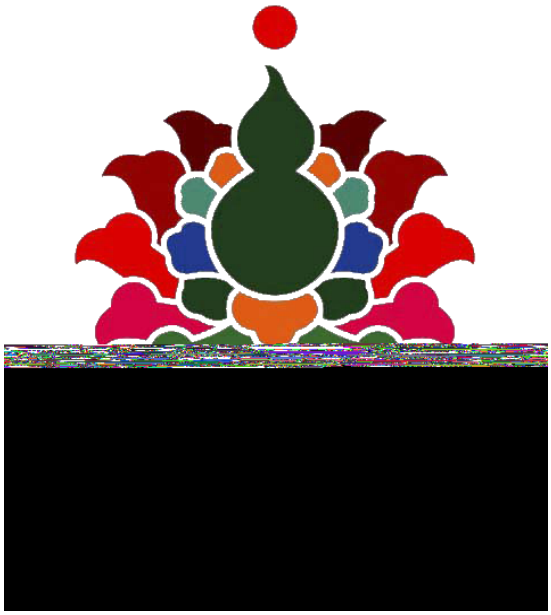

Yunnan Baiyao Group Co., Ltd.

Annual Report 2024

March 2025

Section I Important Notes, Contents, and Definitions

The Board of Directors (the "Board"), the Supervisory Committee and the directors, supervisors and senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this Annual Report and there are no misrepresentations, misleading statements or material omissions from this Annual Report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein.

Mr. Dong Ming, the person in charge of the Company, Mr. Ma Jia, the accounting officer, and Ms. Xu Jing, the head of accounting center (accounting supervisor), hereby declare that they warrant the truthfulness, accuracy, and completeness of the financial statements in this Annual Report.

All directors of the Company attended the Board meeting in respect of considering and approving this Annual Report.

The Company kindly requests investors to read through this Annual Report and pay special attention to "XI. Outlook of the Company" in the "Section III Management Discussion and Analysis." This part does not constitute our substantial commitments to investors. Investors are advised to pay attention to investment risks.

The profit distribution plan considered and approved by the Board of Directors is as follows: Based on the total share capital of the Company of 1,784,262,603 shares at the end of 2024, a cash dividend of RMB 11.85 (tax inclusive) for every 10 shares will be paid to all shareholders, with no bonus shares issued (tax inclusive), and no capital reserve to increase the share capital. At the same time, the Company completed the special dividend distribution for 2024 in November 2024, with a cash dividend of RMB 12.13 (tax inclusive) for every 10 shares, totaling RMB 2,164,310,537.44 (tax inclusive). The cash dividend to be implemented this time will be combined with the special dividend already distributed in 2024. Based on the total share capital of 1,784,262,603 shares at the end of 2024, the total cash dividend for 2024 will be RMB 23.98 (tax inclusive) per 10 shares, with a total cash dividend of RMB 4,278,661,722.00 (tax inclusive), accounting for 90.09% of the Company's net profit attributable to shareholders of the listed company for 2024.

This report has been prepared in Chinese and translated into English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

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Documents Available for Inspection

(I) Financial statements affixed with the signatures and stamps of the person in charge of the Company, the accounting officer, and the general manager of Financial Management Department;

(II) Originals of the audit report containing the stamps of the external accounting firm and the signatures and stamps of the registered accountants;

(III) Originals of all the Company's documents and announcements publicly disclosed on the *Securities Times*, *Shanghai Securities News*, *China Securities Journal*, and http://www.cninfo.com.cn during the reporting period;

(IV) Other related materials.

Definitions

Term	Definitions
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC of Yunnan Province	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government
The Company or Yunnan Baiyao	Yunnan Baiyao Group Co., Ltd.
New Huadu	New Huadu Industrial Group Co., Ltd.
State-owned Equity Management Company	Yunnan State-owned Equity Operation Management Co., Ltd.
Yunnan Hehe	Yunnan Hehe (Group) Co., Ltd.
Jiangsu Yuyue	Jiangsu Yuyue Science & Technology Development Co., Ltd.
Baiyao Holdings	Yunnan Baiyao Holdings Co., Ltd.
YNBY International or Ban Loong Holdings	YNBY International Limited (Formerly Ban Loong Holdings Limited)
Shanghai Pharma	Shanghai Pharmaceuticals Holding Co., Ltd.
Mixed ownership reform	Baiyao Holdings, former controlling shareholder of Yunnan Baiyao, introduced strategic investors New Huadu and Jiangsu Yuyue by capital increase
Merger and overall listing	A transaction that Yunan Baiyao merged with Baiyao Holdings by issuing shares to all shareholders of Baiyao Holdings, including SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue
Health Products Company	Yunnan Baiyao Group Health Products Co., Ltd.
Yunnan Pharma	Yunnan Pharmaceutical Co., Ltd.
CEO	Chief Executive Officer
IP	Intellectual Property
ESG	Environmental, Social and Governance
NMPA	National Medical Products Administration
AI	Artificial Intelligence
OTC	Over-the-counter drug
Reporting period	The period from January 1, 2024 to December 31, 2024
RMB, RMB'0,000, RMB'00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

Section II Company Profile and Key Financial Indicators

I. Company Profile

Stock Abbreviation	Yunnan Baiyao	Stock Code	000538
Stock Abbreviation before Change (if any)	None		
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	云南白药集团股份有限公司		
Company Abbreviation in Chinese	云南白药		
Company Name in English (if any)	YUNNAN BAIYAO GROUP CO., LTD.		
Company Abbreviation in English (if any)	YUNNAN BAIYAO		
Legal Representative of the Company	Dong Ming		
Registered Address	No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province		
Postal Code of the Registered Address	650500		
Historical Changes in the Company's Registered Address	No. 51 Xiba Road, Kunming City, Yunnan Province, National High-tech Industrial Development Zone, Kunming City, Yunnan Province (registered address of the Group); No. 222 Second Ring West Road, Kunming City, Yunnan Province (registered address of the parent company of the Group); No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province		
Office Address	No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province		
Postal Code of the Office Address	650500		
Company Website	www.yunnanbaiyao.com.cn		
Email Address	000538@ynby.cn		

II. Contact Person and Contact Information

	Secretary of the Board of Directors	Representative of Securities Affairs
Name	Qian Yinghui	Li Mengjue
Contact Address	No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province	No. 3686 Yunnan Baiyao Street, Chenggong District, Kunming City, Yunnan Province
Tel	0871-66226106	0871-66226106
Fax	0871-66203531	0871-66203531
E-mail	000538dm@ynby.cn	000538@ynby.cn

III. Information Disclosure and Location

Website of the stock exchange where the Company discloses its Annual Report	http://www.cninfo.com.cn
Name and website of the media where the Company discloses its Annual Report	*Securities Times*, *Shanghai Securities News*, *China Securities Journal*

Location where the Company prepares and places its Annual Report	Company Archives Room

IV. Changes in Registration

Unified Social Credit Code	9153000021652214XX
Changes in the principal businesses of the Company since it was listed (if any)	None
Changes in the Company's controlling shareholders (if any)	1997: Yunnan Pharmaceutical Corporation 1999: Yunnan Pharmaceutical Group Co., Ltd. 2003: Yunnan Yunyao Co., Ltd. 2010: Yunnan Baiyao Holdings Co., Ltd ("Baiyao Holdings") In 2017, Baiyao Holdings was the controlling shareholder but the Company had no de facto controller. In 2019, after the cancellation of the Company's shares held by Baiyao Holdings, the Company had no controlling shareholders and no de facto controller.

V. Other Information

The accounting firm engaged by the Company

Name of the accounting firm	Mazars Certified Public Accountants (SGP)
Office address of the accounting firm	2-9/F, No. 169, Donghu Road, Wuchang District, Wuhan, Hubei Province
Name of signing accountants	Fang Ziwei, Yang Yanling

The sponsor engaged by the Company to perform continuous supervision duties during the reporting period

□ Applicable ☑ Not applicable

The financial advisor engaged by the Company to perform continuous supervision duties during the reporting period

□ Applicable ☑ Not applicable

VI. Key Accounting Data and Financial Indicators

Whether the Company needs retroactive adjustment or restatement of accounting data in prior years or not

□Yes ☑ No

	2024	2023	Increase/decrease compared to the previous year	2022
Operating revenue (RMB)	40,033,300,814.72	39,111,292,156.00	2.36%	36,488,372,649.73
Net profit attributable to shareholders of the listed company (RMB)	4,749,415,499.55	4,093,782,074.02	16.02%	3,001,125,887.45
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	4,523,057,538.23	3,763,605,361.07	20.18%	3,232,024,514.64
Net cash flows from operating activities (RMB)	4,297,003,142.27	3,502,742,348.02	22.68%	3,209,410,032.57
Basic earnings per share (RMB/share)	2.66	2.29	16.16%	1.90

Diluted earnings per share (RMB/share)	2.66	2.29	16.16%	1.90
Weighted average ROE	11.99%	10.51%	Up 1.48 percentage points	7.87%
	End of 2024	End of 2023	Increase/decrease compared to the end of the previous year	End of 2022
Total assets (RMB)	52,914,181,333.05	53,784,293,183.93	-1.62%	53,320,943,868.74
Net assets attributable to shareholders of the listed company (RMB)	38,831,946,424.51	39,879,122,031.51	-2.63%	38,503,673,731.86

The lower of the Company's net profits before and after deducting non-recurring profits and losses in the latest three accounting years are all negative, and the Company's audit report for the previous year shows uncertainties in the Company's ability to continue as a going concern

□Yes ☑ No

The lower of the Company's net profits before and after deducting non-recurring profits and losses is negative

□Yes ☑ No

Total share capital of the Company as at the trading day prior to the disclosure:

Total share capital of the Company as at the trading day prior to the disclosure (shares)	1,784,262,603.00

Fully diluted earnings per share calculated based on the latest share capital:

Preferred share dividend paid	0.00
Perpetual bond interest paid (RMB)	0.00
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	2.6618

VII. Differences in Accounting Data under Chinese Accounting Standards (CAS) and Overseas Accounting Standards

1. Differences in the net profits and net assets in financial statements disclosed respectively under International Financial Reporting Standards (IFRS) and CAS

□Applicable ☑Not applicable

During the reporting period, there was no difference in net profits and net assets in financial statements disclosed respectively under IFRS and CAS.

