



汤臣倍健股份有限公司

2020 Annual Report (Compact Edition)



汤臣倍健 科学营养



汤臣倍健股份有限公司（以下简称“公司”）经董事会审议通过，现将2020年度利润分配预案公告如下：2020年度利润分配预案为：以2020年12月31日总股本1,000,000,000股为基数，向全体股东每10股派发现金股利人民币1.00元（含税），共计派发现金股利人民币100,000,000.00元。该预案尚需提交股东大会审议通过后方可实施。特此公告。



Stock Abbreviation: BYHEALTH

Stock Code: 300146

Date of Disclosure: March 06, 2021

Chairman's Letter to Shareholders

Dear BYHEALTH's shareholders,

2020 is a watershed, and history is divided into the pre-COVID-19 world and post-COVID-19 world. The pandemic is like an accelerator, a magnifying glass, and even a truth detector.

2020 is the closing year of BYHEALTH's three-year plan for a new round of growth cycle from 2018 to 2020. In the past three years, BYHEALTH has experienced four hurdles: health insurance policy reform, industry rectification, international mergers and acquisitions (M&A), and the pandemic. No "antibodies" will be generated if one does not experience a crisis. Every hurdle has brought an opportunity for change for BYHEALTH.

In 2020, BYHEALTH achieved a sales revenue of 6.095 billion yuan (an increase of 96% compared to 2017 before the three-year plan) and a net profit attributable to the parent company of 1.524 billion yuan (an increase of 99% compared to 2017). In the past 10 years since 2010 when the company went public, its sales revenue and net profit attributable to the parent company have increased by more than 16 folds and 15 folds respectively.

According to Euromonitor, the total scale of China's vitamin and dietary supplement (VDS) industry in 2020 was 174.3 billion yuan with a growth rate of about 4%. BYHEALTH ranked first with a market share of 10.3%. The market shares for the second and the third were 6.4% and 5.8% respectively. Compared with 2019, BYHEALTH's leading advantages continue to increase.

Affected by the pandemic, the growth rate of VDS in Chinese pharmacies¹ was -16.9% in 2020. BYHEALTH's sales revenue in the domestic pharmacy channel had a growth rate of 2.6% in 2020, achieving positive growth against the adversity.

According to ShengYiCanMou data by Alibaba, the overall turnover of Tmall's VDS category² in 2020 was 29.417 billion yuan, a year-on-year increase of 29.16%. The market share of BYHEALTH brands was 6.98%, ranking first. According to JD's Shangzhi (Business Intelligence) data, the JD platform's healthcare & wellness industry in 2020 had a year-on-year increase of 47.8%. With a market share of 15.5%, BYHEALTH ranked first. BYHEALTH continues to lead the industry on Alibaba and JD platforms.

BYHEALTH makes good use of every crisis. We learn, respond and grow quickly. What doesn't kill you makes you stronger.

¹ "VDS in Chinese pharmacies" includes vitamin and dietary supplements, weight management and sports nutrition.

² "Tmall's VDS category" includes vitamin and dietary supplements, weight management and sports nutrition.

The new three-year plan for 2021-2023 has begun. We have positioned it as a new period of transformation for achieving business expansion and sustained rapid growth.

While thinking and planning the new three-year plan, we have three judgments and premises:

1. Having problems is the norm and normalized problems should not be major problems. China's VDS industry has many historical issues. The pains of industry rectification campaigns and policy adjustments and their impact on China's VDS industry will exist for a long time, and having problems will become the norm. Since having problems has become the norm, we should face, deal with, and solve them with a normal mentality. We should actively adapt to changes and trends, leading sustainable and healthy development of the industry.

2. Using two major dividends to hedge the normalized problems. One is the dividend of China's VDS industry having six-fold growth potential. The other is the dividend of our leading position in China's VDS industry. We have no reasons to complain.

3. The market demand for nutrition and health-related products in the post-pandemic era has witnessed a fast increase. The indelible pain has helped to increase people's awareness of health & wellness.

The new three-year plan for 2021-2023 has four strategic priorities:

1. Implement the Science-based Nutrition Strategy to Create Scientific Nutritional Products

The Science-based Nutrition strategy of BYHEALTH will focus on new testing technologies, evaluation methods, target group databases, functional products, knowledge graphs, and intelligent algorithms that are related to precision nutrition. Over the years, many achievements have been made, including the successful development of the world's leading personalized vitamin mini-tablet products and the first personalized vitamin production equipment connected with core algorithms after over 10 years of hard work, as well as the first indigenous developed and built automatic dried blood spot (DBS) testing center for nutrient testing in China.

In November 2017, BYHEALTH, the Shanghai Institute for Biological Sciences of the Chinese Academy of Sciences (CAS), the Netherlands Organization for Applied Scientific Research (TNO), and BASF of Germany jointly established the Precision Nutrition Research & Commercialization Industry Alliance. In October 2019, BYHEALTH established the Nutrition & Anti-Aging Research Center with the Shanghai Institute of Nutrition and Health, CAS.

The journey of innovation is long, but we have to keep going until we succeed.

We will upgrade the R&D strategy of indigenous core technologies and patented raw materials on a full scale in 2021 and continue to build the technological strength and differentiated competitive advantages of truly unique BYHEALTH products. So far, BYHEALTH has obtained over 60 patents for its raw materials and formulas.

2. Whole-Chain Digitalization

We aim to launch a consumer-centered whole-chain digitalization from the consumer side and build to-C data marketing and user service capabilities. This is called the "new infrastructure" of BYHEALTH.

After several years of exploration, BYHEALTH has made gratifying progress and leading advantages in the digitalization of e-commerce in 2020. Through the digitization of strategy, media placement and membership, the internal and external chains have been interconnected, significantly increasing ROI and the awareness, interest, purchase and loyalty (AIPL), as well as a member pool where delicacy management can be applied.

We will focus on the whole marketing chain project in 2021, hoping to complete the comprehensive digital transformation and empowerment of the traditional core business segments in about two years, and becoming a pioneer in the digital transformation of traditional consumer goods.

3. Super Supply Chain

It means to quickly meet the increasingly uncertain and personalized user needs and to achieve both the user experience and the overall efficiency and performance of the enterprise. In 2021, we will focus on building our own e-commerce warehousing and logistics systems to achieve the closed-loop of to-C data online. Meanwhile, we will work hard for an intelligent and flexible production and supply chain.

4. User Assets Operation

Simply put, it is the ability to make friends with consumers. The traditional 4P marketing (product, price, place, promotion) missed another important P (people), that is, unique & alive consumers. I believe that user assets operation will be the core assets and capabilities of a consumer goods company in the future. Brands that lose their ability in user assets operation will eventually lose everything.

This is an unbenchmarked territory. We will continue to work hard in 2021 and try despite errors.

To equip and ensure the implementation of the strategy, we still need an important infrastructure project, namely, the rejuvenation of BYHEALTH.

If we look at the present from the future, rejuvenation is inevitable. Starting from 2020, we have preliminarily completed the adjustment and building of the strategic structure of the e-commerce business, functional foods, and pharmaceutical segments. We have worked on the rejuvenation of the organization, mechanism, and products with an aim to break organizational inertia and maintain BYHEALTH's innovative strength and competitiveness for times of uncertainties in the future. We aim to build an innovative, agile, efficient and flexible organizational structure and operational decision-making mechanism.

For the new three-year plan for 2021-2023, we have set big goals and are confident that we can face up to this challenge. The new three-year plan is essentially for a successful future in 2024 and beyond. Now we must begin to form and build new core competitive advantages of BYHEALTH. We must be strategically confident and tactically humble.

The seemingly beautiful data of the past cannot conceal the huge challenges lying ahead. Let's draw a 3D graph and take a look at the BYHEALTH strategy from the three dimensions of length, width, and height:

1.Length. The further one looks into the future, the more clearly one sees. We should look at the present from a future's perspective.

If we look at another three-year plan starting from 2024, what certain and exclusive core competitive advantages that we will have to face up to the future challenges when facing a retail market of a bigger magnitude and the changes and uncertainties in the wider consumer industry driven by digitalization and younger target groups?

2.Width. We are very strong against our visible existing competitors, but the gap and room for improvement are noticeable when compared to some brands in the wider consumer industry, especially some new & vigorous brands.

3.Height. Looking at the world, how should we balance opportunities and challenges & pressure?

The market is extremely cruel. It does not give any player a sense of absolute security. Who doesn't want a sense of absolute security? But no one can have it. If you do not stay alert and make a seemingly insignificant mistake, you may be kicked out of the game and do not even get a chance to say goodbye.

The market is also extremely fair. The opportunity for change is fairly presented to everyone. When an industry undergoes discontinuous changes, large, small and medium-sized enterprises and individuals are put at the same starting point.

I used the boiling frog fable a few times in the past year. If only a few frogs are in tepid water, their buddies can warn them. It would be hopeless if all the frogs hold a party in tepid water. The pleasant tepid

water makes a frog want to stay in it. The frog will not be able to jump out even if it wants to when the tepid water is slowly brought to a boil. The frog may not even feel the heat when the water is brought to a boil and will die in it.

The painful reality of 2020 shows that herd immunity does not work. Not taking risks is the biggest risk. Do not turn your vested interests into a burden.

The pandemic has accelerated the structural changes of channels in China's VDS industry. After the online channels ranked first with 37% in 2019, surpassing the direct sales channels, the percentage was expected to be 44% in 2020, having a much bigger lead. The direct sales channels dropped from 42% in 2018 to 35% in 2019, and it continued to drop to 30% in 2020. Pharmacies had stable numbers, ranging from 19% to 20% in 2017-2019, and the number was expected to be 18% in 2020. Other channels have maintained a relatively stable range of 8-9% in the past five years.

In the future, China's VDS will have a polarized development. One is functional health foods, and the other is high-frequency FMCG foods. As its name implies, vitamin & dietary supplement (VDS) is essentially a nutritional supplement apart from diet, which helps people with the intake of balanced nutrition and regulation of human body functions for specific groups. VDS cannot replace a normal diet, nor can it replace medications. Therefore, for functional health foods, the competition will focus on the sophisticated & cutting-edge technological aspects of products. The competition is all about the technology and R&D strength of an enterprise. As for the high-frequency FMCG foods, the VDS industry will have big opportunities and room for development.

We should capture the attention of the post-1995 generation and pay attention to the post-2000 generation. The younger generations are confident, unique, spiritual, and love sharing. There are other factors such as penetration of the market to lower-tier cities, cultural awakening and pan-entertainment. These will become a new engine for the growth of China's consumer industry. In the VDS category on Tmall, the Gen-Z, refined mothers, and urban blue-collars have become the top 3 buyer groups, and their numbers are growing at a steady rate of over 100%. BYHEALTH must embrace a digital age, omni-channel marketing, and young & lively new consumer groups and build its own new core competitiveness to win in the future.

A few months ago, we released BYHEALTH's Core Values version 2.0 on the 25th anniversary of the establishment of the company, which include three points:

1. Integrity over intelligence: BYHEALTH must live up to its philosophy of making nutritional products of the highest quality in the world for families and friends rather than for clients. Products not suitable for the consumption of our kids, family members and friends must NOT be produced or released.

2. Embrace change through innovation & respond to change with speed. An old map will never lead you to a new continent.

3. Respect everyone and enjoy every day. Giving is receiving. The more you give, the more you receive.

A core strategy of BYHEALTH is the “Total Consumer-oriented Approach” aiming to create value for our users’ health. With dreams & ambition, we will continue on the journey of consumer health products. BYHEALTH will not stop even when we become a global leader in the VDS industry. We must win the race against our competitors and this era.

2021 is a new starting point for BYHEALTH’s new three-year plan. I ask myself from time to time: Which will come first, a greater opportunity or a greater crisis? I remain vigilant and will not compromise the future for the present! Decision-making is all about choices. When you are in a dilemma, always choose the long-term interests. Never compromise the future and never leave risks to the future, and never trade the future for some short-term gains or a temporary solution.

We start from scratch to face up to every challenge. Too much emphasis on the present means there is no future.

A good runner in a Marathon is not the one with a head start but continuous momentum.

I wish the best for a young BYHEALTH and China’s young VDS industry!

In 2021, the past pandemic shall be over, let’s embark on the journey in the dawn. Wish the nation and people peace and prosperity.

Chairman of BYHEALTH
Liang Yunchao
March 5, 2021

Chapter I Important Notes, Contents and Definition

1. The Company calls investors' attention to carefully read the full text of the semi-annual report, and pay special attention to below risk factors

(1) Risk of the epidemic

Currently, the epidemic in China has gradually been effectively controlled, but it has not yet been completely resolved, and uncertainties still remain. At the same time, if the overseas epidemic continues to come back repeatedly, the company's raw material procurement, the production and sales of Australian LSG will be affected to a certain extent. In this regard, the company will pay close attention to the epidemic, prepare a response plan in advance, and actively deal with and respond to the risks and challenges it brings.

(2) Product Quality and Food Safety Risk

Dietary supplements have large varieties and involve with multiple raw and auxiliary materials, which have resulted in certain product quality risk. Any quality management problem in the purchasing of raw materials, production and sales process or product quality problems arising from other reasons would influence the reputation and product sales of the Company. Therefore, the Company constantly places quality and safety at the top priority and continuously enhances the quality management, optimizes production process, purchases precision testing equipment and brings up quality management personnel. Meanwhile, the Company takes advantage of third party testing agency to support and improve the quality management. Besides, the Company has prepared special emergency plans to cope with potential risks.

“Integrity over intelligence” is one of core values that have been followed and adhered to by the Company for years. On July 31, 2018, Chairman Liang Yunchao summarized basic quality control philosophy as followed by the Company over the years and proposed eight concepts for quality control to be taken as a ballast for an enterprise' survival and development. Including: National standards and regulations are minimum requirements and bottom lines, and the Company has to outperform all national standards. Nonconformity is a redline not be touched and contemplated, fluke mind is not to be had and any thought of this will be guilty. No known health risk will be allowed even if it does not violate any laws and regulations. It is unforgivable as well! An enterprise in connection with bite and taste of food is placed upon the point of sword, always with a sword above its head and walking upon thin ice every day without any moment of relaxation. Quality is the lifeline for a food enterprise, and market will not give you any chance of making one mistake. Ultimately, quality problem is concerned with the moral quality of an enterprise rather than money and technology. Gods will be watching, and we have to revere every life. It's nothing but indecency to sacrifice or increase quality risk under any high-sounding pretext. Efficiency, effectiveness, cost, stock-out and other factors, all shall give way to quality, and no cause shall be justified before quality. Quality control shall be professional, authoritative and independent and segregated from business operations. It is necessary to practice in accordance with the philosophy and brand DNA that nutrition products with the world's quality are

produced for families and friends rather than for clients. What our kids, families and friends dare not eat in no way shall be produced and let go out of our gate! “Integrity is over intelligence”, and the foundation of our factory in Zhuhai, and the seal of good faith, weighing up to 100 tons, stands before us like a bright mirror to warn everyone.

(3) Policy risk

With the gradual introduction and implementation of relevant national policies, industry regulations and standards, the regulation over the VDS industry is getting more stringent and the industry standardization and access are further improved. This will have a critical impact on the long-term development and competitive landscape of the industry. Meanwhile, enterprises are facing increasing pressures and challenges. In the future, industry policy adjustments and strict supervision will become the norm.

For that matter, the company will actively take part in the formulation and revision of industry laws, regulations and standards, keep standardizing the company’s internal management, continuously entrench the company’s core competence and technological innovation capacity so as to maximize the company’s capacity to calmly respond to changes in the industry and market environment.

(4) Risks brought by purchase of raw materials to sales of main products

The Company, committed to differentiation, has chosen high-quality raw materials across the world. There are a great variety of products, raw materials are dispersed, and price rise of raw materials will have certain effect on products’ gross profit margin. Meanwhile, with growing sales, the demand for raw materials is also increasing, and some materials are likely to be in short supply and unable to satisfy the Company’s production and sale demand.

The company has tried to meet the material demand through reserving multiple suppliers, looking for alternative raw materials and strengthening production management control. The company has also strived to control the risk of rising raw material prices through strategic cooperation for exclusive base and forward price. However, we still can’t rule out the certain impact on the company’s production and operation.

(5) Control risk of the ever-expanding dealer system

To support the operation of multiple hero products and the long-term development of more new brands and new varieties in the future, the company will comprehensively upgrade the dealer system in 2020. The number of dealers will rise dramatically, so the market control risks will increase, which have raised higher requirements for the company’s sales management capacity in terms of dealer management and regional market coordination.

To this end, the company has clarified the standards for the establishment of regional dealer companies, which shall be based on the fission of original dealers. In regions where dealers fail to meet the company’s standards for establishment, new dealers will be recruited. The company will strictly implement dealer sales policies and assessment standards, reinforce trainings and supports for dealers and enhance the dealer team’s attention and motivation so as to improve sales management and regional operation and promote deeper channel development and terminal refined management.

(6) Risk in the Increasing Competition in the Industry

In this regard, the company firmly implements a scientific nutrition strategy, continues to

consolidate research and development capabilities, and conducts related research in cooperation with domestic and foreign universities, scientific research institutes, etc.; continues to build and improves its **core competitiveness such as product power, brand power, channel power, and service power, so that the company will always occupy a leading position in the market; actively deploys new business** formats and new channels, forming new business hands through internal incubation, investment and mergers and acquisitions, and takes advantage of the trend to seize a favorable position.

(7) Risk of New Business and New Projects

As a leading producer of vitamin and dietary supplements, the Company has been customer-oriented to create more health value for consumers and to keep on expanding the health industry and introducing new brands and businesses. New brands and businesses are quite uncertain in respect of patterns of business and profit, and have to be consistently explored, practiced, integrated and summarized, and whether they are as we have expected is uncertain.

(8) Integration risk after completion of cross-border acquisition

The company obtained control of LSG through acquisition. Located in Australia, LSG is different from the Company in respect of governing law, accounting and taxation, business practice, operation philosophy and corporate culture, etc. The company and LSG still need to integrate financial management, customer management, resource management, business development, and corporate culture. It is uncertain whether subsequent integration can be successfully implemented and whether the effect of integration will be as expected.

LSG in respect of finance management, client management, resource management, business expansion and corporate culture. It is uncertain whether subsequent integration can be successfully implemented and whether the effect of integration will be as expected.

The company has developed and gradually carried out a series of integration measures, such as asset and business integration, financial system integration, corporate governance integrant and operation arrangement integration, and has conducted resource integration by making full use of LSG's complementarity with the company in terms of brand, channel, R&D, production operation and global supply chain in a bid to produce synergistic effects.

(9) Goodwill impairment risk

In 2018, the company gained a certain amount of goodwill due to the acquisition of LSG. At closing of the report, the book value of goodwill in the company's consolidated statement registered RMB 1.2155549 billion. If LSG's operating situation in the Australian market or "Life-Space" business promotion in the Chinese market fail to meet expectations, the company will still be at risk of goodwill impairment, which may have a certain impact on the company's current profits.

2. Profit distribution plan or increase plan of share capital through transfer of accumulative funds reviewed by the Board of Directors in the reporting period

The company's profit distribution plan reviewed and approved at the Board of Directors was: with 1,581,020,554 shares as the base, a cash dividend of RMB 7.00(tax included) will be distributed to all shareholders for every 10 shares they hold, 0 bonus share (tax included) will be granted, and 0 share will be turned into share capital for every 10 shares.

Chapter II Company Profile and Main Financial Indicators

I. Company Information

Stock Abbreviation	BYHEALTH	Stock Code	300146
Chinese Name of the Company	汤臣倍健股份有限公司		
Chinese Abbreviation of the Company	汤臣倍健		
English Name of the Company	BYHEALTH CO., LTD		
Abbreviation for the English Name of the Company	BYHEALTH		
Legal Representative of the Company	Lin Zhicheng		
Registered Address:	No. 19, Xinghan Road, Sanzao Science and Technology Industrial Park, Jinwan District, Zhuhai, Guangdong		
Zip Code of the Registered Address	519040		
Office Address	No. 3, Kehuijingu Third Road, No. 99, Kehui Avenue Middle, Science City, Guangzhou, Guangdong		
Zip Code of the Office Address	510663		
International Website	www.by-health.com		
E-mail	tcbj@by-health.com		

II. Contact Person and Contact Information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Tang Jinyin	Liu Pingping
Contact Address	No. 3, Kehuijingu Third Road, No. 99, Kehui Avenue Middle, Science City, Guangzhou, Guangdong	No. 3, Kehuijingu Third Road, No. 99, Kehui Avenue Middle, Science City, Guangzhou, Guangdong
Telephone	020-28956666	020-28956666
Fax	020-28957901	020-28957901
E-mail	tcbj@by-health.com	tcbj@by-health.com

III. Main Accounting Data and Financial Indicators

Is retroactive adjustment or restatement of accounting data of previous years necessary

	Year 2020	Year 2019	Year-on-year increase/decrease	Year 2018
Operating Income (RMB)	6,094,900,943.70	5,261,799,439.25	15.83%	4,350,775,627.15

Net Profit Belongs to the Shareholders of Public Listed Company (RMB) [Note]	1,524,251,245.95	-355,889,615.46	528.29%	1,002,184,999.85
Net profit attributable to listed company shareholders, after deduction of non-recurring profit and loss (RMB)	1,144,425,965.25	-430,518,920.11	365.82%	913,814,927.36
Net Cash Flow Generated from Operating Activities (RMB)	1,566,364,373.94	1,536,520,103.03	1.94%	1,349,053,224.88
Basic Earnings per Share (RMB/share)	0.96	-0.24	500.00%	0.69
Diluted Earnings per Share (RMB/share)	0.96	-0.24	500.00%	0.69
Weighted Average Return On Equity	23.97%	-6.50%	Up by 30.47 percentage points	19.00%
	End of 2020	End of 2019	Year-on-year increase/decrease	End of 2018
Total Assets	9,640,262,595.41	8,330,710,280.66	15.72%	9,790,445,489.84
Net Assets Belongs to the Shareholders of Public Listed Company (RMB)	6,933,550,029.76	5,992,173,961.90	15.71%	5,591,786,199.13

Note: In 2020, the company's net profit attributable to shareholders of listed companies increased by 528.29% year-on-year, compared to 2019, mainly due to the impact of goodwill and intangible asset impairment in 2019. If the net profit attributable to shareholders of listed companies of RMB 1.046 billion in 2019 without provision for impairment of the goodwill and intangible assets formed by the merger of LSG is taken as the comparison base, the year-on-year growth rate in 2020 will be 45.71%.

