098,403.38

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 10 to 50 years.
- ② The amortization amount in 2023 was RMB94,741 thousand (2022: RMB77,550 thousand), which included in the current profit or loss RMB94,170 thousand and included in construction in progress RMB571 thousand.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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
Guangxi Ying Kang	475,756.92	-	-	-	-	475,756.92
Total	948,224,323.50	-	-	-	-	948,224,323.50

#### (2) Provision for impairment of goodwill

The investee's name or the event resulting in goodwill	Closing balance of last year	Increase		Decrease		Closing balance
		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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

#### (3) Information of asset group or asset portfolio including goodwill

Name	The composition and basis of the asset combination or combination belongs	The operating division and basis	Be consistent with previous years or not
GP Corp.	All operating non-current assets and goodwill related to the pharmaceutical distribution industry of GP Corp. and its investment-holding companies are classified based on the smallest asset combination capable of generating independent cash flows.	Great Commerce, divided according to regulatory requirements, company management, and other aspects	Yes
Guangzhou Baiyunshan Hospital	All operating non-current assets and goodwill related to the medical industry of Guangzhou Baiyunshan Hospital are classified based on the smallest asset combination capable of generating independent cash flows.	Great Southern Medicine, divided according to regulatory requirements, company management, and other aspects	Yes
San Gongzi	All operating non-current assets and goodwill of San Gongzi are classified based on the smallest asset combination capable of generating independent cash flows.	Great Southern Medicine, divided according to regulatory requirements, company management, and other aspects	Yes
Guangyao Hai Mai	All operating non-current assets and goodwill related to the advertising industry of Guangyao Hai Mai are classified based on the smallest asset combination capable of generating independent cash flows.	Great Commerce, divided according to regulatory requirements, company management, and other aspects	Yes

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

#### (4) The method for determining the recoverable amount of goodwill

Determine the recoverable amount based on the present value of estimated future cash flows.

Items	Book value	Recoverable amount	Impairment amount	Forecast period	Key parameters for forecast period	Key parameters for stable period	Basis for determining parameters for stable period
GP Corp.	3,122,136,457.68	3,914,695,297.00	-	2024 to 2028 (followed stable period)	Revenue growth rate: 7.08% to -5.37% Profit margin: 2.69% to -2.98% Pre-tax discount rate: 10.35%	Revenue growth rate of 0%, profit margin of 2.98%, pre-tax discount rate of 10.35%	Based on the macroeconomic situation, industry development trends, enterprise business plans, and historical annual operating performance, key parameters are determined.
Guangzhou Baiyunshan Hospital	113,216,769.34	135,372,368.00	-	2024 to 2028 (followed stable period)	Revenue growth rate: 4.93% to -4.95% Profit margin: 3.86% to -4.69% Pre-tax discount rate: 13.51%	Revenue growth rate of 0%, profit margin of 4.69%, pre-tax discount rate of 13.51%	Based on the macroeconomic situation, industry development trends, enterprise business plans, and historical annual operating performance, key parameters are determined.
San Gongzi	5,090,672.16	5,984,268.00	-	2024 to 2028 (followed stable period)	Revenue growth rate: 6.71% to -5.74% Profit margin: 1.96% to -2.37% Pre-tax discount rate: 9.35%	Revenue growth rate of 0%, profit margin of 2.37%, pre-tax discount rate of 9.35%	Based on the macroeconomic situation, industry development trends, enterprise business plans, and historical annual operating performance, key parameters are determined.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

#### (4) The method for determining the recoverable amount of goodwill (Continued)

Determine the recoverable amount based on the present value of estimated future cash flows. (Continued)

Items	Book value	Recoverable amount	Impairment amount	Forecast period	Key parameters for forecast period	Basis for determining parameters for forecast period	Key parameters for stable period	Basis for determining parameters for stable period
Guangyao Hai Mai	4,292,726.88	43,516,690.00	-	2024 to 2028 (followed stable period)	Revenue growth rate: 8.00% Profit margin: 0.71% to 0.75% Pre-tax discount rate: 12.63%	Based on the macroeconomic situation, industry development trends, enterprise business plans, and historical annual operating performance, key parameters are determined.	Revenue growth rate of 0%, profit margin of 0.75%, pre-tax discount rate of 12.63%.	Based on the macroeconomic situation, industry development trends, enterprise business plans, and historical annual operating performance, key parameters are determined.
Total	3,244,736,626.06	4,099,568,623.00	-					

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21. Goodwill (Continued)

(5) Performance commitments and their impact on impairment testing of goodwill

Nil

### 22. Long-term prepaid expenses

Item	Closing balance of last year	Increase	Amortization	Other changes	Closing balance
Decoration expenses	137,079,672.89	56,556,599.89	43,251,824.96	-	150,384,447.82
GMP reconstruction expenses	4,368,608.99	6,038,085.08	2,267,733.31	-	8,138,960.76
Computer system expenses	2,522,980.36	467,237.71	915,328.39	(784,813.12)	1,290,076.56
ABC Buildings certification service	244,431.20	-	134,865.84	-	109,565.36
Others	22,582,507.96	16,684,467.84	9,313,261.85	-	29,953,713.95
Total	166,798,201.40	79,746,390.52	55,883,014.35	(784,813.12)	189,876,764.45

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Deferred Tax Assets and Deferred Tax Liabilities

#### (1) Detail of deferred tax assets before offset

Item	Closing balance		Closing balance of last year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deferred tax assets:				
Provision for credit impairment	686,347,605.79	164,750,221.94	600,647,418.70	143,381,181.05
Provision for decline in value of inventories	71,421,846.88	14,358,633.44	61,570,115.16	14,686,779.41
Provision for impairment of construction in progress	13,707,203.45	2,056,080.52	971,534.38	145,730.16
Provision for impairment of fixed assets	15,124,071.60	2,285,762.16	11,331,481.41	1,722,984.95
Fixed assets depreciation differences between accounting and tax law	69,351,529.50	16,784,497.21	57,824,963.85	13,863,761.79
Intangible assets depreciation differences between accounting and tax law	7,566,492.55	1,134,973.88	101,666.67	15,250.00
Other equity instruments investments	31,326,389.53	4,698,958.43	24,184,340.71	3,627,651.11
Other non-current financial assets	26,308,299.73	3,946,244.96	23,577,018.47	3,536,552.77
Employee benefits payable	130,586,371.04	20,973,160.16	148,803,827.56	24,282,272.22
Other payables	1,503,296,233.08	293,845,954.58	1,370,832,181.89	272,813,264.51
Lease liabilities	769,522,010.11	204,500,225.21	956,088,583.24	222,235,891.02
Provisions	942,640,074.20	141,396,011.13	788,490,283.64	118,273,542.55
Deductible tax losses	570,407,520.44	101,848,279.77	702,313,460.95	124,764,779.34
Deferred income	622,469,750.54	97,384,854.64	577,497,276.22	90,612,254.39
Impact on total profit arising from elimination	333,344,860.48	71,621,543.31	188,225,857.94	42,021,499.66
Others	112,920,789.04	21,962,894.19	23,346,958.87	3,618,714.35
<b>Total</b>	<b>5,906,341,047.96</b>	<b>1,163,548,295.53</b>	<b>5,535,806,969.66</b>	<b>1,079,602,109.28</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	922,141,378.00	230,535,344.50	759,231,758.00	189,807,939.50
Right-to-use assets	824,013,981.52	198,062,070.21	905,074,339.96	209,620,318.64
Book value of the appreciated intangible assets and fixed assets in business combination	516,364,864.85	126,351,598.56	601,067,999.05	142,565,316.69
Other non-current financial assets	222,266,868.13	33,340,030.22	193,002,880.13	28,950,432.02
Fixed assets depreciation differences between accounting and tax law	98,639,272.56	15,726,413.47	138,839,313.73	20,825,897.06
Book value of amortization provided for intangible assets appreciation	8,446,777.60	1,286,744.64	7,417,509.98	1,157,204.69
Book value of depreciation provided for fixed assets appreciation	7,080,182.06	1,062,027.31	1,401,456.00	210,218.40
Other equity instruments investments	219,573.53	32,936.03	1,094,717.78	164,207.67
Others	219,415,904.28	33,131,754.10	103,666,610.44	15,549,991.58
<b>Total</b>	<b>2,818,588,802.53</b>	<b>639,528,919.04</b>	<b>2,710,796,585.07</b>	<b>608,851,526.25</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23. Deferred Tax Assets and Deferred Tax Liabilities (Continued)

- (3) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets

Item	Closing balance	Closing balance of last year
Deductible temporary difference	53,275,363.77	46,035,979.80
Deductible losses	696,522,654.98	587,523,951.15
Total	749,798,018.75	633,559,930.95

- (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
2023	–	39,316,134.20	/
2024	79,605,604.36	79,605,604.36	/
2025	89,666,175.18	89,666,175.18	/
2026	118,880,928.69	118,880,928.69	/
2027	234,887,073.08	260,055,108.72	/
2028	173,482,873.67	–	/
Total	696,522,654.98	587,523,951.15	/

### 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	86,445,793.62	–	86,445,793.62	239,830,085.45	–	239,830,085.45
Total	86,445,793.62	–	86,445,793.62	239,830,085.45	–	239,830,085.45



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	Book balance	Closing balance		Conditions	Book balance	Closing balance of last year		Conditions
		Book value	Restricted type			Book value	Restricted type	
Cash at bank and on hand	1,452,058,217.93	1,452,058,217.93	Freeze	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund	1,635,685,553.16	1,635,685,553.16	Freeze	Deposit on acceptance bill, credit deposit, frozen account funds, guarantee deposit, housing fund
Cash at bank and on hand	33,242,191.79	33,242,191.79	Fixed-term deposits	Fixed-term deposits	59,168,204.95	59,168,204.95	Fixed-term deposits	Fixed-term deposits
Accounts receivable	246,188,345.02	246,188,345.02	Pledge	Pledge to a bank	453,880,461.77	453,880,461.77	Pledge	Pledge to a bank
Notes receivable	549,725,358.11	549,725,358.11	Endorsed	Endorse to the bank	274,267,419.92	274,267,419.92	Endorsed	Endorse to the bank
Notes receivable	204,979.26	204,979.26	Discounted	Discount to the bank	20,559,977.72	20,559,977.72	Discounted	Discount to the bank
Notes receivable	-	-	-	-	40,301,643.31	40,301,643.31	Pledge	Pledge to a bank
Receivables financing	19,454,304.41	19,454,304.41	Pledge	Pledge to a bank	-	-	-	-
Fixed assets	5,298,668.34	5,298,668.34	Credit collateral	Mortgage to a bank	5,335,136.19	5,335,136.19	Credit collateral	Mortgage to a bank
Investment real estate	2,673,349.00	2,673,349.00	Credit collateral	Mortgage to a bank	4,129,454.48	4,129,454.48	Credit collateral	Mortgage to a bank
Total	2,308,845,413.86	2,308,845,413.86			2,493,327,851.50	2,493,327,851.50		

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 26. Short-term Borrowings

#### (1) Category of short-term borrowings

Item	Closing balance	Closing balance of last year
Credit borrowings	7,107,375,293.48	7,405,250,361.29
Pledge borrowings	–	74,685,116.53
Bills Discounted	691,660,350.28	1,058,129,684.00
Total	7,799,035,643.76	8,538,065,161.82

Note:

- ① Please refer to Note. V. 65. Assets with Restricted Ownership or Use Right for details on category and amount of pledge borrowings as on 31 December 2023.
- ② As on 31 December 2023, the weighted average annual interest rate of short-term borrowings is 2.9043% (31 December 2022: 3.1709%).

#### (2) The Group had no overdue short-term borrowings as on 31 December 2023.

### 27. Notes Payable

Item	Closing balance	Closing balance of last year
Bank acceptance notes	3,830,435,975.33	3,720,527,505.22
Commercial acceptance notes	13,600,000.00	39,955,303.65
Total	3,844,035,975.33	3,760,482,808.87

Note: As on 31 December 2023, amount expected to be matured within a year is RMB3,844,036 thousand (31 December 2022: RMB3,760,483 thousand).

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 28. Accounts Payable

(1) The aging of accounts payable is as follows:

Item	Closing balance	Closing balance of last year
Within 1 year	11,344,110,275.40	10,815,708,160.32
Over 1 year	497,721,576.97	384,639,667.89
Total	11,841,831,852.37	11,200,347,828.21

(2) Significant accounts payable with aging over 1 year:

Item	Closing balance	Reason for outstanding or carrying forward
Supplier 1	27,498,329.82	Payment terms not satisfied
Supplier 2	24,871,237.86	Payment terms not satisfied
Supplier 3	21,369,413.56	Payment terms not satisfied
Supplier 4	16,513,402.67	Payment terms not satisfied
Supplier 5	13,889,025.50	Payment terms not satisfied
Total	104,141,409.41	–

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29. Contract liabilities

(1) Contract liabilities are as follows:

Item	Closing balance	Closing balance of last year
Product sales payment received in advance	5,427,410,233.10	5,640,472,599.88
Medical payment received in advance	2,475,163.09	3,728,976.36
Total	<u>5,429,885,396.19</u>	<u>5,644,201,576.24</u>

(2) Contract liabilities disclosed by aging:

Item	Closing balance	Closing balance of last year
Within 1 year	5,389,786,225.94	5,608,750,493.75
Over 1 year	40,099,170.25	35,451,082.49
Total	<u>5,429,885,396.19</u>	<u>5,644,201,576.24</u>

(3) The Group had no significant contract liabilities with aging over 1 year as on 31 December 2023 and 31 December 2022.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Employee Benefits Payable

#### (1) Presentation of employee benefits payable

Item	Closing balance of last year	Increase	Decrease	Closing balance
Short-term employee benefits	1,006,645,535.61	5,403,426,382.75	5,345,139,515.50	1,064,932,402.86
Post-employment benefits-set up a deposit plan	2,704,120.99	548,038,113.74	547,143,275.74	3,598,958.99
Termination benefits	-	13,899,272.04	13,431,802.04	467,470.00
Total	1,009,349,656.60	5,965,363,768.53	5,905,714,593.28	1,068,998,831.85

#### (2) Presentation of short-term benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Wages, bonuses, allowances and subsidies	947,749,065.72	4,621,128,131.66	4,554,703,051.29	1,014,174,146.09
Employee welfare	9,107,222.64	164,960,165.79	169,848,766.03	4,218,622.40
Social Insurance premium	233,357.90	207,685,739.62	207,871,129.09	47,968.43
Including: Medical insurance premium	211,869.47	196,929,289.24	197,096,164.61	44,994.10
Industrial injury insurance premium	21,488.43	9,912,722.79	9,931,678.01	2,533.21
Maternity insurance premium	-	843,727.59	843,286.47	441.12
Housing funds	745,814.74	308,495,950.54	307,935,767.18	1,305,998.10
Labor-union expenditure and employee education funds	16,320,812.04	80,160,705.21	78,887,033.20	17,594,484.05
Non-monetary welfare	836,823.90	282,031.85	1,118,855.75	-
Housing allowance	31,372,930.51	17,786,863.65	21,848,118.53	27,311,675.63
Other short-term benefits	279,508.16	2,926,794.43	2,926,794.43	279,508.16
Total	1,006,645,535.61	5,403,426,382.75	5,345,139,515.50	1,064,932,402.86

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30. Employee Benefits Payable (Continued)

#### (3) Disclosure of defined contribution plan by categories

Item	Closing balance of last year	Increase	Decrease	Closing balance
Basic pension insurance	933,667.66	390,923,674.28	391,741,140.43	<b>116,201.51</b>
Unemployment insurance premiums	22,313.28	17,269,914.89	17,286,751.24	<b>5,476.93</b>
Enterprise annuity	1,160,015.46	118,685,952.15	116,773,741.56	<b>3,072,226.05</b>
Others	588,124.59	21,158,572.42	21,341,642.51	<b>405,054.50</b>
Total	<u>2,704,120.99</u>	<u>548,038,113.74</u>	<u>547,143,275.74</u>	<u><b>3,598,958.99</b></u>

#### (4) Termination benefits

Item	Closing balance of last year	Increase	Decrease	Closing balance
Compensation for termination of labor relations	–	13,899,272.04	13,431,802.04	<b>467,470.00</b>
Total	<u>–</u>	<u>13,899,272.04</u>	<u>13,431,802.04</u>	<u><b>467,470.00</b></u>

Note: The ending balance of employee benefits payable is mainly the wages, bonuses and wages of labor assigned by labor service intermediary agent company provided by the Group at the end of December 2023. There are no overdue employee benefits payable. The balance is expected to be paid and utilized in next year.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 31. Tax Payable

Item	Closing balance	Closing balance of last year
Enterprise income tax	249,263,554.98	236,998,766.10
Value-added tax	89,315,243.43	85,510,824.77
Individual income tax	21,311,730.41	22,866,783.72
Stamp duty	13,443,851.71	9,844,176.07
Urban maintenance and construction tax	5,209,015.26	10,938,964.77
Property tax	2,652,408.61	1,348,745.71
Educational surcharge	2,279,254.94	4,928,064.68
Local education surcharge	1,445,140.22	2,912,828.11
Land use tax	140.88	18,367.32
Others	1,631,946.56	343,014.91
Total	386,552,287.00	375,710,536.16

### 32. Other payables

Item	Closing balance	Closing balance of last year
Interest payable	–	–
Dividends payable	62,206,330.91	54,681,191.50
Other payables	4,857,035,314.76	4,780,179,437.02
Total	4,919,241,645.67	4,834,860,628.52

#### (1) Interest payable

Nil

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (2) Dividends payable

Item	Closing balance	Closing balance of last year
Foreign public shares	155,202.86	155,202.86
Domestic public shares	1,109,692.27	938,707.02
Minority shareholders	60,941,390.77	53,587,236.61
BYS Group	45.01	45.01
Total	62,206,330.91	54,681,191.50

#### (3) Other payables

##### ① Disclosures of other payables by nature

Nature of amount	Closing balance	Closing balance of last year
Sales discounts	1,569,035,459.89	1,541,016,302.75
Accounts payable to external entities	1,463,261,700.02	1,021,836,485.97
Accrued expenses	897,187,982.31	818,181,283.68
Margin, deposit, and down payment received	579,058,689.15	582,894,894.61
Accruals for fixed assets	128,440,296.71	117,997,110.16
Epidemic prevention supplies turnover fund	57,707,402.07	521,980,668.35
Current accounts to related parties	22,322,317.66	21,927,211.62
Funds received temporarily from employees	19,043,952.13	18,532,882.87
Others	120,977,514.82	135,812,597.01
Total	4,857,035,314.76	4,780,179,437.02