2. Differences in the net profit and net assets in financial statements disclosed respectively under overseas accounting standards and CAS

□Applicable ☑Not applicable

During the reporting period, there was no difference in the net profits and assets in financial statements disclosed respectively under overseas accounting standards and CAS.

VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	10,774,290,921.49	9,680,995,366.03	9,459,868,782.32	10,118,145,744.88
Net profit attributable to shareholders of the listed company	1,701,931,446.00	1,486,898,457.10	1,137,898,164.95	422,687,431.50
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	1,690,411,601.12	1,444,603,739.81	1,129,859,005.45	258,183,191.85
Net cash flows from operating activities	527,059,804.98	2,734,557,587.01	811,521,353.35	223,864,396.93

Whether there is any significant difference between any of the above-mentioned financial indicator or their total number and those disclosed in the Company's any quarterly statements or interim statements

□ Yes ☑No

IX. Non-recurring Profits and Losses and their Amounts

☑Applicable □Not applicable

Unit: RMB

Item	Amount in 2024	Amount in 2023	Amount in 2022	Remarks
Profits and losses from disposal of non-current assets (including the write-offs for the accrued impairment of assets)	2,527,905.42	110,477,911.97	-62,684,387.81	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company in line with national policies and received by a determined standard, with a continuous impact on the Company's profits and losses)	84,203,749.10	75,375,220.16	99,898,358.75	
Profits and losses from changes in fair value of financial assets and liabilities held for trading by non-financial enterprises, and from disposal of such financial assets and liabilities, except for effective hedging operations related to regular businesses of the Company	150,994,732.81	199,779,795.08	-403,800,800.93	
Profits and losses arising from entrusted investment or asset management	6,589,832.78	3,146,335.87		
Reversal of impairment provision of accounts receivable subject to individual impairment test	1,738,612.00			
Profits and losses arising from contingencies unrelated to regular businesses of the Company			4,190,474.35	
Non-operating revenue and expenses other than the above	-28,939,412.06	-1,919,286.26	3,035,335.64	
Other profits and losses satisfying the definition of non-recurring profits and losses	47,186,324.01	41,588,740.24	80,566,869.79	
Less: Amount affected by the income tax	37,938,914.49	69,955,013.92	-48,913,488.78	
Amount affected by minority interests (after tax)	4,868.25	28,316,990.19	1,017,965.76	
Total	226,357,961.32	330,176,712.95	-230,898,627.19	--

Other profits and losses satisfying the definition of non-recurring profits and losses:

☑Applicable □Not applicable

Other non-recurring profits and losses that meet the definition of non-recurring profits and losses mainly include other non-recurring profits and losses such as interest on fixed deposits and value added tax credit.

Note for the definition of non-recurring profits and losses set out in the *No.1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses*, as recurring profits and losses

□Applicable ☑Not applicable

The Company does not define any non-recurring profits and losses set out in the *No.1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses* as recurring profits and losses.

Section III Management Discussion and Analysis

I. Industry Landscape of the Company during the Reporting Period

(I) Industry landscape and development trends

In 2024, as the reform of the pharmaceutical and healthcare system deepens and the industry undergoes transformation and upgrading, China's pharmaceutical and healthcare sector has entered a critical period of change and adjustment. Due to the combined impact of many factors, the pharmaceutical and healthcare sector is experiencing slow growth. According to the China Pharmaceutical Enterprises Association, pharmaceutical industrial enterprises above designated size achieved flat year-on-year revenue in 2024, while profits decreased by 0.9% year on year. Driven by policy support, technological innovation and market demand, the pharmaceutical industry faces both opportunities and challenges. In terms of demand, on one hand, the accelerating aging of the population has led to an increased need for the diagnosis and treatment of chronic diseases, driving the expansion of both the medical services and pharmaceutical markets. At the same time, public recognition of traditional Chinese medicine (TCM) continues to rise, with TCM consumption scenarios extending into daily healthcare, driving continuous market growth. On the other hand, with the rising health consciousness, people are placing higher demands on the accessibility, safety, cost-effectiveness, and personalization of medical resources. In terms of supply, scientific and technological innovation continues to empower medicine and health. The application of artificial intelligence (AI), information technology, and other fields in TCM is continuously expanding, providing new opportunities for the innovative development of TCM. With the continued implementation of policies such as healthcare insurance and centralized procurement, pharmaceutical products need to further focus on clinical value to better meet the demands of modern society. Pharmaceutical companies are facing more challenges in quality management, innovation and R&D, and cost control. In terms of channels, there have been structural changes in the online and offline sales channels for pharmaceutical and healthcare products. Online channels continue to expand, with the exploration of "patient-centered" multi-models and scenarios emerging as a new trend. As the trend of offline retail chain and centralization is becoming more evident, retail channels differentiate themselves through more professional and meticulous services. With the regionally balanced deployment of high-quality medical resources, pharmaceutical products and services are extending further into grassroots areas, benefiting a wider range of patients.

China attaches great importance to the development of TCM, continuously improving the mechanism for both the inheritance and innovation of TCM, and promoting the high-quality development of the TCM industry. In 2024,

covering personal healthcare products, crude drugs, and "Big Health" products. We have built a diverse portfolio of brands and continuously expanded our reach to target audiences, enhancing our brand value over the long term. The Company has been consistently listed in the brand value rankings of internationally authoritative organizations. During the reporting period, it was selected as one of the top 25 companies in the *Healthcare - The World's Most Valuable and Strongest Pharmaceutical, Medical Device and Healthcare Service Brand Value Rankings* published by Brand Finance, ranked 33rd in the *List of Top 50 Global Pharmaceutical Companies* by *Pharmaceutical Executive* in US, ranked 45th in the *List of China's Best Brands* published by Interbrand, and ranked 71st in the *Kantar BrandZ Top 100 Most Valuable Chinese Brands* list and 1st in the healthcare industry, etc.

(II) Full industrial chain advantage

In terms of TCM resources, we will further uphold our responsibilities as a chain leader, based on the strategic positioning of "the 'chain leader' with high-quality development of Yunnan TCM resources." Relying on the authentic medicinal resources and location advantages of Yunnan Province, we will leverage Yunnan Baiyao's accumulated expertise in in technology, brand, channel, capital and talent, as well as the demonstration, leading and driving role of the leading enterprise in industrial development. We have built a digitalized industrial chain ecosystem for TCM materials with the model of "1+1+N," which consists of "1 TCM production, research and marketing integrated digital intelligence platform + 1 new specialized market for TCM materials at the origin + multi-dimensional synergies," to promote the standardization, scaling, branding and digitalization of the TCM industry and transform resource advantages into industrial competitive advantages and long-term sustainable development advantages, so as to support "excellent TCM products" by "excellent Yunnan TCM resources."

Driven by its long-term and continuous investment in key strategic varieties of TCM materials, the Company has achieved a complete and closed-loop industrial chain from seed selection and cultivation to production and processing. This has established a robust supply system for strategic medicinal materials, effectively ensuring the quality stability of TCM raw materials and controlling the price fluctuations of strategic TCM raw materials. This system has laid the groundwork for the long-term and sustainable development of Yunnan Baiyao.

(III) Continuous innovation capability

Yunnan Baiyao consistently meets the rapidly evolving and upgrading consumer demand through continuous innovation. The Company is committed to integrating TCM into modern life through the consumer-centered "customer-oriented innovation," "social innovation" based on government-industry-academia-research-medicine collaboration and "digital innovation" powered by advanced technologies such as AI, big data, and cloud computing." We have evolved from a single hemostatic product to a vast Yunnan Baiyao industrial group, covering various sectors

of the health industry, and created classic examples of innovation and the integration of TCM products into daily life, such as “Yunnan Baiyao Woundplast” and “Yunnan Baiyao Toothpaste.”

Looking ahead, the Company will continue to enhance its innovation capabilities by continuously improving the level of R&D and promoting digital and intelligent reform. We have set up more than 10 national and provincial scientific research platforms and R&D centers with many research institutions and universities, focusing on the field of medicine, strengthening the introduction of talents, scientific research and cooperation and exchanges, and enhancing collaboration between basic and clinical research to truly achieve the effective transformation of research achievements into cross-disciplinary innovation and development. The Company has positioned “AI+Medicine” as the core direction of its strategic transformation, deeply integrating advanced technologies such as AI, big data and cloud computing into planting, processing, R&D, production, marketing and other aspects, accelerating the transformation of digital intelligence, and focusing on the modernization of TCM and the intelligent upgrading of health products.