Total Share Capital as at the Previous Transaction Date of the Date of Disclosure:

Total Share Capital as at the Previous Transaction Date of the Date of Disclosure (Share)	1,581,020,554
---	---------------

Comprehensive diluted earnings per share calculated with latest share capital (RMB/share)	0.9641
---	--------

IV. Main Financial Indicators, By Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating Income	1,495,046,060.42	1,630,127,594.42	1,907,550,268.36	1,062,177,020.50
Net Profit Belongs to the Shareholders of Public Listed Company	534,588,088.91	427,248,770.00	504,981,992.56	57,432,394.48
Net profit attributable to listed company shareholders, after deduction of non-recurring profit and loss	525,570,526.67	473,711,174.81	488,395,721.02	-343,251,457.25
Net Cash Flow Generated from	46,296,599.59	718,278,464.10	495,340,667.69	306,448,642.56

Operating Activities				
----------------------	--	--	--	--

V. Non-recurring Profit or Loss Subjects and Amount

Unit: RMB

Subject	Amount in 2020	Amount in 2019	Amount in 2018	Description
Profit or Loss Arising from the Disposal of Non-Current Assets (including the write-off part in the asset impairment reserves accounted)	103,486,408.80	2,942,505.59	-160,902.22	Mainly the investment income from the disposal of part of its investment by the EVER ALPHA FUND L.P
Governmental subsidies accounted into the current profit and loss (excluding government subsidies in close connection with enterprise businesses enjoyed at fixed quota or amount according to unified standard of the Country)	33,181,441.01	71,435,347.93	65,977,810.47	The amount of government subsidies received in accordance with relevant government policies and recorded in the current profit and loss
Profit and loss from the changes in fair value of trading financial assets and derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income acquired from the disposal of trading financial assets and derivative financial assets, trading financial liabilities and derivative financial liabilities, and other debt investment, excluding valid hedging business in connection with normal operation business of the Company	259,718,586.88	-3,445,190.80	14,645,868.22	Mainly the gain from fair value change of the equity held by EVER ALPHA FUND L.P in which the company invested
Other Operating Income and Expenditure not Listed Above	-50,208,434.49	-1,334,617.75	-13,255,832.59	
Other Profit and Loss Subjects Meeting the Definition of Non-recurrent Profit and Loss	38,825,430.82	24,183,381.67	37,875,554.23	Income from Financial Products
Less: Influencing Amount of Income Tax	4,822,550.65	19,117,822.10	19,493,269.96	
Influencing Amount to Minority Stockholder's Equity (After-tax)	355,601.67	34,299.89	-2,780,844.34	
Total	379,825,280.70	74,629,304.65	88,370,072.49	--

Section III Company Business Summary

I. Main Businesses Engaged by the Company in the Reporting Period

The Company needs to comply with the disclosure requirements in No. 14 Guideline about Industry Information Disclosure of Shenzhen Stock Exchange -Listed Enterprises Engaging in Food and Wine Manufacturing.

1. Overview of the company's industry

The Company engages in the Vitamin & Dietary Supplements industry. Vitamin & Dietary Supplements (VDS) refer to the use of vitamins, minerals, plant/animal derived ingredients, and other functional ingredients as the main raw material, to supplement the diet by essential nutrients and bioactive substances, in order to maintain or improve health status and reduce the risks of diseases. VDS do not cause any acute, subacute or chronic adverse effect to the human body.

Due to the short development history of VDS in China, the residents' consumption awareness and habits have not yet been fully established, VDS has greater room for growth compared with that in developed countries such as the United States and Japan in terms of penetration rate, consumption stickiness, and per capita consumption. The prospects of the industry and the future growth of the segmented areas can be expected. According to Euromonitor, in 2020, the total scale of China's vitamin and dietary supplement industry was RMB 174.3 billion, with a growth rate of about 4%.

The aging population and consumption upgrades create room for industry development. On the one hand, from the perspective of population structure, China has entered an aging society. The continuous deepening of population aging has brought huge market space to the VDS industry. On the other hand, with the upgrading of the consumption structure, issues related to health, nutrition, individuality, convenience, etc. have become public concerns, and the functional requirements are continuously segmented and professionalized. In addition, VDS formulations are becoming more diversified and developing towards food, which promotes the rapid growth of VDS segments and creates a vast space for the development of the industry.

The rise of national health awareness has laid the foundation for the development of the industry. With the improvement of residents' income level and quality of life, consumers' demands for a healthy and higher-quality life have become more prominent, laying a good foundation for the development of the entire nutrition and health industry. The unexpected epidemic in 2020 has profoundly changed the people's view of health. The market demand for nutrition and health-related products in the post-epidemic era will accelerate.

Severer supervision has escorted the development of the industry. In April 2020, the State Administration for Market Regulation and other seven ministries and commissions jointly issued the "Programme of Action for Clearing and Rectify the Health Food Industry (2020-2021)", pointing out that "vigorously rectify fraud and false propaganda in the health food industry", "strive to effectively

purify the health food market by the end of 2021, and continuously improve the people's sense of gain, happiness, and security in the health food consumer market". In November 2020, the State Administration for Market Regulation issued the "Interpretation of Functional Claims of Health Food (2020) (Draft for Comments)", "Catalogue of Health Function Claims Allowed for Health Food - Non-nutrient Supplements (2020) (Draft for Comments)", developing a set of clear claim concepts and compliance standards for health food industry, which are conducive to market regulation and consumer education. As laws and regulations are gradually perfected, the regulation of the entire industry is becoming more and more standardized, which will help solve the chaotic situation of industry supervision, accelerate the concentration of the industry and escort the long-term healthy development of the industry.

2. Overview of the company's business

The company adheres to the strategy of Total Consumer-oriented Approach: creating real health value for consumers. In 2002, BYHEALTH systematically introduced VDS into China's non-direct sales field, and relying on modern nutrition science, established a comprehensive scientific VDS system, and formed a full-category, full-crowd, and full-coverage product line layout through independent/cooperative R&D and acquisitions. The company has a professional "transparent factory" in the industry, which is one of the world's leading VDS bases with strict quality control. It has formulated and implemented a number of high-standard testing items to create reassuring high-quality products meeting strict requirements. The Company is positioned to produce world-class high quality nutrition products for families and friends rather than for clients.

As a leading company in the global VDS industry, the company has continuously maintained and expanded its market-leading advantages over the years by continuously building and improving its core competitiveness such as channel power, product power, brand power, and service power. Euromonitor's data shows that, in 2020, the company's market share in China's VDS industry is 10.3%, ranking first.

Backed by the great room for VDS growth in China, the company adheres to a science-based nutrition strategy and is committed to R&D and innovation of a new nutritional ecology, so as to better meet the health needs of the people. Hand in hand with global cutting-edge scientific research forces, the company continues to carry out forward-looking research on nutrition science with The Netherlands Organization For Applied Scientific Research (TNO), the Shanghai Institute of Nutrition and Health and Chinese Academy of Sciences and other scientific research institutions, and have achieved many results. At the same time, the company will deploy science-based nutrition research on the improvement of a variety of chronic diseases, and strive to promote and improve health. The new ecology of nutrition and health in the post-epidemic era is inseparable from the connection and drive of science and technology. The company will closely focus on consumer health, continue to strengthen scientific research investment and talent construction, and become a new nutritional ecology builder driven by science and technology, leading the upgrade and development of the industry.

II. Core Competitiveness Analysis

1. The Company's core competitiveness

(1) Product power

Since its listing, the company has gradually built three core DNAs: international materials, transparent factory, and world-class quality supplements that treat consumers as family and friends, and adheres to eight concepts for quality control and strict internal control standards. The company has been reviewed by the China National Accreditation Service for Conformity Assessment (CNAS) and obtained the CNAS accreditation certificate, and was awarded the Zhuhai Mayor Quality Award. The "Transparent Factory" has successively been listed in the third batch of "Green Factory" by the Ministry of Industry and Information Technology, and won the national AAAA-level tourist attraction award. The company is guided by the "Science-based Nutrition" strategy to create the ultimate nutrition products in the spirit of science. The company will implement the strategy of researching and developing independent core technologies and proprietary raw materials, and continue to build the technological capabilities and differentiated competitive advantages of diverse BY-HEALTH products.

(2) Brand power

The company attaches great importance to the investment in brand equity, and uses a certain percentage of sales revenue for brand promotion every year, gradually realizing the advancement of brand power from product marketing to value marketing. Since its listing, the company has continued to enhance its brand image and brand awareness with global raw materials as its core, and has established its position as a leading brand in the industry. According to Nielsen, the brand equity index of the "BYHEALTH" brand has gradually increased since 2017, maintaining its position as a leading brand in the industry. Under the guidance of the new brand slogan "BYHEALTH Science-Based Nutrition", the company will continue to create a brand competitiveness based on science, to convey the ultimate spirit of science-based nutrition, and enhance category trust and brand premium power with scientific research. In addition, a matrix of diverse brands was established by overseas acquisition and internal brand incubation, and these brands had fair complementarity in respect of positioning, targeted population and demand, and brand value was significantly improved.

(3) Channel power

The Company enjoys high-quality distributor and retailer resource, and outperforms in respect of retail sales in non-direct sale sector. The Company has steadily expanded its competitive advantage in the off-line channel, accelerate channel sinking and penetration, consolidate its market leadership, and further expand the industry market pie by implementing major brand promotion strategy, hero product strategy, and distributor fission, and further expanding the market share. Benefiting from the e-commerce branding strategy, the "By-Health" brand has maintained a leading position in mainstream e-commerce platforms such as Ali family (including Tmall, Taobao, JD.com, and Vipshop. Meanwhile, the Company also stepped up effort in supermarkets, baby stores and so on, and builds and consolidates all-channel sales system to promote channel differentiation and diversification.

(4) Service power

Through Health Express, Nutrition School, Member Club and other carriers, the Company has extended the service to consumers, retailers, distributors and the like. The large-scale public welfare activity titled "Health&Nutrition Campaign overall China" has been held more than 4,000 times since its inception in 2011 to the end of the reporting period, benefiting more than 1.7 million people; The

nutrition institute provides nutrition knowledge training for retail terminal shop assistants and distributors, and brings health knowledge to consumers. During 2020, more than 10,000 special training camps were held and approximately 400,000 retail terminal shop assistants were served. Considering the epidemic and the actual situation, the company adjusted its strategy in a timely manner in 2020, launched live broadcasting activities in a timely manner, and provide online knowledge education to approximately 1.6 million consumers; Based on the O2O mode and relying on the WeChat platform, the company has built its own "YOU Nutrition" applet to enhance communication with consumers through online methods such as live broadcast. Through the all-round and multi-angle reach and exertion of different carriers, the service level for related parties is continuously improved.

2 . Land Use Rights

As of the end of the reporting period, the company had the use right of 9 plots of land. During the reporting period, the company returned and purchased a plot of land in Zhuhai, and purchased a plot of land in Australia.

(1) Land return in Zhuhai: According to the actual situation and development plan, the company has applied to the People's Government of Sanzao Town, Jinwan District, Zhuhai City for returning a plot of industrial land with an area of 88,566.2 square meters located near the Xinghan Road in the industrial zone of Sanzao Science and Technology Park, Sanzao Town, Jinwan District, Zhuhai City (Guangdong Real Estate Ownership Certificate Zhuhai No. 0200041294), and completed the cancellation procedures in July 2020.

Land purchase in Zhuhai: According to the needs of development planning, the company signed the "Project Investment Agreement" with the People's Government of Jinwan District of Zhuhai City in May 2020, and officially signed the "Contract for the Assignment of State-owned Construction Land Use Rights" with the Zhuhai Bureau of Natural Resources in September 2020, and acquired a new industrial land with an area of 40,001.01 square meters on the south side of Xinghan Road and the west side of Yonghui Road in Sanzao Town, Jinwan District, and the plot number: Zhuguotu Jingong No. 2020-004 (The plot is used for the fifth phase construction project of Zhuhai production base).

(2) Land purchase in Australia: During the reporting period, Biocarna Pty Ltd purchased the land and plant at Clayton Garden Road, Melbourne, Victoria. The newly purchased plant has a construction area of 11,895 square meters. The land ownership delivery was completed on July 13, 2020 (the plot is used for the production base construction project in Australia).

3. Patent and Patent Use Rights

As of the end of the reporting period, the Company and its subsidiaries had a total of 255 patent rights, including 59 new ones added during the reporting period (of them, 3 new ones were added due to the inclusion of Guangdong i-Mybest and Guangzhou **Qingle** into the scope of the company's consolidated statements); 3 of them became invalidated due to the elimination of design patents of old products, which did not affect the Company's operations.

4. Registered Trademark

① Domestic Registered Trademark

As of the end of the reporting period, the Company and its subsidiaries had acquired 3,630 domestic registered trademarks, including 589 registered trademarks newly acquired in the reporting period. Because F6 Super Shot was no longer included in the scope of the company's consolidated financial statements, 11 registered trademarks owned by F6 were no longer included in the statistical scope; 2 of the trademarks became invalid due to the cancellation of the trademark after three years of non-use.

② Foreign trademarks

As of the end of the reporting period, the Company and its subsidiaries had registered a total of 469 trademarks overseas, with an increase of 131 trademarks during the reporting period; 2 of them was invalidated because of expiry of trademark right or failure to use the trademark right.

5. Changes of Approval Documents

By the end of the reporting period, the Company had a total of 142 health food registration approvals and 112 health food registration certificates. During the reporting period, the Company obtained 20 health food registration approval certificates and 24 filing certificates; another 22 original nutrient supplements were invalidated, and 2 filing certificates were revoked.

6. Research Articles and Reports

The Company has attached great importance to employees' writing and publishing research articles, and formulated relevant incentive measures to clearly provide for the writing, publication and reward of research articles. In 2020, a total of 50 research articles were published, not only enlivening the Company's academic atmosphere but also significantly expanding its academic influence.

Chapter IV Operation Status Discussion and Analysis

I. Overview

In 2020, the company will continue to firmly implement the strategic measures and layout focusing on consumer health, using "activation" as the key word to activate "people", continue to activate brand power, activate the VDS business and the "Life-Space" service, in order to lead the VDS industry to achieve restorative growth. During the reporting period, especially in the first quarter, due to the outbreak of the COVID-19, the company's production and marketing activities were not carried out on schedule, which had a certain impact on the company's operations. As the epidemic has been effectively controlled since the second quarter, the company has gradually steadily promoted the development of various tasks in accordance with the business plan, and in the fourth quarter has increased its brand investment and market promotion with the theme of "fighting against the COVID-19 in winter". In the reporting period, the company achieved operating income of RMB 6.095 billion (including RMB266 million contributed by Guangdong i-Mybest), up 15.83% year-on-year; net profit of RMB 1.524 billion attributable to shareholders of the listed company, up 528.29% year-on-year.

In the main business income, (1) domestic business: ① The main brand "BYHEALTH" achieved a revenue of RMB 3.578 billion, a year-on-year increase of 11.41%; the joint care brand KEYLID achieved revenue of RMB 1.313 billion, a year-on-year increase of 10.37%; "Life-Space" domestic products realized revenue of RMB 132 million. ② With regard to channels, the revenue from offline channels accounted for about 71.21% of domestic operating revenues, a year-on-year increase of approximately 1.44%; the revenue from online channels increased approximately 62.77% year-on-year.

(2) Overseas business: LSG achieved a revenue of RMB 567 million, a year-on-year increase of 23.94%; a year-on-year increase of 25.57% after offsetting between segments (in Australian dollars: LSG revenue was 119 million Australian dollars, a year-on-year increase of 24.81% after offsetting between segments)

Below are major business developments in the reporting period

1. Activate "people" and lead the company's reform to become younger

In 2020, with the "Twelve Policies for Upgrading BYHEALTH Talent Structure" as the guiding principle, the company maximized the vitality of organizational innovation through a series of measures to fully revitalize the human resources. During the reporting period, the company initiated the job rotation among high-potential young talents, organized youth innovation and entrepreneurship competitions, explored diversified perspectives for the company's development through the insights of young members of the board of shadow directors, implemented principle of structural upgrading principles of giving priority to internal promotion and increased campus recruitment to revitalize the human resources and attract younger talents. With "people" as the starting point, we comprehensively promoted the personnel for organizations, mechanisms, and products to be younger, and other

multi-dimensional reforms to be younger, breaking organizational inertia, and enhancing the company's innovation and competitiveness.

2. Continue to activate the brand power and increase investment in the future

In 2020, the company continued to invest heavily in brand assets. In the first half of the year, the company re-launched the "BYHEALTH" brand upgrade, fully launching the new LOGO and new packaging for all products, and upgraded the image of terminal stores to a more youthful and vivid image. At the same time, in response to the trend of health concerns during the epidemic, the company's "Immunity Strengthening" series of public service advertisements were launched on multiple channels across the country. In the fourth quarter, the company officially launched the new brand slogan of "BYHEALTH Science-Based Nutrition", implemented the brand strategy of "Science-based Nutrition", and created the brand competitiveness with science as the core. The company also increased brand investment and marketing efforts with the theme of "fighting against the COVID-19 in winter" by means of various forms including TV media, digital media, OTV (online television), information flow, social platform word of mouth, multi-star testimony and so on, interacting with users through multiple touch points, enhancing brand influence, and laying the foundation for the acceleration of market demand for nutrition and health-related products in the post-epidemic era.

3. Reactivate the VDS business: fully launch 4+2+1 multi-variety products and start distributor fission

In 2020, the company has launched multiple varieties "four hero products + two image products + 1 star product", which drove the sales of all categories through occupation and breakthroughs in different sub-categories. Also in 2020, the company comprehensively upgraded the distributor system, launched the distributor fission plan, and built a new sales model suitable for the operation of multiple hero products. With respect the VDS business, the company established three completely independent dealer systems, namely the main business, "KEYLID" and "Life-Space". During the reporting period, according to regions and lines of business, most distributor have basically completed the company registration after the fission, and established independent sales and promotion teams according to the post-fission company, and set up independent assessment indicators for each line of business.

4. Reactivate the "Life-Space" service

In 2020, the company actively deployed, fully reached and deepened the omni-channel, local and cross-border platforms of "Life-Space" domestic products in Australia, and the global markets outside of China and Australia, and reactivated the business of "Life-Space" brand. During the reporting period, in the Chinese market, the company continued to increase market investment for "Life-Space", enrich the product matrix, and accelerate channel penetration and terminal coverage; in the Australian market, the company continued to consolidate the leading position of "Life-Space" probiotics in Australia; in the cross-border segment, the company launched products through new e-commerce platforms, further expanded the scale of active management and deepened channel cooperation, which have brought new continuous impetus to revenue growth.

5. Adjust and build part of the business strategy structure, and establish a flexible, agile and efficient operation decision-making mechanism

In 2020, the company has initially completed the adjustment and construction of the strategic structure of e-commerce business, functional food, and OTC business. With regard to the e-commerce business, there are two main operating entities with Guangdong i-Mybest and Guangdong Beyond as the domestic e-commerce channels. At the same time, the company implemented devolution of management powers regarding e-commerce business to the maximum extent, established a relatively independent, self-leading, efficient, and flexible management and control system to consolidate the foundation for online business growth; successively tried to deploy OTC and functional food businesses to cut into and extend the new channels of consumer health. Through the adjustment and construction of the business structure, management is simplified, decision-making is efficient, and the energy and vitality of the organization is fully stimulated and released.

6. Focus on strategic projects and promote business innovation

In 2020, the company launched a budget dynamic control mechanism of full costs and full cost ratio and focus on strategic projects representing the company's future such as user asset operations, e-commerce digitization and ERP platform digital transformation to promote business innovation and lay out the future.

(1) Promote user asset operation

In 2020, the company iteratively upgraded member operation, continuously improve user asset operation from multiple perspectives such as digitizing core scenarios and building precise marketing applications and after-sales service systems, focused on breakthrough of paying by rewards points experience and took the repurchase rate as an important indicator for user operation. In response to the marketing changes brought by the epidemic and based on the O2O mode and relying on the WeChat platform, the company has built its own "YOU Nutrition" applet to enhance communication with consumers through online methods such as live broadcast, so as to lead customers to offline sales terminals, effectively solving the conversion link after online brand education.

(2) Speed up the e-commerce digitization construction

After years of exploration and practice, the company has made significant progress in the digitalization of e-commerce in 2020. Membership digitization: established the core store membership system and realized automatic points accumulation. In 2020, the company's automatic repurchase rate for members on the Tmall platform achieved a substantial growth, which improved the member pool that can be operated in a refine way. Media digitization: realized the full-link delivery through online communication and sales, significantly improved the media input-output ratio, and realized a great year-over-year growth of the total number of brand consumer assets that can be operated by e-commerce platforms (such as: Tmall, JD, etc.). Strategy digitization: as a compass for category competition, strategy digitization guided the direction of online business competition, and helped companies focus on segmented operation of promoting categories (such as collagen category), and doubled the growth of the entire network.

(3) Promote digital transformation

In 2020, the company officially launched the upgrading of its digital information architecture. With the Internet architecture of "one cloud with multiple terminals, and large midground and strong backstage", the company built brand new digital operation capabilities. Full-service cloud computing,

multi-terminal connection, ecological collaboration, and business support for the reconstruction of the midground architecture; upgrade the ERP system to enhance the ability to realize the full-service scenario from sales to supply. At the same time, the company fully launched the digitalization of entire marketing chain to promote online, digital online, and digital intelligent operations of omni-channel business. With the "marketing cloud" Internet product architecture, the company created online and digitalization of multiple business scenarios such as electronic contracts, sales management, invoicing, and promotion management. Through continuous improvement and upgrades, win-win cooperation between brands and channels was finally realized.

7. Construct a multi-business R&D system and consolidate the innovation strength

In 2020, the company established a number of completely independent R&D systems such as VDS and OTC, integrating internal and external resources to focus on innovative R&D. During the reporting period, while reserving key products for large hero-product strategies, the company continued to develop new functions, new raw materials, and new technologies to meet the different health needs of consumers; actively promoted nutrition and anti-aging related research; continued to deepen the "homeostasis" related research carried out jointly with the Shanghai Institute of Nutrition and Health, Chinese Academy of Sciences, and established new nutrition and health-related testing and evaluation methods; continued to deepen the research on precision nutrition products and technology, and applied the dried blood spot detection technology to the clinic for the first time.

8. Transparent factory deepens efficiency increase and flexibly enables market sales

In 2020, the company's transparent factory will focus on building a fast and flexible supply chain system, in order to speed up the production of new dosage forms and the launch of new products, and increase the response speed to the market. During the reporting period, the company continued to promote the construction of smart factories and implement lean management to strictly control operating costs. During the reporting period, the company completed the upgrade of the digital acquisition and monitoring system for the continuous production line, and the preparation and application of the intelligent control center. Meanwhile, the company also clearly position the Nutrition Exploratorium and made appropriate adjustments based on user experience and benefits.

The Company needs to comply with the disclosure requirements in No. 14 Guideline about

Industry Information Disclosure of Shenzhen Stock Exchange -Listed Enterprises Engaging in Food and Wine Manufacturing.

The company adheres to the strategy of Total Consumer-oriented Approach: creating real health value for consumers. In 2002, VDS was systematically introduced into China's non-direct sales field, and a comprehensive and scientific VDS system was established. The popular and well-known brand "BYHEALTH" developed by the company aims to meet the one-stop nutritional needs of the whole family. Our products include: protein, vitamins, minerals, natural animal and plant extracts and other functional dietary supplements, in forms of tablets, powders, capsules, etc. At the same time, the company actively expanded the segments of VDS, successively launched private brands such as the joint health brand "KEYLID", the professional brand "JianShiJia" for eye health and nutrition, the sports nutrition brand "GymMax", the professional brand "Nature's Bay" for pregnant ladies and babies,

and, though acquisitions, acquired overseas brands such as Australia's well-known professional VDS brand "Pentavite", which has focused on children's health for more than 50 years, and Australia's leading probiotic brand "Life-Space".

Focusing on consumer health, the company has continued to try to expand into new business segments. In 2020, the company has tried to deploy over-the-counter drugs (OTC) business and functional food business which are still in the incubation period. In the massive health industry ecosystem centered on VDS, extending upward to OTC, and downward to functional foods, the company continued to build and enrich the brand matrix in different business segments, and forming a good complementarity among brand positioning, consumer groups and needs, and constantly consolidated brand power to create value for consumers' health.

Main sales models

The company mainly adopts a non-direct sales model, and the complete production and sales chain is "manufacturer-distributor (wholesaler)-retail terminal-customer".

There are three sales channels:

(1) Domestic online sales

As for online channels, the company adopts direct sales and distribution models. The company's subsidiaries Guangdong i-Mybest and Guangdong Beyond are responsible for the direct sales or authorized agent distribution of their brands on online e-commerce platforms such as Tmall, Taobao, and JD.com.

(2) Domestic offline sales

The company's domestic offline channels mainly include regional distribution models and direct supply models.

①Regional distribution

Taking the city or region as the unit, the company selects one or more companies with financial strength, strong network coverage, strong marketing capabilities, and who accept the company's business philosophy as regional distributors.

②Direct supply

For some of the top 100 chain pharmacies and supermarkets and other important retail terminals, the company adopts the direct supply model to establish business partnerships with them.