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (3) Other payables (Continued)

##### ② Breakdown of accrued expenses

Item	Closing balance	Closing balance of last year
Freight expenses	245,137,740.16	311,794,549.11
Advertisement and promotion expenses	220,666,704.85	168,105,399.62
Terminal expenses	210,301,651.55	188,369,447.04
Research and development expenditures	40,760,609.69	16,288,360.25
Conference expenses	27,384,843.04	20,634,456.90
Travel expenses	24,814,899.61	16,759,513.92
Utilities expenses	14,732,820.88	10,052,387.41
Rental expenses	5,979,326.85	7,539,642.54
Trademark fee	5,478,612.37	4,313,205.71
Agency fee	5,470,452.83	9,077,278.11
Consulting fee	1,189,882.18	1,660,063.18
Others	95,270,438.30	63,586,979.89
Total	897,187,982.31	818,181,283.68

##### ③ Disclosures of other payables by aging

Item	Closing balance	Closing balance of last year
Within 1 year	4,261,509,991.86	3,747,349,770.64
Over 1 year	595,525,322.90	1,032,829,666.38
Total	4,857,035,314.76	4,780,179,437.02

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32. Other payables (Continued)

#### (3) Other payables (Continued)

④ Important other payables with an age of more than 1 year

Item	Closing balance	Reasons for repayment or carrying forward
Other payable 1	51,612,954.45	Not to the settlement period
Total	51,612,954.45	

### 33. Non-current liabilities due within one year

Item	Closing balance	Closing balance of last year
Long-term borrowings due within 1 year (Note V. 35)	36,450,938.12	498,582,068.04
Lease liabilities due within 1 year (Note V. 36)	213,377,565.60	208,149,637.99
Total	249,828,503.72	706,731,706.03

### 34. Other Current Liabilities

Item	Closing balance	Closing balance of last year
Pending output VAT	695,880,365.06	717,074,442.15
Short term payable bonds	-	608,291,666.67
Total	695,880,365.06	1,325,366,108.82

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35. Long-term Borrowings

#### (1) Classification of long-term borrowings

Item	Closing balance	Closing balance of last year	Interest rate range
Credit borrowings	<b>3,360,168,855.34</b>	2,137,785,132.42	/
Less: Long-term borrowings due within 1 year (Note V. 35)	<b>36,450,938.12</b>	498,582,068.04	/
Total	<b>3,323,717,917.22</b>	1,639,203,064.38	/

Note: as on 31 December 2023, the average annual rate of long-term borrowings is 2.4805% (as on 31 December 2022:3.06492%).

(2) The Group had no overdue long-term borrowings as on 31 December 2023.

### 36. Lease Liabilities

Item	Closing balance	Closing balance of last year
Lease liabilities	<b>791,570,026.69</b>	753,992,890.44
Less: Amount due within 1 year (Note V. 33)	<b>213,377,565.60</b>	208,149,637.99
Total	<b>578,192,461.09</b>	545,843,252.45

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Long-term Payables

Item	Closing balance	Closing balance of last year
Long-term payables	<b>19,971,964.60</b>	20,396,504.60
Total	<b>19,971,964.60</b>	20,396,504.60

#### (1) Long-term payables

Item	Closing balance	Closing balance of last year
State funds payable	<b>17,393,650.77</b>	17,418,190.77
Department of Finance of Guangxi Zhuang Autonomous Region	<b>2,264,426.47</b>	2,264,426.47
State Administration of Medicine	<b>305,000.00</b>	305,000.00
Others	<b>8,887.36</b>	408,887.36
Total	<b>19,971,964.60</b>	20,396,504.60

### 38. Long-term Employee Benefits Payable

#### (1) Long-term employee benefits payable

Item	Closing balance	Closing balance of last year
Post-employment benefits – provision for long service bonus	<b>293,264.21</b>	318,220.83
Total	<b>293,264.21</b>	318,220.83

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 39. Provisions

Item	Closing balance of last year	Increase	Decrease	Closing balance	Cause
Employee benefits for restructuring of Guangyao General Institute	43,754,016.35	-	901,747.83	<b>42,852,268.52</b>	Note①
Estimated loss on return of products	4,029,170.80	6,764,496.05	-	<b>10,793,666.85</b>	Estimated based on the disposal assets agreement. It has not been settled yet
Pending litigation	-	2,285,000.00	-	<b>2,285,000.00</b>	The expected loss due to the proceedings
Total	<u>47,783,187.15</u>	<u>9,049,496.05</u>	<u>901,747.83</u>	<b><u>55,930,935.37</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.

### 40. Deferred income

Item	Closing balance of last year	Increase	Decrease	Closing balance	Reason
Governmental subsidy	930,926,291.01	285,372,134.65	214,868,564.66	<b>1,001,429,861.00</b>	Government funding
Total	<u>930,926,291.01</u>	<u>285,372,134.65</u>	<u>214,868,564.66</u>	<b><u>1,001,429,861.00</u></b>	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 40. Deferred income (Continued)

Projects involving government subsidies:

Item	Closing balance of last year	Current increase in grants	Amount recognized into non-operating income	Amount recognized into other income	Amount offset costs	Appropriation to cooperators	Other decrease	Closing balance	Asset related/ Income related
Government grants related to assets	594,535,081.79	77,216,804.59	111,974.64	36,662,145.50	-	-	15,108,680.14	<b>650,086,446.38</b>	
Including:									
Technology funds granted by the government	65,059,817.61	11,855,148.25	-	15,225,227.21	-	-	3,807,919.10	<b>65,497,657.75</b>	Asset related
Compensation for relocation	224,490,506.49	-	72,997.56	-	-	-	-	<b>224,417,508.93</b>	Asset related
Special project funds for environmental protection	947,710.11	1,049,090.00	-	137,623.02	-	-	-	<b>1,859,177.09</b>	Asset related
Construction funds for innovation platform and laboratory	10,803,808.56	20,710,000.00	-	4,041,627.50	-	-	-	<b>27,472,181.06</b>	Asset related
Land support funds granted by the government	60,201,523.97	-	-	3,506,942.40	-	-	-	<b>56,694,581.57</b>	Asset related
Support funds for industrial development	173,249,899.61	40,624,503.34	-	11,178,138.41	-	-	11,072,687.18	<b>213,768,951.72</b>	Asset related
Others	59,781,815.44	2,978,063.00	38,977.08	2,572,586.96	-	-	228,073.86	<b>60,376,388.26</b>	Asset related
Government grants related to income	336,391,209.22	208,155,330.06	-	173,830,409.37	1,420,986.44	700,000.00	(17,251,728.85)	<b>351,343,414.62</b>	
Including:									
Technology funds granted by the government	95,422,806.91	61,475,437.00	-	41,572,055.94	1,415,094.34	700,000.00	(5,045,094.10)	<b>108,165,999.53</b>	Income related
Special Funds for technology export development		4,800.00	-	4,800.00	-	-	-	-	Asset related
Medical industrial research project funds	30,000.00	-	-	30,000.00	-	-	-	-	Asset related
Special fund for innovative enterprises	5,409,708.76	18,380,208.00	-	8,178,760.19	-	-	-	<b>15,611,156.57</b>	Income related
Compensation for relocation	160,000,000.00	-	-	-	-	-	-	<b>160,000,000.00</b>	Income related
Support funds for industrial development	19,850,945.61	110,148,758.39	-	106,287,016.82	-	-	(6,512,687.18)	<b>17,200,000.00</b>	Income related
Others	55,677,747.94	18,146,126.67	-	17,757,776.42	5,892.10	-	(5,693,947.57)	<b>50,366,258.52</b>	Income related
<b>Total</b>	<b>930,926,291.01</b>	<b>285,372,134.65</b>	<b>111,974.64</b>	<b>210,492,554.87</b>	<b>1,420,986.44</b>	<b>700,000.00</b>	<b>(2,143,048.71)</b>	<b>1,001,429,861.00</b>	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Other non-current liabilities

Item	Closing balance	Closing balance of last year
Commitment to the investment of Guangzhou Baiyunshan in Southern Anti-tumor Biological Products Co., Ltd.	50,225,000.00	50,225,000.00
Pending output VAT	4,473,033.81	3,040,976.60
Total	54,698,033.81	53,265,976.60

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.

### 42. Share capital

Item	Closing balance of last year	Changes in the current period (+,-)				Subtotal	Closing balance
		Issuance	Share dividends	Capitalizing of capital reserves	Others		
Shares held by state-owned companies	-	-	-	-	-	-	
Shares held by other domestic investors	-	-	-	-	-	-	
shares held by State-owned legal persons	-	-	-	-	-	-	
Other shares held by domestic capital	-	-	-	-	-	-	
Including: Shares held by companies other than state-owned companies	-	-	-	-	-	-	
Shares held by domestic natural persons	-	-	-	-	-	-	
Others	-	-	-	-	-	-	
Shares held by foreign investors	-	-	-	-	-	-	
Total restricted shares	-	-	-	-	-	-	
Unrestricted shares	-	-	-	-	-	-	
Ordinary shares denominated in RMB	1,405,890,949.00	-	-	-	-	1,405,890,949.00	
Domestically-listed shares held by foreign investors	-	-	-	-	-	-	
Overseas-listed shares held by foreign investors	219,900,000.00	-	-	-	-	219,900,000.00	
Others	-	-	-	-	-	-	
Total Unrestricted shares	1,625,790,949.00	-	-	-	-	1,625,790,949.00	
Total shares	1,625,790,949.00	-	-	-	-	1,625,790,949.00	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43. Capital Surplus

Item	Closing balance of last year	Increase	Decrease	Closing balance
I. Share premium	9,048,269,635.38	-	-	9,048,269,635.38
II. 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	-	-	10,105,714,430.90



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44. Other Comprehensive Income

Item	Closing balance of last year	Current amount before tax	Current period		Less: Income tax expense	Attributable to the parent company, net of tax	Attributable to minority shareholders, net of tax	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				
I. Other comprehensive income that will not be reclassified to profit or loss	(13,637,599.60)	(8,017,193.09)	-	-	(1,202,578.96)	(6,814,614.13)	-	(20,452,213.73)
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	(15,085,781.41)	(8,017,193.09)	-	-	(1,202,578.96)	(6,814,614.13)	-	(21,900,395.54)
II. Other comprehensive income that may be reclassified into profit or loss	736,671.02	(8,314,846.54)	-	-	(2,897,077.36)	(4,628,926.88)	(788,842.30)	(3,892,255.86)
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	2,754,751.95	3,273,462.87	-	-	-	3,273,462.87	-	6,028,214.82
Change in fair value of investments in other debt instruments	(10,436,178.21)	(13,050,540.55)	-	-	(3,262,635.14)	(8,899,525.75)	(888,379.66)	(19,335,703.96)
Provision for credit impairment of other debt investments	8,388,960.71	1,462,231.14	-	-	365,557.78	997,136.00	99,537.36	9,386,096.71
Total other comprehensive income	(12,900,928.58)	(16,332,039.63)	-	-	(4,099,656.32)	(11,443,541.01)	(788,842.30)	(24,344,469.59)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45. Surplus Reserve

Item	Closing balance of last year	Increase	Decrease	Closing balance
Statutory surplus reserve	1,965,461,355.34	168,402,254.47	-	<b>2,133,863,609.81</b>
Discretionary surplus reserve	118,925,617.49	-	-	<b>118,925,617.49</b>
Total	<u>2,084,386,972.83</u>	<u>168,402,254.47</u>	<u>-</u>	<u><b>2,252,789,227.30</b></u>

Note:

- ① In accordance with the provisions of the Company Law and the Articles of Association, the Group shall withdraw the statutory surplus reserve at 10% of the net profit. If the accumulative statutory surplus reserve reaches more than 50% of the registered capital of the Group, it may not be withdrawn.
- ② The Group may withdraw any discretionary surplus reserve after drawing the statutory surplus reserve. Upon approval, discretionary surplus reserve may be used to cover losses of previous years or increase the share capital.

### 46. Undistributed profits

Item	Closing balance	Closing balance of last year
Closing balance of undistributed profits of prior year before adjustments	<b>18,262,133,346.76</b>	15,588,202,733.48
Adjustments to opening balance of undistributed profits at the current period (Add: +; Less:-)	-	-
Undistributed profits at the beginning of current year after adjustments	<b>18,262,133,346.76</b>	15,588,202,733.48
Add: Net profit attributable to shareholders of the parent company for the current period	<b>4,055,678,691.49</b>	3,966,522,218.54
Less: Appropriation of statutory surplus reserve	<b>168,402,254.47</b>	175,673,223.30
Appropriation of discretionary surplus reserve	-	-
Ordinary share dividends payable	<b>1,190,078,974.68</b>	1,116,918,381.96
Ordinary shares dividends converted to share capital	-	-
Closing balance of undistributed profits	<u><b>20,959,330,809.10</b></u>	<u>18,262,133,346.76</u>

Note: According to the resolution of the 2022 annual general meeting held on 30 May 2023, the Company shall issue cash dividends to all shareholders at RMB0.732 per share (tax included), RMB1,190,078,974.68 in total, based on the 1,625,790,949 outstanding shares at the year-end of 2022.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Operating Income and Operating Costs

#### (1) Operating Income and Operating Costs

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Main businesses	75,274,869,097.13	61,265,910,118.96	70,550,190,409.59	57,452,974,096.15
Other businesses	240,534,897.65	62,199,495.92	237,964,658.86	57,977,649.40
Total	75,515,403,994.78	61,328,109,614.88	70,788,155,068.45	57,510,951,745.55

#### (2) Disclosure by category

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	10,889,141,038.71	5,581,403,070.49	10,461,569,491.29	5,445,147,913.67
Great Health	11,117,426,654.48	6,180,183,518.88	10,473,093,890.55	5,914,955,062.77
Great Commerce	52,761,640,852.15	49,072,585,285.43	49,131,492,777.20	45,676,898,314.81
Others	506,660,551.79	431,738,244.16	484,034,250.55	415,972,804.90
Total	75,274,869,097.13	61,265,910,118.96	70,550,190,409.59	57,452,974,096.15

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Operating Income and Operating Costs

#### (3) Disclosure by primary operating region

Category	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	55,866,768,597.00	47,206,754,344.64	55,212,001,499.10	46,569,864,248.93
Eastern China Area	6,319,897,622.22	4,528,094,278.36	5,315,640,070.20	3,807,226,931.75
Northern China Area	3,543,092,323.54	2,431,784,301.74	2,584,211,366.00	1,619,888,758.94
Northeast Area	1,915,484,276.95	1,614,369,706.78	595,387,430.08	448,378,665.30
Southwest Area	5,004,742,680.11	3,395,579,047.18	4,613,340,017.16	3,235,355,319.24
Northwest Area	2,280,579,815.56	1,775,813,171.49	1,973,120,682.17	1,532,895,241.11
Export	344,303,781.75	313,515,268.77	256,489,344.88	239,364,930.88
Total	75,274,869,097.13	61,265,910,118.96	70,550,190,409.59	57,452,974,096.15

#### (4) Other business income and other business cost

Category	Current period		Prior period	
	Income	Cost	Income	Cost
E-commerce platform and store service fee	74,926,268.47	–	115,236,909.56	2,549,653.06
Leases of assets	54,747,906.42	4,968,836.51	25,147,743.17	12,157,625.99
Consulting fee	21,152,085.75	292,174.47	31,377,367.03	1,445,171.63
Property management fee	9,786,577.59	5,472,840.31	8,689,634.78	8,182,215.30
Technical service income	8,770,011.40	1,425,509.76	10,922,191.37	635,103.21
Sales of materials	8,503,769.31	4,882,796.45	7,545,661.48	5,023,826.79
Collection of utility on behalf of others	3,031,024.88	2,555,949.01	4,852,515.72	9,105,511.22
Trademark fee income	2,834,486.50	–	1,841,652.79	–
Service income	251,979.51	303,789.81	1,022,560.17	710,416.06
Others	56,530,787.82	42,297,599.60	31,328,422.79	18,168,126.14
Total	240,534,897.65	62,199,495.92	237,964,658.86	57,977,649.40

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48. Taxes and Surcharges

Item	Current period	Prior period
Urban maintenance and construction tax	127,335,080.67	123,529,137.01
Stamp duty	79,736,879.21	47,241,252.03
Education surcharge	54,623,445.55	53,033,464.81
House property tax	37,868,150.05	31,117,876.12
Local education surcharge	36,376,460.96	35,281,750.00
Land use tax	7,352,829.50	6,859,794.82
Vehicle and vessel use tax	155,068.42	151,733.74
Others	714,168.33	446,995.23
Total	344,162,082.69	297,662,003.76

Note: Please refer to Note IV. Taxes for basic rates of the above taxes and surcharges.