(IV) Talent team strengths

The Company has established a long-term mechanism for talent security to deepen the market-oriented selection and employment mechanism, improve the mechanisms for talent introduction, training, and selection, and foster an environment conducive to the growth of its talent pool. By focusing on both internal team development and the continuous external introduction of outstanding talents, we have built management teams with high professionalism and strong market awareness across business areas. The Company is committed to enhancing the specialization, professionalism, and market orientation of its cadre and talent teams, continuously optimizing their professional and knowledge structures to create a supportive environment for talent growth, and enhance the loyalty, contribution and sense of fulfillment among our talents. The Company continually refines its efficient incentive mechanism based on its strategic goals, and gives priority to those who have made significant contributions, as well as key front-line positions in emerging industries, R&D, innovation, reform, and other critical areas when allocating resources, to maximize the enthusiasm and creativity of cadres and employees, promote the Company towards high-quality development, and lay a strong foundation for achieving win-win cooperation among all stakeholders.

(V) Channel advantages

In terms of pharmaceuticals, the Company has built a marketing network covering medical institutions and retail pharmacies across various provinces, regions, counties, and towns in China. In the advantageous over-the-counter (“OTC”) channels, we have nationwide coverage, serving 5,000 top-tier chains and reaching over 400,000 retail stores. Especially in areas with well-developed chain pharmacies such as East China, Hunan Province, Hubei Province, and

Yunnan Province, the Company has achieved the high coverage, the penetration rate, and strong market control capabilities, and implemented the special marketing cooperation under the principle of "One Province, One Strategy" or even "One Chain Store, One Strategy." The Company also has conducted extensive cooperation with major e-commerce platforms such as Alibaba, JD.com, and Douyin, for expansion of online OTC sales channels, and achieved efficient reach to modern consumers by virtue of customized digital marketing.

Regarding health products, Yunnan Baiyao has established a comprehensive nationwide sales team dedicated to Big Health products, covering all terminals. Yunnan Baiyao Toothpaste continues to maintain a leading market share in China with a high brand penetration in the oral product category. Through ongoing optimization of its full chain channels, the Company has not only strengthened its position in traditional offline channels but also experienced significant growth in emerging business models such as on-demand retail, community group purchases, and interest-based e-commerce. This demonstrates the Company's willingness to experiment and adapt, taking measured steps forward and learning from any mistakes along the way, all of which enhance its ability to quickly respond to evolving business trends. Such channel advantages have driven significantly enhancement to Yunnan Baiyao's market competitiveness, laying the foundation for the Company to continuously commercialize new products.

IV. Analysis on Principal Businesses

1. Overview

(I) Overview of business data

In 2024, the Company overcame the challenges posed by significant changes in the external environment and focused on the core pharmaceutical business. Through excellent operation across the industrial chain, value chain, and production factors, the Company maintained strong growth. During the reporting period, the Company achieved an operating revenue of RMB 40.033 billion, a 2.36% increase compared to the same period last year; net profit attributable to the parent company was RMB 4.749 billion, a 16.02% year-on-year increase from RMB 4.094 billion; and net profit attributable to the parent company after deducting non-recurring profits and losses was RMB 4.523 billion, a 20.18% increase compared to RMB 3.764 billion last year, setting a new historical high.

In terms of growth quality, the Company generated net operating cash flow of RMB 4.297 billion, a 22.68% increase compared to the same period last year; the weighted average return on net assets was 11.99%, an increase of 1.48 percentage points from the previous year; and basic earnings per share were RMB 2.66, a 16.16% increase compared to last year. Meanwhile, the Company's business structure continued to optimize. The proportion of

industrial revenue in total operating revenue has further increased to 36.14%, with the growth rate of industrial revenue reaching 5.30%. The gross margin of the industrial business is 65.93%, which is 1.69 percentage points higher than the same period of the previous year. The Company's efforts to improve quality and efficiency were effective, with sales expenses decreasing by 2.26% and management expenses decreasing by 1.98% compared to the previous year.

The Company continued to maintain a healthy asset structure. At the end of the reporting period, the Company had total assets of RMB 52.914 billion, net assets attributable to the shareholders of the listed Company amounted to RMB 38.832 billion, the asset-liability ratio was 26.55%, and the cash and bank balance stood at RMB 10.888 billion.

(II) Review of the main work and prospects

(1) Breakthroughs in organizational capacity building under the leadership in Party building and strategic orientation

1) Fully leveraging the leadership in Party building to promote high-quality development of the Company

During the reporting period, the Company adhered to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, firmly embracing the concept of "Leadership in Party building driving the convergence of development momentum." The Company emphasized strengthening leadership in Party building, focusing on deepening "integration and inclusion," uniting and leading all employees to raise their positions, strengthen confidence, and take responsibilities, thus promoting stable development. Efforts were made to enhance grassroots organizational strength, optimize organizational structure and personnel allocation, and ensure that grassroots Party organizations have tangible, effective, and comprehensive coverage. The Company also focused on strengthening system support and built a responsibility implementation system, a Party-building institutional guarantee system, a "list-based" target task implementation system, and a "multi-dimensional integration" evaluation and assessment system.

2) Implementing strategic orientation with high standards to ensure efficient execution of the principal businesses

Strategic goals focus on implementation, necessitating both the "attitude and capabilities" to consistently drive progress and foster a strong commitment to the strategy. In March 2024, the Company's Board of Directors considered and approved the *Strategic Plan Outline for 2024-2028*. Based on clear strategic positioning, Yunnan Baiyao further concentrated on its core "pharmaceutical" foundation in 2024, focusing on four key business areas: pharmaceuticals, TCM resources, health products, and pharmaceutical distribution. The Company continued to focus on its principal businesses, tap potential and enhance efficiency. While persistently advancing its principal business focus and improvement in quality and efficiency, the Company continuously refined and improved the *Strategic Plan Outline*, taking into account internal development foundation and external industry dynamics. In December 2024, the Board of

Directors considered and approved the *Strategic Plan for 2024-2028* as the guiding document for Yunnan Baiyao's work in the next five years. The Company will follow the guidelines set out in the *Plan*, embrace inheritance and innovation, surpass ourselves to embark on a new journey, and drive the century-old Baiyao toward becoming a Chinese leading and world-class modern pharmaceutical industry group, achieving synergistic growth in scale, quality, and structure. Also, the Company continues to strengthen the implementation of its strategy, and responds to external uncertainties with the certainty of its strategic direction and the effectiveness of its execution. The Company has continuously enhanced its strategic leadership capability, and the focus on principal business execution has yielded significant results. On one hand, the Company has solidified its principal business market, and on the other hand, new growth areas have achieved breakthroughs.

3) Enhancing group management efficiency and aligning synergies to energize the workforce

During the reporting period, based on the requirements for strategy implementation, the Company significantly enhanced group management efficiency and operational effectiveness through organizational restructuring, comprehensive budget management, and innovation in incentive mechanisms. First, the Company redefined and repositioned its business segments, and strengthened the development of its central capabilities in areas such as market development, supply chain, branding, marketing, and e-commerce, effectively supporting the business units in market competition. Second, the Company established a more focused, streamlined, and efficient organizational structure, optimized financial management responsibilities and reinforced the vertical leadership capabilities of functional departments such as strategy, investment, supervision, and human resources, further improving the synergy of business operations. Third, the Company standardized the talent management system, and initially built a leadership team with strong aspirations and capabilities, and a well-structured talent pool aligned with strategic plans, industry layout, and development goals, constantly enhancing the standardized management capability across the human resources process. At the same time, the Company effectively leveraged "precise" incentives to achieve greater results in workforce management. Fourth, the Company implemented comprehensive budget management with a closed-loop approach. The budget formulation process was strategically driven, identifying growth drivers for each business segment and ensuring the target achievement supported by comprehensive budget. The cross-departmental collaboration was guided by a positive management approach, achieving the initial goal of resource optimization through budget management. Fifth, the Company strengthened budget execution monitoring and established a performance analysis mechanism. Business analysis was extended from the group level to business units, with regular reviews of market changes, ensuring that timely responses were in place and the budget was both guiding and flexible.

(2) Focusing on the principal businesses, optimizing the structure, and achieving high-quality development

1) Pharmaceutical Business Group

During the reporting period, the Pharmaceutical Business Group achieved a principal business revenue of RMB 6.924 billion, representing a year-on-year growth of 11.8%. Ten products have each achieved sales exceeding RMB 100 million. Among the core products, Yunnan Baiyao Aerosol achieved sales revenue of more than RMB 2.1 billion, with a year-on-year growth of over 26%. The sales revenue of Yunnan Baiyao Plaster, Yunnan Baiyao Capsule, Yunnan Baiyao Woundplast and Yunnan Baiyao (Powder) has significantly increased compared to the previous year. Other branded TCM products showed impressive growth. The sales revenue of Pudilan Anti-inflammatory Tablets reached nearly RMB 200 million, representing a significant year-on-year growth of over 22%, while the revenue of Xuesaitong Capsule, Baotaikang Granule for Children, and Ginseng and Tuckahoe Spleen and Stomach Strengthening Granule exceeded RMB 100 million respectively. Botanical supplements also maintained a growth trend, with the sales revenue of Qixuekang Oral Liquid growing 14% year-on-year.