(3) Overseas sales

After acquiring LSG in 2018, the company added overseas sales channels. The main terminal markets are Australia and New Zealand and Asia (mainly China). In Australia and New Zealand, products are mainly sold offline through direct supply and distribution models, and in Asia (mainly China), products are mainly sold online through direct sales and distribution models.

In addition, the company has deployed BYHEALTH, Pentavite, Life-Space and other brands in overseas markets in Southeast Asia and other overseas markets, mainly using direct sales mode and distribution models for online and offline sales, but the current scale is relatively small.

Distribution modes

In terms of sales methods, the company adopts a buy-out model for some regional distributors and direct-supply terminal vendors; adopt a consignment sales model for other direct-supply terminal vendors. In terms of settlement methods, the company and distributors mainly adopt a cash-to-spot policy and the company grants certain credit lines to some distributors; for some direct supply chains, settlement is made in accordance with the accounting period agreed in the contract.

The company's online channels partly adopt a distribution (distribution) model, and offline channels do not involve direct sales. The main business conditions of the company's distribution model are as follows:

Main Operating Business		Operating Income	Operating Cost	Gross Margin	Increase or Decrease of Operating Income Compared with that of the Same Period in the Previous Year	Increase or Decrease of Operating Cost Compared with that of the Same Period in the Previous Year	Increase or Decrease of Gross Margin Compared with that of the Same Period in the Previous Year
By region and channel							
Domestic	online	1,206,673,961.72	518,259,977.24	57.05%	36.63%	42.47%	Down by 1.76 percentage point
	offline	3,908,832,914.75	1,356,294,787.16	65.30%	1.44%	16.56%	Down by 4.50 percentage point
Overseas		486,232,613.52	227,105,520.22	53.29%	17.10%	4.39%	Up by 5.69 percentage points
By Product							
Tablets		2,129,334,236.20	590,952,614.11	72.25%	6.24%	23.30%	Down by 3.84 percentage point
Powder		1,170,610,377.46	533,655,072.29	54.41%	8.15%	30.03%	Down by 7.67 percentage point
Capsule		1,136,546,748.28	427,355,763.39	62.40%	7.44%	5.43%	Up by 0.72 percentage points
Others		1,165,248,128.05	549,696,834.83	52.83%	15.70%	22.19%	Down by 2.50 percentage point

During the reporting period, the changes in the number of distributors are as follows:

Channel type	Number of distributors at the end of 2019	Changes during the reporting period	Number of distributors at the end of 2020
Domestic	540	585	1,125
Overseas	86	8	94
Total	626	593	1,219

Note: In 2020, the company implemented distributor fission plan, increased capital to obtain control of Guangdong

i-Mybest, and the deployed OTC and functional food business, which increased the number of distributors at the end of this year compared with the same period of the previous year.

During the reporting period, the income and accounts receivable of the company's top five distributors are as follows:

Top 5 clients	Total sales volume (RMB)	Total ratio in total annual sales	Total accounts receivable at the end of the period (RMB)
	875,622,033.74	14.37%	58,239,837.85

Online direct sales

The company's online channel part adopts the direct operation model. The operating income, operating costs and gross profit margin of the online direct sales are as follows:

online Direct Sales	Year 2020			Year 2019		
	Operating Income	Operating Cost	Gross	Operating Income	Operating Cost	Gross
Tablets	168,490,114.77	33,393,160.93	80.18%	58,130,575.97	12,107,552.45	79.17%
Powder	104,487,461.71	38,633,174.70	63.03%	20,957,143.15	9,660,701.01	53.90%
Capsule	96,665,640.40	27,839,203.28	71.20%	7,680,289.14	1,909,358.63	75.14%
Others	103,738,354.42	36,634,157.98	64.69%	2,332,278.17	3,924,715.39	-68.28%
Total	473,381,571.30	136,499,696.89	71.16%	89,100,286.43	27,602,327.48	69.02%

The company mainly relies on platforms such as Tmall, JD.com and Vipshop online to sell products with Immunity enhancement products (such as protein powder), women's health products (such as collagen), bone health products (such as calcium tablets with glucosamine and chondroitin), vitamins (such as multivitamins), etc., covering multiple brands such as "BYHEALTH", "KEYLID", "Life-Space", etc.

The sales price of major products that accounted for more than 10% of the total operating income for the current period changed by more than 30% from the previous reporting period

Procurement mode and procurement content

Unit: RMB

Procurement mode	Procurement content	Amount of main procurement
Outsourcing	Raw Material	1,318,674,903.76
Outsourcing	Packaging materials	490,505,409.46
Outsourcing	Others	151,670,428.57

The purchase amount of raw materials from cooperatives or farmers accounts for more than 30% of the total purchase amount

The price of major outsourced raw materials fluctuates by more than 30% year-on-year

Main production modes

The company's production modes are mainly divided into two types: independent production and commissioned processing.

1. Independent production mode: The company has a production center responsible for production. The production center has soft capsule workshops, multiple solid workshops, multiple packaging workshops and other production workshops under it. All workshops conform with GMP certification for health food.

2. Commissioned processing mode: some of the company's products are produced by original equipment manufacturer (OEM). The company has established a complete "Quality Management Rules for Commissioned Processing" to manage the outsourced processing and production from the aspects of the qualification of the outsourcing manufacturer, the supervision of the production process, the product inspection, and the warehouse acceptance.

The main items of operating costs

Unit: RMB

Subject		Year 2020		Year 2019		Year-on-year Increase or Decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Cost of Main Operating Business	Direct material	1,764,920,863.56	77.87%	1,435,389,563.07	79.71%	22.96%
	Direct labour	86,800,083.43	3.83%	74,830,633.65	4.16%	16.00%
	Manufacturing expenses	263,096,173.45	11.61%	236,551,586.54	13.14%	11.22%
	Others	123,342,861.07	5.44%	25,730,967.40	1.43%	379.36%
Cost of Other Businesses		28,198,471.92	1.25%	28,195,060.22	1.56%	0.01%
Total		2,266,358,453.43	100.00%	1,800,697,810.88	100.00%	25.86%

Output and inventory

1. Output, sales and inventory of main products

See details in the table below: "II. Main business analysis 2. Income and cost (3) Whether the company's physical sales income is greater than the labor income".

2. Capacity

	BYHEALTH Co., Ltd			Ultra Mix(Aust.) Pty Ltd			Australia BioCarna
	Designed capacity	Actual Capacity	Capacity under construction	Designed Capacity	Actual Capacity	Capacity under construction	Capacity under construction

Tablet (hundred million)	101.18	85.11	4.80	-	-	-	3.25
Capsule (hundred million)	57.20	52.43	2.70	3.90	3.20	-	-
Powder (ten thousand tins/barrel/bottle)	4,494.00	3,987.00	-	950.00	800.00	-	-
Powder strip pack (ten thousand)	32,000.00	27,683.33	-	-	-	-	2,000.00
Gumdrop (ten thousand grains)	-	-	3.24	-	-	-	-
Others (liquid strip pack, ten thousand)	655.00	600.00	-	-	-	-	-

(1) Designed capacity refers to the theoretical production capacity achieved by the production line under the normal designed conditions;

(2) Actual production capacity refers to the output of the production equipment under the interference of internal and external factors during actual production period, and represents the effective output level of the production line.

II. Analysis of the Main Business

1. Overview

Whether the main businesses are same with the information in the overview under the Operation Status Discussion and Analysis

Refer to relative contents in “I. Overview” under “Operation Status Discussion and Analysis”.

2. Income and Cost

(1) Composition of operating income

Overall operating revenue

Unit: RMB

	Year 2020		Year 2019		Year-on-year Increase or Decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total Operating Income	6,094,900,943.70	100%	5,261,799,439.25	100%	15.83%
By sector					
Income from Main Operating Business	6,075,121,061.29	99.68%	5,240,780,068.88	99.60%	15.92%
Income form Other Businesses	19,779,882.41	0.32%	21,019,370.37	0.40%	-5.90%
By Product					

Tablets	2,297,824,350.97	37.70%	2,062,443,015.89	39.20%	11.41%
Powder	1,275,097,839.17	20.92%	1,103,346,363.70	20.97%	15.57%
Capsule	1,233,212,388.68	20.23%	1,065,492,846.06	20.25%	15.74%
Others	1,288,766,364.88	21.15%	1,030,517,213.60	19.58%	25.06%
By Region					
Domestic	5,509,298,831.28	90.39%	4,836,443,391.13	91.92%	13.91%
Overseas	585,602,112.42	9.61%	425,356,048.12	8.08%	37.67%

(2) Sectors, products or regions accounting for 10% of operating income or profit

Unit: RMB

	Operating Income	Operating Cost	Gross Margin	Increase or Decrease of Operating Income Compared with that of the Same Period in the Previous Year	Increase or Decrease of Operating Cost Compared with that of the Same Period in the Previous Year	Increase or Decrease of Gross Margin Compared with that of the Same Period in the Previous Year
By sector						
Main Operating Business	6,075,121,061.29	2,238,159,981.51	63.16%	15.92%	26.27%	Down by 3.02 percentage points
Other Businesses	19,779,882.41	28,198,471.92	-42.56%	-5.90%	0.01%	Down by 8.42 percentage point
By Product						
Tablets	2,297,824,350.97	624,345,775.04	72.83%	11.41%	27.06%	Down by 3.34 percentage point
Powder	1,275,097,839.17	572,288,246.99	55.12%	15.57%	36.24%	Down by 6.81 percentage point
Capsule	1,233,212,388.68	455,194,966.67	63.09%	15.74%	11.77%	Up by 1.31 percentage points
Others	1,288,766,364.88	614,529,464.73	52.32%	25.06%	27.50%	Down by 0.91 percentage point
By Region						
Domestic	5,509,298,831.28	2,006,452,965.66	63.58%	13.91%	27.14%	Down by 3.79 percentage point
Overseas	585,602,112.42	259,905,487.77	55.62%	37.67%	16.79%	Up by 7.94 percentage points

(3) Whether the Company's physical sale income is greater than labor service income?

Classification	Subject	Unit	Year 2020	Year 2019	Year-on-year Increase or Decrease
Tablets	Sales	10,000 tablets	681,895.14	535,593.27	27.32%
	Production	10,000 tablets	806,067.00	712,531.68	13.13%
	Inventory	10,000 tablets	200,514.31	153,503.57	30.63%
Powder	Sales	kg	7,663,737.23	5,602,199.79	36.80%
	Production	kg	11,116,972.94	8,005,708.11	38.86%
	Inventory	kg	2,924,557.52	1,569,110.75	86.38%
Capsule	Sales	10,000 capsules	242,533.38	239,041.90	1.46%
	Production	10,000 capsules	336,957.28	446,906.34	-24.60%
	Inventory	10,000 capsules	64,399.31	63,382.31	1.60%
Others	Sales	piece, set	24,185,213.00	31,256,354.00	-22.62%
	Production	piece, set	21,724,113.00	21,718,315.00	0.03%
	Inventory	piece, set	9,792,943.00	7,762,857.00	26.15%

The reason for over 30% year-on-year change of relevant data

- ① Powder sales volume increased by 36.8% year-on-year, and production output increased by 38.86% year-on-year, mainly due to the increase in probiotic powder and protein powder;
- ② Tablet inventory increased by 30.63% year-on-year, powder inventory increased by 86.38% year-on-year, mainly due to the company's stocking according to sales plans and promotional activities.

(4) Composition of operating cost

See the table of Main Items of Operating Costs in "I. Overview"

(5) Whether there was any change in the scope of consolidation during the reporting period

See details in "Section 9 Financial Report 8. Changes in Consolidation Scope".

(6) Major clients and suppliers

Major clients

Aggregate sales to top 5 clients (RMB)	875,622,033.74
Proportion of aggregate sales to top 5 clients in total annual sales	14.37%
Proportion that sales to related parties in connection with sales to top 5 clients accounts for total annual sales	0.00%

Information of the Company's top 5 customers

No.	Customer name	Sales volume (RMB)	Ratio in total annual sales
1	Customer 1	279,592,853.72	4.59%

2	Customer 2	242,699,196.65	3.98%
3	Customer 3	122,251,407.57	2.01%
4	Customer 4	117,030,023.42	1.92%
5	Customer 5	114,048,552.38	1.87%
Total	--	875,622,033.74	14.37%

Other information of major customers

The Company has no affiliated relationship with the top five customers. The directors, supervisors, senior management personnel, core technical staff, shareholders holding more than 5% of shares, actual controllers and other related parties do not have direct or indirect interests in major customers.

Major suppliers

Aggregate purchase from top 5 suppliers (RMB)	500,075,161.42
Proportion of aggregate purchase from top 5 suppliers in total annual purchase	25.50%
Proportion that purchase from related parties in connection with purchase from top 5 clients accounts for total annual purchase	0.00%

Information of the Company's top 5 suppliers

No.	Supplier name	Purchase amount (RMB)	Ratio in total annual purchase amount
1	Supplier 1	186,826,160.16	9.53%
2	Supplier 2	86,921,052.99	4.43%
3	Supplier 3	86,102,051.38	4.39%
4	Supplier 4	71,873,540.50	3.66%
5	Supplier 5	68,352,356.39	3.49%
Total	--	500,075,161.42	25.50%

Other information of major suppliers

The Company has no affiliation with the top five suppliers. The directors, supervisors, senior management personnel, core technical staff, shareholders holding more than 5% of shares, actual controllers and other related parties do not have direct or indirect interests in major suppliers.

3. Expenses

Unit: RMB

	Year 2020	Year 2019	Year-on-year Increase or Decrease	Description for Major Changes
Sales Expenses	1,818,418,933.49	1,650,399,754.51	10.18%	Not Applicable
Management Expense	434,404,054.00	429,626,755.08	1.11%	Not Applicable
Financial Expenses	12,616,966.25	10,665,253.96	18.30%	Not Applicable
Research and Development Expenses	139,952,411.43	126,041,296.39	11.04%	Not Applicable

The Company needs to comply with the disclosure requirements in No. 14 Guideline about Industry

Information Disclosure of Shenzhen Stock Exchange -Listed Enterprises Engaging in Food and Wine Manufacturing.

Sales Expenses:

Subject	Incurred Amount in Current Period	Proportion	Incurred Amount in Previous Period	Proportion	Year-on-year growth rate
Salary and Welfare Fee	376,683,481.87	6.18%	336,570,290.46	6.40%	11.92%
Administrative and Office Expenses	11,964,624.01	0.20%	7,290,703.86	0.14%	64.11%
Depreciation Amortization	19,492,331.87	0.32%	13,628,488.82	0.26%	43.03%
Market Promotion Expense	241,009,913.01	3.96%	147,866,790.40	2.81%	62.99%
Platform Expenses	91,351,905.82	1.50%	31,445,507.63	0.60%	190.51%
Rental and Property Management Fee	6,173,562.55	0.10%	6,523,833.91	0.12%	-5.37%
Travel Expenses	51,921,370.09	0.85%	58,706,342.78	1.12%	-11.56%
Convention expense	10,258,557.80	0.17%	7,266,666.71	0.14%	41.17%
Entertainment Expenses	6,888,465.75	0.11%	6,752,346.30	0.13%	2.02%
Terminal and Dealer Fees	-	0.00%	159,412,159.54	3.03%	-100.00%
Terminal Packaging and Other Costs	30,083,883.44	0.50%	-	0.00%	-
Advertising Fee	965,645,482.63	15.84%	810,013,437.46	15.39%	19.21%
Logistics Costs	-	0.00%	57,729,303.11	1.10%	-100.00%
Repair and maintenance fees	1,748,354.40	0.03%	2,520,318.87	0.05%	-30.63%
Trademark use fee	3,208,867.37	0.05%	1,802,914.23	0.03%	77.98%
Other Expenses	1,988,132.88	0.03%	2,870,650.43	0.05%	-30.74%
Total	1,818,418,933.49	29.84%	1,650,399,754.51	31.37%	10.18%

(1) Sales expenses increased by 10.18% year-on-year, mainly due to the consolidation of Guangdong i-Mybest;

(2) The main impacts of the new revenue standards on sales expenses are: A. According to the contract, the "logistics expenses" that the company has to bear before the transfer of product control rights are reclassified to "cost of main business" as necessary activities in the performance of the contract; B. In accordance with the "Accounting Standards for Business Enterprises No. 14-Revenue" and relevant applicable guidelines on "variable consideration", the company's original terminal and dealer fees partially offset revenue;

(3) During the reporting period, the company incurred a advertising expenses of 966 million, of which advertising expenses on TV media were RMB 506 million, online advertising expenses were 212 million, and planning and production expenses and others totaled RMB 248 million;

(4) The increase in marketing expenses and conference fees was mainly due to the consolidation of Guangdong i-Mybest; administrative office expenses increased by 64.11% year-on-year, mainly due to the impact of Guangdong i-Mybest's consolidation and the increase in office decoration costs; depreciation expenses increased by 43.03% year-on-year, mainly due to the impact of the launch of the Nutrition Exploratorium and the Visitor Center; platform fees increased by 190.51% year-on-year, mainly due to the consolidation of Guangdong i-Mybest and the conversion of

Life-Space cross-border e-commerce direct stores to self-operated stores in 2020.

4. R&D Input

(1) Construction of R&D institutes

As of the end of the reporting period, the company has 5 innovative research platforms at the provincial level and above, namely the branch of National Postdoctoral Research Workstation, the Guangdong Academician Workstation, the Guangdong Provincial Enterprise Technology Center, the Guangdong Engineering Technology Research Center, and the Guangdong Doctoral Workstation.

By the end of the reporting period, the Company's large-scale scientific research laboratories mainly include R&D bench-scale laboratories, R&D pilot test platforms, and testing centers, equipped with various preparation research instrument, such as Germany Pfister tablet press, BOCH capsule filling machine, dry type granulator, etc. The Company also researches and develops testing equipment, such as inductively coupled plasma source mass spectrometer, automatic dried blood spot detection system, liquid chromatograph-mass spectrometer, etc., to ensure innovative research and technological transformation.

The Company's testing center was evaluated by the China National Accreditation Service for Conformity Assessment (CNAS) in 2013 and obtained the CNAS accreditation certificate; the testing capabilities of multiple heavy metal items, vitamin C, mold yeast, sulfur dioxide and other indicators passed the capacity verification organized by British FAPAS (Food Analysis Performance Assessment Scheme) in 2017 and obtained FAPAS international capacity certificate; the Company has formulated a number of internal control indicators that are stricter than national standards, in order to create reassuring high-quality products with stringent requirements.

The company actively participates in scientific research projects such as the research and construction of science-based nutrition service standardization system, and the research and construction of raw material quality standards for health food. As of the end of the reporting period, the company took the lead in the development of "Determination of Minerals and Heavy Metals in Dried Blood Spots", "Determination of Health Food Vitamins in Dried Blood Spots", and the formulation of several group standards for the elderly such as vitamin D, folic acid, and vitamin K; completed the formulation of group standards such as "Testing of Vitamin A, D, E in Health Food".

(2) Industry-study-research cooperation

In 2020, the company's Nutrition Science Research Fund focused on the field of maternal and child nutrition, increased funding for outstanding doctoral projects, and conducted related research in cooperation with domestic institutions of higher learning, scientific research institutes and other institutions.

In December 2020, the company reached a strategic cooperation agreement with Zhuhai People's Hospital Medical Group, according to which the two parties will cooperate in the nutrition intervention and prevention and control of risk factors for chronic diseases in the elderly, and the clinical application of health precision nutrition for the elderly.

The amount of R&D investment in the past three years and the proportion in the Company's operating income

	Year 2020	Year 2019	Year 2018
R&D persons	322	289	270
Proportion of R&D persons	9.76%	11.23%	11.16%
R&D investment (RMB)	136,522,911.42	125,155,791.28	99,892,148.26
R&D investment as a percentage of operating income	2.24%	2.38%	2.30%
Capitalization of R&D expense	-	374,314.97	925,584.61
Capitalization of R&D expense as a percentage of R&D investment	-	0.30%	0.93%
Capitalization of R&D expense as a percentage of current net profit.	-	0.09%	0.10%

Note: the number and proportion of R&D persons, amount of R&D investment and R&D investment as a percentage of operating income shall be those stated in the consolidated statements.

5. Cash Flows

Unit: RMB

Subject	Year 2020	Year 2019	Year-on-year Increase or Decrease
Sub-total of Cash Inflow from Operating Activities	7,259,496,175.57	6,238,951,876.52	16.36%
Sub-total of Cash Outflow from Operating Activities	5,693,131,801.63	4,702,431,773.49	21.07%
Net Cash Flow Generated from Operating Activities	1,566,364,373.94	1,536,520,103.03	1.94%
Sub-total of Cash Inflow from Investment Activities	2,145,027,764.84	1,571,021,726.38	36.54%
Sub-total of Cash Outflow from Investment Activities	2,676,793,604.41	1,820,222,207.18	47.06%
Net Amount of Cash Flow Generated from Investment Activities	-531,765,839.57	-249,200,480.80	113.39%
Sub-total of Cash Inflow from Financing Activities	345,264,500.00	701,535,141.63	-50.78%
Sub-total of Cash Outflow from Financing Activities	1,294,870,120.08	1,966,595,558.81	-34.16%
Net Amount of Cash Flow Generated from Financing Activities	-949,605,620.08	-1,265,060,417.18	-24.94%
Net Increased Amount of Cash and Cash Equivalents	81,200,070.56	23,840,581.77	240.60%

Explanation of major influencing factors of significant year-on-year changes in related data

The net cash flow from investment activities during the reporting period was RMB -531.7658 million, a change of 113.39% from the previous year, which was mainly due to the purchase of large certificates of deposit during the period;

III. Non-main business

Unit: RMB

	Amount	Proportion Taken in Total Profit	Descriptions for Cause of Formation	Sustainable or Not
Investment Income	181,492,515.74	10.26%	Income from fund investment, income from financial products and period profit or loss recognized by joint stock companies using the equity method	Some investment income may be sustained
Profit and Loss of Changes in Fair Value	259,718,586.88	14.68%	Changes in the fair value of fund investment	Change with the Fund operations
Asset Impairment	-9,606,570.91	-0.54%	Provision for inventory depreciation and long-term stock rights investment depreciation reserves	Some items are regular and their amounts may vary with the state of operation
Non-operating Income	43,403,961.78	2.45%	Government Subsidies	Adjusted pursuant to government policies.
Non-operating Expenditure	63,438,101.18	3.59%	Donation expenditure, idle charges and loss of land return	Sustainable or Not
Loss from credit impairment	1,151,677.87	0.07%	Provision for bad debts of accounts receivable and other receivables	Regular items change with the Company's operating conditions
Other Income	4,907,981.45	0.28%	Government subsidies returned and government subsidies received, etc.	Sustainable or Not

IV. Assets and Liabilities

1. Significant Changes of Subjects under Assets

In 2020, the company implemented the new revenue standard or the new lease standard for the first time and adjusted the relevant items of the financial statements at the beginning of the year. For details, please refer to Section 9, V, (32) Changes in important accounting policies and accounting estimates

Unit: RMB

	End of 2020		Beginning of 2020		Increase or Decrease of the Proportion	Description for Major Changes
	Amount	Proportion Taken in Total Assets	Amount	Proportion Taken in Total Assets		

Cash and Cash Equivalents	1,826,033,992.60	18.94%	1,821,553,419.42	21.87%	-2.93%	
Account Receivables	164,177,599.16	1.70%	113,530,032.72	1.36%	0.34%	Accounts receivable increased by 44.61% from the balance at the beginning of the year, mainly due to the consolidation of Guangdong i-Mybest
Inventory	872,722,636.05	9.05%	742,463,814.53	8.91%	0.14%	
Investment Real Estate	166,750,329.55	1.73%	171,759,174.27	2.06%	-0.33%	
Long-term Equity Investment	211,802,477.10	2.20%	171,197,803.13	2.06%	0.14%	
Fixed Assets	873,275,042.41	9.06%	828,341,732.08	9.94%	-0.88%	
Construction in Progress	110,440,672.38	1.15%	121,482,943.14	1.46%	-0.31%	
Short-term Borrowings	-	0.00%	43,650,075.44	0.52%	-0.52%	The closing balance of short-term loans was RMB 0, which was mainly due to the repayment of loans
Long-term Loans	143,700,000.00	1.49%	307,500,000.00	3.69%	-2.20%	Long-term borrowings decreased decreased by 53.27% from the beginning balance, mainly due to repayment of loans

2. Assets and Liabilities Measured at Fair Value

Unit: RMB

Subject	Initial Balance	Profit and Loss from the Changes in Fair Value in the Current Period	Changes in Accumulative Fair Value Recognized in Equity	Impairment Accounted in Current Period	Amount Purchased in Current Period	Amount Sold in Current Period	Other Changes	Ending Balance
Financial Assets								
1. Trading	690,000,000.00	-	-	-	530,000,000.00	-1,240,600,000.00	61,580,000.00	40,980,000.00

Financial Assets								
2. Other Equity Instruments Investment	316,917,517.25	-	-18,644,110.02	-	100,000.00	-8,248,898.30	-1,409,327.68	247,906,005.98
3. Other Non-current Financial Assets	623,864,161.58	259,718,586.88	320,208,549.50	-		-163,344,145.22	-18,052,341.31	702,186,261.93
Total of Above	1,630,781,678.83	259,718,586.88	301,564,439.48	-	530,100,000.00	-1,412,193,043.52	42,118,331.01	991,072,267.91

Note: The RMB 61.58 million in other changes was transferred from the acquisition of Guangdong i-Mybest

3. Restriction of Assets Rights as at the End of the Reporting Period

Subject	Carrying Value at the End of the	Reason for Restriction
Other Non-current Assets	40,770,466.67	Borrowings mortgage deposit of the company
Other Non-current Assets	2,836,078.07	LSG security for lease
Fixed Assets	169,141,581.46	Mortgaged for the Company's borrowings
Investment Real Estate	8,012,065.51	Mortgaged for the Company's borrowings
Intangible Assets	15,161,710.54	Mortgaged for the Company's borrowings
Total	235,921,902.25	-

As of December 31, 2020, the equity pledges used for loans include: 100% equity of BYHEALTH Pharmaceutical Co., Ltd (hereinafter referred to as BYHEALTH Pharmaceutical), Guangdong Baijia Pharmaceutical Co., Ltd (hereinafter referred to as Baijia Pharmaceutical) and GUANGZHOU BY-HEALTH Bioengineering Co., Ltd. (hereinafter referred to as GUANGZHOU BY-HEALTH), 53.33% equity of Guangzhou By Saint Co., Ltd (hereinafter referred to as Guangzhou By Saint) and 70% equity of Guangdong Beyond Co., Ltd.