### 49. Selling and distribution expenses

Item	Current period	Prior period
Employee benefits	3,037,839,492.45	2,974,188,445.02
Advertising and promotion fees	1,082,172,290.71	960,686,663.35
Sales and service fees	1,000,977,932.18	1,020,317,912.12
Depreciation expenses	282,287,377.48	265,938,521.20
Freight and miscellaneous charges	236,146,292.27	302,185,426.59
Traveling expenses	160,278,890.84	114,888,791.73
Conference expenses	90,566,289.76	67,077,730.18
Office expenses	36,722,436.18	36,959,493.48
Rental expenses	24,497,386.57	35,743,282.60
Others	153,249,354.94	97,452,903.38
Total	6,104,737,743.38	5,875,439,169.65

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 50. General and administrative expenses

Item	Current period	Prior period
Employee benefits	1,589,675,006.00	1,449,704,884.65
Depreciation expenses	173,190,351.92	163,765,577.02
Amortization	141,047,905.61	116,156,890.82
Office expenses	77,404,452.61	70,982,274.96
Repairing expenses	47,233,060.95	43,775,627.84
Utilities	29,024,598.12	26,812,303.84
Traveling expenses	27,934,067.81	14,825,621.58
Agency fees	21,570,265.64	46,673,454.20
Including: Audit fee	2,650,943.40	2,622,641.51
Consulting	17,729,645.89	22,512,915.24
Trademark license fees	16,693,152.96	25,160,315.23
Freight and miscellaneous charges	14,899,849.90	14,180,105.21
Conference expenses	11,176,148.44	5,053,417.51
Rental expenses	6,815,212.44	7,630,766.13
Insurance premium	3,833,018.25	4,922,240.46
Others	243,313,095.47	206,113,599.37
Total	2,421,539,832.01	2,218,269,994.06

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 51. Research and development expenditures

Item	Current period	Prior period
Employee benefits	354,402,707.86	352,737,349.55
Special research and development	114,533,414.38	104,086,651.47
Raw materials	76,134,533.53	111,728,739.88
Trial production expenses	71,117,135.30	83,559,305.71
Depreciation expenses	37,337,654.67	35,906,513.20
Clinical trial expenses	35,624,478.18	17,351,092.33
Amortization cost	6,867,740.71	5,598,331.60
Technique research expenses	4,581,392.98	20,864,794.21
Others	81,545,177.25	87,621,572.03
Total	782,144,234.86	819,454,349.98

### 52. Financial expenses

Item	Current period	Prior period
Interest expenses	446,191,732.89	434,408,023.62
Including: Interest expenses related to lease	34,237,467.11	33,506,161.62
Less: interest revenue	486,336,348.90	626,789,186.37
Exchange gains/(losses)	(3,319,026.53)	11,117,682.63
Service change of finance institutions	22,052,947.92	18,537,524.55
Others	1,849,912.73	270,431.43
Total	(19,560,781.89)	(162,455,524.14)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 53. Other Income

Item	Current period	Prior period
Government grants	337,784,445.95	480,422,865.61
Total	337,784,445.95	480,422,865.61

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	15,225,227.21	11,583,350.36	-	Asset related
Special project fund for environmental protection	137,623.02	120,723.28	-	Asset related
Construction funds for innovation platform and laboratory	4,041,627.50	202,781.80	-	Asset related
Government land support funds	3,506,942.40	5,393,319.95	-	Asset related
Support funds for industrial development	11,178,138.41	9,646,099.56	-	Asset related
Others	2,572,586.96	2,651,745.12	-	Asset related
Subtotal	36,662,145.50	29,598,020.07	-	-
Technology funds granted by the government	58,874,973.60	101,520,729.95	58,874,973.60	Income related
Special fund for innovative enterprises	8,178,760.19	7,667,508.26	8,178,760.19	Income related
Support funds for industrial	113,475,091.41	169,733,736.26	113,475,091.41	Income related
Others	120,593,475.25	171,902,871.07	65,304,268.96	Income related
Subtotal	301,122,300.45	450,824,845.54	245,833,094.16	-
Total	337,784,445.95	480,422,865.61	245,833,094.16	-



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 54. Investment Income

Item	Current period	Prior period
Long-term equity investment income under equity method	107,887,761.00	136,587,586.49
Investment income from disposal of long-term equity investment	8,968,301.93	18,621,450.90
Dividend income during the holding year of other equity instruments	3,182,137.46	8,016,342.52
Investment income during the holding period of other non-current financial assets	2,007,019.95	39,203,323.45
Investment income from disposal of other non-current financial assets	421,331.92	–
Gains from re-measurement of equity at fair value when control is obtained	–	161,776,750.00
Interest income from finance products and structured deposits	208,446,499.69	93,637,735.79
Derecognition income of financial assets measured at amortized cost	(14,771,116.09)	(4,837,495.52)
Others	(51,299,763.46)	(31,831,046.57)
Total	264,842,172.40	421,174,647.06

### 55. Gains from changes in fair value

Sources of gains from change in fair value	Current period	Prior period
Classification of financial assets at fair value through profit or loss	–	3,271,427.37
Other non-current financial assets	38,637,354.11	(6,862,343.32)
Total	38,637,354.11	(3,590,915.95)

### 56. Impairment Losses in respect of credit

Item	Current period	Prior period
Loss on bad debts of notes receivable	(3,034,667.81)	4,671,708.50
Loss on bad debts of accounts receivable	(73,534,138.13)	(54,548,941.44)
Loss on bad debts of receivables financing	(1,462,231.14)	(1,194,863.71)
Loss on bad debts of other receivables	(5,113,436.40)	5,925,711.56
Total	(83,144,473.48)	(45,146,385.09)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 57. Impairment loss in respect of assets

Item	Current period	Prior period
Loss on decline in value of inventories	<b>(2,485,096.00)</b>	(5,129,784.85)
Fixed asset impairment loss	–	(1,915,764.04)
Construction in progress impairment loss	<b>(1,036,000.00)</b>	(719,800.00)
others	–	(218,399.05)
Total	<b>(3,521,096.00)</b>	(7,983,747.94)

### 58. Gains from disposal of assets

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Gains on disposal of non-current assets	<b>12,027,009.48</b>	689,816.02	12,027,009.48
Including: Gains from disposal of fixed assets	<b>643,946.18</b>	152,057.51	643,946.18
Gains from disposal of intangible assets	<b>8,270,258.73</b>	–	8,270,258.73
Gains from disposal of right-of-use assets	<b>3,112,804.57</b>	537,758.51	3,112,804.57
Total	<b>12,027,009.48</b>	689,816.02	12,027,009.48

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. Non-operating income

#### (1) Non-operating income by item

Item	Current period	Prior period	Amount recognized into non-recurring profit or loss in the current period
Proceed from damage and scrapping of non-current assets	5,892,778.99	1,061,319.07	5,892,778.99
Income from sale of scrap	5,350,499.73	5,198,927.89	5,350,499.73
Compensation income	3,894,191.45	1,719,199.38	3,894,191.45
Demolition compensation	2,715,715.29	–	2,715,715.29
Debt forgiveness	2,692,873.38	2,941,197.71	2,692,873.38
Government grant	1,329,576.18	128,858.64	1,329,576.18
Penalty income	1,280,024.67	1,178,983.52	1,280,024.67
Others	6,120,544.30	5,891,660.20	6,120,544.30
Total	29,276,203.99	18,120,146.41	29,276,203.99

#### (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	600.00	16,884.00	Income related
Subtotal	1,217,601.54	16,884.00	–
Total	1,329,576.18	128,858.64	–

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 60. Non-operating expenses

Item	Current period	Prior period	Amount recognized
			into non-recurring profit or loss in the current period
Penalty and overdue fines	18,779,217.96	971,812.40	18,779,217.96
Public welfare donation expenditure	13,217,948.23	17,149,144.08	13,217,948.23
Losses on damage and scrapping of non-current assets	4,438,200.69	5,263,766.48	4,438,200.69
Inventory loss	26,920.61	109,563.14	26,920.61
Abnormal loss	14,307.00	2,983,053.95	14,307.00
Others	3,198,261.19	22,798,344.42	3,198,261.19
Total	39,674,855.68	49,275,684.47	39,674,855.68

### 61. Income Tax Expenses

#### (1) Income tax expenses details

Item	Current period	Prior period
Current tax expenses	900,339,206.38	811,465,684.24
Deferred tax expenses	(49,169,137.08)	(21,591,946.98)
Total	851,170,069.30	789,873,737.26

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Income Tax Expenses (Continued)

#### (2) Adjustment processes of accounting profit and income tax expenses

Item	Current period
Total profit	5,110,498,029.62
Income tax expenses calculated at statutory/applicable rates	766,574,704.43
Tax effect of different rates applicable to subsidiaries	95,738,882.73
Adjustment effect of income tax of prior period	24,107,161.84
Tax effect of non-taxable income	(23,659,414.54)
Tax effect of costs, expenses and losses not deductible for tax purposes	13,803,560.18
Tax effect of use of deductible loss of previously unrecognized DTA	(4,531,721.32)
Tax effect of deductible temporary differences or deductible loss of unrecognized DTA in the current period	62,198,222.03
Tax effect of R&D expenditure deduction	(83,140,351.28)
Changes in the opening balance of deferred tax assets/liabilities as a result of adjustment of tax rate	79,025.23
Income tax expenses	851,170,069.30

### 62. 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	486,336,348.90	626,789,186.37
Government grant	413,881,627.27	583,546,230.62
Other operating income	240,534,897.65	237,964,658.86
Non-operating income	19,438,676.74	13,750,846.99
Deposit received and other items	61,039,751.30	108,542,577.09
Total	1,221,231,301.86	1,570,593,499.93

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Items in the Cash Flow Statement (Continued)

#### (1) Cash for operating activities (Continued)

##### ② Cash paid to other operating activities

Item	Current period	Prior period
Cash paid for selling and distribution expenses	2,415,909,908.62	1,863,898,225.16
Cash paid for general and administrative expenses	847,781,605.02	931,086,028.55
Financial expenses – bank charges	22,052,947.92	18,537,524.55
Others	273,487,734.54	247,455,045.60
Total	3,559,232,196.10	3,060,976,823.86

#### (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	2,297,390,000.00	633,700,000.00
Cash received from dividends	230,956,021.19	206,628,008.20
Cash received from sold shares	154,506,291.37	49,274,286.30
Total	2,682,852,312.56	889,602,294.50

##### ② Cash paid to Important investing activities

Item	Current period	Prior period
Deposit time deposit/large deposit certificate	3,970,000,000.00	5,817,790,000.00
Units outside investment	336,259,088.65	96,924,088.75
Buy out minority shareholders	–	1,003,260,609.79
Total	4,306,259,088.65	6,917,974,698.54

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Items in the Cash Flow Statement (Continued)

#### (2) Cash for investing activities (Continued)

##### ③ Cash received from other investing activities

Item	Current period	Prior period
Interest received	34,269.63	35,496.22
Cash equivalent of Baiyunshan Biologics on the date of merger	–	149,570,007.93
Total	34,269.63	149,605,504.15

##### ④ Cash paid to other investing activities

Nil

#### (3) Cash for financing activities

##### ① Cash received from other financing activities

Item	Current period	Prior period
Return of deposit for notes	3,684,207,500.89	3,148,564,386.46
Received ultra-short-term financing bonds	299,955,000.00	599,910,000.00
Other	84,195.00	35,000.00
Total	3,984,246,695.89	3,748,509,386.46

##### ② Cash paid to other financing activities

Item	Current period	Prior period
Deposit for notes paid	3,432,407,405.48	3,462,735,613.30
Lease payment	268,391,577.78	271,656,473.66
Ultra-short-term financing bonds payment	900,000,000.00	–
Other	1,938,635.90	–
Total	4,602,737,619.16	3,734,392,086.96

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. 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	8,538,065,161.82	7,673,220,904.73	301,072,445.36	8,698,024,556.44	15,298,311.71	7,799,035,643.76
Dividends payable	54,681,191.50	-	1,220,930,369.69	1,213,405,230.28	-	62,206,330.91
Non-current liabilities						
due within one year	706,731,706.03	-	249,828,503.72	706,731,706.03	-	249,828,503.72
Other current liabilities	1,325,366,108.82	299,955,000.00	695,880,365.06	908,246,666.67	717,074,442.15	695,880,365.06
Long-term borrowing	1,639,203,064.38	1,930,880,257.93	2,766,583.05	212,681,050.02	36,450,938.12	3,323,717,917.22
Lease liabilities	545,843,252.45	-	305,968,714.03	60,241,939.79	213,377,565.60	578,192,461.09
Total	12,809,890,485.00	9,904,056,162.66	2,776,446,980.91	11,799,331,149.23	982,201,257.58	12,708,861,221.76

- (4) Does not involve current cash income and expenditure, but affects the enterprise's financial position or may affect the enterprise's cash flow in the future significant activities and financial impact.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Supplementary Information of Cash Flow Statement

#### (1) Supplementary information of cash flow statement

Item	Current period	Prior period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	4,259,327,960.32	4,253,370,333.98
Add: Provision for assets impairment	3,521,096.00	7,983,747.94
Impairment loss in respect of credit	83,144,473.48	45,146,385.09
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	570,580,881.66	436,892,238.51
Depreciation of right-of-use assets	264,116,012.98	229,385,707.03
Amortization of intangible assets	94,740,585.32	77,550,305.83
Amortization of long-term prepaid expenses	55,883,014.35	49,827,592.89
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" refers to income)	(12,027,009.48)	(689,816.02)
Losses on scrapping of fixed assets ("-" refers to income)	(1,454,578.30)	4,202,447.41
Loss on changes in fair value ("-" refers to income)	(38,637,354.11)	3,590,915.95
Financial expenses ("-" refers to income)	446,191,732.89	434,408,023.62
Investment losses ("-" refers to income)	(250,071,056.31)	(421,174,647.06)
Decrease in deferred tax assets ("-" refers to income)	(83,946,186.25)	(71,106,352.23)
Increase in deferred tax liabilities ("-" refers to income)	30,677,392.79	62,860,206.79
Decrease in inventories ("-" refers to income)	(835,027,484.56)	(242,221,269.01)
Decrease of operating receivables ("-" refers to income)	(417,273,994.36)	(1,992,027,257.64)
Increase of operating payables ("-" refers to income)	(66,120,489.08)	4,121,077,619.66
Others ("-" refers to income)	-	-
Net cash flow from operating activities	4,103,624,997.34	6,999,076,182.74
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
Factoring financing payable	2,897,418,899.60	2,611,007,808.84
3. Net changes in cash and cash equivalents		
Cash at the end of period	19,823,543,794.72	20,804,699,012.64
Less: Cash at the beginning of year	20,804,699,012.64	21,013,364,042.22
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	(981,155,217.92)	(208,665,029.58)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Supplementary Information of Cash Flow Statement (Continued)

(2) Net cash paid for acquisition of subsidiaries in the current period

Nil

(3) Net cash received for disposal of subsidiaries in the current period

Nil

(4) Breakdown of cash and cash equivalents

Item	Current period	Prior period
I. Cash	<b>19,823,543,794.72</b>	20,804,699,012.64
Including: Cash on hand	<b>538,527.39</b>	1,037,872.77
Bank deposits that are readily available for payment	<b>19,810,319,063.95</b>	20,710,292,430.48
Other cash that are readily available for payment	<b>12,686,203.38</b>	93,368,709.39
II. Cash equivalents	–	–
Including: Debt investment maturing within three months	–	–
III. Closing balance of cash and cash equivalents	<b>19,823,543,794.72</b>	20,804,699,012.64
Including: Cash and cash equivalents in the parent or subsidiaries with restriction in use	–	–

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Foreign Currency Funds Items

Item	Closing Balance of Foreign Currency	Exchange rate	Closing balance of RMB in equivalent
Cash at bank and on hand			194,083,665.66
Including: USD	25,199,299.68	7.0827	178,479,079.84
HKD	16,560,738.70	0.9062	15,007,341.41
Euro	75,351.35	7.8592	592,201.33
AUD	1,040.02	4.8484	5,042.43
JPY	13.00	0.0502	0.65
Accounts receivable			5,252,003.15
Including: USD	656,689.68	7.0827	4,651,136.00
HKD	663,062.40	0.9062	600,867.15
Other receivables			1,400,896.39
Including: USD	92,700.00	7.0827	656,566.29
HKD	821,375.08	0.9062	744,330.10
Accounts payable			104,219,076.41
Including: USD	11,859,981.22	7.0827	84,000,688.99
HKD	22,311,175.71	0.9062	20,218,387.42
Shor-term borrowings			33,143,695.09
Including: HKD	36,574,371.10	0.9062	33,143,695.09

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 65. 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	6,792.45
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	34,626,685.01
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)	4,153,923.95
Total cash outflows related to lessee	<u>281,813,224.26</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	76,261,960.75	2,123,624.70
Income from rental of machinery and equipment	457,698.24	-
Total	<u>76,719,658.99</u>	<u>2,123,624.70</u>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 65. Lease (Continued)

#### (2) As Lessor (Continued)

##### ② Financial Leasing

Nil.

#### (3) Confirm profit and loss of financial lease sales as manufacturer or distributor

Nil.