In 2024, based on the strategic positioning of being "the 'leading' brand of pain management in the field of traumatology," the Pharmaceutical Business Group, by fully leveraging its product and brand strengths, introduced a new model for injury management, delved deeply into the efficacy mechanism of the core products of Baiyao in the field of pain management. By tapping into the potential of "Baiyao + pain relief + traumatology" products in academic and clinical fields, the Company has strengthened the popularity and leadership of the core products of Baiyao in orthopedics and pain management, and created an expansive product ecosystem. Meanwhile, the Pharmaceutical Business Group further optimized the operation platform of "High-quality TCM," focusing on high-potential segments such as cardiovascular, respiratory system, and obstetrics and pediatrics, and continued to enrich the product pipeline to build a large ecosystem in the pharmaceutical industry. During the reporting period, the Pharmaceutical Business Group continued to promote key tasks from academic and clinical, marketing, channel segmentation, production efficiency and other aspects. In terms of academic and clinical study, we have made steady progress in clinical research on Yunnan Baiyao (Powder) and Yunnan Baiyao Capsule in the treatment of diabetic foot and bone pain, Gongxuening Capsule in the treatment of abnormal uterine bleeding and the reduction of vaginal bleeding after medication abortion, and Qixuekang Oral Liquid in the improvement of heart and blood vessel health and the prevention and treatment of plateau reaction, expanding the application scenarios for the products. In terms of marketing, the cultivation of our own sports IP "Let's Play Basketball" was successful, promoting brand rejuvenation and further increasing the penetration rate of single product. The packaging of Qixuekang was refreshed and upgraded, promoting the rapid sales growth of Qixuekang Oral Liquid in the important marketing nodes in autumn and winter nourishment. In terms of channel segmentation, the in-hospital channel was expanded steadily thanks to continuous cultivation, our dominance

was maintained in the offline OTC channel, and new breakthroughs were made in online exploration. In terms of improving production efficiency, we established online business processes, promoted the achievement of precise marketing, ecological channel construction, and user data ownership, and created a large back-office operation system with standardized systems, scientific processes, simplicity and high efficiency, achieving remarkable results in improving quality and efficiency throughout the year.

Moving forward, with the goal of becoming "a model of TCM inheritance and innovation development," the Pharmaceutical Business Group will inherit, safeguard and develop the superior products of Baiyao, optimize the existing product system and provide a comprehensive operational plan to achieve strategic growth of the products on other high-potential core areas, focusing on major disease treatment fields such as cardiovascular, respiratory system, and obstetrics and pediatrics. On the other hand, the BG will continuously conduct secondary development of existing products around strategic goals and selectively extend external projects to strengthen and expand the pharmaceutical system.

2) Health Products Business Group

During the reporting period, the Health Products Business Group achieved an operating income of RMB 6.526 billion and a profit of RMB 2.191 billion, with a year-on-year growth of 1.6% and 8.36% respectively. In the oral care segment, Yunnan Baiyao Toothpaste maintained the top market share across all channels in China in 2024 (Source: Nielsen Retail Data IQ202412). During the "618" and "Double 11" period in 2024, Yunnan Baiyao has consistently held the top position as the leading oral care brand across all online platforms for many years (Source: shangzhizhen.com). In the hair care and anti-hair loss segment, Yangyuanqing recorded sales revenue of RMB 422 million during the reporting period, up 30.3% year on year. Boasting the special makeup certificate of hair care and the national invention patent certificate of hair care and anti-hair loss and the differentiated technology advantages, we have successfully created the core brand of Yangyuanqing - "To control oil and prevent hair loss, use Yangyuanqing." Thanks to the increasing penetration rate, Yangyuanqing achieved a growth higher than the industry average of the anti-hair loss category in the fierce market competition, and won the top 1 Chinese anti-hair loss shampoo brand on Tmall during the "618" and "Double 11" period consecutively in 2024 (Source: shangzhizhen.com).

During the reporting period, the Health Products Business Group achieved end-to-end connectivity from suppliers to market launch, from enterprise management to user services, and from product development to user needs by optimizing the R&D management, channel management, production management and supply management processes of the Health Products Business Group. In terms of R&D and innovation, the Health Products Business Group obtained 22 patent authorizations, submitted 6 applications, and published 2 papers in top international SCI journals during the

reporting period. In terms of content marketing, we carried out special programs in key nodes, focusing on the keywords of the brand, such as “gum protection” for Yunnan Baiyao Toothpaste, and “anti-hair loss” for hair care and anti-hair loss series. On World Oral Health Day, we launched the “Healthy Oral 123 Plan.” Upholding the concept of “integrating TCM into modern life,” we enhanced the brand’s influence and empowered the brand’s business growth across the region through the “Amazing Chinese Heritage” project and high-quality cultural content. We co-branded the “National Museum of Chinese Writing,” tracing the lineage of characters and accomplishing brand culture breakthroughs. The series of brand campaigns strengthened the brand’s national popularity and professionalism, precisely reached the audience, and achieved a total exposure of more than 6.43 billion.

In the future, with the goal of becoming “the benchmark for the new concept of Chinese healthy lifestyle,” the Health Products Business Group will build a health ecosystem centered around quality of life. On the one hand, we will leverage our oral business as the foundation and benchmark, maintain and expand our industry leadership, deploy professional market while stabilizing the existing business, develop the hospitality business, expand oral non-toothpaste products, enhance new product R&D and iteration capabilities, and strengthen the ecosystem. On the other hand, we will rapidly increase the scale and volume of the washing and care business, steadily strengthen our focus on scalp ecology, and expand into the field of skin management in an orderly manner, so as to continuously improve the effectiveness of the organization and management, and enhance the efficiency of business development and the growth momentum.

3) TCM Resources Business Group

During the reporting period, the TCM Resources Business Group achieved an operating revenue of RMB 1.751 billion, representing a year-on-year increase of about 3.13%. The TCM Resources Business Group continued to ensure the supply and price stability of the Company’s strategic varieties, with the price increase of the herbal materials for feeding significantly lower than the average price increase of TCM materials in the industry. Through supply chain collaboration, we built an integrated “Big Procurement” management platform, reducing procurement costs of RMB 31 million year on year. Focusing on Yunnan’s local herbs and Baiyao’s strategically advantageous varieties, we achieved significant year-on-year growth in the sales revenue of *Panax notoginseng* extract, maintaining our market leadership. In terms of natural plant extraction business, our sales revenue increased by 8.71% year-on-year during the reporting period. In terms of pharmaceutical services, we built and operated the largest decoction center in Yunnan, and opened up the channel of “diagnosis and treatment - prescription - prescription examination - decoction - distribution - delivery to household,” providing patients with a full range of personalized and efficient pharmaceutical services. During the reporting period, the decoction center has served over 20 medical institutions and prepared more

than 7 million bags of decoction.

During the reporting period, in accordance with the decision-making and deployment of the Yunnan Provincial Committee of the Communist Party of China and the provincial government to cultivate Yunnan's TCM industry into a world-class modernized industry, Yunnan Baiyao firmly shouldered the responsibility of a "chain leader" of the TCM industrial chain in Yunnan Province. The Company has clarified the objectives and detailed measures in the areas of seed industry, planting, processing, marketing and branding, and accelerated the efforts related to the high-quality development of the TCM industry. In terms of seed industry, Yunnan Baiyao Group Seed Industry Technology Co., Ltd, the first company engaged in the TCM seed industry in Yunnan Province, was established to provide germplasm source control and resource support for the industry. In terms of planting, 7 GAP varieties were declared in 2024, with a base area of 4,593 mu. In terms of processing, the Lijiang Wenshan Platform has realized open sharing, and the Jinggu, Ludian and Pingbian primary processing platforms have been initially constructed. Among them, the Qixuekang Oral Liquid from the Wenshan Company was awarded the title of "Single Champion of Manufacturing" in Yunnan Province. The Lijiang platform has promoted the fresh processing of medicinal materials in western Yunnan, with production increasing by 180% during the reporting period, and food and healthcare food production rising by 182%. These measure not only lead high-quality development but also support the deep cultivation of nutritional products. In terms of market development, the industry internet platform for Yunnan TCM - "Digital Intelligence of Yunnan TCM" platform was officially launched. In addition to the basic trading functions, there are also testing, logistics, finance and other industry support services, fully open to the farmers, processing enterprises, buyers, regulatory agencies. The total value of transactions during the reporting period exceeded RMB 100 million. By building a three-tier product system of "Baiyao Preferred," "Baiyao Certified" and "Baiyao Owned," we helped upgrade traditional agricultural products to standardized "industrial products." In terms of brand building, Yunnan Baiyao was selected as one of the "Green Yunnan Products" brand catalogs in Yunnan Province in 2024, "2024 Brand Enterprise for TCM Decoction Pieces" and "2024 Authentic Medicinal Material Brand." In terms of standard formulation, we participated in the revision of the standard of *Panax notoginseng* and *Atractylodes lancea* in the *Chinese Pharmacopoeia* (2025 Edition), and led the 18 standard researches of freshly processed varieties in ietiese01563 Tmng 7

The Company had no investments in derivatives during the reporting period.

5. Use of proceeds

□Applicable ☑Not applicable

The Company had no use of proceeds during the reporting period.

VIII. Significant Assets and Equity Sales

1. Significant assets sales

□Applicable ☑Not applicable

The Company had no significant assets sales during the reporting period.

2. Significant equity sales

□Applicable ☑Not applicable

The Company had no significant equity sales during the reporting period.