V. Investment Status Analysis

1. Overall Situation

Investment Amount in the Reporting Period (RMB)	Investment Amount in Same Period in Previous Year (RMB)	Variation Range
364,367,040.00	1,961,860,000.00	-81.43%

2. Significant Equity Investment Acquired in the Reporting Period

Unit: RMB

Name of	Main	Investment	Investment	Shareholding	Capital	Cooperation Party	Investment	Investment
---------	------	------------	------------	--------------	---------	-------------------	------------	------------

Invested Company	business	mode	Amount	Proportion	Source		Duration	Cost or Loss in Current Period
Xiamen Weilai Zhuoshi Equity Investment Fund (Limited Partnership)	Long-term Equity Investment	Step-by-step investment in accordance with the investment agreement	45,000,000.00	34.08%	Self-owned Capital	Guangzhou Zhuoshi Mingyu Investment Management Co., Ltd, Zhuhai Hengqin Zhuoshi Yongshang Equity Investment Fund (Limited Partnership), Chengcheng Investment Holding Co., Ltd., and Weilai Equity Investment Management (Guangzhou) Co., Ltd.	7 years	183,856.86
Guangdong i-Mybest Network Technology Co., Ltd	VDS sales	Capital Increase	80,000,000.00	80.00%	Self-owned Capital	Guangzhou ByJie Investment Management Partnership(Limited Partnership), Lan Junjie, Guangzhou Maimeng Investment (Limited Partnership)	Long-term	Not Applicable
Total	--	--	125,000,000.00	--	--	--	--	183,856.86

3. Financial Assets Measured at Fair Value

Unit: RMB

Asset Type	Initial Investment Cost	Profit and Loss from the Changes in Fair Value in the Current Period	Changes in Accumulative Fair Value Recognized in Equity	Purchased Amount in the Reporting Period	Sold in the Reporting Period Amount	Accumulative Investment Income	Ending Balance	Fund Source
Financial Products	690,000,000.00	-	-	591,580,000.00	-1,240,600,000.00	-	40,980,000.00	Owned Fund
Fund	545,321,857.65	259,718,586.88	320,208,549.50	-	-163,344,145.22	111,937,061.10	702,186,261.93	Owned Fund
Others	274,699,014.30	-	-18,644,110.02	100,000.00	-8,248,898.30	6,812,975.80	247,906,005.98	Owned Fund
Total	1,510,020,871.95	259,718,586.88	301,564,439.48	591,680,000.00	-1,412,193,043.52	118,750,036.90	991,072,267.91	--

VI. Analysis for Main Holding Companies and Stock Participating Companies

Information about Main Subsidiaries and Stock Participating Enterprise with the Net Profit Influencing Amount above 10%

Unit: RMB

Company Name	Company Type	Main Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Guangdong Baijia Pharmaceutical Co., Ltd	Subsidiary	Responsible for the management and operation of brands such as "KEYLID" and "JianAnShi"	13,330,000.00	746,475,977.42	333,472,438.19	1,628,468,183.92	129,020,586.81	105,420,773.67
By-health Pharmaceutical Co., Ltd	Subsidiary	Management and operation of the brand "BYHEALTH"	100,000,000.00	919,483,438.32	175,258,369.22	3,297,612,502.74	36,547,993.63	2,964,194.94
Guangzhou By-Health By Saint Co., Ltd	Subsidiary	Domestic special-purpose companies that indirectly control LSG	3,483,860,000.00	2,129,874,669.71	1,885,469,541.26	567,074,613.40	-11,126,591.42	-7,466,954.67
Hong Kong Bairui Co., Ltd	Subsidiary	VDS procurement, sales, import and export, and capital management, etc.	122,467,650.00	768,538,607.04	210,687,072.89	4,780,937.83	359,168,477.92	365,432,734.11

Note: "JianGanShi" was renamed "JianAnShi" on December 4, 2020.

Acquisition and Disposal of Subsidiaries in the Reporting Period

Company Name	Acquisition and Disposal Method of Subsidiaries in the Reporting Period	Influence to the Overall Production, Operation and Performance
Baiao Pharmaceutical (Zhuhai) Co., Ltd	New Establishment	Mainly responsible for the domestic business of "Life-Space" and "Pentavite", as well as the operation of a series of products such as "JianShiJia"
BYFUSION (HONGKONG) HOLDINGS LIMITED	New Establishment	Used to hold overseas assets, and at the same time act as an overseas fund collection platform
BYHEALTH INTERNATIONAL COMPANY LIMITED	New Establishment	as the company's international business center
HONGKONG LIFE-SPACE COMPANY LIMITED	New Establishment	Responsible for expansion, sales and market support of some overseas markets of "Life-Space"
PENTAVITE INTERNATIONAL COMPANY LIMITED	New Establishment	Responsible for expansion, sales and market support of some overseas markets of "Pentavite"

Guangzhou Hurui Pharmaceutical Investment Co., Ltd	New Establishment	Mainly as an investment holding company in the pharmaceutical sector
Guangzhou Hurui Pharmaceutical Technology Development Co., Ltd	New Establishment	Mainly used for holding OTC approval and outsourced processing
Guangzhou Shishagshuo Food Investment Co., Ltd	New Establishment	Mainly as an investment holding company in the functional food sector
Zhuhai Shishagshuo Food Co., Ltd.	New Establishment	Mainly as an operating company in the functional food sector
Ershibachen(Guangdong) Network Technology Co., Ltd	New Establishment	Mainly responsible for the operation of flagship stores of Ershibachen, KEYLID, JianShiJia, JianAnShi, Weiman C and other sub-brands
Jianzhibao Nutrition Biotechnology (China) Co., Ltd.	Canceled	Not have a significant impact on the company's overall production and operation and performance
Guangdong i-Mybest Network Technology Co., Ltd	Acquisition through Acquisition	Mainly responsible for the operation of the e-commerce channel of "BYHEALTH" brand
Guangdong Mailang Network Technology Co., Ltd	Acquisition through Acquisition	Mainly responsible for the operation of the e-commerce channel of "BYHEALTH" brand and the operation of private traffic
Guangzhou Qingle Health Technology Co., Ltd.	Acquisition through Acquisition	Mainly responsible for the operation of the e-commerce channel of "GymMax" brand
i-Mybest (Hongkong) Co., Ltd.	Acquisition through Acquisition	Mainly responsible for the operation of the "Life-Space" brand on the cross-border e-commerce platform
Mailang (Hongkong) Co., Ltd.	Acquisition through Acquisition	Mainly responsible for the operation of the "Life-Space" brand on the cross-border e-commerce platform

VIII. Development Prospect

(I) Industry pattern and trends

In recent years, the State has successively issued such documents as Outline for the "Healthy China 2030" Initiative, Opinions on the Implementation of the Healthy China Initiative, and Healthy China Initiative (2019-2030), deployed and implemented a Health China strategy and has continuously increased its support for the massive health industry. As an important pillar of the massive health industry, the nutrition and health food industry is gradually being valued by the society.

With the rise of the concept of "massive health", the increase in the national per capita disposable income, consumption upgrades and population aging, coupled with the expected epidemic, people's health concept is constantly changed and deepened, which derives a huge health market demand, thus the prospects of the nutrition and health food industry and the future growth space of subdivisions can be expected. As a subdivision of the nutrition and health food industry, Vitamin & Dietary Supplements (VDS) started late in China. The residents' awareness and habits of using VDS have not been fully established. The penetration rate of products and per capita consumption are far lower than those of developed countries. There is huge room for future market rise.

While the scale of the industry has expanded and market demand has increased, new industry rules have been continuously promulgated, and supervision has become increasingly standardized. The pains related to industry campaign-style rectification and policy adjustments as well as the effect of vitamin & dietary supplements in China will exist for a long time, and the problems will become normalized. As a benchmark enterprise in China's VDS industry, the company will face and solve related problems by taking them normal, actively adapt to changes and trends, and lead the industry's sustainable and healthy development.

(II) Company development strategy

The company adheres to the strategy of Total Consumer-oriented Approach: creating real health value for consumers. The logic of the "C" core strategy is to recognize that the essence of business is transitioning from the traditional buyer-seller relationship to the "service" relationship, from simply selling products to selling "product + content + service + experience". BYHEALTH will always adhere to Eight Concepts for Quality Control - "Integrity over intelligence", focus on the consumer health business, and with dietary supplements as the center, expand upwards to over-the-counter drugs, and downwards to functional foods, continuously creating value for user health and achieving strategic goals.

Focusing on the core strategy of Total Consumer-oriented Approach, the company will firmly implement the "science-based nutrition" research and development, products and brand operation strategies, create the ultimate nutrition products in the spirit of science, and is committed to becoming a new nutritional ecological builder driven by science and technology, leading the upgrade and development of the industry.

iii. Business Plan for 2021

2021 is the first year of the company's new three-year plan for 2021-2023. It is a crucial year for innovation and consolidation. With two hard-core advantages of "large growth space in the VDS industry" and "leading position in the industry", the company must take the lead in making breakthroughs, stepping out of transformation from fission, thus achieving business expansion and sustained rapid growth. In 2021, the company will adopt a proactive strategy and firmly implement the "science-based nutrition" strategy; combine "breaking" and "establishing", continuously and deeply break inertia, and establish a more innovative, flexible, agile, and efficient organizational structure and operation Through reforms for innovation, speeding up and being younger, the company will create a new core competitive advantage in the future, and create a different BY-HEALTH.

1. Main business objectives

In 2021, the company plans to achieve a year-on-year growth of 30% in operating income and start a new growth cycle; maintain the sales expense ratio at the level of the previous three years, and ensure a slight decline in stability by taking measures such as precision marketing, cost reduction and efficiency enhancement.

The above targets are subject to certain uncertainty due to the future operating environment, and do not constitute performance commitments to investors. Investors are advised to pay attention to investment risks.

2. Main business plan

(1) Focus on strategic priorities and continue to build the company's unique core competitive advantages

In 2021, the company will continue to promote business innovation and lay out for the future by focusing on the four established strategic projects that represent the company's future.

① Firmly implement the science-based nutrition strategy, and drive the upgrade and development with scientific and technological strength

As a leading company in the global VDS industry, the company relies on modern nutrition science to establish a comprehensive scientific VDS system. In 2021, the company will focus on the established "science-based nutrition" strategy, drive the upgrading and development with scientific and technological strength, and continue to create different technology power and differentiated competitive advantages.

On the basis of more than 60 invention patents for raw materials and formulas, the company will advance the strategy to comprehensively upgrade its own core technologies and its own patented raw materials in 2021, and continue to implement it as a long-term strategy. Through independent research and development, the company has discovered raw materials with the company's independent intellectual property rights, and realizes brands for some exclusive raw materials. The company will continuously develop the ultimate science-based nutritional products in the fields of dried blood spot detection technology, personalized vitamins, homeostasis system research, etc.; also pay attention to the combination of technology and consumer trends, develop innovative and competitive products in terms of scientific connotation, product form, and external packaging under the innovation mechanism to continuously create and meet new consumer needs. In addition, the company will create a brand competitiveness based on science, empower brand differentiation with scientific and technological strength, convey the product value and corporate value of scientific nutrition, and effectively implement the science-based nutrition brand strategy upgrade, and realize the advancement of brand power in the era of science-based nutrition from product marketing to value marketing, from global raw materials to science-based nutrition.

② Focus on the digitization of the entire marketing chain and continue to promote the digitization of the entire chain

In 2021, the company will, based on a higher strategic direction, continue to promote the digitalization of the entire chain, focus on the digitalization of the marketing chain, and further build the online and digital all-channel business, empower channel partners with digital operation capabilities, and enhance business collaboration and strategic coordination between the company and channel vendors. In the future, the company will, through the comprehensively integrating and continuously creating digital marketing chain, e-commerce, and super supply chain, improve the efficiency of the full-chain operation and win-win cooperation, and finally realize the comprehensive digital transformation and empowerment of the company's traditional business sectors.

③Continue to build a fast-response flexible supply chain

In order to rapidly satisfy users' uncertain and personalized needs, the company initiated the establishment of a "quick-response flexible supply chain" to achieve both user experience and the

company's overall efficiency and benefits. In 2021, the company will work with third parties to focus on the construction and layout of e-commerce warehousing and logistics systems, and realize the closed loop of online to C data. At the same time, through changes such as factory beside factory and consignment of raw and auxiliary materials, the response cycle of raw and auxiliary materials and packaging materials has been reduced. The company also cooperated with suppliers to create exclusive raw materials and raw material brands, build technologically differentiated competitive advantage, and assist in the implementation of the "science-based nutrition" strategy.

④Continue to promote user assets operation

The company will continue to firmly implement user assets operation. In 2021, it will continue to work on the user business model of being "small and sophisticated", build a "super user pool" for brands (categories), and empower the brand; launch the "new retail" project offline.

2. Break the existing organizational inertia and establish a more innovative, younger and efficient organization

In 2021, focusing on the company's long-term strategy, industry trends and in response to market changes, the company will continue to further break the rigid organizational structure, and will gradually establish a more open, dynamic and flexible organizational structure by using scientific and technological innovation methods and tools within a certain range, from the division of labor and collaboration to work processes to organizational innovation. On the basis of activating "people" in 2020, the company will break through the traditional mechanisms of hiring, training, motivating and assessing people, and establish a more innovative and flexible human resource management model in 2021. Continue to establish project-centered decision-making procedures in some business modules, explore flexible cross-departmental and cross-profession working mechanisms; continue to promote the rejuvenation of the company's core business organizational structure; formally change KPI to a set index centered on "major innovation projects and major breakthrough projects" in order to match and undertake the major innovation leadership responsibilities required for the implementation of the company's strategic planning; establish a long-term incentive mechanism for the core business team of each business project, stimulate new enablers of the organization in innovation and change, and promote the efficiency and flexibility of the organization and operation.

3. Overall layout of high-potential market segments, multiple engines to promote the growth of the main business

In 2021, the company will deploy more hero products, comprehensively deploy high-potential market segments, and also promote the growth of its main business with two representative products and two star products with multiple engines. The company will launch a new hero product "ShuBaiNng" and continue to improve the matrix of hero products, position sub-categories with high-potential functions. At the same time, the main brand "BYHEALTH" continued to use protein powder and multi-vitamin mineral tablets as representative products, and continue to consolidate the main brand image. Taking milk chewable tablets with calcium and melatonin as its star products, driving sustained high-speed growth of sub-categories.

4. Deepen the business penetration and establish the sustainable development capability of Life-space

On the basis of the gradual recovery of Life-space business, the company will continue to promote business penetration in 2021 and strive to build its sustainable development capabilities. In the Chinese market, further deepen the multi-channel layout of Life-Space, dig into the large-category market of active nutritional supplements in China, and gradually create and lead the category development path. In the Australian market, promote the construction of production bases as planned to provide supply-side support and assistance for global business expansion; steadily promote brand building and consumer education, accelerate the integration of purchasing channels and optimize the management structure of export distributors, and improve channel management capabilities. At the same time, enhance the layout and expansion of Life-space in the international market, and increase the penetration rate of the international market.

5. Establish an omni-channel integrated operation model for functional food

In 2020, the company officially deployed its functional food business and launched functional food brands such as "MerryPlus" and positioned it as the company's first project fully integrating online and offline channels, implemented an independent R&D, production, supply and sales system and conduct unified planning and operation of all channels. In 2021, the company will establish an independent business system and retail network system for the functional food business, while optimizing the existing sales model to create new space for the company's business growth.

6. Promote factory upgrades and build smart and agile factories

In 2021, the company will promote the upgrade of smart factories through digitalization, and help to implement the super supply chain through informatization. Build flexible, digitized, and dust-free flexible production lines to continuously improve response speed; realize all-dimensions and all-elements digitization and intelligence of the entire production process. In addition, as a national AAAA-level tourist attraction, the Transparent Factory in 2021 will focus on enhancing its popularity, creating an immersive, technologically intelligent user experience, turning the it into the city card of Zhuhai, and continuously improving the company's social values.

Section V Important Matters

I. Profit distribution for ordinary shares and conversion of capital reserve into share capital

Formulation, Execution or Adjustment of Profit Distribution Policy, Especially Cash Dividend Policy for Ordinary Shares during the Reporting Period

In the reporting period, pursuant to the CSRC Guiding Opinions on Further Defining and Refining Profit Distribution Policies of Listed Companies, relevant requirements of Shenzhen Stock Exchange as well as the Dividend Distribution Management System formulated by the Company in 2012 and the Dividend Distribution Plan (2017-2019) formulated by the Company in 2017, the Company implemented the 2019 profit distribution plan, paying RMB3.60 in cash (tax included) for every 10 shares. The Company has formulated and implemented its cash dividend distribution policies in conformity with the Articles of Association, defined relevant standards and percentages and followed sound decision making procedures, and independent directors have diligently performed their duties and fully safeguarded lawful rights and interests of medium and small shareholders.

Special note on cash dividend policy

Whether it conforms to the Articles of Association or the resolution of the Shareholders' Meeting:	The Company's profit distribution plan of 2019 is executed in strict accordance with relevant provisions of the Articles of Association, approved in the deliberation of the Annual Shareholders' Meeting 2019 and strictly carried out within prescribed time.
Whether the standard and ratio of dividend are explicit and clear:	Article 213 of the Company's latest Articles of Association explicitly stipulates the principles, forms, time and conditions for profit distribution as well as the decision-making mechanism and approval procedures for profit distribution policy, all conforming to the latest CSRC requirements on dividend distribution policy of listed company, with explicit and clear standard and ratio for dividends.
Whether relevant decision-making procedure and mechanism are complete:	The Company's Proposal on Preliminary Plan for Profit Distribution in 2019 has been approved by the 33rd Session of the 4th Board of Directors, 19th Session of the 4th Board of Supervisors and the Annual Shareholders' Meeting in 2019. Relevant decision-making procedures have been completed and distribution of equity been completed on 14 April 2020.
Whether Independent Director performed his/her duty and played his/her role:	In the opinion of the Independent Director, the Company's Proposal on Preliminary Plan for Profit Distribution in 2019 complies with the actual conditions of the Company and the Company's cash dividend ratio in recent 3 years exceeds 30% of the average annual distributable profits in such period, conforming to relevant provisions of the Company Law and the Articles of Association, and benefiting the regular operation and sound development of the Company without harming the rights and interests of shareholders, especially minority shareholders.

Have minority shareholders fully expressed their opinions and demands and whether their legitimate rights and interests been fully protected: The decision-making procedures and mechanism of the Company's profit distribution are complete, which has practically protected the rights and interests of all shareholders.

Where cash dividend policy is adjusted or amended, whether relevant conditions and procedures are compliant and transparent: Not Applicable

The preliminary plans for profit distribution and increase of share capital using capital reserve during the reporting period are consistent with relevant provisions of the Articles of Association and the Dividend Management Measures.

The preliminary plans for profit distribution and increase of share capital using capital reserve during the reporting period conform to relevant provisions of the Articles of Association and the Dividend Management Measures.

Plan for Profit Distribution and Share Capital Transferred and Increased from Capital Reserve in the Current Year

Bonus shares per 10 shares	0
Dividend per 10 shares (tax included)	7.00
Conversion per 10 shares	0
Share capital base for the distribution plan (shares)	1,581,020,554
Cash dividend (RMB, tax included)	1,106,714,387.80
Cash dividend in other forms (e.g. share repurchase) (RMB)	-
Cash dividend (including other forms) (RMB)	1,106,714,387.80
Profit available for distribution	1,539,574,079.27
Cash dividend (including other forms) as a percentage of total profit distribution	100.00%
Cash dividend	

Where the Company is in the stage of growth and has arrangements for major capital expenditure, ratio of cash dividend in the profit distribution shall be at least 20%.

Details on preliminary plan of profit distribution or share capital increase by capital reserve

The Proposal on Preliminary Plan for Profit Distribution in 2020 approved by the 8rd Session of the 5th Board of Directors and the 7th Session of 5th Board of Supervisor held on 5 March 2021 stipulates the issuance of cash RMB 7.00 (tax included) to all shareholders for every 10 shares, based on the Company's total share capital of 1,581,020,554 shares.

Where the distribution plan changes due to circumstances including the listing of new shares, exercise of equity reward and share repurchase between its disclosure and implementation, distributable ratio will be adjusted accordingly based on the principle of keeping cash dividend total unchanged.

Company's plans (preliminary) for profit distribution and share capital increase using capital reserve in recent 3 years (including the reporting period)

(1) On 22 March 2019, the Company's Annual Shareholders' Meeting 2018 approved the Proposal on Preliminary Plan for Profit Distribution in 2018, which stipulates the issuance of cash RMB 5.00 (tax included) to all shareholders for every 10 shares, based on the Company's total share capital of 1,469,271,880 shares, to be completed on 3 April 2019.

(2) On 12 March 2020, the 33rd Session of the 4th Board of Directors and the 19th Session of the 4th Board of Supervisors approved the Proposal on Preliminary Plan for Profit Distribution in 2019, which stipulates the issuance of cash RMB 3.60 (tax included) to all shareholders for every 10 shares, based on the Company's total share capital of 1,582,492,554 shares. This Preliminary Plan for Profit Distribution is to be submitted to the Annual Shareholders' Meeting 2019 for approval before implementation.