## VI. RESEARCH AND DEVELOPMENT EXPENSES

### 1. Listed by Nature of Expenses

Items	Current period	Prior period
Employee salaries and benefits	380,549,416.35	353,784,717.39
Specialized research and development expenses	118,159,502.48	117,406,454.52
Raw materials	94,189,246.52	115,048,653.06
Testing and trial production expenses	77,446,965.77	76,708,129.88
Depreciation expenses	47,949,929.21	36,150,124.95
Clinical trial expenses	36,832,278.18	17,351,092.33
Technological research expenses	7,954,501.48	26,766,773.95
Amortization expenses	6,876,534.39	6,576,978.45
Others	82,235,002.81	271,235,927.05
Total	852,193,377.19	1,021,028,851.58
Including: Expense of research and development expenditures	782,144,234.86	819,454,349.98
Capitalized research and development expenditures	70,049,142.33	201,574,501.60

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VI. RESEARCH AND DEVELOPMENT EXPENSES (Continued)

### 2. Development expenses for research projects meeting capitalization criteria

Items	Opening balance	Increase in the current year		Decrease in the current year			Closing balance
		Internal development expenses	Others	Recognition as intangible assets	Transfer to current period profit and loss	Others	
Freeze-dried human rabies vaccine (Vero cell) PM strain project	234,532,504.20	67,875,178.72	-	-	-	-	302,407,682.92
Innovation project	6,135,559.73	1,028,300.98	-	87,435.40	-	736,458.41	6,339,966.90
Research and application of quality standards for Fritillaria and Dalbergia odorifera	-	406,468.85	-	-	-	-	406,468.85
Research and application of fermentation process of Cordyceps militaris powder	-	309,626.19	-	-	-	-	309,626.19
Research and development of processing technology for Chinese medicinal materials under low temperature conditions	-	286,639.38	-	-	-	-	286,639.38
Research and development of herbal medicine crushing and integrated equipment under normal temperature conditions	-	142,928.21	-	-	-	-	142,928.21
<b>Total</b>	<b>240,668,063.93</b>	<b>70,049,142.33</b>	<b>-</b>	<b>87,435.40</b>	<b>-</b>	<b>736,458.41</b>	<b>309,893,312.45</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 software and hardware before process validation have been implemented and completed.	2024.12	After successful research and development, obtaining the drug registration certificate for the PM strain, establishing industrial-scale production, and realizing sales revenue.	2019.3	After entering the Phase III clinical trial stage of research and development (subject to approval documents from relevant regulatory authorities).
Research and application of quality standards for Fritillaria and Dalbergia odorifera	Ongoing	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 Cordyceps militaris powder	Ongoing	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	Ongoing	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	Ongoing	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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 year

Nil

### 2. Business combination under the common control during the year

Nil

### 3. Counter purchase in the period

Nil

### 4. Equity of subsidiaries sold in the period

Nil



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

The reasons for the addition of 10 companies and decrease of 2 subsidiaries in scope of consolidation comparing to the prior year are as follows:

- (1) In January 2023, a subsidiary of the Company, GP Corp. dissolved its holding subsidiary Guangzhou Caizhilin Pharmaceutical Chain Co., Ltd.
- (2) In February 2023, a subsidiary of the Company, GP Corp. dissolved its subsidiary Hubei Guangyao Ankang Pharmaceutical Co., Ltd.
- (3) In February 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Shaoguan) Pharmaceutical Co., Ltd. with a registered capital of RMB5,000,000. The contribution of capital from GP Corp. accounted for 100% of the registered capital.
- (4) In February 2023, the Company established Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd. with a registered capital of RMB66,000,000. The Company's contribution of capital from the company accounted for 100% of the registered capital.
- (5) In April 2023, a subsidiary of the Company, GP Corp. established Guangzhou Pharmaceutical Logistics Co., Ltd. with a registered capital of RMB20,000,000. The contribution of capital from GP Corp. accounted for 100% of the registered capital.
- (6) In June 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Shantou) Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (7) In June 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Huizhou) Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (8) In July 2023, a subsidiary of the Company, Guangyao Heilongjiang Pharmaceutical Co., Ltd., established Guangyao Mudanjiang Pharmaceutical Co., Ltd., with a registered capital of RMB5,000,000 of which Guangyao Heilongjiang Pharmaceutical Co., Ltd. subscribed capital accounted for 100% of the registered capital.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 *(Continued)*

- (9) In July 2023, a subsidiary of the Company, GP Corp. established Guangyao Pharmaceutical (Zhanjiang) Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (10) In July 2023, a subsidiary of the Company, GP Corp. established Dongguan Guangyao Baokang Pharmaceutical Co., Ltd., with a registered capital of RMB5,000,000 of which the GP Corp. subscribed capital accounted for 100% of the registered capital.
- (11) In October 2023, the Company jointly established Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd. with Meichen Group Co., Ltd., with a registered capital of RMB500,000,000 of which the Company's contribution accounted for 75% of the registered capital.
- (12) In December 2023, a subsidiary of the Company, Guangyao Sichuan Pharmaceutical Co., Ltd., established Guangyao Pharmaceutical (Liangshan) Co., Ltd., with a registered capital of RMB9,000,000 of which Guangyao Sichuan Pharmaceutical Co., Ltd. subscribed capital accounted for 100% of the registered capital.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

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FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## VIII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### ① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Baiyunshan Jiuji Gong Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	3,000.00		45.08	Establishment or Investment
Jingxiutang (Ningbo) Health Industry Development Co., Ltd.	Ningbo	Ningbo	Limited liability company	Commercial services	500.00		88.40	Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,440.00	87.77		Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	14,000.00		87.77	Establishment or Investment
Wang Lao Ji	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	204,756.88	96.09		Business combination not under common control
Guangzhou Wang Lao Ji Food Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	1,000.00		96.09	Business combination not under common control
Guangyao Wang Lao Ji (Bijie) Industry Co., Ltd.	Bijie	Bijie	Limited liability company	Wholesale and retail	1,000.00		96.09	Establishment or Investment
Guangzhou San Gong Zai Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		96.09	Business combination not under common control
GP Corp.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,449,305.50	90.92		Business combination not under common control
Guangzhou Jian Min Pharmaceutical Chain Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	88,940.00		90.92	Business combination not under common control
Guangzhou Jian Min Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	37,000.00		90.92	Business combination not under common control
Guangyao Qi Hua Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	50,000.00		90.92	Business combination not under common control

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FOR JANUARY TO DECEMBER 2023

(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 (%)		
						Direct	Indirect	Acquisition method
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	90,000.00		90.92	Business combination not under common control
Hunan Guangyao Heng Sheng Pharmaceutical Co., Ltd.	Changsha	Changsha	Limited liability company	Pharmaceutical trading	85,000.00		90.92	Business combination not under common control
Hainan Guangyao Chen Fei Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Pharmaceutical trading	156,000.00		90.92	Business combination not under common control
Hainan Guangyao Chenfei Pharmacy Chain Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	20,000.00		90.92	Business combination not under common control
Guangyao (Hai Nan) Pharmaceutical Co., Ltd.	Haikou	Haikou	Limited liability company	Wholesale and retail	5,000.00		90.92	Business combination not under common control
Guangyao Shanxi Pharmaceutical Co., Ltd.	Xi'an	Xi'an	Limited liability company	Pharmaceutical trading	87,500.00		90.92	Business combination not under common control
Guangdong Meixian Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical trading	214,000.00		90.92	Business combination not under common control

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	
Jiangmen Guangyao Qiao Kang Pharmaceutical Co., Ltd.	Jiangmen	Jiangmen	Limited liability company	Pharmaceutical trading	80,000.00	90.92		Business combination not under common control
Guangyao Sichuan Pharmaceutical Co., Ltd.	Chengdu	Chengdu	Limited liability company	Pharmaceutical trading	50,000.00	90.92		Business combination not under common control
Guangxi Guangyao Xin Shi Dai Pharmaceutical Co., Ltd.	Nanning	Nanning	Limited liability company	Pharmaceutical trading	50,000.00	90.92		Business combination not under common control
Guangzhou Pharmaceutical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	5,000.00	90.92		Business combination not under common control
Jian Min International Co., Ltd.	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD300.00	90.92		Business combination not under common control
Zhuhai Guangyao Kang Ming Pharmaceutical Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Pharmaceutical trading	13,210.00	90.92		Business combination not under common control
Foshan Guangyao Feng Kang Pharmaceutical Co., Ltd.	Foshan	Foshan	Limited liability company	Pharmaceutical trading	57,000.00	90.92		Business combination not under common control
Guangzhou Pharmaceutical Pharmacy Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	60,000.00	90.92		Business combination not under common control
Guangzhou Pharmaceutical Information Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	60,000.00	90.92		Business combination not under common control
Zhongshan Guangyao Gui Kang Pharmaceutical Co., Ltd.	Zhongshan	Zhongshan	Limited liability company	Pharmaceutical trading	6,000.00	90.92		Business combination not under common control
Guangyao (Qingyuan) Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	7,000.00	90.92		Business combination not under common control

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 (%)		
						Direct	Indirect	Acquisition method
Qingyuan Guangyao Zheng Kang Pharmaceutical Co., Ltd.	Qingyuan	Qingyuan	Limited liability company	Wholesale and retail	6,450.00		90.92	Business combination not under common control
Guangyao (Zhuhai Hengqin) Pharmaceutical Import & Export Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Wholesale and retail	8,000.00		90.92	Business combination not under common control
Guangyao (Guangzhou Huadu) Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	4,000.00		90.92	Establishment or Investment
Guangyao (Maoming) Pharmaceutical Co., Ltd.	Maoming	Maoming	Limited liability company	Wholesale	5,000.00		90.92	Establishment or Investment
Guangyao Heilongjiang Pharmaceutical Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Wholesale	100,000.00		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	9,000.00		46.37	Establishment or Investment
Guangzhou Ao Ma Medical Instruments Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	6,680.00		90.92	Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	178,307.88	100.00		Establishment or Investment

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	
Meizhou Guanyao Traditional Chinese Medicine Co., Ltd.	Fengshun	Fengshun	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Chinese Medical Drink and Pill Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	20,000.00		100.00	Establishment or Investment
Hellongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Ha'erbin	Ha'erbin	Limited liability company	Pharmaceutical trading	3,000.00		60.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Limited liability company	Pharmaceutical trading	1,000.00		80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linyi	Linyi	Limited liability company	Pharmaceutical trading	2,000.00		60.00	Establishment or Investment
Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd.	Meizhou	Meizhou	Limited liability company	Pharmaceutical manufacturing	10,000.00		100.00	Establishment or Investment
Gansu Guangyao Baiyunshan Chinese Medicine Technology Co., Ltd.	Dingxi	Dingxi	Limited liability company	Pharmaceutical trading	50,000.00		100.00	Establishment or Investment
Guangzhou Cai Zhi Lin National Medical Museum Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Health and social work	10,000.00		51.00	Establishment or Investment
Guangzhou Hanchao Chinese Medical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	30,000.00	20.00	55.00	Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	200,250.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Wei Yi Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Trading	10,000.00		51.00	Establishment or Investment
Baiyunshan Bio	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	84,000.00		50.00	Business combination not under common control
Tibet Linzhi Guangyao Development Co., Ltd.	Linzhi	Linzhi	Limited liability company	Pharmaceutical trading	2,000.00		54.82	Establishment or Investment



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FOR JANUARY TO DECEMBER 2023

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## 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	
WJ Great Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	900,000.00	100.00		Establishment or Investment
Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd.	Ya'an	Ya'an	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Limited liability company	Trading	5,000.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Meizhou) Co., Ltd.	Meizhou	Meizhou	Limited liability company	Food manufacturing	50,000.00		100.00	Establishment or Investment
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
WJ 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
WJ Great Health Industry (Zhuhai Hengqin) Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Food manufacturing	10,000.00		100.00	Establishment or Investment
Guangxi Ying Kang	Nanning	Nanning	Limited liability company	Pharmaceutical manufacturing	31,884.50	51.00		Business combination not under common control
Yi Gan	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	65,000.00	60.00		Establishment or Investment
Baiyunshan Medical and Healthcare Industry Company	Guangzhou	Guangzhou	Limited liability company	Commercial services	111,600.00	100.00		Establishment or Investment

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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## 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	
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzi	Linzi	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
WJ Catering	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		80.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	45,693.00	82.49		Business combination under common control
Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	800.00		100.00	Establishment or Investment
Guang Hua	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	55,285.00	84.48		Business combination under common control
Guang Hua Health	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	10,000.00		84.48	Establishment or Investment

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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## 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	
Ming Xing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	46,091.90	100.00		Business combination under common control
Guangzhou Xing Ji Industries Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Manufacturing	100.00		100.00	Establishment or Investment
Weiling	Jiexi	Jiexi	Limited liability company	Pharmaceutical manufacturing	11,790.00	100.00		Business combination under common control
Pharmaceutical Technological	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	2,000.00	51.00		Business combination under common control
Wang Lao Ji Da Zhai Beverages Co., Ltd.	Yangquan	Yangquan	Limited liability company	Food manufacturing	50,000.00		60.00	Establishment or Investment
Guangzhou Wang Lao Ji Da Zhai Beverages Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Food manufacturing	35,000.00		60.00	Establishment or Investment
Guangyao Baiyunshan Hong Kong Company	Hong Kong	Hong Kong	Limited liability company	Pharmaceutical trading	HKD132,500.00		100.00	Business combination under common control
Guangzhou Baiyunshan Macao Co., Ltd.	Macao	Macao	Limited liability company	Pharmaceutical trading	MOP1,000.00		99.90	Establishment or Investment
Guangyao International (Zuhai Hengqin) Chinese Medicine Industry Co., Ltd.	Zuhai	Zuhai	Limited liability company	Wholesale and retail	100,000.00		100.00	Establishment or Investment
Guangyao Baiyunshan Chemical Pharmaceutical Technology (Zuhai 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 (Zuhai) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	674,173.50		100.00	Establishment or Investment

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

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## 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 Haima	Guangzhou	Guangzhou	Limited liability company	Advertising	20,000.00	100.00		Business combination not under common control
Baiyunshan Pharmaceutical Marketing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical trading	40,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Jin Ge Male Health Consulting Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Service	1,000.00		100.00	Establishment or Investment
Guangyao General Institute	Guangzhou	Guangzhou	Limited liability company	Medical research	113,000.00	100.00		Business combination under common control
Guangzhou Baiyunshan Bi Ge Biotechnology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Technical Service Industry	1,000.00		100.00	Establishment or Investment
Guangzhou Baiyunshan Medical Instruments investment	Guangzhou	Guangzhou	Limited liability company	Commercial services	25,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Yihu Health Technology	Guangzhou	Guangzhou	Limited liability company	Commercial services	20,000.00		60.00	Establishment or Investment
Guangzhou Baiyunshan Health Care Medical Products Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	5,000.00		51.00	Establishment or Investment
Guangzhou Baiyunshan Chemical and pharmaceutical manufacturing	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	100,000.00	100.00		Establishment or Investment
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Leasing and commercial services	10,000.00	100.00		Establishment or Investment
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	Zhuhai	Zhuhai	Limited liability company	Leasing and commercial services	9,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan International Pharmaceutical and Health Industry Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Commercial services	500,000.00	100.00		Establishment or Investment

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## VIII. EQUITY IN OTHER ENTITIES (Continued)

### 1. Equity in subsidiaries (Continued)

#### ① Composition of Enterprises Group (Continued)

Subsidiary	Main place of business	Registration place	Legal entity	Nature of business	Registered capital (RMB '000)	Shareholding (%)		Acquisition method
						Direct	Indirect	
Guangzhou Baiyunshan Hua Cheng Technology Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	70,000.00	100.00		Establishment or Investment
Guangzhou Guangyao Fund Equity Investment Partnership (Limited Partnership)	Guangzhou	Guangzhou	Partnership (Limited Partnership)	Commercial services	1,000,000.00	99.90		Establishment or Investment
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Wholesale	5,000.00	100.00		Establishment or Investment
Guangzhou Baiyunshan Hejigong Pharmaceutical Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	66,000.00	100.00		Establishment or Investment
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Limited liability company	Pharmaceutical manufacturing	500,000.00	100.00		Establishment or Investment

Note:

- ① Although the Group's shareholding ratio of Guangzhou Chen Li Ji Great Health Industry Co., Ltd., Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd., Guangzhou Baiyun Jiuji Gong Health Industry Co., Ltd., Fujian Guangyao Jie Da Pharmaceutical Co., Ltd., Guangyao Heilongjiang Pharmaceutical Co., Ltd., Guangyao (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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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%	68,708,065.95	-	755,472,108.21

#### ③ Primary financial information of significant non-wholly owned subsidiaries

Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	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	Closing balance of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
GP Corp.	27,377,722,714.70	2,302,588,401.57	29,680,311,116.27	21,161,063,681.28	2,093,571,729.29	23,254,635,410.57

Subsidiary	Current period			
	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

Subsidiary	Previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flows
GP Corp.	49,382,937,472.58	583,736,802.12	581,554,211.52	433,851,568.28

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	339,926,298.03	308,963,812.81
Calculated by rate of interests held:		
– Net profit	89,794,155.50	57,104,093.33
– Other comprehensive income	–	–
– Total comprehensive income	89,794,155.50	57,104,093.33
Associates:		
Total book balance of investments	1,465,715,286.27	1,146,265,865.36
Calculated by rate of interests held:		
– Net profit	36,282,068.22	62,215,880.34
– Other comprehensive income	–	–
– Total comprehensive income	36,282,068.22	62,215,880.34

#### 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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	594,535,081.79	77,216,804.59	111,974.64	36,662,145.50	15,108,680.14	<b>650,086,446.38</b>	Related to Assets
Deferred Income	336,391,209.22	208,155,330.06	-	173,830,409.37	(19,372,715.29)	<b>351,343,414.62</b>	Related to Income
Total	<u>930,926,291.01</u>	<u>285,372,134.65</u>	<u>111,974.64</u>	<u>210,492,554.87</u>	<u>(4,264,035.15)</u>	<u><b>1,001,429,861.00</b></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	<b>36,662,145.50</b>	29,598,020.07
Related to Income	<b>302,451,876.63</b>	450,953,704.18
Total	<u><b>339,114,022.13</b></u>	<u>480,551,724.25</u>



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 December 2023, 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	194,083,665.66	137,090,869.32
Accounts receivable	5,252,003.15	6,843,223.30
Other receivables	1,400,896.39	1,233,703.76
Total financial assets in foreign currency	200,736,565.20	145,167,796.38
Short-term borrowings	33,143,695.09	33,687,243.21
Accounts payable	104,219,076.41	40,716,567.57
Other payables	-	707,861.73
Total financial liabilities in foreign currency	137,362,771.50	75,111,672.51

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 they

b. As on 31 December 2023, 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 RMB4,753 thousand (As on 31 December 2022: approximately RMB5,254 thousand).

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 December 2023, the Group's long-term interest-bearing debt balance was RMB3,320,951 thousand. If the annual interest rate decreased by 50 basis points and other factors remained unchanged, the Group's net profit will decrease by RMB7,524 thousand (As on 31 December 2022: RMB3,298 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	142,175,153.91	133,173,106.43
Total	142,175,153.91	133,173,106.43

As on 31 December 2023, if all other variables remain unchanged and the value of equity instruments rises or falls by 10%, the Company's net profit will increase or decrease by RMB11,088 thousand (As on 31 December 2022: net profit will increase or decrease by RMB11,320 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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 1. Risks of Financial Instruments (Continued)

#### 2 Credit risk (Continued)

In addition, for accounts receivable, other receivables and notes receivable, the Group has established relevant policies to control credit risk exposure. The Group assesses the creditworthiness of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group also monitors customers' credit records regularly. For customers with poor credit history, the Group will adopt methods such as sending written reminders, shortening credit terms or cancelling credit terms to ensure that the Group's overall credit risk stays within the controllable range.

#### 3 Liquidity risk

The subsidiaries of the Group are responsible for their own cash flow forecasts to ensure that they maintain sufficient cash reserves and marketable securities that can be realized at any time to meet short-term and long-term funding needs.