IX. Analysis on the Major Holding Companies and Joint-stock Companies

☑Applicable □Not applicable

Major subsidiaries and joint-stock companies with a net profit impact of over 10%

Unit: RMB

Company name	Company type	Principal Business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
Yunnan Pharmaceutical, Co., Ltd.	Subsidiary	Wholesale and retail of pharmaceuticals	1,000,000,000.00	16,306,782,988.84	6,487,839,805.27	24,607,231,662.23	736,092,757.11	617,293,737.08
Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	8,357,348,360.54	5,886,356,312.16	6,525,835,244.13	1,501,007,701.79	1,249,077,014.31
YNBY International	Subsidiary	Specialized in trade of finished cooking oil, sugar, personal care products, and cosmetics.		340,764,709.45	240,715,280.26	689,091,622.71	21,459,144.17	16,683,866.18

Limited								
Shanghai Pharmaceuticals Holding Co., Ltd.	Joint-stock company	R&D, manufacturing, and sales of API, pharmaceutical products (including but not limited to chemical Active Pharmaceutical Ingredients (APIs), chemical preparations, TCM materials, Chinese patent medicines, TCM decoction pieces, biochemical drugs, biological products, narcotics, psychotropic drugs, and toxic drugs for medical use [Adapted to the scope of business], vaccines) of various dosage forms (including but not limited to tablets, capsules, aerosols, immune preparations, granules, plasters, pills, oral liquids, inhalants, injections, liniments, tinctures, suppositories) health products, medical devices, and related products, manufacturing and sales of pharmaceutical equipment, engineering installation and maintenance, warehousing and logistics, sea, land, and air freight forwarding business, industrial investment, asset management, provision of international economic and trade information and consulting services, self-owned house leasing, import and export business of various self-operated and agent drugs and related goods and technologies.	3,696,414,318.00	221,209,430,148.17	83,742,363,721.07	275,250,934,889.66	8,140,712,946.17	5,870,011,314.88

Acquisition and disposal of subsidiaries during the reporting period

□Applicable ☑Not applicable

Explanation on companies subject to control or share participation of the Company

Dai Yang	Wondershare	Independent Director	May 17, 2021	May 16, 2025	Yes
Liu Guo'en	Peking University	Professor	January 1, 2006		Yes
Liu Guo'en	MicroPort Scientific Corporation	Independent Director	September 3, 2010		Yes
Zhang Yongliang	Beijing King & Wood Mallesons	Partner	October 20, 1997		Yes
He Yong	ShineWing Certified Public Accountants (SGP)	Partner	July 1, 2009		Yes
He Yong	Chengdu Branch of ShineWing Certified Public Accountants (SGP)	Deputy Chief Accountant	July 25, 2024		Yes
Zhang Ning	Peking University	Professor	October 9, 2017		Yes
Zhang Ning	Affiliated Cancer Hospital of Tianjin Medical University	Part-time Professor	October 9, 2017		Yes
Ma Jia	Shanghai Pharmaceuticals Holding Co., Ltd.	Supervisor	June 29, 2023		No
He Tao	Yunnan Yuntianhua Co., Ltd.	Director	July 26, 2019	June 11, 2024	Yes
He Tao	Yunnan Yuntianhua Co., Ltd.	Deputy General Manager	March 26, 2021	June 11, 2024	Yes
He Tao	Yunnan Yuntianhua United Business Co., Ltd.	Executive Director, General Manager	February 26, 2020	June 24, 2024	Yes
Li Shengli	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	Executive President	January 1, 2020	September 13, 2024	Yes

Penalties to the current directors, supervisors and senior management of the Company and those leaving office during the reporting period by securities regulatory agencies in the latest three years

□Applicable ☑Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures, determination basis and actual payment of remuneration for directors, supervisors, and senior management

Decision-making procedures of remuneration of directors, supervisors, and senior management	The Remuneration Management Committee shall submit the proposal to the board of directors for consideration and approval prior to implementation.
Basis for determination of the remuneration of directors, supervisors, and senior management	Remuneration shall be determined based on operating conditions, industry standard, responsibilities assumed, and other relevant factors.
Actual payment of remuneration of directors, supervisors, and senior management	Allowances for directors and supervisors will be paid monthly, while those for senior management will be paid based on established assessment standards.
Composition of remuneration of directors, supervisors, and senior management	The remuneration received by directors, supervisors, and senior management of the Company in 2023 includes a basic salary, performance bonus, allowances, and other cash income.

Remuneration for directors, supervisors, and senior management during the reporting period

Unit: RMB0'000

Name	Gender	Age	Title	Service status	Total pre-tax remunerations received from the Company	Whether remuneration was received from related parties of the Company

Zhang Wenxue	Male	62	Secretary of the Company's Party Committee, Chairman	Incumbent	0	No
Dong Ming	Male	49	Vice Chairman, CEO and President	Incumbent	425.37	No
Li Hongshen	Male	46	Director	Incumbent	0	Yes
Guo Xin	Male	54	Director	Incumbent	5.19	Yes
You Guanghui	Male	54	Director	Incumbent	112.28	No
Xie Yunshan	Male	50	Director	Incumbent	98.33	Yes
Shangguan Changchuan	Male	58	Director	Incumbent	66.51	Yes
Liu Guo'en	Male	68	Independent Director	Incumbent	25.71	No
Dai Yang	Male	56	Independent Director	Incumbent	25.71	No
Zhang Yongliang	Male	57	Independent Director	Incumbent	25.71	No
He Yong	Male	55	Independent Director	Incumbent	25.71	No
Dai Pujun	Male	45	Vice Chairman of the Supervisory Committee	Incumbent	4.46	Yes
Qu Huaxi	Male	59	Supervisor and Chairman of the Trade Union	Incumbent	106.3	No
He Yingxia	Female	53	Supervisor and Deputy Chairman of the Trade Union	Incumbent	57.57	No
Zhu Zhaoyun	Female	71	TCM Strategic Scientist	Incumbent	181.02	No
Zhang Ning	Male	54	Chief Scientist	Incumbent	361.01	No
Li Shengli	Male	52	Senior Vice President	Incumbent	106.19	No
Ma Jia	Male	48	Chief Financial Officer	Incumbent	184.15	No
He Tao	Male	49	Senior Vice President	Incumbent	76.73	No
Shen Shi	Male	44	Senior Vice President	Incumbent	76.73	No
Li Jin	Male	60	Secretary of the Discipline Inspection Commission, and Chief Quality and Process Officer	Incumbent	124.04	No
Qian Yinghui	Male	41	Secretary of the Board of Directors	Incumbent	112.13	No
Chen Fashu	Male	65	Former Director	Resigned	0	Yes
Lu Hongdong	Male	58	Former Director, Deputy Secretary of the Company's Party Committee	Resigned	48.11	No
Chen Yanhui	Male	39	Former Director	Resigned	46.83	Yes
Qin Wanmin	Male	61	Former Chief Innovation Officer, Senior Vice President, and President of the Health Products Business Group	Resigned	364.03	No

Yang Yong	Male	61	Former Chief Compliance Officer, Senior Vice President, and Executive Director of Yunnan Pharma	Resigned	363.97	No
Zhao Yingming	Male	53	Former Chief Business Officer & Senior Vice President	Resigned	258.45	No
Zhong Jie	Male	61	Former Vice Chairman of the Supervisory Committee	Resigned	46.16	No
Yin Pinyao	Male	56	Former Chief Operation Officer, Senior Vice President, and President of the TCM Resources Business Group	Resigned	33.96	No
Yu Juan	Female	53	Former Chief Human Resources Officer	Resigned	15.33	No
Total	--	--	--	--	3,377.69	--

Explanation on other matters

□Applicable ☑Not applicable

VI. Duty Performance of Directors during the Reporting Period

1. Board meetings held during the reporting period

Sessions	Meeting date	Disclosure date	Resolutions
The first session of the Tenth Board of Directors for 2024	February 7, 2024	February 8, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1219122495&orgId=gssz0000538&announcementTime=2024-02-08
The second session of the Tenth Board of Directors for 2024	February 23, 2024	February 24, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1219171885&orgId=gssz0000538&announcementTime=2024-02-24
The third session of the Tenth Board of Directors for 2024	March 28, 2024	March 30, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1219474050&orgId=gssz0000538&announcementTime=2024-03-30
The fourth session of the Tenth Board of Directors for 2024	April 26, 2024	April 27, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1219860289&orgId=gssz0000538&announcementTime=2024-04-27
The fifth session of the Tenth Board of Directors for 2024	May 24, 2024	May 27, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1220160072&orgId=gssz0000538&announcementTime=2024-05-27
The sixth session of the Tenth Board of Directors for 2024	June 11, 2024	June 12, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1220324360&orgId=gssz0000538&announcementTime=2024-06-12
The seventh session of the Tenth Board of Directors for 2024	June 27, 2024	June 29, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1220497311&orgId=gssz0000538&announcementTime=2024-06-29
The eighth session of the Tenth Board of Directors for 2024	August 26, 2024	August 27, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1220987154&orgId=gssz0000538&announcementTime=2024-08-27
The nineth session of the Tenth Board of Directors for 2024	October 11, 2024	October 12, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1221368221&orgId=gssz0000538&announcementTime=2024-10-12
The tenth session of the Tenth Board of Directors for 2024	October 29, 2024	October 30, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1221560394&orgId=gssz0000538&announcementTime=2024-10-30
The eleventh session of the Tenth Board of Directors for 2024	November 29, 2024	November 30, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1221892814&orgId=gssz0000538&announcementTime=2024-11-30
The twelfth session of the Tenth Board of Directors for 2024	December 27, 2024	December 28, 2024	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1222166319&orgId=gssz0000538&announcementTime=2024-12-28

2. Attendance of directors at the Board meetings and general meetings

Attendance of directors at the Board meetings and general meetings							
Name of directors	Number of attendances required for the reporting period	Number of on-site attendances to Board meetings	Number of attendances to Board meetings through communication	Number of Board meetings attended by directors appointed as the proxy	Number of absences from Board meetings	Non-attendance in person for two consecutive times or not	Number of attendances to general meetings
Zhang Wenxue	11	6	5	0	0	No	5
Dong Ming	12	5	7	0	0	No	5
Li Hongshen	12	3	9	0	0	No	5
Guo Xin	7	4	3	0	0	No	3
You Guanghui	7	4	3	0	0	No	3
Xie Yunshan	12	6	6	0	0	No	5
Shangguan Changchuan	7	4	3	0	0	No	3
Dai Yang	12	3	9	0	0	No	5
Zhang Yongliang	12	4	8	0	0	No	5
Liu Guo’en	12	1	11	0	0	No	5
He Yong	12	2	10	0	0	No	5
Chen Fashu	4	0	4	0	0	No	0
Lu Hongdong	4	2	2	0	0	No	2
Chen Yanhui	4	1	3	0	0	No	1

Explanation on two consecutive absences from Board meetings: Not applicable.