(3) On 5 March 2021, the 8rd Session of the 5th Board of Directors and the 7th Session of the 5th Board of Supervisors approved the Proposal on Preliminary Plan for Profit Distribution in 2020, which stipulates the issuance of cash RMB 7.00 (tax included) to all shareholders for every 10 shares, based on the Company's total share capital of 1,581,020,554 shares. This Preliminary Plan for Profit Distribution is to be submitted to the Annual Shareholders' Meeting 2020 for approval before implementation.

Cash dividend distribution for ordinary shares in the latest three years (including the reporting period)

Unit: RMB

Year	Cash dividend (tax included) (Tax included)	Net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement	Cash dividend as a percentage of net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement	Cash dividend in other forms
Year 2020	1,106,714,387.80	1,524,251,245.95	72.61%	-
Year 2019	569,697,319.44	-355,889,615.46	-160.08%	-
Year 2018	734,408,940.00	1,002,184,999.85	73.28%	-

Year	Cash dividend (tax included)	Net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement	Percentage of cash dividend in net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement	Amount of cash dividend in other forms (e.g. share repurchase)	Percentage of cash dividend in other forms in net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement	Total amount of cash dividend (including other forms)	Percentage of total amount of cash dividend (including other forms) in net profit attributable to ordinary shareholders of listed companies as stated in the consolidated statement
Year 2020	1,106,714,387.80	1,524,251,245.95	72.61%	-	-	1,106,714,387.80	72.61%
Year 2019	569,697,319.44	-355,889,615.46	-160.08%	-	-	569,697,319.44	-160.08%
Year 2018	734,408,940.00	1,002,184,999.85	73.28%	-	-	734,408,940.00	73.28%

1. Appointment and Dismissal of Accounting Firm

Currently appointed accounting firm

Domestic accounting firm	Huaxing Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firm (RMB 10,000)	248
Years of continuous serving in auditing of domestic accounting firm	1
CPA of domestic accounting firm	TAN Hao, ZENG Yonglong
Years of continuous serving of CPA in auditing in domestic accounting firm	1

III. Significant Contracts and Their Performance Status

1. Major Guarantee

The 15th Session of the 4th Board of Directors held on 30 July 2018 deliberated the Proposal on Provision of Guarantee by the Company and Subsidiaries and approved the guarantee provided for subsidiary AUSTRALIA BY SAINT PTY LTD, i.e. to secure the application of AUSTRALIA BY SAINT PTY LTD for overseas bank loans of no more than AUD 120million, the Company was to provide the bank with SLC (standby letter of credit), HONGKONG BYSEN COMPANY LIMITED was to pledge 100% shares it held in AUSTRALIA BY SAINT PTY LTD to overseas commercial bank, and AUSTRALIA BY SAINT PTY LTD was to mortgage or pledge all assets and equities as well as the assets and equities of its purchased company LSG and its subsidiaries to overseas commercial bank. On August 17, 2018, the company's 4th Extraordinary General Meeting in 2018 considered and passed the resolution about the above matters. In 2018 and 2019, the Company and subsidiaries provided guarantee for the loan of AUD 100million for AUSTRALIA BY SAINT PTY LTD, with the guarantee period of 5 years.

As of January 2020, Australia By Saint has repaid all the principal and interest; in June 2020, all guarantees related to loan of Australia By Saint were released. No new guarantees during the reporting period.

2. Entrust others to manage cash assets

(1) Information about Commissioned Finance Management

Unit: RMB 10,000

Type	Sources of Funds for Commissioned Finance Management	Amount of entrusted wealth management	Amount not yet due	Amount overdue
Bank Financial Products	Owned Fund	173,158.00	4,098.00	-
Total		173,158.00	4,098.00	-

IV. Information about social Responsibility

Fulfillment of social responsibilities

"Every life has equal value no matter where he/she was born and lives." The philosophy for public welfare of

By-Health is “Gain More and Share More”. We are only gaining through giving to others, and the more you give, the more you will receive in return. Since its listing, the Company has been actively performing its corporate social responsibility (CSR), attending to major CSR topics especially the ones concerning operation performance, compliance and law-abidance, product quality, employee development, safety production, environmental protection, employee rights and benefits, occupational health, public welfare and community development, and making positive efforts to benefit all interested parties including shareholder, investor, employee, consumer, dealer, supplier, government agency, industrial association, media and NGO.

The Company holds it the basic principle for corporate operation to abide by the law and emphasizes mutual success for both corporate profits and social benefits. The Company strictly follows relevant provisions of state laws, regulations and policies in its operations and supports the development of local economy by contributing taxes and increasing employment in an active manner. In its daily operation, the economic responsibility centered on “operation performance, research and development and quality management, the environmental protection responsibility centered on “energy-saving and emission reduction, recycled utilization and environmental protection and public welfare” and the social responsibility centered on “consumer, employee development, client relation, supply chain management, public welfare and community participation”, have all been well carried out. On such basis, the Company continues organizing and conducting the following activities:

In 2005, launched the 1+1+ Hope Project; 16 Hope Primary Schools have been constructed with the 17th under construction as of the end of Reporting Period;

In 2011, launched the large health public benefit program “Health Checking Vans China Tour”; approximately 4,000 activities have been held accumulatively as of the end of Reporting Period;

In 2012, jointly launched "Improvement Program of School-age Children's Nutrition in Poverty-stricken Areas" with Chinese Nutrition Society (CNS) and Global Child Nutrition Foundation (GCNF); The three-year program provided free nutrient enrichment formula powder for students of 18 rural primary schools in Guangdong, Hubei and Hebei Provinces to supplement their nutrients in a targeted way and benefited over 6,000 students by dint of nutrition propaganda and education;

In 2013, jointly launched "Hope Project - BY-HEALTH Nutritional Supporting Education Program” with China Youth Development Foundation to help improve nutrition and health of children and teachers in impoverished areas in a sustainable manner through cultivation of nutrition teachers, nutrition knowledge class and donation of nutrients. By the end of 2019, the company had donated nutrition for kids to more than 140 primary schools across the country, and organized more than 200 volunteers to carry out nutrition classes. In addition, it had trained 460 nutrition teachers, directly and indirectly benefiting more than 120,000 students.

In 2020, BYHEALTH’s volunteer nutritionists joined the "China Education Support Project" to support college student teams to popularize nutrition and health knowledge to rural children through social practice, and promote the development of rural nutrition and health education. More than 120 students from 8 colleges and universities went to 7 provinces (municipalities directly under the Central Government) to carry out projects across the country, benefiting more than 1,200 rural children.

The Company cooperated with Yao Foundation for 7 consecutive years since 2013 to support Yao Foundation Basketball Season of Hope Primary School by donating nutrition products to tens of thousands of students to help them to supplement nutrition and better enjoy the happiness from health and exercise.

In 2020, the company started cooperation with UNICEF in the field of nutrition in the early 1,000 days of life. The company will donate more than RMB 10 million to support UNICEF's projects in China to strengthen infant and young child feeding practices and social policy environment from 2020 to 2022. The two parties will also jointly carry out publicity and education work on the importance of infant nutrition, so that children in different environments can equitably receive appropriate nutritional support.

At the same time, in order to fight against the epidemic, in January 2020, the company donated RMB 10 million

through the China Charity Federation to set up a "Special Relief Fund for the Fight against COVID-19" which is used for the rescue and rewards of front-line medical staff in the fight against COVID-19 and the procurement of medical protection materials. Since then, the company has repeatedly donated nutritional products, thermometers, masks and other medical supplies to the frontline anti-epidemic staffs, teachers and students of Hope Primary Schools, etc., with a total market value of over RMB 25 million. As of the end of the reporting period, the total value of donations for the fight against COVID-19 exceeded RMB 35 million.

VI. Major Events of Subsidiaries of the Company

1. Changes to business premises and company articles of association of Guangdong Baijia Pharmaceutical Co., Ltd

(1) On January 8, 2020, the business premises of Guangdong Baijia Pharmaceutical Co., Ltd changed, and relevant industrial and commercial registration of changes were completed. Its business premises changed from "Room 105-20476, No. 6 Baohua Road, Hengqin New District, Zhuhai City" to "Room 2001, Building 14, No. 8 Haojiang Road, Hengqin New District, Zhuhai City".

(2) On May 13, 2020, Guangdong Baijia Pharmaceutical Co., Ltd changed its articles of association because the "cross-border e-commerce" was added in its business scope and supervisory members changed, and completed the relevant industrial and commercial registration of changes.

2. Cancellation of registration of Zhuhai Baize Health Management Partnership (limited Partnership)

As the company's first-phase core management team shareholding plan and "super partner" plan shareholding platform, the company's shares held by Zhuhai Baize Health Management Partnership (limited Partnership) were sold in August 2019, Cancellation of registration of Zhuhai Baize Health Management Partnership (limited Partnership) was completed on March 16, 2020.

3. Changes to business premises and company articles of association of Guangdong Besten Pharmaceutical Co., Ltd

(1) On April 13, 2020, Guangdong Besten Pharmaceutical Co., Ltd changed its articles of association because the "investment management service" was deleted from its business scope, and completed the relevant industrial and commercial registration of changes.

(2) On June 12, 2020, the business premises of Guangdong Besten Pharmaceutical Co., Ltd changed, and relevant industrial and commercial registration of changes were completed. Its business premises changed from "Room 901, No. 3 Kehui 3rd Street, High-tech Industrial Development Zone, Guangzhou (for office use only)" to "Unit 1301, Building 1, Heli Tiande Plaza, 391-395 Linjiang Avenue, Zhujiang New Town, Tianhe District, Guangzhou" (for office use only) (not for use as a workshop)

4. Establishment of BYFUSION (HONGKONG) HOLDINGS LIMITED

On April 14, 2020, the company established a new wholly-owned subsidiary, BYFUSION (HONGKONG) HOLDINGS LIMITED, with a registered capital of HK\$1 and executive director of LIN Zhicheng. As the holding platform of the company's overseas entities, this company is used to hold overseas assets, and at the same time act as an overseas fund collection platform.

5. Changes to business premises and company articles of association of Guangdong Beyond Co., Ltd

On May 6, 2020, Guangdong Beyond Co., Ltd changed its domicile and completed the relevant industrial and commercial registration of changes. Its business premises changed from "Room 05&06, 17th Floor, Guangzhou Chow Tai Fook Financial Building, No. 6 Zhujiang East Road, Tianhe District, Guangzhou" to "Room 201-1, No. 3 Kehui 3rd Street, Huangpu District, Guangzhou (for office use only)".

6. Establishment of BYHEALTH INTERNATIONAL COMPANY LIMITED

On May 29, 2020, BYFUSION (HONGKONG) HOLDINGS LIMITED established a new wholly-owned subsidiary BYHEALTH INTERNATIONAL COMPANY LIMITED, with a registered capital of HK\$1 and executive director of TANG Jinyin. This company is used as the company's international business center.

6. Establishment of HONGKONG LIFE-SPACE COMPANY LIMITED

On May 29, 2020, BYHEALTH INTERNATIONAL COMPANY LIMITED established a new wholly-owned subsidiary HONGKONG LIFE-SPACE COMPANY LIMITED, with a registered capital of HK\$1 and executive director of TANG Jinyin. This company is mainly responsible for expansion, sales and market support of some overseas markets of Life-Space.

8. Establishment of PENTAVITE INTERNATIONAL COMPANY LIMITED

On May 29, 2020, BYHEALTH INTERNATIONAL COMPANY LIMITED established a new wholly-owned subsidiary PENTAVITE INTERNATIONAL COMPANY LIMITED, with a registered capital of HK\$1 and executive director of TANG Jinyin. This company is mainly responsible for expansion, sales and market support of some overseas markets of Pentavite.

9. Establishment of Guangzhou Hurui Pharmaceutical Investment Co., Ltd

On May 28, 2020, the company established a new wholly-owned subsidiary, Guangzhou Hurui Pharmaceutical Investment Co., Ltd, with a registered capital of RMB 5 million and executive director of LIN Zhicheng. This company is mainly used as an investment holding company in the pharmaceutical sector.

10. Establishment of Guangzhou Shishagshuo Food Investment Co., Ltd

On June 02, 2020, the company established a new wholly-owned subsidiary, Guangzhou Shishagshuo Food Investment Co., Ltd, with a registered capital of RMB5 million and executive director of LIN Zhicheng. This company is mainly used as an investment holding company in the functional food sector. In December 2020, the company has increased its registered capital to RMB13.1 million.

11. Establishment of BYHEALTH Nutrient Exploration (Zhuhai) Co., Ltd

(1) On June 08, 2020, BYHEALTH Nutrient Exploration (Zhuhai) Co., Ltd changed its articles of association because the "on-the-job training services; business training services; corporate management training services" was deleted from its business scope, and completed the relevant industrial and commercial registration of changes.

(2) On June 12, 2020, BYHEALTH Nutrient Exploration (Zhuhai) Co., Ltd changed its articles of association because the "research of agricultural science and experimental development" was deleted from its business scope, and completed the relevant industrial and commercial registration of changes.

12. Change of Chinese Name of PENTAVITE (HONG KONG) COMPANY LIMITED

On July 7, 2020, PENTAVITE (HONG KONG) COMPANY LIMITED completed the registration for change of its Chinese name. After the change, its Chinese name is 自然唯他（香港）有限公司, and the English name PENTAVITE (HONG KONG) COMPANY LIMITED remains unchanged.

13. GUANGZHOU BY-HEALTH Bioengineering Co., Ltd participated in the establishment of Guangzhou ByJie Investment Management Partnership (limited partnership)

On July 7, 2020, GUANGZHOU BY-HEALTH Bioengineering Co., Ltd invested RMB 50,000 to participate in the establishment of Guangzhou ByJie Investment Management Partnership (limited partnership) (hereinafter referred to as "Guangzhou ByJie") and acted as the executive partner. TANG Hui and YIN Xin respectively invested RMB 3.95 million and RMB 1 million as the limited partners of the partnership.

14. GUANGZHOU BY-HEALTH Bioengineering Co., Ltd received 1% capital contribution from Guangzhou ByJie Investment Partnership (limited partnership)

On July 29, 2020, Lan Junjie, a partner of Guangzhou Maimeng Investment Partnership (limited partnership) (hereinafter referred to as "Guangzhou Maimeng"), transferred his 1% investment share of Guangzhou Maimeng and all the rights and obligations attached to the investment share to Guangzhou BY-HEALTH (as a general partner). After the completion of the transfer, Guangzhou BY-HEALTH and Lan Junjie held 1% and 59% of Guangzhou Maimeng's

investment shares, respectively.

15. The company increased its capital and held the Guangdong i-Mybest Network Technology Co., Ltd

On July 29, 2020, the company signed the Agreement on Capital Increase of Guangdong i-Mybest Network Technology Co., Ltd with Guangzhou ByJie, LAN Junjie and Guangzhou Maimeng. Guangdong i-Mybest intends to increase its capital by RMB 85 million, RMB 80 million of which is its own funds, accounting for 80% of the registered capital of Guangdong i-Mybest after the capital increase is completed; Guangzhou ByJie invested RMB5 million, accounting for 5% of the registered capital of Guangdong i-Mybest after the capital increase is completed.

On August 6, 2020, Guangdong i-Mybest completed the above-mentioned industrial and commercial registration for change.

16. Changes of legal representative, executive director, manager, domicile and business premises of Guangzhou Naifansi Health Product Co., Ltd

On August 3, 2020, the legal representative, executive director, manager, domicile and business premises of Guangzhou Naifansi Health Product Co., Ltd changed and the relevant industrial and commercial registration for changes were completed. Its legal representative, executive director and manager changed from ZHOU Xuting to "LIU Xiaowei", and its premises changed from "Room 4007, Building B, No.23 Jiaochang West Street, Zhongshan 3rd Road, Yuexiu District, Guangzhou" into Room 201-2, No. 3 Kehui 3rd Street, Huangpu District, Guangzhou.

17. Establishment of Guangzhou Hurui Pharmaceutical Technology Development Co., Ltd

On August 20, 2020, Guangzhou Hurui Pharmaceutical Investment Co., Ltd set up a new wholly-owned subsidiary, Guangzhou Hurui Pharmaceutical Technology Development Co., Ltd, with a registered capital of RMB 10 million and the executive director of LIN Zhicheng. This company is mainly used for holding OTC approval and outsourced processing

18. Establishment of Zhuhai Shishagnshuo Food Co., Ltd.

On September 09, 2020, Guangzhou Shishagnshuo Food Investment Co., Ltd set up a new wholly-owned subsidiary, Zhuhai Shishagnshuo Food Co., Ltd., with a registered capital of RMB 50 million and the executive director of LONG Cuigeng. This company is mainly used as an operating company in the functional food sector

19. Changes to minority shareholders and legal representative of Guangdong Beyond Co., Ltd

On September 21, 2020, the company signed the "Guangdong Beyond Co., Ltd Equity Transfer Agreement" with Guangzhou Youjia Investment Partnership (limited partnership) and Guangdong Beyond. According to the "Audit Report" (Huaxing Audit [2020] No. G20005660073) issued by the Guangdong Branch of Huaxing Certified Public Accounting LLP (special general partnership) on Guangdong Beyond, Guangzhou Youjia Investment Partnership (limited partnership), as a minority shareholder of Guangdong Beyond, transferred its 30% equity interest in Guangdong Beyond to the company at a price of RMB 1.

On September 29, 2020, Guangdong Beyond completed the related industrial and commercial registration for changes. Its legal representative was changed from "LONG Cuiyun" to "YIN Xin", and its shareholders were changed from "BYHEALTH Co., Ltd" and "Guangzhou Youjia Investment Partnership (limited partnership)" to "BYHEALTH Co., Ltd".

20. Establishment of Baiao Pharmaceutical (Zhuhai) Co., Ltd

On September 29, 2020, the company established a new wholly-owned subsidiary, Baiao Pharmaceutical (Zhuhai) Co., Ltd, with a registered capital of RMB 20 million and executive director of TANG Hui. This company is mainly responsible for the domestic business of "Life-Space" and "Pentavite", as well as the operation of a series of products such as "JianShiJia"

21. Establishment of Ershibachen (Guangdong) Network Technology Co., Ltd

On October 23, 2020, Guangdong Beyond Co., Ltd established a new wholly-owned subsidiary, Ershibachen (Guangdong) Network Technology Co., Ltd, with a registered capital of RMB10 million executive director of YIN Xin. This company is mainly responsible for the operation of such brands of Ershibachen, KEYLID, JianShiJia, JianAnShi and Weiman C.

22. Establishment of PENTAVITE (USA) INC

On May 29, 2020, BYHEALTH INTERNATIONAL COMPANY LIMITED established a new wholly-owned subsidiary PENTAVITE (USA) INC, with a registered capital of US\$11 million and executive director of TANG Jinyin. This company is mainly responsible for develop overseas VDS markets

23. BYHEALTH Transparent Factory (Zhuhai) Co., Ltd

On February 04, 2021, the company established a new wholly-owned subsidiary, BYHEALTH Transparent Factory (Zhuhai) Co., Ltd, with a registered capital of RMB10 million and executive director of CAI Liangping. This company is mainly responsible for manufacturing of company-related products.

Chapter VI Changes in Shares and Particulars about Shareholders

I. Information about Changes in Shares

1. Information about Changes in Shares

Unit: Stock

	Before This Change		Increase or Decrease in the Current Change (+, -)					After This Change	
	Quantity	Proportion	Issuing of New Shares	Grant of New Shares	Shares Transferred from Accumulation on Funds	Others	Subtotal	Quantity	Proportion
I. Shares with Restriction on Sales	692,413,921	43.7546%				-4,003,600	-4,003,600	688,410,321	43.5421%
1. Shares Held by the Country									
2. Shares Held by State-owned Legal Person									
3. Share Held by Other Internal Investors	692,313,921	43.7483%				-3,903,600	-3,903,600	688,410,321	43.5421%
Including: Shares Held By Domestic Legal Person	113,728,674	7.1867%				0	0	113,728,674	7.1934%
Shares Held by Domestic Natural Person	578,585,247	36.5616%				-3,903,600	-3,903,600	574,681,647	36.3488%
4. Shares Held by Foreign Investors	100,000	0.0063%				-100,000	-100,000	0	0%
Including: Shares Held By Overseas Legal Person									
Shares Held by Overseas Natural Person	100,000	0.0063%				-100,000	-100,000	0	0%
II. Shares without Restriction on Sales	890,078,633	56.2454%				2,531,600	2,531,600	892,610,233	56.4579%
1. RMB Common Stock	890,078,633	56.2454%				2,531,600	2,531,600	892,610,233	56.4579%
2. Domestically Listed Foreign Shares									

3. Overseas Listed Foreign Shares									
4. Other									
III. Total Number of Shares	1,582,492,554	100%				-1,472,000	-1,472,000	1,581,020,554	100%

Reasons for the Changes in Shares

1. The unlocking conditions for the third unlocking period of restricted stocks involved in the company's 2016 incentive plan for restricted stock have been fulfilled. The unlocked number is 3,608,000 shares, and the listing and circulating date is March 23, 2020. According to the results of the registration and settlement company, the actual number of shares of third phase that can be traded after unlocking is 1,059,600 shares.

2. Considering that the 14 of the incentive objects of company's 2016 incentive plan for restricted stock are "good" in their personal performance in 2019, 20% of the restricted stocks corresponding to the third unlocking period cannot be unlocked; because 4 incentive objects are evaluated as "qualified" in their personal performance in 2019, 40% of the restricted stocks corresponding to the third unlocking period cannot be unlocked; since the two incentive objects were evaluated as "unqualified" in their personal performance in 2019, all restricted stocks corresponding to the third unlocking period could not be unlocked. According to the company's "2016 Incentive Plan for Restricted Stock (Draft)", the company needs to repurchase and cancel the 1,472,000 shares of restricted stocks that have been granted but not yet unlocked and that held by the above 20 incentive objects.

Approval Status for Changes in Shares

1. On March 12, 2020, the company held the 33rd meeting of the 4th Board of Directors and the 19th meeting of the 4th Board of Supervisors, which reviewed and approved the "Proposal on Unlocking Conditions in the 2016 Incentive Plan for Restricted Stock". The number of unlocked shares in the third phase of the company's incentive Plan for Restricted Stock is 3,608,000 and the listing date is March 23, 2020. According to the results of the registration and settlement company, the actual number of shares of third phase that can be traded after unlocking is 1,059,600 shares.

2. On June 24, 2020, the company held the 35rd meeting of the 4th Board of Directors and the 21th meeting of the 4th Board of Supervisors, which reviewed and approved the "Proposal on Adjusting the Repurchase Price of Restricted Stocks". According to the resolution, the company repurchases and cancels 1,472,000 restricted shares that have been granted but not yet unlocked. After the repurchase, the Company's total share capital decreased from 1,582,492,554 to 1,581,020,554 shares.

Implementation progress of share repurchase

On July 23, 2020, the company completed the repurchase and cancellation of 1,472,000 restricted shares that have been granted but not yet unlocked at the registration and settlement company. For details of the progress, please refer to the relevant announcements published by the company on www.cninfo.com.cn on March 13, April 2, June 25, and July 23, 2020.

The influence of the change in shares to financial indexes in the in the recent one year and the recent reporting period including the basic income per share, diluted income per share, net assets belongs to the shareholders of ordinary shares and etc.

In the reporting period, the Company repurchased 1,472,000 restrictive shares and the total share capital was reduced from 1,582,492,554 shares to 1,581,020,554 shares. The changes in the quantity of shares took a very low

weight in the total share capital of the Company. Therefore, the change hardly had any influence to financial indicators of the Company.