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	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	195,714,793.84	-	680,216,603.47
Long-term payables	-	-	-	19,971,964.60	-	19,971,964.60
Subtotal	28,951,831,133.89	1,773,343,926.26	2,118,862,664.91	215,686,758.44	-	33,059,724,483.51

(cont.)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### 1. Risks of Financial Instruments (Continued)

#### 3 Liquidity risk (Continued)

Item	Closing balance of last year				No fixed maturity date	Total
	Within 1 year	1-2 years	2-5 years	Over 5 years		
Financial liabilities:						
Short-term borrowings	8,679,613,602.92	-	-	-	-	8,679,613,602.92
Notes payable	3,208,591,354.67	-	-	-	-	3,208,591,354.67
Accounts payable	11,686,441,097.12	-	-	-	-	11,686,441,097.12
Other payables	4,858,904,925.54	-	-	-	-	4,858,904,925.54
Current portion of non-current liabilities	726,028,319.01	-	-	-	-	726,028,319.01
Long-term borrowings	52,407,254.16	271,684,192.49	1,433,283,281.94	-	-	1,757,374,728.59
Lease liability	-	151,377,776.17	280,278,507.09	207,391,890.12	-	639,048,173.38
Long-term payables	-	-	-	20,396,504.60	-	20,396,504.60
Subtotal	29,211,986,553.42	423,061,968.66	1,713,561,789.03	227,788,394.72	-	31,576,398,705.83

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	2,715,148,310.13	Yes	Non-recourse
Endorsement	Receivables Financing	2,563,375,767.51	Yes	Due to the minimal credit risk and deferred payment risk of bank acceptance bills in receivables financing, and the interest rate risk related to bills has been transferred to the bank, it can be judged that the main risks and returns on bill ownership have been transferred, hence termination confirmation.
Discounting	Receivables Financing	785,514,450.35	Yes	Due to the minimal credit risk and deferred payment risk of bank acceptance bills in receivables financing, and the interest rate risk related to bills has been transferred to the bank, it can be judged that the main risks and returns on bill ownership have been transferred, hence termination confirmation.
Factoring	Accounts Receivable	563,553,017.09	Yes	Non-recourse
Endorsement	Notes Receivable	549,725,358.11	No	The interest rate risk related to the notes has not been transferred, thus not meeting the conditions for termination confirmation of financial assets.
Discounting	Notes Receivable	204,979.26	No	The interest rate risk related to the notes has not been transferred, thus not meeting the conditions for termination confirmation of financial assets.
Total		<u>7,177,521,882.45</u>		

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	2,715,148,310.13	(49,092,878.50)
Receivables Financing	Endorsement	2,563,375,767.51	–
Receivables Financing	Discounting	785,514,450.35	(3,135,769.45)
Accounts Receivable	Sale	378,992,947.17	(17,475,358.26)
Accounts Receivable	Transfer	165,585,242.79	(3,979,877.83)
Accounts Receivable	Buyout	18,974,827.13	(516,566.30)

#### (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
Accounts Receivable	Endorsement	549,725,358.11	549,725,358.11
Accounts Receivable	Discounting	204,979.26	204,979.26

## 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 date (unobservable input value).

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XI. DISCLOSURE OF FAIR VALUE (Continued)

The hierarchy of a fair value measurement result is determined by the bottom level of the input value, which is significant to the overall measurement of fair value.

### 1. Closing balance of fair value of assets and liabilities measured at fair value

Item	The first hierarchy	The second hierarchy	The third hierarchy	Total
I. Continuous measurement at fair value	-	-	-	-
A. Financial assets held for trading	-	4,000,000.00	-	4,000,000.00
1. Financial assets designated at FVTPL	-	4,000,000.00	-	4,000,000.00
(1)Debt instrument investments	-	4,000,000.00	-	4,000,000.00
B. Receivable financing	-	-	3,614,318,262.22	3,614,318,262.22
C. Other equity instrument investments	-	-	103,811,737.94	103,811,737.94
D. Other non-current financial assets	142,175,153.91	488,559,816.67	375,201,194.51	1,005,936,165.09
1. Financial assets measured at FVTPL	142,175,153.91	488,559,816.67	375,201,194.51	1,005,936,165.09
(1)Debt instrument investments	-	488,559,816.67	-	488,559,816.67
(2)Equity instrument investments	142,175,153.91	-	375,201,194.51	517,376,348.42
Total assets continuously measured at fair value	142,175,153.91	492,559,816.67	4,093,331,194.67	4,728,066,165.25

### 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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	1,901,705,742.31	Discounted Cash Flow Method	Expected Discount Rate (0.60%)	Lower discount rate leads to higher fair value
	1,712,612,519.91	Discounted Cash Flow Method	Discount Rate (4.35%)	Lower discount rate leads to higher fair value
Other Equity Instrument Investments	93,761,737.94	Based on Share of Invested Entity's Net Assets	Value of Net Assets (Totaling RMB382,611,951.42)	Higher net assets result in higher fair value
	10,050,000.00	Analytical Method Based on Invested Entity's Financial Statements	Incremental Value of Long-term Equity Investment in Invested Entity (RMB2,059,325.17)	Higher incremental value of long-term equity investment leads to higher fair value
Other Non-current Financial Assets	146,201,194.51	Value of Related Investments' Net Assets	Value of Net Assets (Totaling RMB830,228,141.21)	Higher net assets result in higher fair value
	229,000,000.00	Discounted Cash Flow Method	Forecasted Growth Rate (Detailed Forecast Period Growth Rate of 2%, Perpetual Growth Rate of 0%), Dividend Rate (10.95%), Discount Rate (13.70%)	Higher forecasted growth rate leads to higher fair value; higher dividend rate leads to higher fair value; higher discount rate leads to lower fair value.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XI. DISCLOSURE OF FAIR VALUE (Continued)

### 5. Adjustment information between the beginning and closing book value of the continuing third hierarchy fair value measurement projects is as follows:

Item	Closing balance of last year	Transferred to the third hierarchy	Transferred from the third hierarchy	Total amount of profit or loss for the period			Purchase, issue, sale and settle	Closing balance
				Recognized in profit or loss	Recognized in comprehensive income	Increase in the period		
A. Financial assets held for trading	52,872,680.00	-	-	-	-	-	52,872,680.00	-
1. Financial assets designated at FVTPL	52,872,680.00	-	-	-	-	-	52,872,680.00	-
(1) Others	52,872,680.00	-	-	-	-	-	52,872,680.00	-
B. Receivable financing	3,182,767,002.04	-	-	(16,073,909.37)	(14,498,430.21)	3,644,890,601.80	3,182,767,002.04	3,614,318,262.22
C. Other equity instrument investments	109,569,842.38	-	-	-	(8,017,193.09)	2,259,088.65	-	103,811,737.94
D. Other non-current financial assets	367,255,650.73	-	-	7,945,543.78	-	-	-	375,201,194.51
Including: Financial assets measured at FVTPL	367,255,650.73	-	-	7,945,543.78	-	-	-	375,201,194.51
(1) Equity instrument investments	367,255,650.73	-	-	7,945,543.78	-	-	-	375,201,194.51
Total	3,712,465,175.15	-	-	(8,128,365.59)	(22,515,623.30)	3,647,149,690.45	3,235,639,682.04	4,093,331,194.67

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information of the Parent Company

Parent company	Registration place	Nature of business	Registered capital (RMB in thousand)	Shareholding of the parent company in the Group (%)	Proportion of the voting right held by the parent company (%)
GPHL	No. 45, North Shamian Street, Liwan District, Guangzhou	Manufacturing and trading	1,252,810.98	45.04	45.04

Note: The ultimate control party of the Group is 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.

### 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 transactions with the Company in prior years and formed a balance in current year is as follows:

Associates or joint ventures	Relationship with the Company
HWBYS	Joint venture
Baxter Qiao Guang	Joint venture
Chengdu Hejian	Joint venture
Guangzhou Dufen Health Industry Co., Ltd.	Associates
Baiyunshan Yi Xin Tang	Associates
Yunnan Yi Xin Tang	Associates
Chuangmei Medicines	Associates
Guangzhou Baiyunshan Southern Anti-tumor Biological Products Co., Ltd.	Associates

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### 4. Other Related Parties without Control Relationship

Other related parties	Relationship with the Company
Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd. (hereinafter referred to as "Hua Cheng")	Controlled by the same parent company
GPHL (Macao) International Development Industry Co., Ltd.	Controlled by the same parent company
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Controlled by the same parent company
Pharmaceutical Import & Export	Controlled by the same parent company
GPHL Digital Economy Research Institute (hereinafter referred to as the "Digital Research Institute")	Controlled by the same parent company
Guangyao Baiyunshan Bencao Craft Brewery Co., Ltd. (hereinafter referred to as "Bencao Craft Brewery Company")	Controlled by the same parent company
Guangzhou Guangyao Capital Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Guangyao Capital")	Controlled by the same parent company
Guangzhou Pharmaceutical Glass Co., Ltd.	Controlled by the same parent company
Kang Mei Pharmaceutical	Joint venture of the parent company

### 5. Related Party Transactions

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Purchase of goods, Receiving of services:							
Kang Mei Pharmaceutical	Purchase of goods	Medicinal material or medicine	Market price	292,843,387.87	0.47	401,089,694.37	0.59
HWBYS	Purchase of goods	Medicinal material or medicine	Market price	227,297,279.71	0.37	262,805,403.90	0.38
Baxter Qiao Guang	Purchase of goods	Medicinal material or medicine	Market price	130,928,312.84	0.21	93,762,937.53	0.14
Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	48,473,023.50	0.08	78,075,166.41	0.11
Chuang Mei	Purchase of goods	Medicinal material or medicine	Market price	6,204,862.32	0.01	11,218,455.34	0.02
Hua Cheng	Purchase of goods	Medicinal material or medicine	Market price	4,321,087.98	0.01	4,805,009.25	0.01

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)
Baiyunshan Yi Xin Tang	Purchase of goods	Medicinal material or medicine	Market price	1,737,573.30	0.00	133,005.99	0.00
Chengdu Hejian	Purchase of goods	Medicinal material or medicine	Market price	480,745.79	0.00	316,468.46	0.00
Pharmaceutical Import & Export	Purchase of goods	Medicinal material or medicine	Market price	-	-	1,325,458.30	0.00
Subtotal				712,286,273.31		853,531,599.55	
HWBYS	Purchase of goods	Other goods	Market price	27,003.36	0.00	-	-
Subtotal				27,003.36		-	
HWBYS	Acceptance of service	Publicity fee	Market price	19,789,663.57	1.83	14,555,241.38	1.52
Yi Xin Tang	Acceptance of service	Publicity fee	Market price	1,032,498.11	0.10	378,207.56	0.04
Baiyunshan Yi Xin Tang	Acceptance of service	Publicity fee	Market price	159,335.38	0.01	21,118.87	0.00
Hua Cheng	Acceptance of service	Publicity fee	Market price	99,020.00	0.01	17,073.00	0.00
Chuang Mei	Purchase of goods	Publicity fee	Market price	92,350.15	0.02	0.00	0.00
GPHL	Acceptance of service	Publicity fee	Market price	70,375.00	0.01	84,969.00	0.01
Kang Mei Pharmaceutical	Acceptance of service	Publicity fee	Market price	7,075.47	0.00	-	-
Pharmaceutical Import & Export	Acceptance of service	Publicity fee	Market price	-	-	144.00	0.00
Subtotal				21,250,317.68		15,056,753.81	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
HWBYS	Acceptance of service	Consigned processing	Market price	2,378,311.27	0.22	-	-
Subtotal				2,378,311.27		-	
HWBYS	Acceptance of service	Research and development services	Market price	1,584,905.66	0.00	-	-
GPHL	Acceptance of service	Research and development services	Market price	23,312.26	0.00	20,773.58	0.00
Subtotal				1,608,217.92		20,773.58	
Guangyao Capital	Acceptance of service	Funds service	Market price	3,694,792.87	0.34	-	-
Subtotal				3,694,792.87		-	
Total				741,244,916.41		868,609,126.93	
Sales of good, Rendering of services:							
Kang Mei Pharmaceutical	Sales of good	Medicinal material or medicine	Market price	318,120,008.22	0.42	56,881,872.11	0.08
Chuang Mei	Sales of good	Medicinal material or medicine	Market price	203,142,601.84	0.30	437,962,397.16	0.62
HWBYS	Sales of good	Medicinal material or medicine	Market price	188,339,135.65	0.25	131,426,192.26	0.19
Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	142,937,425.26	0.19	147,667,351.74	0.21

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)
Baiyunshan Yi Xin Tang	Sales of good	Medicinal material or medicine	Market price	105,352,981.68	0.14	70,176,452.19	0.10
Hua Cheng	Sales of good	Medicinal material or medicine	Market price	90,036,134.63	0.12	100,789,308.23	0.14
Chengdu Hejian	Sales of good	Medicinal material or medicine	Market price	29,588,001.28	0.04	13,752,395.74	0.02
Baxter Qiao Guang	Sales of good	Medicinal material or medicine	Market price	565,728.37	0.00	377,370.01	0.00
GPHL (Macao) International Development Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	391,277.97	0.00	113,504.42	0.00
GPHL	Sales of good	Medicinal material or medicine	Market price	65,575.22	0.00	58,407.08	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Sales of good	Medicinal material or medicine	Market price	5,566.38	0.00	-	-
Baiyunshan Bio	Sales of good	Medicinal material or medicine	Market price	-	-	10,318.44	0.00
Subtotal				1,078,544,436.50		959,215,569.38	
Baiyunshan Yi Xin Tang	Sales of good	Other	Market price	691,663.72	0.00	-	-
GPHL	Sales of good	Other	Market price	462,318.58	0.00	-	-
Bencao Craft Brewery Company	Sales of good	Other	Market price	327,400.88	0.00	-	-
HWBYS	Sales of good	Other	Market price	213,477.88	0.00	-	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	32,790.71	0.00	-	-
Baxter Qiao Guang	Sales of good	Other	Market price	22,300.88	0.00	-	-
Hua Cheng	Sales of good	Other	Market price	18,000.00	0.00	-	-
GPHL (Macao)	Sales of good	Other	Market price	17,699.12	0.00	-	-
International Development Industry Co., Ltd.							
Subtotal				1,785,651.77		-	
HWBYS	Rendering of services	Advertising agency service	Market price	38,586,380.08	75.10	36,662,237.56	69.58
Hua Cheng	Rendering of services	Advertising agency service	Market price	5,820,591.54	11.33	9,621,898.42	18.26
GPHL	Rendering of services	Advertising agency service	Market price	352,034.00	0.69	1,387,037.88	2.63
Baxter Qiao Guang	Rendering of services	Advertising agency service	Market price	114,203.77	0.22	8,844.34	0.02
Digital Research Institute	Rendering of services	Advertising agency service	Market price	67,924.53	0.13	-	-
Guangyao Capital	Rendering of services	Advertising agency service	Market price	4,617.93	0.01	-	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Advertising agency service	Market price	-	-	9,433.96	0.02
Subtotal				44,945,751.85		47,689,452.16	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)
Hua Cheng	Rendering of services	Consigned processing	Market price	24,868,565.14	10.75	20,986,144.13	9.73
HWBYS	Rendering of services	Consigned processing	Market price	17,026,563.46	7.36	13,216,741.34	6.13
Subtotal				41,895,128.60		34,202,885.47	
Hua Cheng	Collecting trademark fee	Right to use trademark	Market price	856,953.75	0.30	681,974.19	37.03
HWBYS	Collecting trademark fee	Right to use trademark	Market price	803,839.88	0.28	845,842.25	45.93
Subtotal				1,660,793.63		1,527,816.44	
HWBYS	Rendering of services	Research and development services	Market price	302,830.17	1.18	439,617.00	0.05
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Research and development services	Market price	7,920.79	0.03	-	-
Hua Cheng	Rendering of services	Research and development services	Market price	-	-	247,169.81	0.03
Subtotal				310,750.96		686,786.81	



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (1) Related party transaction of purchase and sales of goods, rendering and receiving of services (Continued)

Related party	Type	Content	Pricing policy and decision-making procedure	Current period		Prior period	
				Amount	% of total (similar category)	Amount	% of total (similar category)
Baxter Qiao Guang	Rendering of services	Other	Market price	4,729,910.89	0.44	5,514,785.04	0.57
Kang Mei Pharmaceutical	Rendering of services	Other	Market price	1,819,699.27	0.17	760,565.99	0.08
HWBYS	Rendering of services	Other	Market price	661,295.51	0.06	628,138.65	0.07
Hua Cheng	Rendering of services	Other	Market price	493,713.92	0.05	703,785.09	0.07
Chengdu Hejian	Rendering of services	Other	Market price	467,485.03	0.04	348,575.25	0.04
Southern Anti-Tumor Company	Rendering of services	Other	Market price	33,995.50	0.00	32,830.20	0.00
Baiyunshan Bio	Rendering of services	Other	Market price	-	-	915,301.60	0.10
GPHL (Macao) International Development Industry Co., Ltd.	Rendering of services	Other	Market price	-	-	5,849.05	0.00
Guangzhou Baiyunshan Culture Industry Co., Ltd.	Rendering of services	Other	Market price	-	-	5,147.00	0.00
GPHL	Rendering of services	Other	Market price	-	-	3,780.00	0.00
Subtotal				8,206,100.12		8,918,757.87	
Total				1,177,348,613.43		1,052,241,268.13	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023  
(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

(2) The Group had no associated trusteeship/Entrusted management for the current year.

(3) Related leases

① The Group as the lessor

		<i>Unit: Thousand Yuan    Currency: RMB</i>	
Lessee	Types of leased assets	Rental income recognized in the current period	Lease income recognized in the previous period
Controlling shareholder	Venue for working	730	421
Other companies under the same parent company	Venue for working	44	28
Joint Venture	Warehouse, Plant	3,748	3,939
Associates	Office building	531	-

② The Group as the lessee

		<i>Unit: Thousand Yuan    Currency: RMB</i>			
		Lease costs for simplified short-term leases and low value asset leases		Rent paid	
Lessor	Types of leased 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
Controlling shareholder	Venue for working, Warehouse	6,151	4,963	3,876	2,152
Joint Venture	Venue for working, Warehouse, shops	-	-	5,671	5,362
Associates	Venue for working, Warehouse, shops	-	-	4	-

(cont.)

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related Party Transactions (Continued)

#### (3) Related leases (Continued)

##### ② The Group as the lessee (Continued)

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
396	181	8,761	-
398	613	-	15,861
1	-	53	-

(4) The Group had no guarantee for related parties for the current period.

(5) The Group had no borrowing or lending between related parties for the current period.

(6) The Group had no transfer of asset and debt restructuring for the current period.