3. Objections raised by directors to relevant matters of the Company

Did directors object to relevant matters of the Company?

☑Yes □ No

Name of the Director	The matter to which the director raised objections	Content of the Objections
Li Hongshen	Proposal on the treatment of the convertible bonds of YNBY International Limited ("YNBY International") at its maturity	Director Li Hongshen voted against it for conversion is not beneficial for the Company's development. The other directors all voted in favor.
Li Hongshen	Proposal on joint investment with professional investment institutions to establish a fund	Director Li Hongshen cast an abstention vote. The reason for abstention is that establishing the fund is beneficial for the long-term development of Yunnan Baiyao, but the control mechanisms for the fund's specific operations still need further improvement. The other directors all voted in favor.
Explanation on objections raised by the director to relevant matters of the Company	Not applicable	

4. Other circumstances in the performance of duties by directors

Was advice to the Company from directors adopted?

☑Yes □ No

Explanation on whether advice to the Company from directors was adopted or not

During the reporting period, in strict accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *Several Provisions on Strengthening the Protection of the Rights and interests of Shareholders of Public Shares* and other laws, regulations and normative documents, as well as the *Articles of Association*, the *Rules of Procedure for the Board of Directors* and other relevant requirements, all the members of the Tenth Board of Directors of the Company, honoring the principles of integrity, faithfulness and diligence, and abiding by the code of conduct for the performance of duties as a director, attended the Board meetings and the general meetings of shareholders in earnest, actively understanding the operation of the Company and fully expressing our opinions, and carefully, independently and objectively considering 55 motions, including the revision of the Company's corporate governance documents, organizational structure, related party transactions, misappropriation of funds, and the appointment of senior management personnel. They carefully understood the contents for consideration during the Board meetings and expressed corresponding opinions and suggestions, which have played a positive role in promoting the Board of Directors to make strategic decisions that are more in line with the development of the Company and more scientific and reasonable, and have effectively safeguarded the legitimate rights and interests of the Company and all the shareholders, in particular the minority shareholders.

VII. Performance of Special Committees under the Board of Directors during the Reporting Period

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Strategy Committee	Chen Fashu, Dong Ming, Lu Hongdong, Li Hongshen, Liu Guo'en	6	March 25, 2024	(I) The first meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on the 2024 Organizational Structure Plan of Yunnan Baiyao. 2. Proposal on the Plan of Delegation of Power by the Board of Directors 3. Proposal on 2023 Profit Distribution Plan 4. Proposal on the Strategic Plan Outline for 2024-2028 of Yunnan Baiyao Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Chen Fashu, Dong Ming, Lu Hongdong, Li Hongshen, Liu Guo'en	6	April 22, 2024	(II) The second meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on the Company's Declaration of the Budge for the Lighthouse Enterprise Project Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	June 11, 2024	(III) The third meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on the Election of the Chairman of the Committee Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	June 21, 2024	(IV) The fourth meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on the Introduction of Project KA-1641 Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	November 22, 2024	(V) The fifth meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on Proposed Establishment of a Fund Jointly Invested with Professional Investment Institutions Result: 5 voted in favor, 0 voted against, 1 abstained	None	None	Director Li Hongshen cast an abstention vote. The reason for abstention is that establishing the fund is beneficial for the long-term development of Yunnan Baiyao, but the control mechanisms for the fund's specific operations still need further improvement.
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	December 20, 2024	(VI) The sixth meeting of Strategy Committee of the Tenth Board of Directors for 2024 1. Proposal on the Strategic Plan for 2024-2028 of Yunnan Baiyao 2. Proposal on the Use of Self-owned Idle Funds for Investment and	None	None	None

				Financial Management in 2025 3. Proposal on Lijiang Company's Relocation Plan of Health Food Production Line Result: 6 voted in favor, 0 voted against, 0 abstained			
Nomination Committee	Dai Yang, Zhang Yongliang, Chen Yanhui	5	February 5, 2024	(I) The first meeting of Nomination Committee of the Tenth Board of Directors for 2024 1. Proposal on Nominating Candidates for the Tenth Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Yongliang, Chen Yanhui	5	May 24, 2024	(II) The second meeting of Nomination Committee of the Tenth Board of Directors for 2024 1. Proposal on Electing Non-independent Directors for the Tenth Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Wenxue, Zhang Yongliang	5	July 5, 2024	(III) The third meeting of Nomination Committee of the Tenth Board of Directors for 2024 1. Proposal on Appointment of Senior Management for the Tenth Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Wenxue, Zhang Yongliang	5	July 30, 2024	(IV) The fourth meeting of Nomination Committee of the Tenth Board of Directors for 2024 1. Proposal on Appointment of Senior Management for the Tenth Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Wenxue, Zhang Yongliang	5	August 15, 2024	(V) The fifth meeting of Nomination Committee of the Tenth Board of Directors for 2024 1. Proposal on Appointment of Senior Management for the Tenth Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Chen Fashu	2	March 18, 2024	(I) The first meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2024 1. Proposals on 2023 Short-term Incentive and Provision for Incentive Fund to be specified in the *Measures for the Remuneration and Appraisal of Core Personnel such as Directors, Supervisors and Senior Management* in 2023 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Shangguan Changchuan	2	February 14, 2024	(II) The second meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2024 1. Proposal on the Implementation of Short-term Incentive Distribution for Directors, Supervisors and Senior Management in 2023 2. Proposal on the Implementation of Short-term Incentive Distribution for Senior Management in 2023 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	March 13, 2024	(I) The first meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on Preliminary Audit Opinion on the 2023 Annual Report Issued by the Certified Public Accountant 2. The Company's Internal Audit Work Summary for 2023 and Internal Audit Work Plan for 2024 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	March 25, 2024	(II) The second meeting of Audit Committee of the Tenth Board of Directors for 2024 1. 2023 Annual Report and its summary 2. Annual Final Account Report for 2023 3. Proposal on the special audit report of the accounting firm on the summary of the non-operational funds occupied by the related parties and the transactions of other related funds 4. 2023 Profit Distribution Plan 5. Proposal on Estimation of the Daily Related Party Transactions in 2024 6. Report on the Company's Financial Budget for 2024 7. Self-evaluation Report on the Company's Internal Control for 2022 8. Proposal on paying the audit fees (including internal control audit) of Mazars Certified Public Accountants LLP in 2022 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	April 23, 2024	(III) The third meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on the Report of the First Quarter in 2024 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	July 19, 2024	(IV) The fourth meeting of Audit Committee of the Tenth Board of Directors for 2023 1. Proposal on Formulating *Accounting Firm Selection and Employment System of Yunnan Baiyao Group* Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	August 23, 2024	(V) The fifth meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on Interim Report for 2024 and its summary 2. Proposal on Renewing the Engagement with the Company's Audit Organization (Including Internal Control Audit) for 2024 3. Proposal on Revising the *Internal Audit Systems of Yunnan Baiyao* Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	October 25, 2024	(VI) The sixth meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on the Report of the Third Quarter in 2024 2. Proposal on Special Dividend Plan Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	December 2, 2024	(VII) The seventh meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on 2024 Annual Report Audit Plan Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	8	December 20, 2024	(VIII) The eighth meeting of Audit Committee of the Tenth Board of Directors for 2024 1. Proposal on Estimation of the Daily Related Party Transactions in 2025 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

VIII. Work of the Supervisory Committee

Whether the Supervisory Committee identified any risks to the Company in its supervisory activities during the reporting period

□Yes ☑No

The Supervisory Committee had no objections to the supervisory matters during the reporting period.

IX. Employees of the Company

1. Number of employees, professional composition, and education

Number of in-service employees of the parent company at the end of the reporting period (person)	4,187
Number of in-service employees of major subsidiaries at the end of the reporting period (person)	5,090
Total number of in-service employees at the end of the reporting period (person)	9,277
Total number of salaried employees in the current period (person)	9,277
Number of retired pensioners whose expenses shall be borne by the parent company and its main subsidiaries (person)	1, 910
Professional Composition	
Category of Professional Composition	Number of Professional Composition (Person)
Production staff	1,760
Sales staff	5,433
Technical staff	1,276
Financial staff	277
Administrative staff	531
Total	9,277
Education	
Category of Education	Number (person)
Doctor	38
Master	585
Undergraduate	4,267
College	3,242
Technical secondary school and below	1,145
Total	9,277

2. Remuneration policy

Driven by strategic goals and a positive incentive philosophy, the Company has cultivated a positive corporate culture that effectively attracts, motivates, and retains core talents, thereby fueling business innovation and sustainable development. The Company has implemented measures to improve quality and efficiency, and enabled employees to deeply participate in the sharing of corporate achievements, thereby stimulating team vitality and supporting the joint development of the Company and its employees. Guided by the labor cost rate,

the Company has standardized its labor cost budgeting and planning, and refined its methods for labor cost control and management, which allows the Company to concentrate its human resources investment on key positions within the value chain, thereby achieving an efficient alignment between investment and performance.