2. Changes in Stocks with Restriction on Sales

Unit: Stock

Shareholder Name	Number of Shares with Restriction on Sales at the Beginning of the Period Shares	Number of Stocks with Restriction on Sales that Have Been Released in Current Period	Number of Stocks with Restriction on Sales Increased in the Current Period	Number of Shares with Restriction on Sales at the End of the Period Shares	Reason for Restriction on Sales	Expected Date for the Release of the Restriction
Liang Yunchao	532,958,806	0	0	532,958,806	Stock Targeted for Senior Executive	Locked shares of senior executive will be unlocked by 25% on the first trading day of each year
Tang Hui	5,338,750	0	352,000	5,690,750	Stock Targeted for Senior Executive	
Chen Hong	13,445,000	0	168,000	13,613,000	Stock Targeted for Senior Executive	
Liang Shuisheng	13,923,950	0	224,000	14,147,950	Stock Targeted for Senior Executive	
Lin Zhicheng	162,500	0	0	162,500	Stock Targeted for Senior Executive	
Cai Liangping	130,000	0	256,000	386,000	Stock Targeted for Senior Executive	
Sun Jinyu	7,417,041	0	0	7,417,041	Similar to Stock Targeted for Senior Executive	
Jiang Gang	229,200	0	76,400	305,600	Stock Targeted for Senior Executive	24 March 2021 (See Note)
Incentive Objects of the Restrictive Stock Incentive Plan in 2016	5,080,000	5,080,000	0	0	Restricted Stock for Stock Option Incentive	July 22, 2020
Jilin Aodong Innovation Industry Fund Management Center (limited partnership)	4,061,738	0	0	4,061,738	Restricted shares after IPO	Saturday, August 20, 2022
Shanghai Zhongping Guoyu Asset Management Co., Ltd. – Shanghai Zhongping Guojing M&A Equity Investment Fund Partnership (limited partnership)	48,740,861	0	0	48,740,861	Restricted shares after IPO	Saturday, August 20, 2022

Shanghai Zhongping Guoyu Asset Management Co., Ltd. – Jiaying Zhongping Guojun Equity Investment Fund Partnership (limited partnership)	8,123,476	0	0	8,123,476	Restricted shares after IPO	Saturday, August 20, 2022
GF Xinde Investment Management Co., Ltd. - Guangzhou XindeHouxian Equity Investment Partnership (limited partnership)	52,802,599	0	0	52,802,599	Restricted shares after IPO	Saturday, August 20, 2022
Total	692,413,921	5,080,000	1,076,400	688,410,321	--	--

Note: Jiang Gang, member of the 4th Board of Supervisors, with the term of office expired, left on 22 September 2020, and the shares held by him will be locked up within 6 months as from the declared date of departure (25 September 2020).

II. Issuance and Listing Status of Securities

Change of the Company's total shares and shareholder structure, as well as the asset-liability structure

During the reporting period, the company repurchased and cancelled 1,472,000 restricted stocks that were granted but not yet unlocked and that held by some incentive objects, and the company's total share capital was reduced from 1,582,492,554 shares to 1,581,020,554 shares.

As of the end of the reporting period, the company's total assets were RMB 9.64 billion, an increase of 15.72% from RMB 8.331 billion compared to that at the beginning of the year. Among them, the net assets attributable to shareholders of listed companies were RMB 6.934 billion, an increase of 15.71% from RMB 5.992 billion compared to that at the beginning of the year.

III. Shareholders and Actual Controllers

1. Number of Shareholders and Their Shareholding Status

Unit: Stock

Total Number of common shareholders at the End of the Reporting Period	44,169	Total ordinary shareholders by the end of the month prior to the date of disclosure of annual report	49,566	Total number of preferred shareholders with restored voting rights at the end of the period (if any) (see Note 9)	0	Total holders of preferred shares with voting rights restored by the end of the month prior to the date of disclosure of annual report (if any)	0
--	--------	---	--------	---	---	---	---

Shareholders with shareholding proportion above 5% or top ten shareholders in shareholding proportions								
Shareholder Name	Shareholder Nature	Shareholding Proportion	Shareholding Quantity At the End of the Reporting Period	Increase or Decrease in the Reporting Period	Quantity of Stocks with Restriction on Sales	Quantity of Stocks without Restriction on Sales	Pledge or Freeze Status	
							Share Status	Quantity
Liang Yunchao	Domestic Natural Person	44.95%	710,611,742	0	532,958,806	177,652,936	Pledge	28,750,000
Hong Kong Securities Clearing Company Ltd.	Overseas Legal Person	7.00%	110,740,281	82,515,946	0	110,740,281	None	0
GF Xinde Investment Management Co., Ltd. - Guangzhou XindeHouxian Equity Investment Partnership (limited partnership)	Others	3.34%	52,802,599	0	52,802,599	0	None	0
Shanghai Zhongping Guoyu Asset Management Co., Ltd. – Shanghai Zhongping Guojing M&A Equity Investment Fund Partnership (limited partnership)	Others	3.08%	48,740,861	0	48,740,861	0	None	0
Liang Shuisheng	Domestic Natural Person	1.19%	18,882,600	-56,000	14,147,950	4,734,650	None	0
Chen Hong	Domestic Natural Person	1.15%	18,188,000	-112,000	13,613,000	4,575,000	None	0
Central Huijin Assets Management Co., Ltd	State-owned Legal Person	1.15%	18,174,200	0	0	18,174,200	None	0
Huang Kun	Domestic Natural Person	0.86%	13,624,000	-280,000	0	13,624,000	None	0
Beijing Panfeng Investment Management Partnership (limited partnership) – Panfeng Value Private Placement Securities Investment Fund	Others	0.82%	12,933,700	Unknown (see note)	0	12,933,700	None	0

Social Security Fund Portfolio 403	Others	0.79%	12,417,871	9,304,617	0	12,417,871	None	0
Status of strategic investors or general legal person that became top 10 shareholders due to new stock offering (if any)		Not Applicable						
Description for the related party relationship or concerted action of above shareholders		Among the aforesaid 10 shareholders, there is no relation or concerted action between Liang Yunchao, Liang Shuisheng, Chen Hong, Huang Kun, GF Xinde Investment Co., Ltd. - Guangzhou Xinde Houxia Equity Investment Fund Partnership (limited partnership) and Shanghai Zhongping Guo Jing M&A Equity Investment Fund Partnership (limited partnership); besides that, the Company knows not whether there's any relation or concerted action between other shareholders.						
Explanation of the shareholders who involve entrusting/being entrusted voting rights and abstaining voting rights		Not Applicable						
Shareholding status of top 10 shareholders for shares without restriction on sales								
Shareholder Name		Quantity of Shares without Restriction on Sales Held at the End of the Report				Share Type		
						Share Type	Quantity	
Liang Yunchao		177,652,936				RMB Common Stock	177,652,936	
Hong Kong Securities Clearing Company Ltd.		110,740,281				RMB Common Stock	110,740,281	
Central Huijin Assets Management Co., Ltd		18,174,200				RMB Common Stock	18,174,200	
Huang Kun		13,624,000				RMB Common Stock	13,624,000	
Beijing Panfeng Investment Management Partnership (limited partnership) – Panfeng Value Private Placement Securities Investment Fund		12,933,700				RMB Common Stock	12,933,700	
Social Security Fund Portfolio 403		12,417,871				RMB Common Stock	12,417,871	
China Construction Bank – Qianhai Kaiyuan Refinance Select Stock-based Securities Investment Fund		7,593,338				RMB Common Stock	7,593,338	
Shandong State-owned Assets Investment Holding Co., Ltd		7,475,889				RMB Common Stock	7,475,889	
LIU Wenhua		6,929,898				RMB Common Stock	6,929,898	
Shanghai Xingzhi Venture Capital Co., Ltd		5,550,000				RMB Common Stock	5,550,000	

Description for related party relationship or concerted actions among top ten shareholders for circulated shares without restriction on sales, and between top ten shareholders for circulated shares without restriction on sales and top 10 shareholders	Of top 10 shareholders without sale restriction, Liang Yunchao and Huang Kun are neither connected with each other nor act in concert, and the Company does not know any other shareholders to be connected or act in concert.
Description for shareholders participating in securities margin trading (if any)	Among the aforementioned shareholders, Beijing Panfeng Investment Management Partnership (Limited Partnership)-Panfeng Value Private Securities Investment Fund holds 0 shares through an ordinary securities account, and 12,933,700 shares through a customer credit transaction guarantee securities account of Huatai Securities Co., Ltd.; Liu Wenhua holds 5,359,084 shares through an ordinary securities account, and 1,570,814 shares through a customer credit transaction guarantee securities account of CITIC Securities Co., Ltd.; Shanghai Xingzhi Venture Capital Co., Ltd. holds 0 shares through an ordinary securities account and 5,550,000 shares through China International Capital Corporation's customer credit transaction guarantee securities accounts.

Note: Beijing Panfeng Investment Management Partnership (Limited Partnership)-Panfeng Value Private Securities Investment Fund was not listed in the top 200 shareholders' register at the beginning of the reporting period of our company. The company was unable to confirm its shareholding status at the beginning of the reporting period, so it was unable to calculate the increase or decrease in the reporting period.

There was not any regulated repurchasing transactions implemented in the Reporting Period among top 10 shareholders for common stocks and top 10 shareholders for common stock without restriction on sales.

2. Information about Controlling Shareholders

Nature of controlling shareholder: domestic natural person

Type of controlling shareholder: natural person

Name of controlling shareholder	Nationality	Right of residence in other countries or regions or not
Liang Yunchao	China	Yes (Hong Kong, China)
Main positions	Chairman of the Company from Sept 2008 until now; legal representative and chairman of Chengcheng Investment Holding Limited from Oct 2013 until now.	
Shareholding status of other domestic and overseas listed companies that hold or participate in shares during the reporting period	None	

Controlling shareholders of the Company during the Reporting Period have not changed.

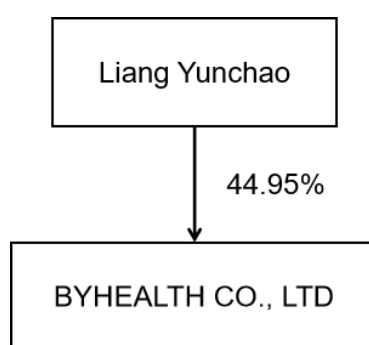
3. Actual controllers and persons acting in concert

Nature of actual controller: domestic natural person

Type of actual controller: natural person

Name of actual controller	Relationship with the actual controller	Nationality	Right of residence in other countries or regions or not
Liang Yunchao	in person	China	Yes (Hong Kong, China)
Main positions	Chairman of the Company from Sept 2008 until now; legal representative and chairman of Chengcheng Investment Holding Limited from Oct 2013 until now.		
Domestic and foreign listed companies ever controlled in the past 10 years	None		

Ownership and Control Relationship between the Company and the Actual Controller



Section VII Information about Directors, Supervisors, Senior Management Personnel and Employees

I. Changes in Shareholding of Directors, Supervisors and Senior Management Personnel

Name	Position	State of position	Gender	Age	Beginning of office Date	Termination of office Date	Shares held at the beginning	Shares increased	Shares decreased	Other changes	Shares held at the end
Liang Yunchao	Chairman	Incumbent	M	52	September 16, 2008	September 21, 2023	710,611,742	0	0	0	710,611,742
Liang Shuisheng	Vice Chairman:	Incumbent	M	56	September 26, 2011	September 21, 2023	18,938,600	0	0	-56,000	18,882,600
Lin Zhicheng	Director GM	Incumbent	M	53	September 26, 2014	September 21, 2023	750,000	0	0	-400,000	350,000
Tang Hui	Director	Incumbent	M	53	September 16, 2008	September 21, 2023	7,705,000	0	0	-88,000	7,617,000
Liu Heng	Independent director	Leave Office	M	57	September 26, 2014	September 22, 2020	0	0	0	0	0
Zhang Ping	Independent director	Leave Office	M	51	January 25, 2016	September 22, 2020	0	0	0	0	0
Li Wenjing	Independent director	Leave Office	M	42	September 22, 2017	September 22, 2020	0	0	0	0	0
WANG Xi	Independent director	Incumbent	M	51	September 22, 2020	September 21, 2023	0	0	0	0	0
LIU Jianhua	Independent director	Incumbent	M	41	September 22, 2020	September 21, 2023	0	0	0	0	0
DENG Chuanyuan	Independent director	Incumbent	M	54	September 22, 2020	September 21, 2023	0	0	0	0	0
Wang Wen	Board of Supervisors	Incumbent	F	55	March 20, 2017	September 21, 2023	0	0	0	0	0
Jiang Gang	Supervisor	Leave Office	M	53	September 16, 2008	September 22, 2020	305,600	0	0	0	305,600
SHI Huizhen	Supervisor	Incumbent	F	34	March 27, 2018	September 21, 2023	0	0	0	0	0
LIU Pingping	Supervisor	Incumbent	F	37	September 22, 2020	September 21, 2023	0	0	0	0	0

Chen Hong	Deputy GM	Incumbent	M	55	September 16, 2008	September 21, 2023	18,300,000	0	0	-112,000	18,188,000
Cai Liangping	Deputy GM	Incumbent	M	47	September 26, 2014	September 21, 2023	600,000	0	0	-64,000	536,000
Wu Zhuoyi	Chief Financial Officer	Incumbent	F	43	February 27, 2017	September 21, 2023	0	0	0	0	0
Tang Jinyin	Secretary of the Board of Directors	Incumbent	F	36	April 10, 2018	September 21, 2023	0	0	0	0	0
Total	--	--	--	--	--	--	757,210,942	0	0	-720,000	756,490,942

Note: The change in the number of shares of the above-mentioned personnel during the reporting period was due to the repurchase and cancellation of the restricted stock in third period.

II. Changes in Directors, Supervisors and Senior Management Personnel

Name	Position Assumed	Type	Date	Root cause:
WANG Xi	Independent director	Appointment	September 22, 2020	Appointment
LIU Jianhua	Independent director	Appointment	September 22, 2020	Appointment
DENG Chuanyuan	Independent director	Appointment	September 22, 2020	Appointment
Liu Heng	Independent director	Leave due to expiration of appointment	September 22, 2020	Leave Office
Zhang Ping	Independent director	Leave due to expiration of appointment	September 22, 2020	Leave Office
Li Wenjing	Independent director	Leave due to expiration of appointment	September 22, 2020	Leave Office
LIU Pingping	Supervisor	Elected	September 04, 2020	Election in Workers' Congress
Jiang Gang	Supervisor	Leave due to expiration of appointment	September 22, 2020	Leave Office

III. Appointment

The professional background, main work experience and current main responsibilities of the company's current directors, supervisors and senior management personnel

Chairman Mr. LIANG Yunchao: Chinese nationality, the right of abode in Hong Kong, EMBA of the School of Management, Sun Yat-sen University. He has been served as the chairman of the Company from Sept 2008 until now; chairman of Chengcheng Investment Holding Limited from Oct 2013 until now.

Vice Chairman Mr. LIANG Shuisheng: Chinese nationality, the right of abode in Hong Kong, EMBA of Jinan University. Served as the vice chairman of the company since September 2011; executive partner of Zhuhai By Run Health Management Partnership (limited partnership) since April 2015; director of Shanghai Zhending Technology Co., Ltd since June 2015; director of Beijing Jeejen Times Software Technology Co., Ltd from August 2015 to July 2020; director of Shanghai Find Bio-Tec Co., Ltd since September 2015; executive partner of Zhuhai By Shun Equity Investment Partnerships (limited partnership) since March.

Director and General Manager LIN Zhicheng: Chinese nationality, no permanent right of abode abroad, bachelor degree from South China University of Technology. Joined the company in July 2011 and served as the director of the Investment Development Center; the company's deputy general manager from June; 2012 to February 2015; the company's board secretary from July 2012 to September 2014; the company's director since September 2014; the company's general manager since February 2015; director of Beijing Tao Gu Technology Co., Ltd since May 2015; director of H&R Investment since August 2015; supervisor of Trust Mutual Life Insurance Co., Ltd since July 2017; director of THE SUPERSHOT BEVERAGES CO., LTD since August 2017; chairman of the board of Weilai Equity Investment Management (Guangzhou) Co., Ltd since August 2018.

Director Mr. TANG Hui: Chinese nationality, right of abode in Hong Kong, and EMBA of South China University of Technology Served as a director of the company since September 2008; the general manager of the company from September 2008 to February 2015; the chairman of the board of BYHEALTH Pharmaceutical Co., Ltd since January 2015; executive partner of Guangzhou Baiying Capital Partnership (limited partnership) since March 2019; limited partner of Foshan Baiying Equity Investment Partnership (Limited Partnership) since April 2019; limited partner of Guangzhou ByJie Investment Management Partnership (limited partnership) since July 2020.

Independent Director Mr. Wang Xi: Chinese nationality, no right of abode abroad. Doctor of Economics, Zhujiang Scholars Distinguished Professor and Doctoral Supervisor of Guangdong Province. He is currently a professor at Lingnan College of Sun Yat-Sen University and the director of the China Institute of Transformation and Open Economy. Served as an independent of the company since September 2020; an independent of outside director of Zhuhai Rural Commercial Bank, Guangdong Electric Power Development Co., Ltd., Guangzhou Yuexiu Financial Holdings, CNFINANCE Holdings Limited, and an outside director of Guangzhou Public Transport.

Independent Director Mr. DENG Chuanyuan: Chinese nationality, no right of abode abroad. Graduated with a master's degree in law from Sun Yat-sen University, with the title of second-grade lawyer (senior) and senior economist. Currently serve as a senior partner, deputy secretary of the party committee and chairman of joint partner session of ETR Law Firm; serve concurrently as vice president of Guangzhou Layer' association, supervisor of postgraduate of Law School, Sun Yat-sen University, member of listing review board of Guangdong Equity Exchange, managing director of Civil and Commercial Law Research Center of Guangdong Province Law Society, and managing director of Guangdong International Economy Association.

Independent Director Mr. LIU Jianhua: Chinese nationality, no right of abode abroad. Doctor of Accounting and Postdoctoral of Economics at Sun Yat-Sen University. He is currently the deputy director, associate professor and doctoral supervisor of the Finance Department of Lingnan College, Sun Yat-sen University, and deputy director of the Accounting and Capital Operation Research Center of Lingnan (University) College, Sun Yat-sen University. Served concurrently as an independent of Guangzhou Ruoyuchen Technology Co., Ltd. Since July 2017; an independent of China National Electric Apparatus Research Institute (CEI); an independent of FingerTango Inc. since January 2020; an independent of Shenzhen Scholar Education .

Ms. WANG Wen, Chairman of the Board of Supervisors: a resident of Hong Kong, China, graduated from Huaqiao University, with a title of senior accountant of the London Chamber of Commerce and Industry, and has the qualification of Chartered Certified Accountant (ACCA). Served as the company's chief financial officer from June 2012 to February

2017; the company's consultant and supervisor since February 2017; director of Guangzhou Keii Electron Optics Technology Co., Ltd since January 2016.

Supervisor Ms. SHI Huizhen: Chinese nationality, graduated from Shanghai Customs College in 2010. Successively served as administrative assistant in the office of the chairman, assistant to the investment director, assistant to the deputy general manager, and assistant to the CEO of the company; the e-commerce media manager of BYHEALTH Pharmaceutical Co., Ltd since February 2020.

Supervisor Ms. LIU Pingping: Chinese nationality, with undergraduate degree from Shandong University, served in the company's secretary office since July 2012; served as the company's securities affairs representative since September 2017; a supervisor of the company since September 2020.

Deputy General Manager Mr. CHEN Hong: Chinese nationality, the right of abode in Hong Kong, EMBA of the School of Management, Sun Yat-sen University. Served as a director of the company from September 2008 to September 2014; deputy general manager of the company since August 2008.

Deputy General Manager Mr. CAI Liangping: Chinese nationality, EMBA of Xiamen University. Served as the director of the production center of the company from October 2009 to November 2011; general manager of Zhuhai Factory of the company from November 2011 to January 2020; deputy general manager of the company since September 2014; COO of the company since January 2017.

Chief Financial Officer Ms. WU Zhuoyi: Chinese nationality, Master of Business Administration from Jinan University, CPA. Served as the workers' representative supervisor of the company's 2nd Board of Supervisor. Served as assistant to the chief financial officer and fund manager from January 2014 to February 2017; chief financial officer of the company since February 2017.

Ms. TANG Jinyin, Secretary of the Board of Directors: Chinese nationality, Master of Business Administration from Lingnan College, Sun Yat-Sen University. Served as the company's representative for securities affairs from October 2010 to September 2017; secretary-general of Guangdong YU Foundation from September 2017 to March 2018; a member of the council of Guangdong YU Foundation since March 2017; secretary of the company's board of directors since April 2018.

Serving in other units:

Name of person serving in other unit:	Name of other unit	Positions held in other unit	Commencement Date	Ending Date	Whether to receive remuneration allowance in other unit
Liang Yunchao	Chengcheng Investment Holding Co., Ltd	Chairman	October 01, 2013		No
Liang Shuisheng	Zhuhai By Run Health Management Partnership (limited partnership)	Executive partner	April 10, 2015		No
	Shanghai Zhending Health Technology Co., Ltd	Director	June 19, 2015		No
	Beijing Jeeen Times Software Technology Co., Ltd	Director	August 04, 2015	July 27, 2020	No
	Shanghai Find Bio-Tec Co., Ltd	Director	September 09, 2015		No
	Zhuhai By Run Health Management Partnership (limited partnership)	Executive partner	March 11, 2016		No
Lin Zhicheng	Beijing Tao Gu Technology Co., Ltd	Director	May 01, 2015		No

	Chengcheng Investment Holding Co., Ltd	Director	August 21, 2015		No
	Trust Mutual Life Insurance Company	Supervisor	July, 2017		No
	THE SUPERSHOT BEVERAGES CO., LTD	Director	August 28, 2017		No
	Weilai Equity Investment Management (Guangzhou) Co., Ltd	Chairman	August, 2018		No
Tang Hui	Guangzhou Qizheng Capital Partnership	Executive partner	May 2017		No
	Guangzhou Baiying Capital Partnership (limited partnership)	Executive partner	March 12, 2019		No
	Foshan Baiying Equity Investment Partnership (Limited Partnership)	limited partner	April 25, 2019		No
	Guangzhou ByJie Investment Management Partnership (limited partnership)	limited partner	July 07, 2020		No
WANG Xi	Zhuhai Rural Commercial Bank	Independent director	July, 2014		Yes
	Guangdong Electric Power Development Co., Ltd.	Independent director	June 2016		Yes
	Guangzhou Public Transport	Outside director	August, 2018		Yes
	Guangzhou Yuexiu Financial Holdings	Independent director	January, 2019		Yes
	CNFINANCE Holdings Limited	Independent director	March 2019		Yes
LIU Jianhua	Guangzhou Ruoyuchen Technology Co., Ltd.	Independent director	July, 2017		Yes
	China National Electric Apparatus Research Institute (CEI)	Independent director	April 2019		Yes
	FingerTango Inc.	Independent director	January, 2020		Yes
	Shenzhen Scholar Education	Independent director	June 2020		Yes
Wang Wen	Guangzhou Keii Electron Optics Technology Co., Ltd	Director	January, 2016		No
Tang Jinyin	Guangdong YU Foundation	member of a council	March, 2017		No

IV. Remuneration Information about Directors, Supervisors and Senior Management Personnel

Decision-making procedures, basis for determination and actual payment of the remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management	Remuneration (allowance) of Directors and Supervisors will be determined by the Shareholders' Meeting upon approval by the Board of Directors and Board of Supervisors, respectively and the remuneration of Senior Management shall be approved by the Board of Directors.
Grounds for remuneration of Directors, Supervisors and Senior Management Personnel	Remuneration (allowance) of Directors, Supervisors and Senior Management will be determined upon consideration of multiple factors including the stipulations of the Company's Rules on Remuneration of Board of Directors and Works of Appraisal Committee and Management System on Remuneration of Directors, Supervisors and Senior Management, their performance of duties as well as completion of annual performance.
Actual Remuneration paid to Directors, Supervisors and Senior Management Personnel	The Company now has totally 14 directors, supervisors and senior executives. In 2020, the total remuneration of current directors, supervisors and senior executives is RMB 51,691.9 thousand. Basic remuneration of internal Directors, Supervisors and Senior Management is paid by month while the allowance of Independent Director by quarter.