#### (7) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB7,217 thousand for 2023 (2022: RMB7,740 thousand). The Group's key management personnel of current year include 9 persons, such as directors, general manager, vice general manager, and secretary to the Board of Director (2022: 9 persons). Among them, 5 received their salaries from the Company (2022: 7 persons).

#### (8) Other related party transactions

##### ① License Agreement

The Company shall receive a total of RMB804 thousand (2022: RMB846 thousand) for the use of the "Wang Lao Ji" series of trademark licenses from Guangzhou Baiyunshan Hehuang Great Health for 2023.

The Company should receive license fee of "Bai yun shan" amounted to RMB857 thousand from Hua Cheng for 2023 (2022: RMB682 thousand).

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	14,081,152.17	-	30,208,209.40	-
Kang Mei	6,112,509.65	-	19,783,539.08	-
Chuang Mei	-	-	107,578,757.15	-
<b>Total</b>	<b>20,193,661.82</b>	<b>-</b>	<b>157,570,505.63</b>	<b>-</b>
Accounts receivable:				
Baiyunshan Yi Xin Tang	54,184,385.84	541,843.86	19,993,139.37	199,931.39
HWBYS	37,472,149.21	375,068.97	48,586,219.22	545,664.13
Yi Xin Tang	30,772,116.74	321,533.88	30,098,652.45	307,859.84
Kang Mei	21,126,544.69	204,761.03	41,572,127.96	413,856.44
Hua Cheng	20,186,321.92	201,863.23	21,149,294.02	211,492.94
Chengdu Hejian	13,881,932.48	138,819.32	1,981,984.33	19,819.84
Baxter Qiao Guang	353,423.09	3,534.23	1,736,705.13	17,367.05
GPHL	78,100.00	781.00	19,500.00	195.00
Digital Research Institution	72,000.00	720.00	-	-
GPHL (Macao) International Development Industry Co., Ltd.	7,976.50	79.77	159,622.50	1,596.23
Baiyunshan Culture Industry	2,344.00	23.44	3,224.00	32.24
Chuang Mei	-	-	48,450,759.50	484,507.59
<b>Total</b>	<b>178,137,294.47</b>	<b>1,789,028.73</b>	<b>213,751,228.48</b>	<b>2,202,322.69</b>
Advances to suppliers:				
Guangyao Capital	6,111,600.64	-	-	-
Hua Cheng	2,158,923.57	-	1,168,998.33	-
HWBYS	122,771.93	-	17,715,884.20	-
Yi Xin Tang	31,800.00	-	-	-
Kang Mei	11,145.26	-	-	-
Pharmaceutical Import & Export	-	-	40,242.57	-
Chuang Mei	-	-	12,870.80	-
Baiyunshan Yi Xin Tang	-	-	2,376.00	-
<b>Total</b>	<b>8,436,241.40</b>	<b>-</b>	<b>18,940,371.90</b>	<b>-</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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
Dividends receivable:				
HWBYS	61,263,627.92	-	218,766,959.00	-
Total	61,263,627.92	-	218,766,959.00	-
Other receivables:				
HWBYS	5,715,299.59	-	4,886,800.52	-
Hua Cheng	1,202,533.13	-	2,279,146.34	-
Baxter Qiao Guang	596,084.00	-	375,044.00	-
GPHL	533,830.04	-	507,874.04	-
Guangzhou Baiyunshan Culture Industry Co., Ltd.	91,782.00	-	3,360.00	-
Guangzhou Pharmaceutical glass	52,000.00	-	-	-
Guangyao Capital	-	-	1,922,643.60	-
Chuang Mei	-	-	30,723.00	-
Kang Mei	-	-	13,163.82	-
Baiyunshan Southern Anti-tumor Biological Products Co., Ltd	-	-	816.57	-
Total	8,191,528.76	-	10,019,571.89	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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>52,709,733.57</b>	82,252,477.57
Baxter Qiao Guang	<b>12,804,304.08</b>	–
Kang Mei	<b>3,451,823.27</b>	50,185,816.00
Hua Cheng	–	415,980.00
Total	<b><u>68,965,860.92</u></b>	<u>132,854,273.57</u>
Accounts payable:		
Kang Mei	<b>36,682,652.90</b>	496,390,820.56
Yi Xin Tang	<b>29,525,664.06</b>	25,167,190.56
HWBYS	<b>21,843,869.26</b>	21,135,739.23
Baxter Qiao Guang	<b>12,261,936.81</b>	8,663,293.36
Baiyunshan Yi Xin Tang	<b>521,127.44</b>	135,374.05
Chengdu Hejian	<b>43,310.78</b>	34,886.49
GPHL	<b>37,943.04</b>	–
Hua Cheng	<b>26,246.55</b>	530,068.22
Chuang Mei	–	3,523,021.15
Pharmaceutical Import & Export	–	1,622,633.76
Total	<b><u>100,942,750.84</u></b>	<u>557,203,027.38</u>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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
Contract liabilities:		
Kang Mei	<b>38,047,521.75</b>	84,236,167.44
HWBYS	<b>4,543,565.98</b>	2,639,639.16
Baiyunshan Yi Xin Tang	<b>149,861.81</b>	680,923.79
Guangzhou Dufen Health Industry Co., Ltd.	<b>32,898.27</b>	32,898.26
Hua Cheng	<b>5,185.84</b>	216,900.00
Yi Xin Tang	<b>1,929.24</b>	14.60
Chuang Mei	-	61,397,558.24
Pharmaceutical Import & Export	-	180,443.60
Baxter Qiao Guang	-	4,601.77
Total	<b>42,780,962.89</b>	149,389,146.86
Other payables:		
GPHL	<b>20,930,908.15</b>	19,792,075.02
HWBYS	<b>8,840,367.89</b>	17,904,067.65
Baxter Qiao Guang	<b>855,600.00</b>	1,300,683.00
Pharmaceutical Import & Export	-	387,328.41
Baiyunshan Yi Xin Tang	-	248,640.98
Kang Mei	-	50,000.00
Chuang Mei	-	20,000.00
Total	<b>30,626,876.04</b>	39,702,795.06

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 current liabilities:		
Kang Mei	<b>4,885,393.84</b>	10,908,004.71
HWBYS	<b>359,238.17</b>	190,993.21
Baiyunshan Yi Xin Tang	<b>19,474.58</b>	88,512.64
Guangzhou Dufen Health Industry Co., Ltd.	<b>4,276.78</b>	4,276.78
Hua Cheng	<b>674.16</b>	28,197.00
Yi Xin Tang	<b>250.80</b>	–
Chuang Mei	–	7,979,217.89
Baxter Qiao Guang	–	598.23
Total	<b>5,269,308.33</b>	19,199,800.45
Other non-current liabilities:		
HWBYS	<b>71,764.00</b>	71,764.00
Kang Mei	<b>54,810.07</b>	40,676.70
Baiyunshan Yi Xin Tang	<b>7.45</b>	7.45
Pharmaceutical Import & Export	–	23,457.67
Chuang Mei	–	2,464.67
Yi Xin Tang	–	1.90
Total	<b>126,581.52</b>	138,372.39



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. COMMITMENTS OR CONTINGENCY

### 1. Significant Commitments

#### (1) Capital commitments

Item	Closing balance	Closing balance of last year
Signed but not recognized in the financial statement	-	-
– Commitment on purchasing long-term assets	1,757,176,373.87	1,459,872,002.93
– Large amount contract	-	-
– Commitments on external investment	-	-
Total	1,757,176,373.87	1,459,872,002.93

(2) As on 31 December 2023, the Group has no unrecognized commitment related to investment in joint ventures.

#### (3) Other commitments

① *Capital expenditures commitments authorized by the management but are not yet contracted for:*

Item	Closing balance	Closing balance of last year
Buildings, machineries and equipment	2,368,715,678.54	1,716,336,811.59
Commitments on external investments	-	-
Total	2,368,715,678.54	1,716,336,811.59

② *Fulfillment of commitments for the prior year*

The Group has fulfilled the capital expenditures and operating lease commitments as on 31 December 2023.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies

#### (1) Jin Ge income distribution did not reach an agreement

In December 2001, Baiyunshan Pharmaceutical General Factory, Pharmaceutical Technology Company and other units signed the "Agreement", stipulating that the new drug declaration (sildenafil citrate) change reporting unit is Baiyunshan Pharmaceutical General Factory, Baiyunshan Technology Company, It is determined that Baiyunshan Pharmaceutical General Factory is a production unit, and Baiyunshan Technology Company owns all the property rights and benefits of applying for new drugs. In 2003, Baiyunshan Pharmaceutical General Factory and Baiyunshan Technology Company obtained the new drug certificate. Due to the influence of the patent protection period of the original research drug, Baiyunshan Pharmaceutical General Factory failed to obtain the production approval and was not actually put into production.

In 2012, Baiyunshan Pharmaceutical Factory restarted the registration of the production of sildenafil citrate tablets. After investing a lot of manpower and resources, Baiyunshan Pharmaceutical Factory and Guangzhou Baiyunshan Pharmaceutical Group Co., Ltd. Baiyunshan Chemical Pharmaceutical Factory ("Baiyunshan Chemical Pharmaceutical Factory" obtained the production batch of sildenafil citrate tablets and the production batch of raw materials in July 2014 and August 2014 respectively.

After obtaining the production approval of sildenafil citrate tablet, Baiyunshan Pharmaceutical Factory obtained several patents such as Jin Ge pink tablets (BYS) and sildenafil citrate raw materials. The trademark "Jin Ge" registered by Baiyunshan Pharmaceutical General Factory was approved as the drug product name, and the "Jin Ge" trademark was exclusively owned by the company. At the first shareholder meeting and the fifth board meeting of Baiyunshan Technology Co., Ltd. in 2015, Beijing Kangyeyuan proposed to sell the Baiyunshan Pharmaceutical General Factory in order not to affect the marketing of the products. Regarding the issue of Jin Ge's rights and interests, between the shareholders of the two sides, Baiyunshan Technology Co., Ltd. and Baiyunshan Pharmaceutical General Factory need to discuss and finalize. Baiyunshan Pharmaceutical Factory has carried out a large amount of market research, marketing planning, channel investment and brand building work for Jin Ge's sales. Jin Ge has achieved good sales performance since its listing.

Affected by changes in the patent protection period of the original research drug and the actual cooperation mode between the two parties, in view of the different contributions of the parties in the process of research and development, production and operation of Jin Ge, in order to safeguard the interests of all parties, avoid the impact of income distribution disputes on Jin Ge's good development trend, the representatives of the two shareholders have conducted many consultations on Jin Ge's property rights and benefits, but the two sides have not been able to reach an agreement.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XIII. COMMITMENTS OR CONTINGENCY *(Continued)*

### 2. Contingencies *(Continued)*

#### (1) Jin Ge income distribution did not reach an agreement *(Continued)*

On December 30, 2021, Baiyunshan Pharmaceutical General Factory sued Baiyunshan Technology Co., Ltd., requesting the judgment to confirm the distribution proportion of the gross profit of Jin Ge pharmaceutical sales. As of the reporting date 17 March 2023, the lawsuit has been dismissed.

In terms of related income distribution, Baiyunshan Pharmaceutical General Factory has reasonably estimated the company's due income based on the contribution of Baiyunshan Technology Co., Ltd. to Jin Ge, and made corresponding provisions, but the shareholders of both parties have not yet reached the income distribution. Consensus, the Company is temporarily unable to calculate the specific impact of the company's current or future profits.

#### (2) Please refer to Note XV 11 (1) for contingencies related to litigation.

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

On March 15, 2024, the twenty-seventh meeting of the eighth board of directors of the Company passed the following profit distribution resolution: Based on the Company's total share capital of 1,625,790,949 shares at the end of 2023, cash dividend of RMB0.749 (tax included) will be distributed for every share, totaling cash dividend of RMB1,217,717,420.80 will be distributed.

## XV. OTHER SIGNIFICANT MATTERS

### 1. Prior Period Accounting Errors

Nil

### 2. Debt restructuring

Nil.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS

### 3. Asset replacement

(1) Non-monetary asset exchange

Nil.

(2) Other asset replacement

Nil.

### 4. Annuity plan

Nil.

### 5. Termination of operations

Nil.

### 6. Information of Segments

(1) Recognition Basis and Accounting Policies for Reporting Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including "Great Southern TCM", "Great Commerce", "Great Health", "Great Medical Care". According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of "Great Medical Care" is lower than 10%, this segment is temporarily listed in "Others" column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 6. Information of Segments (Continued)

#### (1) Recognition Basis and Accounting Policies for Reporting Segments (Continued)

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

Assets and liabilities are allocated based on the segment operations expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.

#### (2) Reporting financial Information of Segments

① The segment information for the 12 months ended 31 December 2023 and as of 31 December 2023 is as follows:

Item	Great Southern				Offset between segments	Total
	TCM	Great Health	Great Commerce	Other		
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

② The segment information for the 12 months ended 31 December 2022 and as of 31 December 2022 is as follows:

Item	Great Southern		Great Health	Great Commerce	Other	Offset between segments	Total
	TCM						
External revenue	10,527,244,363.74	10,490,425,837.30	49,286,808,753.15	483,676,114.26	-	70,788,155,068.45	
Inter-segment revenue	162,837,979.45	35,729,700.63	8,218,621,180.06	336,537,374.56	(8,753,726,234.70)	-	
Interest income	(134,586,904.30)	(304,266,101.71)	(48,252,677.64)	(139,683,502.72)	-	(626,789,186.37)	
Interest expenses	18,797,838.00	9,296,386.02	400,809,386.56	16,048,131.45	(10,543,718.41)	434,408,023.62	
Income from investments in associates and joint ventures	(15,971,490.70)	-	5,468,711.99	147,229,607.07	(139,241.87)	136,587,586.49	
Impairment losses in respect of credit	756,619.83	167.82	(51,030,788.55)	(1,747,079.73)	6,874,695.54	(45,146,385.09)	
Impairment losses in respect of assets	2,662,450.49	-	(7,295,156.80)	(112,247.39)	(3,238,794.24)	(7,983,747.94)	
Depreciation and amortization expenses	290,547,840.84	63,152,238.51	417,154,846.34	60,523,092.02	(17,977,317.51)	813,400,700.20	
Total profit	2,000,219,428.68	1,803,729,257.81	879,789,067.04	1,046,170,254.88	(686,663,937.17)	5,043,244,071.24	
Total assets	18,236,142,617.72	17,113,111,182.50	33,470,568,294.10	26,052,900,241.19	(20,207,423,558.77)	74,665,298,776.74	
Total liabilities	9,413,738,019.32	8,480,310,571.59	26,387,957,976.98	5,639,127,817.87	(8,893,693,688.24)	41,027,440,697.52	
Long-term equity investment in associates and joint ventures	41,166,671.63	-	92,055,098.47	1,450,841,556.12	-	1,584,063,326.22	
Increase in other non-current assets excluding long-term equity investment	940,310,775.29	235,155,163.81	510,243,580.60	276,231,371.03	-	1,961,940,890.73	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

- 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	75,171,100,213.03	70,760,638,851.29
Other countries/regions	344,303,781.75	27,516,217.16
Total	75,515,403,994.78	70,788,155,068.45

(cont.)

Item	Closing balance	Closing balance of last year
Total non-current assets:		
PRC	13,779,583,577.94	12,410,020,395.81
Other countries/regions	13,912,726.07	12,740,744.25
Total	13,793,496,304.01	12,422,761,140.06

### 7. Remuneration of Auditors

Item	Closing balance	Closing balance of last year
Remuneration of Auditors	3,103,773.58	3,075,471.70
Total	3,103,773.58	3,075,471.70

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Remuneration of directors, supervisors and employees

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-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
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
Jian Huidong	Supervisor	-	264,699.00	90,055.00	621,235.00	-	-	-	975,989.00



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 8. Remuneration of directors, supervisors and employees (Continued)

Remuneration of each director and supervisor for the year ended 31 December 2022 is as below:

Name	Position	Remuneration of directors and supervisors	Salary and subsidy	Pension	Bonus	Sign-on bonus	Severance package	Others	Total
<b>Directors</b>									
Li Chuyuan	Chairman	-	-	-	-	-	-	-	-
Yang Jun	Vice-president	-	-	-	-	-	-	-	-
Cheng Ning	Vice-president	-	-	-	-	-	-	-	-
Liu Juyan	Executive Director	-	-	-	-	-	-	-	-
Li Hong	Executive Director, GM	-	459,535.00	113,124.00	929,177.00	-	-	-	1,501,836.00
Wu Changhai	Executive Director	-	-	-	380,312.00	-	-	-	380,312.00
Zhang Chunbo	Executive Director	-	-	-	300,615.00	-	-	-	300,615.00
Huang Xianrong	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Wang Weihong	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Chen Yajin	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
Huang Min	Independent Non-Executive Director	120,000.00	-	-	-	-	-	-	120,000.00
<b>Supervisors</b>									
Cai Ruiyu	Chairman of the Board of Supervisors	-	395,735.00	113,124.00	862,849.00	-	-	-	1,371,708.00
Cheng Jinyuan	Supervisor	-	287,368.00	92,868.00	518,741.00	-	-	-	898,977.00
Jian Huidong	Supervisor	-	289,673.00	88,836.00	521,014.00	-	-	-	899,523.00

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS *(Continued)*

### 8. Remuneration of directors, supervisors and employees *(Continued)*

Besides the above-mentioned remuneration of directors and supervisors, Chairman Li Chuyuan, Vice-president Yang Jun, Vice-president Cheng Ning, Director Liu Juyan, Director Wu Changhai, Director Zhang Chunbo received remuneration amounted to RMB1,743,679.00, RMB1,713,313.00, RMB1,582,972.00, RMB1,570,268.00, RMB1,570,268.00, RMB1,544,191.00 respectively from the subsidiaries of the Company. (2022: Li Chuyuan, Yang Jun, Cheng Ning, Liu Juyan, Wu Changhai, Zhang Chunbo received remuneration amounted to RMB1,699,429.00, RMB1,645,759.00, RMB1,537,184.00, RMB1,522,952.00, RMB1,122,624.00, RMB1,093,118.00 respectively from the subsidiaries of the Company.), part of that is remuneration for service to the Group. Directors consider it's difficult to allocate the amount for the service to the Group, subsidiaries and jointly controlled entities, no amortization is made of it.

As at 31 December 2023, no directors have given up or agreed to give up any arrangements of remuneration (2022: nil).