In accordance with relevant laws and regulations, Yunnan Baiyao has fulfilled its social responsibility to keep optimizing employee welfare and caring plans. It has purchased pension, medical, unemployment, work-related injury, maternity, and other insurance for employees, as well as has provided housing provident fund and enterprise annuity to fully ensure that employees enjoy the rights and interests stipulated by law. In addition, the Company has purchased commercial insurance to effectively avoid the risk of accidental injury and comprehensively protect the health and benefits of employees.

3. Training program

Yunnan Baiyao adheres to the concept of "People-first, Talent-integrated," and mainly keeps training talents internally, and introduces external talents as a supplement. The Company focuses on having talents with diverse knowledge systems and composite talent teams. So, it establishes and improves the talent training system through scientific talent strategy planning and has formulated and implemented a special training plan for management cadres, professional technical talents, and skilled talents, to offer employees diverse avenues for development and comprehensive training support, enabling them to continuously enhance their skills and capabilities to achieve their personal growth, which in turn promotes the development of the Company. The Company has conducted a dynamic talent inventory based on competency models, post competence and talent assessment, focusing on the identification and training of key talents. By implementing effective management mechanisms and talent pool management tools, we cultivate a high-quality composite talent team who align with the Company's future development needs.

During the reporting period, in response to the needs of strategic planning, business development, and organizational capability building, and guided by the goal of establishing a strategic human resource management system, the Company has focused on building a team of ambitious and capable managers and a well-structured talent pool, thus enhancing organizational capabilities and providing significant support and fundamental assurance for the implementation of strategies. The Company has continuously upgraded its talent cultivation system, focusing on the alignment of "people" and "professional" aspects with the Company's overall objectives, both vertically and horizontally, and across short-term and long-term goals. It has integrated a series of training programs covering leadership, professional skills, and technical abilities, and provided customized training projects. Specific initiatives organized and implemented include the Successor Development and Assessment Program for Managers, the New Promoted Middle Management Training Program under the "*Paris polyphylla* Flower" initiative, the Middle Management "Xuanjia Army" Training Program under the "*Paris polyphylla* Flower" initiative, the R&D Project Management Training Program, the Special Training Camp for Supply Chain Operations, and the New Apprenticeship Program.

4. Labor outsourcing

□Applicable ☑Not applicable

X. Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company

Formulation, implementation, or adjustment of profit distribution policies, especially cash dividend policies during the reporting period

☑Applicable □Not applicable

The Company's ongoing commitment revolves around creating value and ensuring reasonable returns for investors. The Company extensively gathers and incorporates shareholders' perspectives regarding profit distribution. It follows sustainable, stable, compliant, and transparent distribution policies that prioritize the protection of minority shareholders' legitimate rights and interests. The standards and ratios for dividend distribution are clearly defined. The profit distribution plan of the Company is submitted to the general meeting of shareholders for consideration, and the decision-making and implementation of profit distribution comply with the relevant provisions of the *Articles of Association* and the requirements of the resolutions of the general meeting of shareholders.

The Company's annual equity distribution plan for 2023 is as follows: Based on the total share capital of the Company of 1,796,862,549 shares as at the end of 2023 less 12,599,946 shares repurchased from the special securities account for share repurchase, i.e., on the basis of 1,784,262,603 shares, a cash dividend of RMB 20.77 (tax inclusive) for every 10 shares would be paid to all shareholders, 0 bonus shares (tax inclusive) would be distributed, and no share capital would be converted from capital reserve. In accordance with the distribution proportion of this plan, the total amount of distribution was finally determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan was implemented in the future. The remaining undistributed profits were reserved for distribution in subsequent years. On May 19, 2024, the Company completed the implementation of equity distribution for 2023, with a total cash dividend of RMB 3,705,913,426.431 distributed.

The special dividend distribution plan for 2024 is as follows: Based on the total share capital of the Company of 1,784,262,603 shares as at the end of the third quarter in 2024, a cash dividend of RMB 12.13 (tax inclusive) for every 10 shares would be paid to all shareholders, 0 bonus shares (tax inclusive) would be distributed, and no share capital would be converted from capital reserve. In accordance with the distribution proportion of this plan, the total amount of distribution was finally determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan was implemented in the future. The remaining undistributed profits were reserved for distribution in subsequent years. On November 25, 2024, the Company completed the implementation of dividend distribution for 2024, with a total cash dividend of RMB 2,164,310,537.439 distributed.

Special Description of Cash Dividend Policy	
Whether it complies with the provisions of the Articles of Association or the requirements of resolutions of general meeting of shareholders:	Yes
Whether the standards and ratios for dividend distribution are clearly defined:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors perform their duties and play their due role:	Yes

If the Company does not pay cash dividends, it shall disclose the specific reasons and the next steps to be taken to enhance the return of investors:	No
Whether minority shareholders have sufficient opportunities to express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
Whether the conditions and procedures for adjusting or changing the cash dividend policies are compliant and transparent:	Yes

The Company made profits during the reporting period and the profit available for distribution to shareholders of the parent company was positive, but no cash dividend distribution plan was proposed

□Applicable ☑Not applicable

Distribution of profits and capital reserve converted into share capital during the reporting period

☑Applicable □Not applicable

Number of bonus shares for every 10 shares (share)	0
Number of dividends for every 10 shares (RMB) (tax included)	11.85
Base of share capital of the distribution plan (share)	1,784,262,603
Cash dividend amount (RMB) (tax included)	2,114,351,184.56
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	0.00
Total cash dividend (including other methods) (RMB)	2,114,351,184.56
Distributable profits (RMB)	2,287,686,657.27
Proportion of total cash dividends (including other methods) to total profit distribution	100%
This Cash Dividend	
If the Company is in the mature phase and there is no significant capital expenditure arrangement, the cash dividend shall account for at least 80% of the profit distribution when profit distribution is made.	
Details of Plan on Profit Distribution and Conversion of Capital Reserve into Share Capital	
The profit distribution plan of the Company considered and approved by the Board of Directors is as follows: Based on the total share capital of the Company of 1,784,262,603 shares as at the end of 2024, a cash dividend of RMB 11.85 (tax inclusive) for every 10 shares will be paid to all shareholders, 0 bonus shares (tax inclusive) will be distributed, and no share capital would be converted from capital reserve. At the same time, the Company completed the special dividend distribution for 2024 in November 2024, with a cash dividend of RMB 12.13 (tax inclusive) for every 10 shares, totaling RMB 2,164,310,537.44 (tax inclusive). The cash dividend to be implemented this time will be combined with the special dividend already distributed in 2024. Based on the total share capital of 1,784,262,603 shares at the end of 2024, the total cash dividend for 2024 will be RMB 23.98 (tax inclusive) per 10 shares, with a total cash dividend of RMB 4,278,661,722.00 (tax inclusive), accounting for 90.09% of the Company's net profit attributable to shareholders of the listed company for 2024.	

XI. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan (ESOP), or Other Employee Incentive Measures

□Applicable ☑Not applicable

During the reporting period, the Company implemented no equity incentive plan, employee stock ownership plan or other employee incentive measures.

XII. Establishment and Implementation of Internal Control System during the Reporting Period

1. Establishment and implementation of internal control

The Company, in accordance with the *Company Law*, the *Basic Standard for Enterprise Internal Control* and its related guidelines and other related laws and regulations, and by reference to the industry characteristics and the practice of the Company, has continuously improved its internal control system and promoted risk management of key business areas to improve its overall risk defense capability.

In 2024, the Company had an improved internal control system, which had been effectively implemented and helped the Company disclose information timely and accurately and prepare financial reports truly and reliably, ensuring the legal and compliant operation of the Company and the safety and integrity of assets, achieving the expected objectives of internal control and safeguarding the interests of the Company and all shareholders.

2. Details of significant internal control defects discovered during the reporting period

□Yes ☑No

XIII. Management Control of Subsidiaries during the Reporting Period

None.

XIV. Internal Control Evaluation Report or Internal Control Audit Report

1. Internal Control Evaluation Report

Full-text disclosure date of Internal Control Evaluation Report		April 1, 2025
Full-text disclosure index of Internal Control Evaluation Report		http://www.cninfo.com.cn/new/index
Total assets of units included in the evaluation scope as a percentage of total assets of the Company's consolidated financial statements		98.84%
Operating income of units included in the scope of evaluation as a percentage of operating income of the Company's consolidated financial statements		99.91%
Defect Identification Criteria		
Category	Financial Report	Non-Financial Report
Qualitative Criteria	1. Major defects: Frauds among directors, supervisors, and senior managers of the Company are discovered; Significant internal control deficiencies identified and reported to management are not corrected after a reasonable time; Control environment is ineffective; The oversight of internal controls by Audit Committee and internal audit bodies is ineffective; There are defects affecting earnings trends; Material misstatements detected by external audit are not first detected by the Company; The Company corrects published financial statements. 2. Important defects: Accounting policies fail to be selected and applied by GAAP; Controls or compensatory measures for non-conventional or special transaction accounting treatment fail to be established or implemented. 3. General defects: Defects other than major defects and important defects are classified as general defects.	1. Major defects: Those defects that have been formally disclosed and have a negative impact on the Company's periodic reporting disclosure; and have violated national laws and regulations, causing heavy losses to the Company. 2. Important defects: Those defects that are punished by national government authorities but have not had a negative impact on the Company's periodic report disclosures. 3. General defects: Those defects are punished by provincial (including provincial) and below government departments but do not have a negative impact on the disclosure of the Company's periodic reports.