Remuneration of directors, supervisors and senior management officers in the reporting period

Unit: RMB 10,000

Name	Position	Gender	Age	State of position	Total pre-tax remuneration received from the Company	Whether receive remuneration from the Company's related parties
Liang Yunchao	Chairman	M	52	Incumbent	65.82	No
Liang Shuisheng	Vice Chairman:	M	56	Incumbent	939.79	No
Lin Zhicheng	Director, GM	M	53	Incumbent	914.92	No
Tang Hui	Director	M	53	Incumbent	1,034.46	No
Liu Heng	Independent director	M	57	Leave due to expiration of appointment	7.20	No
Zhang Ping	Independent director	M	51	Leave due to expiration of appointment	7.20	No
Li Wenjing	Independent director	M	42	Leave due to expiration of appointment	7.20	No

WANG Xi	Independent director	M	51	Incumbent	3.00	No
DENG Chuanyuan	Independent director	M	54	Incumbent	3.00	No
LIU Jianhua	Independent director	M	41	Incumbent	3.00	No
Wang Wen	Board of Supervisors	F	55	Incumbent	57.20	No
Jiang Gang	Supervisor	M	53	Leave due to expiration of appointment	150.41	No
SHI Huizhen	Supervisor	F	34	Incumbent	45.71	No
LIU Pingping	Supervisor	F	37	Incumbent	31.26	No
Chen Hong	Deputy GM	M	55	Incumbent	947.49	No
Cai Liangping	Deputy GM	M	47	Incumbent	857.61	No
Tang Jinyin	Secretary of the Board of Directors	F	36	Incumbent	128.83	No
Wu Zhuoyi	Chief Financial Officer	F	43	Incumbent	137.10	No
Total	-	-	-	-	5,341.20	No

Incentive Shares Granted to Directors and Senior Management Officers in the Reporting Period

Unit: Stock

Name	Position	Shares that can be exercised in the reporting period	Shares exercised in the reporting period	Exercise price for shares exercised in the reporting period (RMB per share)	Market price at the end of the reporting period (RMB/share)	Restricted shares held in the beginning of the period	Shares vested in the current period	Restricted shares granted in the reporting period	Grant price for restricted shares (RMB/share)	Restricted shares at the end of the period
Liang Shuisheng	Vice Chairman:	0	0	0	24.15	493,500	224,000	0	6.35	437,500
Lin Zhicheng	Director GM	0	0	0	24.15	750,000	0	0	6.35	350,000
Tang Hui	Director	0	0	0	24.15	925,000	352,000	0	6.35	837,000
Chen Hong	Deputy GM	0	0	0	24.15	700,000	168,000	0	6.35	588,000
Cai Liangping	Deputy GM	0	0	0	24.15	600,000	256,000	0	6.35	536,000

Total	--	0	0	--	--	3,468,500	1,000,000	0	--	2,748,500
Remark (If any)	As the Company implemented equity distribution plan in 2016 to 2019, pursuant to relevant provisions of the Company's Incentive Program of Restricted Shares 2016 (Draft), repurchase price of restricted shares (RMB 6.35 per share) was adjusted accordingly, which became RMB 4.90 per share as of the end of the Reporting Period.									

V. Employees

1. Amount, profession and education background of employees

Incumbent employees of parent company	1,084
Incumbent employees of major subsidiaries	2,215
Total incumbent employees	3,299
Total paid employees in the current period	3,374
Total retired employees expenses of which to be borne by parent company and major subsidiaries	0
Specialty composition	
Specialty category	Number of persons
Production personnel	484
Sales personnel	984
Technical personnel	470
Finance personnel	88
Other personnel	1273
Total	3,299
Education	
Education level	Number of persons
Master's degree and above	295
Bachelor	1,476
Junior college	1,079
Others	449
Total	3,299

2. Compensation policy

Based on the company's current situation and future development needs, the company has formulated a salary management system in order to promote the company's long-term and healthy development,

(1) The fundamental purpose is to attract, retain and motivate the company's outstanding talents by establishing a remuneration system with internal fairness and external competitiveness.

(2) Establish a set of salary incentive system that effectively promotes the company's strategy, cooperate with the company's overall development strategy, organically link performances of the company, department, team and

individuals, maintain the consistency of business goals, and reflect the close connection between company strategy and personal contribution

3. Training program

(1) The company is committed to creating an all-round talent training system and improving organizational capabilities to help achieve the company's strategic goals and continuously improve employees' comprehensive capabilities.

(2) The company has established and improved a training system, and has specifically formulated "induction training", "general skills training", "leadership training", "professional skills training", and "team melting". The company also cooperates with external training institutions to develop various training programs. Among them, "induction training" helps new employees understand and integrate into the company; the "general skills training" helps employees improve their general skills in the workplace; "leadership training" helps managers at all levels improve team management and overall planning capabilities; "professional skills training" enhances job competence from professional perspectives such as R&D, sales, and production; "team melting" increases team collaboration capabilities and enhances organizational cohesion.

4. Labor outsourcing

Total hours of labor outsourcing (hour)	364,165.16
Total remuneration for labor outsourcing (RMB)	20,823,610.56

Section VIII Financial Report

I. Audit Report

Type of audit opinion	Standard unqualified opinion
Audit report signing date	March 05, 2021
Name of audit body	Huaxing Certified Public Accountants (Special General Partnership)
Reference number of the Audit Report	Huaxing Accountants (2021) Audit GD No. 1
Names of certified public accountants	TAN Hao, ZENG Yonglong

Audit Report

Huaxing Accountants (2021) Audit GD No. 1

To all shareholders of BYHEALTH CO., LTD:

I. Audit Opinion

We have audited the financial statements of BYHEALTH Co., Ltd (hereinafter referred to as “BYHEALTH”), which comprise the consolidated and parent company’s Balance Sheet as of December 31, 2020, and the consolidated and parent company’s Income Statement, Cash Flow Statement, Statement of Changes in Shareholder's Equity for the year then ended, and the Notes to Financial Statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BYHEALTH as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Enterprises.

II. Basis for Audit Opinion

We conducted our audit in accordance with the *Auditing Standards for the Chinese Certified Public Accountants*. “Responsibilities of Certified Public Accountants for the Audit of Financial Statements” in the audit report has further explicated our responsibilities under these standards. According to the code of professional ethics on Chinese Certified Public Accountants, we are independent from BYHEALTH and we implement other responsibilities on code of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated 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.

(I) Revenue Recognition

1. Description of Matters

As stated in Note 5, (26) "Methods of Revenue Recognition" and Note 7, (38) "Operating Revenue and Operating Costs" in the financial statements, since revenue recognition is one of BYHEALTH's key performance indicators, and there are inherent risks that may manipulate revenue to achieve specific goals or expectations, we identify revenue recognition as a key audit item.

2. Audit Response

The main audit procedures we implement for revenue recognition include but are not limited to:

(1) Test the design and operational effectiveness of internal control related to BYHEALTH's sales and collection;

(2) Check the relevant terms of major customer contracts and the revenue recognition methods of listed companies in the same industry, and evaluate whether revenue recognition meets the requirements of accounting standards;

(3) Check the original data such as relevant sales contracts and orders, outgoing sheets, logistics documents for cargo transportation, customer receipts, sales invoices, bank receipts, etc. of major customers, and verify the authenticity of income;

(4) Inquire about the business registration information of major customers through public channels, and confirm that the major customers are not related to BYHEALTH; conduct interviews with major customers to understand the business dealings between BYHEALTH and customers;

(5) Select the sample to confirm the sales amount and the balance to the customer;

(6) Perform a cut-off test on operating income to confirm whether the revenue recognition is recorded in the correct accounting period.

(II) Goodwill impairment test

1. Description of Matters

As stated in Note 5, (17) "goodwill", as of December 31, 2020, the original value of goodwill was RMB 2.252 billion, the goodwill impairment provision was RMB 1.036 billion, and the net book value of goodwill was RMB 1.216 billion, accounting for 12.61% of the total assets in the consolidated statement. Since the impairment test of goodwill needs to assess the present value of the expected future cash flow of the relevant asset groups, which involves significant judgments and estimates by the management, we regard the impairment test of goodwill as a key audit item.

2. Audit Response

(1) Evaluated and tested the key internal controls related to the goodwill impairment test;

(2) Evaluate the calculation table of the recoverable amount of the asset group where the goodwill is prepared by the management, compare the financial data contained in the calculation table with actual operating data, future business plans, and the budget approved by the management to evaluate the rationality of the data in the calculation table;

(3) Obtain the evaluation report related to the goodwill impairment test and evaluate the work of the valuation expert, including: the independence and professional competence of the appraiser; the relevance and reasonableness of the work results or conclusions of the estimation experts; consistency of work results or conclusions with other audit evidence; important assumptions and methods involved

in the work of valuation experts, relevance and rationality of these assumptions and methods under specific circumstances, etc.; and rationality of the parameters adopted in the test;

(4) By referring to industry practices, the appropriateness of the valuation method used by the management in cash flow forecasting was evaluated, and the recoverable amount of the relevant asset group for the goodwill impairment test was recalculated. We compared the recoverable amount of the asset group related to the goodwill impairment test with the book value of the asset group (including goodwill) to determine whether a goodwill impairment provision needs to be made.

(III) Integrity of sales expenses

1. Description of Matters

As stated in Note 7, (40) “sales expenses”, sales expenses in the consolidated statement for 2020 are RMB 1.818 billion, accounting for 29.84% of operating income. Because of the significant amount of sales expenses and the inherent risks of their integrity, the integrity of sales expenses is considered as a key audit item.

2. Audit Response

The main audit procedures we implement for integrity of sales expenses include but are not limited to:

(1) Test the internal control related to the integrity of sales expenses, and confirm the design and operation effectiveness of the related internal control;

(2) Implement analytical review procedures, compare and analyze the proportions and changes of various sales expenses in each month, and analyze the rationality of the changes;

(3) Select samples to check the advertising contract, and review the computation for apportionment of advertising costs;

(4) Confirm the large amount of advertising expenses in the current period with the supplier;

(5) Analyze the integrity of sales expenses, wages and benefits based on the post-period distribution of sales staff's salary;

(6) Carry out the cut-off test of sales expenses and pay attention to whether there is a major inter-period situation.

IV. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of BYHEALTH (hereinafter referred to as “the management”) is responsible for preparing financial statements in accordance with *Accounting Standards for Business Enterprises*, to realize fair presentation; designing, implementing and maintaining appropriate internal control, and further avoid material misstatements arising from fraud or error.

In preparing the financial statements, management is responsible for assessing BYHEALTH'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 BYHEALTH's financial reporting process.

IV. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism 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, Meanwhile, 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, the future event or situation may cause BYHEALTH fail to continuously operate.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements fairly reflect relevant transactions and events.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BYHEALTH to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and assume full responsibility for audit opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to the management on compliance with professional ethical requirements related to independence, and communicate with the management on all relationships and other matters that may be reasonably deemed to affect our independence, as well as relevant

precautions (if applicable).

From the matters that we have communicated with the management, we determine which items are most important to the audit of the financial statements in this period, and thus constitute the key audit items. 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.

**Huaxing Certified Public
Accountants LLP
(Special General Partnership)**

Fuzhou China

**Chinese Certified Public Accountant:
(Engagement Partner)**

Chinese Certified Public Accountant:

March 5, 2021

II. Financial Statements

Unit of statement in financial notes: RMB

1. Consolidated Balance Sheet

Preparation Unit: BYHEALTH CO., LTD

December 31, 2020

Unit: RMB

Subject	December 31, 2020	December 31, 2019
Current Assets:		
Cash and Cash Equivalents	1,826,033,992.60	1,821,553,419.42
Settlement Funds		
Loans to Other Banks		
Trading Financial Assets	40,980,000.00	690,000,000.00
Derivative Financial Assets		
Notes Receivables		
Account Receivables	164,177,599.16	113,530,032.72
Account Receivable financing	94,029,781.41	44,318,539.03
Payment In Advance	131,914,218.52	76,116,380.39
Premium Receivables		
Reinsurance Account Receivables		
Reinsurance Contract Reserve Receivables		
Other Receivables	14,299,131.51	8,454,360.79
Of which: interest receivable		
Dividend Receivable		
Buying Back Financial Assets for Resales		
Inventory	872,722,636.05	742,463,814.53
Contract assets		
Assets Held for Sale		
Non-current Liabilities due within One Year		
Other Current Assets	1,705,411,550.81	311,478,184.83
Total Current Assets	4,849,568,910.06	3,807,914,731.71
Non-current Assets:		

Loans and advances		
Debt investment		
Other debt investment		
Long-term Receivables		
Long-term Equity Investment	211,802,477.10	171,197,803.13
Others Equity Instruments Investment	247,906,005.98	316,917,517.25
Other Non-current Financial Assets	702,186,261.93	623,864,161.58
Investment Real Estate	166,750,329.55	171,759,174.27
Fixed Assets	873,275,042.41	828,341,732.08
Construction in Progress	110,440,672.38	121,482,943.14
Productive Biological Assets		
Oil and Gas Assets		
Right-of-use assets		
Intangible Assets	922,891,087.62	867,619,841.17
Development Expenditure	25,040,303.28	34,390,211.87
Goodwill	1,215,554,900.02	1,183,568,526.23
Long-term Deferred Expenses	1,319,446.28	1,545,256.06
Deferred Income Tax Assets	223,333,603.37	166,196,915.34
Other Non-current Assets	90,193,555.43	35,911,466.83
Total Non-current Assets	4,790,693,685.35	4,522,795,548.95
Total Assets	9,640,262,595.41	8,330,710,280.66
Current Liabilities:		
Short-term Borrowings		43,650,075.44
Borrowings from Central Bank		
Loans from Other Banks		
Trading Financial Liabilities		
Derivative Financial Liabilities		
Notes Payables		
Account Payables	349,636,376.63	338,550,370.25
Advance from Customers		515,392,220.69
Contract liabilities	867,403,450.93	
Financial Assets Sold for Repurchase		

Absorption of Deposit and Dues to Banks		
Agented Transactions for Trading Securities		
Acting Underwriting Securities		
Payroll Payables	247,022,455.83	125,680,753.54
Tax Payable	57,367,274.82	104,724,624.52
Other Payables	541,048,169.35	418,936,907.25
Of which: interest payable		
Dividend Payables		
Handling Charge and Commission Payables		
Reinsurance Amount Payables		
Held-for-trading liabilities		
Non-current Liabilities due within One Year	102,849,056.89	209,640,735.91
Other Current Liabilities	72,396,069.92	327,071.88
Total Current Liabilities	2,237,722,854.37	1,756,902,759.48
Non-current Liabilities:		
Reserve for Insurance Contracts		
Long-term Loans	143,700,000.00	307,500,000.00
Bonds Payables		
Including: Preferred Stock		
Perpetual Capital Securities		
Lease liabilities		
Long-term Payables		
Long-term Payroll Payables	1,335,450.97	914,157.65
Accrued Liabilities		
Deferred Income	97,336,039.12	109,880,887.35
Deferred Income Tax Liabilities	217,791,477.54	224,120,196.18
Other Non-current Liabilities		
Total Non-current Liabilities	460,162,967.63	642,415,241.18
Total Liabilities	2,697,885,822.00	2,399,318,000.66
Owners' Equity:		

Share Capital	1,581,020,554.00	1,582,492,554.00
Other Equity Instruments		
Including: Preferred Stock		
Perpetual Capital Securities		
Capital Reserve	3,197,107,346.49	3,213,209,595.38
Less: Treasury Stock		26,720,800.00
Other Comprehensive Income	35,657,338.37	64,880,261.64
Special Reserve		
Surplus Reserve	580,190,711.63	466,515,896.48
General Risk Reserve		
Undistributed Profit	1,539,574,079.27	691,796,454.40
Total Equity Belonging to Owners of Parent Company	6,933,550,029.76	5,992,173,961.90
Minority Stockholder's Interest	8,826,743.65	-60,781,681.90
Total Owners' Equity	6,942,376,773.41	5,931,392,280.00
Total Liabilities and Owners' Equity	9,640,262,595.41	8,330,710,280.66

Legal representative: LIN Zhicheng Head of accounting: WU Zhuoyi Head of accounting firm: HUANG Wei

2. Parent Company's Balance Sheet

Unit: RMB

Subject	December 31, 2020	December 31, 2019
Current Assets:		
Cash and Cash Equivalents	461,846,006.24	663,753,292.45
Trading Financial Assets		620,000,000.00
Derivative Financial Assets		
Notes Receivables		
Account Receivables	213,699,798.97	146,783,774.02
Account Receivable financing		2,643,225.60
Payment In Advance	51,551,749.22	46,280,843.22
Other Receivables	535,922,073.63	560,321,372.06
Of which: interest receivable		
Dividend Receivable		
Inventory	600,777,953.76	521,944,880.52

Contract assets		
Assets Held for Sale		
Non-current Liabilities due within One Year		
Other Current Assets	1,575,486,215.59	266,043,068.58
Total Current Assets	3,439,283,797.41	2,827,770,456.45
Non-current Assets:		
Debt investment		
Other debt investment		
Long-term Receivables		
Long-term Equity Investment	3,145,631,359.24	2,771,871,423.69
Others Equity Instruments Investment	228,838,723.86	287,989,969.22
Other Non-current Financial Assets	399,735,165.39	463,754,025.61
Investment Real Estate	71,186,889.88	73,972,227.16
Fixed Assets	806,324,935.11	758,689,471.37
Construction in Progress	16,973,655.91	102,962,287.48
Productive Biological Assets		
Oil and Gas Assets		
Right-of-use assets		
Intangible Assets	51,777,904.72	71,999,923.22
Development Expenditure	25,040,303.28	34,059,262.59
Goodwill		
Long-term Deferred Expenses	910,703.27	1,446,731.16
Deferred Income Tax Assets	33,623,529.64	28,801,469.74
Other Non-current Assets	85,711,182.77	19,411,566.13
Total Non-current Assets	4,865,754,353.07	4,614,958,357.37
Total Assets	8,305,038,150.48	7,442,728,813.82
Current Liabilities:		
Short-term Borrowings		
Trading Financial Liabilities		
Derivative Financial Liabilities		
Notes Payables		
Account Payables	299,866,020.63	290,675,184.21

Advance from Customers		177,043,101.75
Contract liabilities	524,991,177.88	
Payroll Payables	84,422,009.74	44,353,551.17
Tax Payable	20,902,919.92	67,388,827.67
Other Payables	152,335,644.60	145,176,196.55
Of which: interest payable		
Dividend Payables		
Held-for-trading liabilities		
Non-current Liabilities due within One Year	102,849,056.89	63,053,124.31
Other Current Liabilities	68,244,032.50	
Total Current Liabilities	1,253,610,862.16	787,689,985.66
Non-current Liabilities:		
Long-term Loans	143,700,000.00	307,500,000.00
Bonds Payables		
Including: Preferred Stock		
Perpetual Capital Securities		
Lease liabilities		
Long-term Payables		
Long-term Payroll Payables		
Accrued Liabilities		
Deferred Income	97,336,039.12	109,880,887.35
Deferred Income Tax Liabilities	41,569,349.78	31,823,888.00
Other Non-current Liabilities		
Total Non-current Liabilities	282,605,388.90	449,204,775.35
Total Liabilities	1,536,216,251.06	1,236,894,761.01
Owners' Equity:		
Share Capital	1,581,020,554.00	1,582,492,554.00
Other Equity Instruments		
Including: Preferred Stock		
Perpetual Capital Securities		
Capital Reserve	3,351,446,656.26	3,339,625,846.70
Less: Treasury Stock		26,720,800.00

Other Comprehensive Income	-4,238,858.33	39,028,136.67
Special Reserve		
Surplus Reserve	577,809,186.97	464,134,371.82
Undistributed Profit	1,262,784,360.52	807,273,943.62
Total Owners' Equity	6,768,821,899.42	6,205,834,052.81
Total Liabilities and Owners' Equity	8,305,038,150.48	7,442,728,813.82

3. Consolidated Income Statement

Unit: RMB

Subject	Year 2020	Year 2019
I. Total Operating Income	6,094,900,943.70	5,261,799,439.25
Including: Operating Income	6,094,900,943.70	5,261,799,439.25
Interest Income		
Premium Earned		
Handling Charge and Commission Income		
II. Total Operating Cost	4,743,612,659.32	4,076,269,758.63
Including: Operating Cost	2,266,358,453.43	1,800,697,810.88
Interest Cost		
Handling Charge and Commission Expenditure		
Insurance Surrender Fund		
Net Amount of Loss Expenditure		
Net of Reserve for Insurance Liability Withdrawn		
Bond Insurance Expense		
Reinsurance Expenses		
Business Taxes and Surcharges	71,861,840.72	58,838,887.81
Sales Expenses	1,818,418,933.49	1,650,399,754.51
Management Expense	434,404,054.00	429,626,755.08
Research and Development Expenses	139,952,411.43	126,041,296.39
Financial Expenses	12,616,966.25	10,665,253.96

Of which: Interest Expense	23,731,302.99	44,498,900.36
Interest Income	18,076,706.42	40,891,064.20
Plus: Other Income	4,907,981.45	30,761,247.56
Investment Income (Loss should be listed with "-")	181,492,515.74	18,447,741.70
Including: Income from Investment in Cooperative Enterprises and Affiliated Enterprises	-1,357,034.82	-10,638,506.59
Income from termination of financial assets measured at amortized cost		
Exchange Gains (Loss should be listed with "-")		
Net open hedge income (loss marked with "-")		
Income from Fair Value Change (Loss should be listed with "-")	259,718,586.88	-4,952,050.16
Credit impairment loss (loss marked with "-")	1,151,677.87	-1,926,053.91
Assets impairment loss (loss marked with "-")	-9,606,570.91	-1,693,108,961.18
Gains from Disposal of Assets (Loss should be listed with "-")	-232,341.98	-167,958.28
III. Operating Profit (Loss should be listed with "-")	1,788,720,133.43	-465,416,353.65
Add: Non-operating Income	43,403,961.78	46,616,501.67
Less: Non-operating Expenditure	63,438,101.18	6,068,562.44
IV. Total Profit (Total loss Should Be Listed with "—")	1,768,685,994.03	-424,868,414.42
Less: Tax Expenses	224,589,878.75	-9,822,707.24
, Net Profit (Net loss should be listed with "-")	1,544,096,115.28	-415,045,707.18
(I) Classification by business continuity		
1 . Going Concern Net Profit (Net loss Should Be Listed with "—")	1,538,341,734.20	-410,928,075.86
2 . Discontinued Operation Net	5,754,381.08	-4,117,631.32

Profit (Net loss Should Be Listed with “—”)		
(II) Classification by ownership		
1. Net Profit attributable to the shareholders of the parent company	1,524,251,245.95	-355,889,615.46
2. Minority Stockholders' Interest	19,844,869.33	-59,156,091.72
VI. Net Amount of Other Comprehensive Income after Tax	-24,458,809.76	53,930,902.95
Net Amount of Other Comprehensive Income After Tax Belonging to Owners of Parent Company	-24,458,809.76	79,251,274.45
(I) Other Comprehensive Income Not to be Reclassified into Loss and Profit	-47,053,819.72	10,521,518.93
1. Change from Re-measurement of Defined Benefit Plan		
2. Other Comprehensive Income that Cannot Be Transferred to Loss and Profit under the Equity Method		
3. Changes in fair value of other equity facilities	-47,053,819.72	10,521,518.93
4. Changes in fair value of the enterprise's own credit risk		
5. Others		
(II) Other Comprehensive Income to be Reclassified into Loss and Profit	22,595,009.96	68,729,755.52
1. Other Comprehensive Income that Can be Transferred to Loss and Profit under the Equity Method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve for other debt investments		
5. Cash flow hedge reserve		
6. Translation Differences of Financial Statements in Foreign	22,595,009.96	68,729,755.52