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XV. OTHER SIGNIFICANT MATTERS (Continued)

### 9. Top five of remuneration (Continued)

Top five of remuneration of the Group for the year ended 31 December 2023 includes 2 directors (2022: includes 2 directors).

The total amount of remuneration paid to the other 3 persons (2022: 3 persons) this year is listed as follows:

Item	The year ended	The year ended
	31 December	31 December
	2023	2022
Salary and subsidies	1,480,927.00	1,258,654.00
Pension	221,986.00	168,543.00
Bonus	4,810,887.00	5,478,025.00
Others	960.00	720.00
Total	6,514,760.00	6,905,942.00

### Scope of remuneration

	Numbers of person	
	The year ended	The year ended
	31 December	31 December
	2023	2022
RMB0 – 1,000,000	–	–
RMB1,000,000 – 1,500,000	–	–
RMB1,500,000 – 2,000,000	1	2
Over RMB2,000,000	2	1

### 10. Other significant transactions and events that affect investor decisions

No

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 Subsidiary A of the Group

Litigant	Plaintiff: Guangsheng Energy  Defendant: Subsidiary A of the Group
Case facts	<p>On 24 April 2014 and 26 May 2014, Guangsheng Energy and a subsidiary of the Group respectively signed the "Oil Products Purchase and Sales Contract". Guangsheng Energy has sued the subsidiary to the People's Court of Tianhe District on the grounds of sales contract dispute since 2014.</p> <p>In June 2018, the Provincial Higher People's Court finally rejected the application of re-examination from Guangsheng Energy.</p> <p>On 24 April 2020, Guangsheng Energy filed a lawsuit on the grounds of "claiming rights through legal channels based on the true rights and obligations formed in the transactions involved".</p> <p>On March 15, 2022, Yuexiu District People's court ruled that a subsidiary of the Group won the lawsuit. The other defendants, Guangdong Huazi Investment Co., Ltd. and Guangdong Tianding Energy Co., Ltd., returned the loan principal and paid the fund occupation fee to the plaintiff Guangsheng Energy. Other claims of the plaintiff Guangsheng Energy were rejected.</p> <p>On April 1, 2022, Guangsheng Energy filed a re-litigation with the Guangzhou Intermediate People's Court, and the Intermediate People's Court ruled in favor of a branch of the Group. Guangsheng Energy was dissatisfied and filed a re-suit with the High Court, which issued a notice of responding to the civil retrial application case.</p>
The main content of the court decision	On July 22, 2022, the court ruled to reject Guangsheng Energy's appeal and uphold the original judgment. Guangsheng Energy proposed a retrial. The case is currently in the retrial review stage and has not yet been judged.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the second final judgment, a Subsidiary of the Group is not required to bear legal liabilities.
The impact on the Company's operation and finance	As of the reporting date, the management of the Subsidiary confirmed that the lawsuit did not cause any loss in combination with the judgment of the lawsuit.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 F

Litigant Plaintiff: Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd.

Defendant: Subsidiary F

Case facts On 1 June 2015, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued Subsidiary F of the Group for a legal service contract dispute and required Subsidiary F to pay RMB22,421.80 thousand for legal service fees and overdue interest.

On March 16, 2020, Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. sued the Group's Subsidiary F. The cause of the case was a complaint in a legal service contract dispute. The amount involved was RMB18,069.50 thousand.

On December 29, 2021, Nansha District People's court made a judgment of first instance. Subsidiary F paid the plaintiff Guangzhou Ruigu a service fee of RMB8,937.10 thousand within 10 days from the date of the legal effect of this judgment. Subsidiary F filed an appeal on January 5, 2022.

On January 26, 2022, Subsidiary F received the appeal letter sent by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. electronically, requesting that Subsidiary F pay service fee of RMB18,069.50 thousand and interest. On July 4, 2022, the Guangzhou intermediate people's court made a judgment of second instance: it upheld the original judgment and rejected the appeals of both parties. On December 22, 2022, Subsidiary F filed a retrial with the Higher People's Court of Guangdong Province. On February 22, 2023, received the notice of acceptance of retrial issued by the Higher People's Court of Guangdong Province. On November 6, 2023, received the ruling of the Higher People's Court of Guangdong Province, rejecting the retrial application of Subsidiary F. The case is concluded.

The main content of the court decision The judgment of the second instance upheld the original judgment, that is, Subsidiary F paid the service fee of RMB8,937.10 thousand to Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. The retrial has been rejected and the case is concluded.

The legal responsibilities for the Company or its subsidiaries As of the reporting date, according to the judgment of the second instance, Subsidiary F shall bear the legal liability of paying service fee of RMB8,937.10 thousand.

The impact on the Company's operation and finance The above cases are all multiple lawsuits filed by Guangzhou Ruigu Enterprise Management Information Consulting Co., Ltd. on the same event for different reasons. The management of Subsidiary F evaluated the case and the service fees have been paid in accordance with the judgment of the second instance, and the profit and loss have been confirmed.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 G

##### (a) Litigation matters related to Sancai Shiqi Pharmaceutical Co., Ltd. ("Sancai Shiqi")

Litigant	Plaintiff: Sancai Shiqi  Defendant: Subsidiary G
Case facts	On April 11, 2022, G subsidiary received the lawsuit materials filed by Sancai Shiqi against its default in payment of goods, involving an amount of RMB2,148.40 thousand and relevant interests. The case is scheduled to open on 16 May. Subsidiary G applied for jurisdiction objection on April 20, 2022, and the court of first instance issued a ruling on May 30, 2022 and transferred it to the people's Court of Liwan District. On July 22, 2022, Subsidiary G received the appeal of Sancai Shiqi against the ruling of jurisdiction. On September 23, 2022, the court with jurisdiction over the case was changed to the First People's Court of Zhongshan City in the second instance. On June 19, 2023, received the judgment of the first instance, ruling that Subsidiary G should pay RMB2,148.40 thousand as well as interest. Subsidiary G has objections to the interest expenditure and intends to appeal.
The main content of the court decision	On June 19, 2023, received the judgment of the first instance, ruling that Subsidiary G should pay RMB2,148.40 thousand as well as interest. On November 30, 2023, received the judgment of the second instance, which dismissed the appeal and upheld the original verdict. On December 5, 2023, all payments have been fulfilled in accordance with the judgment.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the case has been concluded, and Subsidiary G has assumed legal responsibility for paying RMB2,148.40 thousand as well as interest.
The impact on the Company's operation and finance	As of the reporting date, the case has been concluded. The payments have been made in accordance with the judgment, and corresponding accounting treatment has been conducted.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 G (Continued)

##### (c) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant	Plaintiff: Zhongshan Pharmaceutical Co., Ltd  Defendant: Subsidiary G
Case facts	On September 22, 2022, Subsidiary G received a notice from the arbitration tribunal. According to the content of the arbitration application received, the claimant believed that the two parties had signed the agreement. According to the contract, Subsidiary G should pay its compensation of RMB73,763.33 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. Currently awaiting the ruling.
The main content of the court decision	The case is currently under trial, and no ruling has been issued yet.
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, Subsidiary G bank account has been frozen with a total of RMB73,763.33 thousand, with the freeze period from September 4, 2023 to September 4, 2024.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 G (Continued)

##### (d) Litigation matters involved in Zhongshan Pharmaceutical Co., Ltd

Litigant

Plaintiff: Zhongshan Pharmaceutical Co., Ltd

Defendant: Subsidiary G

Case facts

On June 6, 2023, Subsidiary G received court documents indicating that Zhongshan Pharmaceutical Co., Ltd. sued Subsidiary G, claiming the return of 41,563.00 thousand in total payments made by Food Medicine Logistics Co., Ltd. on behalf of Zhongshan Pharmaceutical Co., Ltd. from August 10, 2018, to May 18, 2020, and payment of related interest. However, Subsidiary G believes that this amount belongs to Zhongshan Pharmaceutical Co., Ltd. as payments owed to Subsidiary G. Therefore, there is a dispute between the parties regarding the nature of the payment, with Zhongshan Pharmaceutical Co., Ltd. demanding the return of the funds and payment of related interest by Subsidiary G.

The main content of the court decision

On January 30, 2024, the court ruled to grant the plaintiff's request for withdrawal of the lawsuit.

The legal responsibilities for the Company or its subsidiaries

As of the reporting date, the opposing party has withdrawn the lawsuit, which has no impact on the case.

The impact on the Company's operation and finance

As of the reporting date, the opposing party has withdrawn the lawsuit, which has no impact on the case.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 G (Continued)

##### (e) 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 11,290.50 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 hearing proceeded as scheduled, and now awaiting judgment.
The main content of the court decision	The judgment has not been delivered yet.
The legal responsibilities for the Company or its subsidiaries	The case is currently under review, and whether the defendant Subsidiary G needs to bear legal responsibility is pending the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary G is unable to determine the judgment outcome. Therefore, they have not recognized an estimated liability for potential compensation amounts.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 Branch B

Litigant	Plaintiff: Baogong Logistics Group Co., Ltd. (Baogong Logistics)  Defendant: Branch B
Case facts	On May 16, 2023, Baogong Logistics Group Co., Ltd. filed a lawsuit against a branch of the Group Branch B, demanding payment of overdue freight charges and late payment penalty, totaling RMB7,037.90 thousand, and requesting the return of the performance bond of RMB1,000.00 thousand, as well as bearing the litigation costs, totaling RMB8,037.90 thousand. The case went to trial on July 6, 2023, and on November 15, 2023, received the judgment of the first instance, ruling that the branch of the Group Branch B, should pay the freight charges of 4,380.40 thousand and the late payment penalty, return the performance bond of RMB1,000.00 thousand, and dismissing other litigation requests. On November 27, 2023, the branch of the Branch B, filed an appeal for the second instance. The case is awaiting notification from the court for the hearing, and judgment has not been rendered yet.
The main content of the court decision	The first-instance judgment ruled that the branch of the Group Branch B, should pay RMB4,380.40 thousand for freight charges and late payment penalties, return the performance bond of RMB1,000.00 thousand, and dismiss other litigation requests.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, the first-instance judgment ruled that the branch of the Group Branch B, should pay RMB4,380.40 thousand for freight charges and late payment penalties, return the performance bond of RMB1,000.00 thousand, and dismiss other litigation requests.
The impact on the Company's operation and finance	As of the reporting date, the management of Branch Company B has evaluated the case. Branch Company B was sued by Baogong Logistics Group at the same time. While Branch Company B won the first-instance judgment, both parties have objections to the outcome. Therefore, Branch Company B has not simultaneously recognized the related assets or liabilities based on the first-instance judgment result.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 Subsidiary R

Litigant	Plaintiff: Guangzhou Mechanical and Electrical Installation Co., Ltd.  Defendant: Subsidiary R
Case facts	On August 4, 2023, Guangzhou Mechanical and Electrical Installation 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 715,800 yuan, and legal fees of RMB1,000.00 thousand. Additionally, Guangzhou Mechanical and Electrical Installation 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.
The main content of the court decision	On February 29, 2024, the arbitration award was received, ruling that Subsidiary R must pay Guangzhou Mechanical and Electrical Installation Co., Ltd. the remaining project payment (including the performance bond) of RMB13,050.30 thousand, along with overdue payment interest, and compensate Guangzhou Mechanical and Electrical Installation Co., Ltd. for legal fees of RMB980.00 thousand. The arbitration did not support other arbitration requests from Guangzhou Mechanical and Electrical Installation Co., Ltd. Guangzhou Mechanical and Electrical Installation 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.
The legal responsibilities for the Company or its subsidiaries	As of the reporting date, according to the arbitration award, Subsidiary R is required to pay the project payment of RMB13,050.30 thousand and overdue payment penalty, and compensate legal fees of RMB980.00 thousand. Other arbitration requests are not supported.
The impact on the Company's operation and finance	As of the reporting date, the management of Subsidiary R has assessed the case and recognized the corresponding liabilities for the payment obligations it should bear.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 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. The case went to trial for the first instance on January 25, 2024, and judgment has not been rendered yet.
The main content of the court decision	No judgment has been rendered yet.
The legal responsibilities for the Company or its subsidiaries	The case is currently under trial, and whether the defendant Sub-subsidiary T needs to bear legal responsibility is pending the court's judgment.
The impact on the Company's operation and finance	As of the reporting date, the management of Sub-subsidiary T is unable to determine the judgment outcome. Therefore, they have not recognized an estimated liability for potential compensation amounts.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 RMB94.00 thousand from the frozen account of Subsidiary G of Guangxi New Era allocated by the Liwan Court. On September 14, 2022, the Liwan Court determined the institution responsible by lottery for the evaluation of the seizure of equity, and the specific equity evaluation value needs to wait for the evaluation results. On September 22, 2022, Subsidiary G received the enforcement ruling and announcement that the Liwan Court planned to auction off the 30% equity of Guangxi Guangyao Xinshidai held by the person subject to enforcement. The equity evaluation is still in progress.
The legal responsibilities for the Company or its subsidiaries	Subsidiary G, as the plaintiff, actively asserts its rights through legal proceedings and requires the defendant to pay the arrears and liquidated damages, which did not involve the legal liability of the Company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the case has been judged and the execution has not been completed. The management of Subsidiary G has assessed the situation of the case and made a 100% provision for bad debts of the remaining accounts receivable based on the opinions of external lawyers.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	The court opened a hearing on August 12, 2020. As of June 30, 2021, Sub-subsidiary K had lost the first- instance judgment. Sub-subsidiary K has appealed to the Intermediate Court and is now waiting for the court to issue a summons to determine the opening time. In accordance with the 2nd sentence received on 9 October 2021, our appeal was dismissed and the former judgment was upheld. On April 13, 2022, Sub-subsidiary K submitted a retrial application to the Supreme Court. On June 2, 2022, a notice was received from the bankruptcy administrator of Guangdong Kanglang Pharmaceutical Co., Ltd. requesting Sub-subsidiary K to perform its debts, with an amount of RMB729.30 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 6.2723 million yuan (including default interest) declared by K Corporation is classified as ordinary debt. On December 28, 2022, according to the distribution plan, Sub-subsidiary K won't participate in the priority distribution this time and is now awaiting whether there are any other assets available for distribution.
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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")
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Case facts	The litigation matter where Sub-subsidiary K sued Kang Ai Duo: On 22 October 2021, Sub-subsidiary K filed a case against Kang Ai Duo for arrears of RMB10,140.60 thousand and the interest. On April 21, 2022, the court made a judgment of first instance. It is decided to pay the principal of the goods, and the liquidated damages shall be calculated at the annual interest rate of 5.775% from the date of drug receipt to the date of actual payment. 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 payment of RMB5,442.80 thousand has been recovered through litigation preservation and court enforcement, and a total payment of RMB1,112.70 thousand has been recovered by Tai'an Tang through the signing of a repayment agreement. After the case was filed, a total payment of RMB6,555.50 thousand has been recovered. On May 17, 2023, the court, after investigation, concluded that the defendant had no other executable assets. Accordingly, it issued a ruling terminating the execution of this case, which was served to Sub-subsidiary K.
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The litigation matter where Sub-subsidiary K sued Taiantang: it involves Taiantang's failure to fulfill its guarantor repayment obligations as agreed. Sub-subsidiary K filed a lawsuit demanding immediate payment of the entire amount owed. The case was filed on February 1, 2023. The defendant paid a sum of RMB2,634.20 thousand on March 30, and both parties reached a settlement agreement in court on April 6. The remaining principal amount was settled by the defendant on September 20, 2023.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)*

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 with no further impact.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)  Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang")
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Case facts	The litigation matter where Sub-subsidiary O sued Kang Ai Duo: On 19 October 2021, Sub-subsidiary O filed a case to the People's Court in Liwan District, Guangzhou against Kang Ai Duo for arrears of RMB43,916.69 thousand and the interest. On December 14, 2021, the ruling on property preservation and the notice of property preservation were received, and the amount of seizure was RMB0. The first instance judgment was made on April 11, 2022, and Sub-subsidiary O applied for execution on May 27, 2022. As of January 19, 2023, Sub-subsidiary O has received a total of RMB311.80 thousand in court-executed repayments and RMB3,318.10 thousand in payments made by Taiantang on behalf of Kang Ai Duo.
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# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 litigation matter where Sub-subsidiary O sued Taiantang: Due to Taiantang's failure to fulfill its guarantor repayment obligations as agreed, Sub-subsidiary O filed a lawsuit demanding immediate payment of the entire amount owed. The case was filed in person on January 13, 2023, along with the submission of an application for property preservation. Sub-subsidiary O received a payment of RMB1,000.00 thousand from Taiantang on March 17, 2023. On March 30, 2023, they received a property preservation notice from the court, which froze 37.13% of the equity held by the respondent Guangdong Taiantang Pharmaceutical Co., Ltd. in Taiantang (Bozhou) Chinese Herbal Pieces Co., Ltd. The case went to trial on May 6, 2023, and on October 10, 2023, Sub-subsidiary O received a ruling from the Shantou Intermediate People's Court regarding the decision to initiate pre-reorganization proceedings for Taiantang, Sub-subsidiary O duly reported its claims on October 26, 2023, as required.

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.

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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)  Defendant: Guangdong Kang Ai Duo Digital Health Technology Co., Ltd. ("Kang Ai Duo") and Guangdong Taiantang Pharmaceutical Co., Ltd. ("Taiantang")
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Case facts	The litigation matter where Sub-subsidiary 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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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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.

The legal responsibilities for the Company or its subsidiaries

Sub-subsidiary N, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.

The impact on the Company’s operation and finance

The management of Sub-subsidiary N estimated that the accounts receivable is difficult to recover, based on the principle of prudence, separate provision for bad debts is recorded on the remaining accounts receivable.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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.
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 MB 73,263.00 thousand and interest within ten days from the date of the judgment, and rejected the plaintiff's other claims. On December 26, 2023, the second instance upheld the original verdict and dismissed the appeal. Apply to the court for enforcement on January 10, 2024. On January 25, 2024, I received the acceptance notice from the court for the execution.