Currencies		
7. Others		
After-tax Net Amount of Other Comprehensive Income Belonging to Minority Shareholders		-25,320,371.50
VII. Total Comprehensive Income	1,519,637,305.52	-361,114,804.23
Total Comprehensive Income Belonging to Owners of Parent Company	1,499,792,436.19	-276,638,341.01
Total Comprehensive Income Belonging to Minority Shareholders	19,844,869.33	-84,476,463.22
VIII. Earnings Per Share:		
(I) Basic Earnings per Share	0.96	-0.24
(II) Diluted Earnings per Share	0.96	-0.24

Legal representative: LIN Zhicheng Head of accounting: WU Zhuoyi Head of accounting firm: HUANG Wei

4. Parent Company's Income Statement

Unit: RMB

Subject	Year 2020	Year 2019
I. Operating Income	3,930,593,296.21	3,431,591,909.69
Less: Operating Cost	1,835,158,448.66	1,593,940,595.07
Business Taxes and Surcharges	44,142,822.64	35,764,739.88
Sales Expenses	524,630,240.80	200,946,866.51
Management Expense	146,957,845.84	118,657,380.15
Research and Development Expenses	130,906,472.22	114,289,683.70
Financial Expenses	22,211,173.05	-5,691,587.90
Of which: Interest Expense	22,132,985.13	25,142,257.66
Interest Income	9,003,891.74	31,429,434.38
Plus: Other Income	-1,113,366.49	29,472,925.05
Investment Income (Loss should be listed with "-")	70,617,899.89	12,605,383.39
Including: Income from Investment in Cooperative Enterprises and Affiliated Enterprises	-1,357,034.82	-10,638,506.59

Income from termination of financial assets measured at amortized cost (loss marked with “-”)		
Net open hedge income (loss marked with “-”)		
Income from Fair Value Change (Loss should be listed with “-”)	22,080,533.32	8,656,963.37
Credit impairment loss (loss marked with “-”)	-3,895.21	-413,019.67
Assets impairment loss (loss marked with “-”)	-1,038,291.21	-1,549,982,258.28
Gains from Disposal of Assets (Loss should be listed with “-”)	-237,104.18	-162,256.07
II. Operating Profit (Loss should be listed with “-”)	1,316,892,069.12	-126,138,029.93
Add: Non-operating Income	21,465,906.95	7,939,574.70
Less: Non-operating Expenditure	22,734,745.87	5,767,481.93
III. Total Profit (Total loss Should Be Listed with “—”)	1,315,623,230.20	-123,965,937.16
Less: Tax Expenses	183,639,192.22	204,944,162.74
IV. Net Profit (Net loss should be listed with “-”)	1,131,984,037.98	-328,910,099.90
(I) Going Concern Net Profit (Net loss Should Be Listed with “—”)	1,131,984,037.98	-328,910,099.90
(II) Discontinued Operation Net Profit (Net loss Should Be Listed with “—”)		
V. Net Amount of Other Comprehensive Income after Tax	-38,502,881.49	16,474,970.90
(I) Other Comprehensive Income Not to be Reclassified into Loss and Profit	-38,502,881.49	16,474,970.90
1. Change from Re-measurement of Defined Benefit Plan		
2. Other Comprehensive Income that Cannot Be Transferred to Loss and Profit under the Equity Method		

3. Changes in fair value of other equity facilities	-38,502,881.49	16,474,970.90
4. Changes in fair value of the enterprise's own credit risk		
5. Others		
(II) Other Comprehensive Income to be Reclassified into Loss and Profit		
1. Other Comprehensive Income that Can be Transferred to Loss and Profit under the Equity Method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve for other debt investments		
5. Cash flow hedge reserve		
6. Translation Differences of Financial Statements in Foreign Currencies		
7. Others		
VI. Total Comprehensive Income	1,093,481,156.49	-312,435,129.00
VII. Earnings Per Share:		
(I) Basic Earnings per Share		
(II) Diluted Earnings per Share		

5. Consolidated Cash Flow Statement

Unit: RMB

Subject	Year 2020	Year 2019
I. Cash Flow Generated from Operating Activities:		
Cash Received from Sales of Good and Providing of Services	7,182,847,919.64	6,095,586,238.97
Net Increase in Customer Deposits and Deposit From Other Banks		
Net Increase in Borrowings from		

Central Bank		
Net Increase in Loans from Other Financial Institutions		
Cash Acquired from Receiving Premium of Original Insurance Contracts		
Net Cash Received from Reinsurance Businesses		
Net Increase in Deposits and Investment Funds of the Insured		
Cash Received from Collecting Interest, Handling Charges and Commission		
Net Increase in Loans from Other Banks		
Net Increase in Repurchasing Business Funds		
Net cash received from securities buying and selling by agents		
Tax Rebate Received		
Other Cash Received in Connection with Operating Activities	76,648,255.93	143,365,637.55
Sub-total of Cash Inflow from Operating Activities	7,259,496,175.57	6,238,951,876.52
Cash Paid for Purchasing of Products and Receiving of Labor Service	2,309,228,944.66	1,722,606,877.36
Net Increase in Customer Loans and Advances		
Net Increase in Deposits in Central Bank and Deposits Other Banks		
Cash Paid for Loss of Original Insurance Contract		
Net increase in funds lent		
Cash Used in Paying Interest, Handling Charges and Commission		
Cash Paid for Policy Bonus		
Cash Paid to and Paid for	694,451,586.60	798,318,062.07

Employees		
Various Taxes and Expenses Paid	947,940,205.06	681,081,888.74
Other Cash Paid in Connection with Operating Activities	1,741,511,065.31	1,500,424,945.32
Sub-total of Cash Outflow from Operating Activities	5,693,131,801.63	4,702,431,773.49
Net Cash Flow Generated from Operating Activities	1,566,364,373.94	1,536,520,103.03
II. Net Amount of Cash Flow Generated from Investment Activities:		
Cash Received from the Collection of Investment	1,972,161,542.99	1,538,694,569.54
Cash Received from the Acquisition of Investment Income	72,362,637.67	32,165,075.32
Net Cash Collected from the Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	2,449,001.34	162,081.52
Net Cash Received from the Disposal of Subsidiaries and Other Operation Units		
Other Cash Received in Connection with Investment Activities	98,054,582.84	
Sub-total of Cash Inflow from Investment Activities	2,145,027,764.84	1,571,021,726.38
Cash Paid for the Acquisition of Fixed Assets, Intangible Assets and Other Long-term Assets	321,693,604.41	331,841,130.83
Cash Paid for Investment	2,355,100,000.00	1,488,000,000.00
Net Increase in Pledge Loans		
Net Cash Paid for the Acquisition of Subsidiaries and Other Operation Units		
Other Cash Paid in Connection with Investment Activities		381,076.35
Sub-total of Cash Outflow from Investment Activities	2,676,793,604.41	1,820,222,207.18
Net Amount of Cash Flow Generated from Investment Activities	-531,765,839.57	-249,200,480.80

III. Cash Flow Generated from Financing Activities:		
Cash Received from Absorption of Investment	2,000,000.00	
Including: Cash Received from Absorption of Investment from Minority Shareholders	2,000,000.00	
Cash Received from Acquisition of Borrowings	270,000,000.00	690,437,641.63
Other Cash Received in Connection with Financing Activities	73,264,500.00	11,097,500.00
Sub-total of Cash Inflow from Financing Activities	345,264,500.00	701,535,141.63
Cash Paid for Repayment of Debts	583,661,139.46	1,180,733,698.72
Cash Paid for Distribution and Profit and Payment of Interest	663,996,180.62	781,359,091.42
Including: Dividend and Profit Paid by Subsidiaries to Minority Shareholders	70,000,000.00	
Other Cash Paid in Connection with Financing Activities	47,212,800.00	4,502,768.67
Sub-total of Cash Outflow from Financing Activities	1,294,870,120.08	1,966,595,558.81
Net Amount of Cash Flow Generated from Financing Activities	-949,605,620.08	-1,265,060,417.18
IV. Influence of Changes in Exchange Rate to Cash and Cash Equivalents	-3,792,843.73	1,581,376.72
V. Net Increased Amount of Cash and Cash Equivalents	81,200,070.56	23,840,581.77
Add: Initial Balance of Cash and Cash Equivalents	1,744,571,572.03	1,720,730,990.26
VI. Ending Balance of Cash and Cash Equivalents	1,825,771,642.59	1,744,571,572.03

6. Parent Company's Cash Flow Statement

Unit: RMB

Subject	Year 2020	Year 2019
I. Cash Flow Generated from Operating		

Activities:		
Cash Received from Sales of Good and Providing of Services	4,669,179,884.40	3,710,143,940.31
Tax Rebate Received		
Other Cash Received in Connection with Operating Activities	49,087,747.85	81,145,902.38
Sub-total of Cash Inflow from Operating Activities	4,718,267,632.25	3,791,289,842.69
Cash Paid for Purchasing of Products and Receiving of Labor Service	1,790,181,098.35	1,545,786,831.95
Cash Paid to and Paid for Employees	228,680,100.27	237,371,955.55
Various Taxes and Expenses Paid	565,892,496.69	471,539,019.62
Other Cash Paid in Connection with Operating Activities	589,116,616.82	350,164,462.61
Sub-total of Cash Outflow from Operating Activities	3,173,870,312.13	2,604,862,269.73
Net Cash Flow Generated from Operating Activities	1,544,397,320.12	1,186,427,572.96
II. Net Amount of Cash Flow Generated from Investment Activities:		
Cash Received from the Collection of Investment	1,622,457,501.17	1,468,694,569.54
Cash Received from the Acquisition of Investment Income	64,742,950.63	31,474,664.36
Net Cash Collected from the Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	2,444,239.14	131,905.05
Net Cash Received from the Disposal of Subsidiaries and Other Operation Units		
Other Cash Received in Connection with Investment Activities		
Sub-total of Cash Inflow from Investment Activities	1,689,644,690.94	1,500,301,138.95
Cash Paid for the Acquisition of Fixed Assets, Intangible Assets and	133,220,914.10	291,939,294.59

Other Long-term Assets		
Cash Paid for Investment	2,536,367,041.00	1,931,860,000.00
Net Cash Paid for the Acquisition of Subsidiaries and Other Operation Units		
Other Cash Paid in Connection with Investment Activities		13,920,000.00
Sub-total of Cash Outflow from Investment Activities	2,669,587,955.10	2,237,719,294.59
Net Amount of Cash Flow Generated from Investment Activities	-979,943,264.16	-737,418,155.64
III. Cash Flow Generated from Financing Activities:		
Cash Received from Absorption of Investment		
Cash Received from Acquisition of Borrowings	270,000,000.00	500,000,000.00
Other Cash Received in Connection with Financing Activities		
Sub-total of Cash Inflow from Financing Activities	270,000,000.00	500,000,000.00
Cash Paid for Repayment of Debts	393,800,000.00	540,000,000.00
Cash Paid for Distribution and Profit and Payment of Interest	592,034,371.99	759,525,499.03
Other Cash Paid in Connection with Financing Activities	47,212,800.00	4,502,768.67
Sub-total of Cash Outflow from Financing Activities	1,033,047,171.99	1,304,028,267.70
Net Amount of Cash Flow Generated from Financing Activities	-763,047,171.99	-804,028,267.70
IV. Influence of Changes in Exchange Rate to Cash and Cash Equivalents	-478.51	123.73
V. Net Increased Amount of Cash and Cash Equivalents	-198,593,594.54	-355,018,726.65
Add: Initial Balance of Cash and Cash Equivalents	660,177,250.77	1,015,195,977.42
VI. Ending Balance of Cash and Cash Equivalents	461,583,656.23	660,177,250.77

7. Consolidated Statement of Changes in Owners' Equity

Amount in Current Period

Unit: RMB

Subject	Year 2020														
	Total Equity Belonging to Owners of Parent Company													Minority Stockholder's Interest	Total Owners' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	General Risk Reserve	Undistributed Profit	Others	Subtotal		
		Preferred Stock	Perpetual Capital Securities	Others											
I. Ending Balance in the Previous Year	1,582,492,554.00				3,213,209,595.38	26,720,800.00	64,880,261.64		466,515,896.48		691,796,454.40		5,992,173,961.90	-60,781,681.90	5,931,392,280.00
Add: Changes in Accounting Policies															
Correction for Previous Errors															
Merger of Enterprises under Same Controlling Party															
Others															
II. Initial Balance in the Current Year	1,582,492,554.00				3,213,209,595.38	26,720,800.00	64,880,261.64		466,515,896.48		691,796,454.40		5,992,173,961.90	-60,781,681.90	5,931,392,280.00
III. Amount of Increase or Decrease in the Current Year (Decrease shall be listed with "-")	-1,472,000.00				-16,102,248.89	-26,720,800.00	-29,222,923.27		113,674,815.15		847,777,624.87		941,376,067.86	69,608,425.55	1,010,984,493.41
(I) Total Comprehensive Income							-24,458,809.76				1,524,251,245.95		1,499,792,436.19	19,844,869.33	1,519,637,305.52
(II) Capital Paid in or Reduced by Owners	-1,472,000.00				11,820,809.56	-7,212,800.00					2,134,400.00		19,696,009.56	2,000,000.00	21,696,009.56
1. Common Stock Invested by Owners														2,000,000.00	2,000,000.00
2. Capital Input by Holders of Other Equity Instruments															
3. Amount of Share Payment Accounted into the Owners' Equity					19,696,009.56								19,696,009.56		19,696,009.56
4. Others	-1,472,000.00				-7,875,200.00	-7,212,800.00					2,134,400.00				

(III) Profit distribution						-1,828,800.00			113,198,403.80		-682,895,723.24		-567,868,519.44		-567,868,519.44
1. Withdrawal of Surplus Reserve									113,198,403.80		-113,198,403.80				
2. Withdrawal of General Risk Reserve															
3. Distribution to Owners (or Shareholders)						-1,828,800.00					-569,697,319.44		-567,868,519.44		-567,868,519.44
4. Others															
(IV) Internal Carry-over of Owners' Equity							-4,764,113.51		476,411.35		4,287,702.16				
1. Capital (Share Capital) Transferred and Increased from Capital Reserve															
2. Capital (Share Capital) Transferred and Increased from Surplus Reserve															
3. Loss Recovery with Surplus Reserve															
4. Changes of defined benefit plan carried forward to retained earnings															
5. Retained earnings from carry-over of other comprehensive income							-4,764,113.51		476,411.35		4,287,702.16				
6. Others															
(V) Special Reserve															
1. Withdrawal Amount in Current Period															
2. Used Amount in Current Period															
(VI) Others						-27,923,058.45	-17,679,200.00						-10,243,858.45	47,763,556.22	37,519,697.77
IV. Ending Balance in Current Period	1,581,020,554.00					3,197,107,346.49		35,657,338.37	580,190,711.63		1,539,574,079.27		6,933,550,029.76	8,826,743.65	6,942,376,773.41

Amount in Previous Period

Unit: RMB

Subject	Year 2019														
	Total Equity Belonging to Owners of Parent Company													Minority Stockholder's Interest	Total Owners' Equity
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	General Risk Reserve	Undistributed Profit	Others	Subtotal		
Preferred Stock		Perpetual Capital Securities	Others												
I. Ending Balance in the Previous Year	1,468,817,880.00				2,023,087,882.52	51,206,400.00	-36,924,178.58		461,438,879.22		1,726,572,135.97		5,591,786,199.13	1,296,163,087.80	6,887,949,286.93
Add: Changes in Accounting Policies							15,067,979.33		5,825,535.90		62,200,681.69		83,094,196.92		83,094,196.92
Correction for Previous Errors															
Merger of Enterprises under Same Controlling Party															
Others															
II. Initial Balance in the Current Year	1,468,817,880.00				2,023,087,882.52	51,206,400.00	-21,856,199.25		467,264,415.12		1,788,772,817.66		5,674,880,396.05	1,296,163,087.80	6,971,043,483.85
III. Amount of Increase or Decrease in the Current Year (Decrease shall be listed with "-")	113,674,674.00				1,190,121,712.86	-24,485,600.00	86,736,460.89		-748,518.64		-1,096,976,363.26		317,293,565.85	-1,356,944,769.70	-1,039,651,203.85
(I) Total Comprehensive Income							79,251,274.45				-355,889,615.46		-276,638,341.01	-84,476,463.22	-361,114,804.23
(II) Capital Paid in or Reduced by Owners	113,674,674.00				1,318,324,927.37	-284,040.00					58,860.00		1,432,342,501.37		1,432,342,501.37
1. Common Stock Invested by Owners	113,728,674.00				1,282,291,393.29								1,396,020,067.29		1,396,020,067.29
2. Capital Input by Holders of Other Equity Instruments															
3. Amount of Share Payment Accounted into the Owners' Equity					36,322,434.08								36,322,434.08		36,322,434.08
4. Others	-54,000.00				-288,900.00	-284,040.00					58,860.00				
(III) Profit distribution						-4,445,000.00					-734,408,940.00		-729,963,940.00		-729,963,940.00
1. Withdrawal of Surplus Reserve															
2. Withdrawal of General Risk Reserve															
3. Distribution to Owners (or Shareholders)						-4,445,000.00					-734,408,940.00		-729,963,940.00		-729,963,940.00
4. Others															

(IV) Internal Carry-over of Owners' Equity							7,485,186.44		-748,518.64		-6,736,667.80				
1. Capital (Share Capital) Transferred and Increased from Capital Reserve															
2. Capital (Share Capital) Transferred and Increased from Surplus Reserve															
3. Loss Recovery with Surplus Reserve															
4. Changes of defined benefit plan carried forward to retained earnings															
5. Retained earnings from carry-over of other comprehensive income							7,485,186.44		-748,518.64		-6,736,667.80				
6. Others															
(V) Special Reserve															
1. Withdrawal Amount in Current Period															
2. Used Amount in Current Period															
(VI) Others						-128,203,214.51	-19,756,560.00						-108,446,654.51	-1,272,468,306.48	-1,380,914,960.99
IV. Ending Balance in Current Period	1,582,492,554.00				3,213,209,595.38	26,720,800.00	64,880,261.64		466,515,896.48		691,796,454.40		5,992,173,961.90	-60,781,681.90	5,931,392,280.00

8. Parent Company's Statement of Changes in Owners' Equity

Amount in Current Period

Unit: RMB

Subject	Year 2020											
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Total Owners' Equity
		Preferred Stock	Perpetual Capital Securities	Others								
I. Ending Balance in the Previous Year	1,582,492,554.00				3,339,625,846.70	26,720,800.00	39,028,136.67		464,134,371.82	807,273,943.62		6,205,834,052.81
Add: Changes in Accounting Policies												
Correction for Previous Errors												

Others												
II. Initial Balance in the Current Year	1,582,492,554.00				3,339,625,846.70	26,720,800.00	39,028,136.67		464,134,371.82	807,273,943.62		6,205,834,052.81
III. Amount of Increase or Decrease in the Current Year (Decrease shall be listed with "-")	-1,472,000.00				11,820,809.56	-26,720,800.00	-43,266,995.00		113,674,815.15	455,510,416.90		562,987,846.61
(I) Total Comprehensive Income							-38,502,881.49			1,131,984,037.98		1,093,481,156.49
(II) Capital Paid in or Reduced by Owners	-1,472,000.00				11,820,809.56	-7,212,800.00				2,134,400.00		19,696,009.56
1. Common Stock Invested by Owners												
2. Capital Input by Holders of Other Equity Instruments												
3. Amount of Share Payment Accounted into the Owners' Equity					19,696,009.56							19,696,009.56
4. Others	-1,472,000.00				-7,875,200.00	-7,212,800.00				2,134,400.00		
(III) Profit distribution						-1,828,800.00			113,198,403.80	-682,895,723.24		-567,868,519.44
1. Withdrawal of Surplus Reserve									113,198,403.80	-113,198,403.80		
2. Distribution to Owners (or Shareholders)						-1,828,800.00				-569,697,319.44		-567,868,519.44
3. Others												
(IV) Internal Carry-over of Owners' Equity							-4,764,113.51		476,411.35	4,287,702.16		
1. Capital (Share Capital) Transferred and Increased from Capital Reserve												
2. Capital (Share Capital) Transferred and Increased from Surplus Reserve												
3. Loss Recovery with Surplus Reserve												
4. Changes of defined benefit plan carried forward to retained earnings												
5. Retained earnings from carry-over of other							-4,764,113.51		476,411.35	4,287,702.16		

comprehensive income												
6. Others												
(V) Special Reserve												
1. Withdrawal Amount in Current Period												
2. Used Amount in Current Period												
(VI) Others						-17,679,200.00						17,679,200.00
IV. Ending Balance in Current Period	1,581,020,554.00				3,351,446,656.26		-4,238,858.33		577,809,186.97	1,262,784,360.52		6,768,821,899.42

Amount in Previous Period

Unit: RMB

Subject	Year 2019											
	Share Capital	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Total Owners' Equity
		Preferred Stock	Perpetual Capital Securities	Others								
I. Ending Balance in the Previous Year	1,468,817,880.00				2,021,300,919.33	51,206,400.00			460,040,624.64	1,833,690,398.95		5,732,643,422.92
Add: Changes in Accounting Policies							15,067,979.33		5,825,535.90	52,429,823.05		73,323,338.28
Correction for Previous Errors												
Others									-983,270.08	-8,849,430.68		-9,832,700.76
II. Initial Balance in the Current Year	1,468,817,880.00				2,021,300,919.33	51,206,400.00	15,067,979.33		464,882,890.46	1,877,270,791.32		5,796,134,060.44
III. Amount of Increase or Decrease in the Current Year (Decrease shall be listed with "-")	113,674,674.00				1,318,324,927.37	-24,485,600.00	23,960,157.34		-748,518.64	-1,069,996,847.70		409,699,992.37
(I) Total Comprehensive Income							16,474,970.90			-328,910,099.90		-312,435,129.00
(II) Capital Paid in or Reduced by Owners	113,674,674.00				1,318,324,927.37	-284,040.00				58,860.00		1,432,342,501.37
1. Common Stock Invested by Owners	113,728,674.00				1,282,291,393.29							1,396,020,067.29
2. Capital Input by Holders of Other Equity Instruments												

3. Amount of Share Payment Accounted into the Owners' Equity					36,322,434.08							36,322,434.08
4. Others	-54,000.00				-288,900.00	-284,040.00				58,860.00		
(III) Profit distribution						-4,445,000.00				-734,408,940.00		-729,963,940.00
1. Withdrawal of Surplus Reserve												
2. Distribution to Owners (or Shareholders)						-4,445,000.00				-734,408,940.00		-729,963,940.00
3. Others												
(IV) Internal Carry-over of Owners' Equity							7,485,186.44		-748,518.64	-6,736,667.80		
1. Capital (Share Capital) Transferred and Increased from Capital Reserve												
2. Capital (Share Capital) Transferred and Increased from Surplus Reserve												
3. Loss Recovery with Surplus Reserve												
4. Changes of defined benefit plan carried forward to retained earnings												
5. Retained earnings from carry-over of other comprehensive income							7,485,186.44		-748,518.64	-6,736,667.80		
6. Others												
(V) Special Reserve												
1. Withdrawal Amount in Current Period												
2. Used Amount in Current Period												
(VI) Others							-19,756,560.00					19,756,560.00
IV. Ending Balance in Current Period	1,582,492,554.00				3,339,625,846.70	26,720,800.00	39,028,136.67		464,134,371.82	807,273,943.62		6,205,834,052.81