On 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 G subsidiary's litigation claims. On June 2, 2023, Subsidiary G received the appeal letter from the other party. The second-instance judgment was received on October 27, 2023. The second-instance judgment rejected the appeal and upheld the original judgment. The judgment has taken effect. The defendant did not take the initiative to perform within the performance period, and our company has applied to the court for compulsory execution. The amount applied for execution is RMB93,173.00 thousand. On November 22, 2023, I received the court's execution acceptance notice. On February 4, 2024, Lianhe Yatai applied for retrial, and the Guangdong High Court ruled for review. It is now pending to review whether the case will be finally accepted for review.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 of Subsidiary G, based on the business conditions of the company and the defendant, estimated that the direct economic losses in the above two cases would be RMB145,866.80 thousand. Based on the principle of prudence, full individual provision for bad debts has been made.



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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, and has not yet been decided.
The main content of the court decision	The first instance judgment ordered the defendant to pay RMB2,805.80 thousand and interest, and rejected other litigation claims. The second instance trial is ongoing and no verdict has been made 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 management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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. Plan to apply for reexamination.
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 reporting date, the management of Subsidiary G has assessed the case situation and estimated that the risk of additional losses is low.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)  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 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.
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)

##### (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.
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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  Defendant: Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu and Guo Shuang.
Case facts	In December 2023, Subsidiary G sued Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang for failing to meet promised performance and required repayment of RMB52,872.70 thousand, and applied for a lawsuit against Shaanxi Taoyunshang Information Technology Co., Ltd., Guo Taozhu, and Guo Shuang. And by the time applied to take property preservation. In December 2023, the Liwan District Court took property preservation measures against Shaanxi Taoyunshang Company, Guo Taozhu, and Guo Shuang, freezing bank deposits of RMB124.40 thousand in the name of Guo Taozhu and RMB205.60 thousand in bank deposits in the name of Guo Shuang and 0.86% of the equity share of Subsidiary G held by Shaanxi Taoyunshang Information Technology Co., Ltd.
The main content of the court decision	The court has not yet decided.
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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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 sued Shaoyang Brain Hospital for a payment of RMB3,636.90 thousand. Later, because Shaoyang Brain Hospital paid RMB659.20 thousand on December 4, 2023, it was changed to a payment of 2,977.70 thousand. No judgment has yet been made.
The main content of the court decision	The court has not yet decided.
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, the management of Sub-subsidiary M has assessed the case situation and based on the principle of prudence, it has made individually provision for bad debts.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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)

##### ② Matters sued by the Group Branch Company B

Litigant	Plaintiff: Branch B  Defendant: Baogong Logistics Group Co., Ltd. (Baogong Logistics)
Case facts	On February 3, 2023, due to economic losses caused during the performance of the transportation contract, a certain Branch company B of the group sued Baogong Logistics, requesting a judgment that Baogong Logistics should pay liquidated damages of RMB21,069.90 thousand to a certain branch company B of the group. The trial will begin on June 26, 2023.  The first-instance judgment was received on October 18, 2023, in which the defendant was ordered to pay liquidated damages of RMB6,410.70 thousand and other claims were dismissed. On October 31, 2023, Branch B, filed an appeal. The case is pending notification from the court and has not yet been decided.
The main content of the court decision	The first instance verdict ruled that the defendant should pay liquidated damages of RMB6,410.70 thousand and rejected other litigation claims.
The legal responsibilities for the Company or its subsidiaries	Branch company B, as plaintiff, actively asserted its rights through legal litigation and required defendant to pay arrears and liquidated damages, which did not involve the legal liability of the company or its subsidiaries.
The impact on the Company's operation and finance	As of the reporting date, the management of Branch B has evaluated the case situation. The other party also sued Branch B and won the first instance verdict. Both parties had objections to the result of the first instance judgment, so the result of the first instance judgment was not confirmed at the same time. related assets or liabilities.

#### (2) No other significant matters

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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:

<b>Aging</b>	<b>Closing balance</b>	Closing balance of last year
Within 1 year	<b>162,558,709.84</b>	111,456,575.22
1 to 2 years	-	260,827.92
2 to 3 years	<b>260,827.92</b>	-
3 to 4 years	-	-
4 to 5 years	-	-
Over 5 years	<b>4,252,743.52</b>	4,252,743.52
Total book balance of accounts receivable	<b>167,072,281.28</b>	115,970,146.66
Less: Provision for bad debts	<b>6,139,158.54</b>	5,628,137.19
Total book value of accounts receivable	<b>160,933,122.74</b>	110,342,009.47



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category

Category	Book balance		Closing balance		Book value Amount
	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 Including: portfolio 1	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
	164,456,827.12	98.43	3,523,704.38	2.14	160,933,122.74
Total	167,072,281.28	100.00	6,139,158.54	3.67	160,933,122.74

(Cont.)

Category	Book balance		Closing balance of last year		Book value Amount
	Amount	Proportion (%)	Provision for bad debts Amount	Expected credit	
				loss ratio (%)	
Accounts receivable subject to separate provision	2,615,454.16	2.26	2,615,454.16	100.00	-
Accounts receivable subject to provision by portfolio Including: portfolio 1	113,354,692.50	97.74	3,012,683.03	2.66	110,342,009.47
	113,354,692.50	97.74	3,012,683.03	2.66	110,342,009.47
Total	115,970,146.66	100.00	5,628,137.19	4.85	110,342,009.47

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	162,558,709.84	1,625,587.10	1.00	111,456,575.22	1,114,565.75	1.00
Over 5 years	1,898,117.28	1,898,117.28	100.00	1,898,117.28	1,898,117.28	100.00
Total	<u>164,456,827.12</u>	<u>3,523,704.38</u>	<u>-</u>	<u>113,354,692.50</u>	<u>3,012,683.03</u>	

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	5,628,137.19	511,021.35	-	-	6,139,158.54
Total	5,628,137.19	511,021.35	-	-	6,139,158.54

(3) There is no accounts receivables written off in the current period.

(4) The top five customers by closing balance of accounts receivable:

Name	Closing balance	Proportion of total closing balance of accounts receivable (%)	Closing balance of provision for bad debts
Customer 1	135,374,995.58	81.03	1,353,749.96
Customer 2	6,675,000.00	4.00	66,750.00
Customer 3	4,200,000.00	2.51	42,000.00
Customer 4	3,525,000.00	2.11	35,250.00
Customer 5	2,925,000.00	1.75	29,250.00
Total	152,699,995.58	91.40	1,526,999.96

(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 FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	213,161,327.92	381,821,857.43
Other receivables	295,238,938.37	312,329,947.23
Total	508,400,266.29	694,151,804.66

#### (1) Dividends receivable

① Dividends receivable are as follows:

Item	Closing balance	Closing balance of last year
Tian Xin	71,940,605.32	83,097,803.75
Guang Hua	43,882,205.44	43,882,205.44
Ming Xing	36,074,889.24	36,074,889.24
HWBYS	61,263,627.92	218,766,959.00
Total	213,161,327.92	381,821,857.43

② The Group has no significant dividends receivable with aging over one year for the period.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Other receivables

① Other receivables disclosed by aging are as follows:

Aging	Closing balance		Closing balance of last year	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	188,504,307.39	61.98	198,920,567.64	62.12
1 to 2 years	12,800,501.45	4.21	9,226,060.06	2.88
2 to 3 years	10,662,512.36	3.51	2,536,232.97	0.79
3 to 4 years	1,969,099.81	0.65	24,817,431.03	7.75
4 to 5 years	5,822,702.10	1.91	76,653,892.73	23.94
Over 5 years	84,355,141.31	27.74	8,068,609.20	2.52
Subtotal	304,114,264.42	100.00	320,222,793.63	100.00
Less: provision	8,875,326.05	-	7,892,846.40	-
Total	295,238,938.37	-	312,329,947.23	-

② Category of other receivables as per nature

Nature	Closing balance	Closing balance of last year
Receivables due from related parties	267,445,768.82	271,463,689.70
Deposit, rent, advances to employees	6,079,002.83	4,477,003.45
Others	30,589,492.77	44,282,100.48
Total	304,114,264.42	320,222,793.63

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

##### ③ Provision for bad debts

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit losses throughout life (no credit impairment)	Lifetime expected credit losses (credit impairment has occurred)	
Balance on 2023.01.01	1,501,123.89	–	6,391,722.51	7,892,846.40
Provision at current period	982,479.65	–	–	982,479.65
Recovery at current period	–	–	–	–
Pay-off at current period	–	–	–	–
Write-off at current period	–	–	–	–
Other changes	–	–	–	–
Balance on 2023.12.31	2,483,603.54	–	6,391,722.51	8,875,326.05

##### ④ Provision for accrual, return or recovery of provision for bad debts of the current period

Category	Closing balance of last year	Current change amount			Closing balance
		Provision	Recovered or reversed	Pay-off or written-off	
Provision for bad debts of other receivables	7,892,846.40	982,479.65	–	–	8,875,326.05
Total	7,892,846.40	982,479.65	–	–	8,875,326.05

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

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	184,572,373.09	Within 1 year, 4 to 5 years, 5 years above	60.69	-
Other receivables 2	Receivables due from related parties	29,473,981.42	Within 1 year	9.69	-
Other receivables 3	Receivables due from related parties	16,543,441.99	Within 1 year	5.44	-
Other receivables 4	Receivables due from related parties	12,562,205.66	Within 1 year, 1 to 2 years, 2 to 3 years	4.13	-
Other receivables 5	Receivables due from related parties	5,276,954.31	Within 1 year	1.74	-
Total		248,428,956.47		81.69	-

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.

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

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	12,386,069,741.25	171,000,000.00	12,215,069,741.25	11,218,737,588.38	171,000,000.00	11,047,737,588.38
Investment in joint ventures and associates	1,328,233,634.02	-	1,328,233,634.02	1,368,854,745.38	-	1,368,854,745.38
<b>Total</b>	<b>13,714,303,375.27</b>	<b>171,000,000.00</b>	<b>13,543,303,375.27</b>	<b>12,587,592,333.76</b>	<b>171,000,000.00</b>	<b>12,416,592,333.76</b>

#### (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	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	235,183,900.00	58,931,000.00	-	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	2,200,000,000.00	100,000,000.00	-	2,300,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
Yi Gan	39,000,000.00	-	-	39,000,000.00	-	-
BYS M&H Industry	111,600,000.00	-	-	111,600,000.00	-	-
Xing Zhu	126,480,000.00	-	-	126,480,000.00	-	-
Wang Lao Ji Investment	28,000,000.00	-	-	28,000,000.00	-	-
Tian Xin	96,192,658.47	-	-	96,192,658.47	-	-
Guang Hua	53,659,963.75	-	-	53,659,963.75	-	-
Ming Xing	383,381,794.18	247,199,500.00	-	630,581,294.18	-	-
Weiling	10,444,783.48	-	-	10,444,783.48	-	-



# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XVI. NOTE TO THE MAIN ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 3. Long-term Equity Investment (Continued)

#### (1) Investment in subsidiaries (Continued)

Investee	Closing Balance of last year	Increase for the current period	Decrease for the current period	Closing Balance	Provision for impairment provided in the current period	Closing balance of provision for impairment
Pharmaceutical Technological Guangzhou Guangyao Fund Equity Investment Partnership	1,020,000.00	-	-	1,020,000.00	-	-
(Limited partnership)	179,820,000.00	259,740,000.00	-	439,560,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	140,500,756.87	-	-	140,500,756.87	-	-
Guangzhou Baiyunshan Chemical Pharmaceutical Technology(Zhuhai Hengqin) Co., Ltd.	693,470,000.00	36,673,500.00	-	730,143,500.00	-	-
Guangyao Haima Baiyunshan Pharmaceutical Marketing	26,500,000.00	-	-	26,500,000.00	-	-
Guangyao General Institute	40,000,000.00	-	-	40,000,000.00	-	-
Medical Instruments investment	143,000,000.00	-	-	143,000,000.00	-	-
Guangzhou Chuangying Guangyao Baiyunshan Intellectual Property Co., Ltd.	25,000,000.00	-	-	25,000,000.00	-	-
Guangyao (Zhuhai Hengqin) Pharmaceutical Industry Park Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-
Guangzhou Baiyunshan Huacheng Technology Co., Ltd.	19,000,000.00	-	-	19,000,000.00	-	-
Guangzhou Baiyunshan International Pharmaceutical Health Industry	1,000,000.00	-	-	1,000,000.00	-	-
Guangyao Baiyunshan Pharmaceutical Great Health Supply Chain (GZ)	-	300,000,000.00	-	300,000,000.00	-	-
Guangyao Baiyun Toothpaste (Guangzhou) Co., Ltd.	-	14,788,152.87	-	14,788,152.87	-	-
	-	150,000,000.00	-	150,000,000.00	-	-
<b>Total</b>	<b>11,218,737,588.38</b>	<b>1,167,332,152.87</b>	<b>-</b>	<b>12,386,069,741.25</b>	<b>-</b>	<b>171,000,000.00</b>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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			Closing balance	Closing balance of provision for impairment
					Adjustment to other comprehensive income	Changes in other equity	Declaration of the payment of cash dividends or profits		
I. Joint ventures									
HMBYS	222,389,264.94	-	-	79,041,338.85	-	(59,418,476.27)	-	242,012,127.52	-
Baxter Qiao Guang	65,407,556.29	-	-	7,500,429.18	-	-	-	72,907,985.47	-
Subtotal	287,796,821.23	-	-	86,541,768.03	-	(59,418,476.27)	-	314,920,112.99	-
II. Associates									
Golden Eagle Asset Management Co., Ltd.	80,268,643.37	-	-	4,839,761.44	-	-	-	85,108,404.81	-
Guangzhou Baiyunshan Weyi Medical Investment Management Co., Ltd.	2,070,479.77	-	-	14,360.75	-	-	-	2,084,840.52	-
Yi Xin Tang	856,447,721.40	-	(90,663,835.45)	28,488,297.08	-	-	-	794,271,683.03	-
Baiyunshan Yi Xin Tang	86,360,500.42	-	-	(6,299,698.02)	-	-	-	80,060,802.40	-
Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd.	6,066,788.53	-	-	(322,630.86)	-	-	-	5,744,157.67	-
Guangzhou Harchao Chinese Medical Technology Co., Ltd.	6,106,252.94	-	-	113,594.52	-	-	-	6,219,847.46	-
Guangzhou Guangyao Jiming equity investment partnership (limited partnership)	43,738,037.72	-	-	(3,914,252.58)	-	-	-	39,823,785.14	-
Subtotal	1,081,057,924.15	-	(90,663,835.45)	22,919,432.33	-	-	-	1,013,313,521.03	-
Total	1,368,854,745.38	-	(90,663,835.45)	109,461,200.36	-	(59,418,476.27)	-	1,328,233,634.02	-

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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	3,189,970,127.88	1,259,339,832.14	3,057,302,162.42	1,190,257,022.51
Other businesses	382,366,191.41	41,665,080.36	347,514,219.25	32,580,873.61
Total	<u>3,572,336,319.29</u>	<u>1,301,004,912.50</u>	<u>3,404,816,381.67</u>	<u>1,222,837,896.12</u>

#### (2) Category by business

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Great Southern TCM	3,189,970,127.88	1,259,339,832.14	3,057,302,162.42	1,190,257,022.51
Total	<u>3,189,970,127.88</u>	<u>1,259,339,832.14</u>	<u>3,057,302,162.42</u>	<u>1,190,257,022.51</u>

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(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

#### (3) Category by major operating region

Reporting segments	Current period		Prior period	
	Income	Cost	Income	Cost
Southern China Area	2,712,961,876.34	943,367,351.45	2,449,690,127.82	761,798,551.35
Eastern China Area	156,687,981.07	118,164,503.25	270,864,917.26	218,124,978.61
Northern China Area	102,750,255.32	75,411,534.19	118,981,681.05	82,266,537.66
Northeast Area	7,642,337.49	4,144,552.24	8,624,886.08	4,528,956.39
Southwest Area	186,194,666.54	101,545,927.33	184,404,444.38	105,473,190.52
Northwest Area	23,733,011.12	16,705,963.68	24,736,105.83	18,064,807.98
Total	3,189,970,127.88	1,259,339,832.14	3,057,302,162.42	1,190,257,022.51

### 5. Investment income

Item	Current period	Prior period
Investment Income from long-term equity investments under cost method	470,650,909.20	525,840,738.93
Investment Income from long-term equity investments under equity method	109,461,200.36	149,779,794.31
Investment Income from disposal of long-term equity investments	27,637,468.60	18,621,450.90
Dividend income from the holding other equity instruments	3,182,137.46	8,016,342.52
Investment income from the holding other non-current financial assets	1,559,539.80	39,189,501.45
Interest income from financial products and structured deposits	154,487,277.16	87,539,042.93
Derecognition income of financial assets measured at amortized cost	(5,363,152.55)	(6,211,310.05)
Total	761,615,380.03	822,775,560.99

# NOTES TO FINANCIAL STATEMENT

FOR JANUARY TO DECEMBER 2023

(Unless otherwise stated, amount shall be expressed in RMB.)

## XVII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of Non-Recurring Profit and Loss for the Current year

Item	Amount
1. Profit or loss from disposal of non-current assets, including the write-off portion of provision for asset impairment	26,166,716.60
2. Government grants included in the profit or loss for the current year except for the government grants that are closely related to enterprise's normal business and is enjoyed by the Company continuously in quota or by the quantity of unified national standards in accordance with the national policy	246,658,964.59
3. Except for effective hedging business related to normal business of the Company, profit or loss from change of fair value from financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	249,804,544.21
4. Reverse of provision for impairment of receivables under individual impairment test	14,866,597.01
5. Other non-operating income and expenses except for the above-mentioned items	-
6. Other non-recurring profit and loss items recognized by the China Securities Regulatory Commission	(13,182,806.17)
7. Other profit and loss items that meet the definition of non-recurring gains and losses	-
Less: Amount of income tax influence	(90,819,346.57)
Amount of minority equity impact (after income tax)	(13,336,538.47)
Total	<u>420,158,131.19</u>

### 2. Return on Equity and Earnings Per Share

	Weighted Average		Earnings Per Share			
	Return on Equity (%)		Basic EPS		Diluted EPS	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Profits for the current period</b>						
Net profit attributable to the ordinary shareholders of the Company	12.07	12.97	2.495	2.440	2.495	2.440
Net profit attributable to the ordinary shareholders after deducting the non-recurring profit or loss	10.82	10.85	2.236	2.042	2.236	2.042

Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd  
15.03.2024