Quantitative Criteria	Internal control defects with financial misstatement amount less than 3% of total profit shall be identified as general defects; Internal control defects with an absolute amount greater than or equal to 3% but less than 5% of total profit shall be identified as important defects; Internal control defects with an absolute amount greater than or equal to 5% of total profit shall be identified as major defects.	By reference to the identification criteria for internal control defects in financial reports, internal control defects that may cause direct property losses with an absolute amount less than 3% of total profits are identified as general defects; Internal control defects with an absolute amount greater than or equal to 3% but less than 5% of total profit shall be identified as important defects; Internal control defects with an absolute amount greater than or equal to 5% of total profit shall be identified as major defects.
Number of Major Defects in Financial Reports (Item)	0	
Number of Major Defects in Non-Financial Reports (Item)	0	
Number of Important Defects in Financial Reports (Item)	0	
Number of Important Defects in Non-Financial Reports (Item)	0	

2. Internal Control Audit Report

☑Applicable □Not applicable

Considerations about Internal Control Audit Report	
We believe that Yunnan Baiyao has maintained effective internal control over financial reports in all material respects as of December 31, 2024, in accordance with the *Basic Standard for Enterprise Internal Control* and relevant regulations.	
Disclosure of Internal Control Audit Report	Disclosed
Full-text disclosure date of Internal Control Audit Report	April 1, 2025
Full-text disclosure index of Internal Control Audit Report	http://www.cninfo.com.cn/new/index
Opinion type of Internal Control Audit Report	Unqualified opinion
Whether there are major defects in non-financial reports	No

Does the accounting firm issue internal control audit reports with qualified opinion?

□Yes ☑No

Whether the internal control audit report issued by the accounting firm is consistent with the self-evaluation report of the Board of Directors?

☑Yes □No

XV. Rectification of Self-inspection Issues in Special Actions for Governance of Listed Companies

Not applicable.

Section V Environmental and Social Responsibilities

I. Significant Environmental Issues

Whether the listed company and its subsidiaries are the key pollutant discharge unit announced by the environmental protection departments

☑Yes □No

Environmental protection related policies and industry standards

1. Related laws, regulations and policies

Yunnan Baiyao Group Co., Ltd has strictly complied with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* and the *Law of the People's Republic of China on the Prevention and Control of Noise Pollution*, and internally formulated and implemented environmental management policies such as the *Environmental Protection Management System*, *Environmental Protection Responsibility System*, *Environmental Protection Approval Management System*, and *Hazardous Waste Management System*.

2. Administrative permits for environmental protection

(1) Yunnan Baiyao Group Co., Ltd.

Environmental Impact Assessment (EIA) Approvals: YHXZH (2008) No.255

Approval for Acceptance of Completed Environmental Protection Projects: Phase I YH Acceptance (2013) No. 1, Phase II YH Acceptance (2015) No. 30

Pollution discharge permit No.: 9153000021652214XX001Q, effective from July 2, 2023 until July 1, 2028.

(2) Yunnan Baiyao Group TCM Resources Co., Ltd.

Environmental Impact Assessment (EIA) Approvals: YHSH (2009) No.261, YHSHP (2014) No. 1

Approval for Acceptance of Completed Environmental Protection Projects: Phase I YH Acceptance (2014) No. 16, Phase II Acceptance (Self-acceptance on March 20, 2021), YHSH Acceptance (2016) No. 4

Pollution discharge permit No.: 91530100216583890U001U, effective from May 13, 2024 until May 12, 2029.

(3) Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.

Environmental Impact Assessment (EIA) Approvals: DHSH (2010) No.21

Approval for Acceptance of Completed Environmental Protection Projects: DHSH (2015) No.32

Pollution discharge permit No.: 91532900218671552P001V, effective from August 26, 2024 until August 25, 2029.

(4) Yunnan Baiyao Group Wenshan Qihua Co., Ltd.

Environmental Impact Assessment (EIA) Approvals: WHSH (2017) No.53

Approval for Acceptance of Completed Environmental Protection Projects: Self-acceptance on January 5, 2021

Pollution discharge permit No.: 91532600709893942X002R, effective from August 3, 2021 until August 2, 2026.

3. Industry emission standards and specific situations of pollutant emissions involved in production and operation activities

Name of Company or Subsidiary	Types of Main Pollutants and Characteristic Pollutants	Names of Main Pollutants and Characteristic Pollutants	Emission Method	Number of Discharge Outlets	Distribution of Discharge Outlets	Emission Concentration/Intensity	Pollutant Emission Standards Implemented	Total Emissions	Approved Total Emissions	Emissions Exceeding Standards
Yunnan Baiyao Group Co., Ltd.	Exhaust gas	Particulate matter, non-methane total hydrocarbons	Organized emissions	4	Discharge outlet for alcohol extraction exhaust gas	Discharge outlet 1 for alcohol extraction exhaust gas (with an average particulate matter concentration of 3mg/m³); Discharge outlet 2 for alcohol extraction exhaust gas (with an average particulate matter concentration of 2.95mg/m³); Discharge outlet 3 for alcohol extraction exhaust gas (with an average particulate matter concentration of 3.75mg/m³); Discharge outlet 4 for alcohol extraction exhaust gas (with an average particulate matter concentration of 3.15mg/m³); Discharge outlet 1 for alcohol extraction exhaust gas (with an average non-methane total hydrocarbons concentration of 3.13mg/m³); Discharge outlet 2 for alcohol extraction exhaust gas (with an average non-methane total hydrocarbons concentration of 10.13mg/m³); Discharge outlet 3 for alcohol extraction exhaust gas (with an average non-methane total hydrocarbons concentration of 8.86mg/m³); Discharge outlet 4 for alcohol extraction exhaust gas (with an average non-methane total hydrocarbons concentration of 13.36mg/m³)	*Standards for the Emission of Air Pollutants in the Pharmaceutical Industry* (GB37823-2019): Particulate matter<30mg/m³, and non-methane total hydrocarbons<100mg/m³	With no total emission indicator available	None	None

Yunnan Baiyao Group Co., Ltd.	Exhaust gas	NO_X, particulate matter, SO_2	Organized emissions	3	Main discharge outlet for boiler exhaust gas	4t/h boiler (with an average NOX concentration of 49.25 mg/m³); 10t/h boiler (with an average NOX concentration of 78.182 mg/m³); 15t/h boiler (with an average NOX concentration of 79.857 mg/m³). 4t/h boiler (with an average particulate matter concentration of 5.6 mg/m³); 10t/h boiler (with an average particulate matter concentration of 2.6 mg/m³); 15t/h boiler (with an average particulate matter concentration of 5.9 mg/m³). 4t/h boiler (with an average SO_2 concentration of <3mg/m³); 10t/h boiler (with an average SO_2 concentration of <3mg/m³); 15t/h boiler (with an average SO_2 concentration of <3mg/m³).	*Standards for the Emission of Air Pollutants from Boilers* (GB13271-2014): NO_X<400mg/m³, Particulate matter<30mg/m³, SO_2<100mg/m³	The NO_X emissions in 2024 were 2.961 tons	Annual approved NO_X emissions total 11.0667 tons	None
Yunnan Baiyao Group Co., Ltd.	Waste water	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, total phosphorus	Drainage outlet	1	Main drainage outlet					

Yunnan Baiyao Group TCM Resources Co., Ltd.	Exhaust gas	SO_2, NO_X, particulate matter, Ringelmann smoke	Organized emissions	3	Boiler main exhaust gas outlet	SO_2<2mg/m³ (1st quarter average concentration), NO_X: 64.89mg/m³ (1st and 2nd quarters average concentrations), particulate matter: 2.45mg/m³ (1st quarter average concentration), Ringelmann smoke:<level 1 (1st quarter average concentration)	*Standards for the Emission of Air Pollutants from Boilers* (GB13271-2014): SO_2<50mg/m³, NO_X:<200mg/m³, particulate matter:<20mg/m ³, Ringelmann smoke: level 1	The NO_X emissions in 2024 were 2.723 tons (In May 2024, the pollutant discharge permit was subject to simplified management after change, the boiler exhaust gas outlet was deleted, and the boiler-related environmental protection matters were managed by Kunming Tanyue New Energy Co., Ltd)	Annual approved NO_X emissions total 32.18 tons (as set in the original pollutant discharge permit)	None
Yunnan Baiyao Group TCM Resources Co., Ltd.	Waste water	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, total phosphorus	Drainage outlet	1	Main drainage outlet	Total nitrogen: 6.66 mg/L; Ammonia nitrogen: 0.27 mg/L; COD: 61.95 mg/L; Suspended solids: 14.00 mg/L; BOD5: 8.52 mg/L; Total phosphorus: 3.76 mg/L	*Wastewater Quality Standard for Discharge to Municipal Sewers* (GB/T 31962-2015); *Integrated Wastewater Discharge Standards* (GB8978-1996): Total nitrogen<70mg/L, ammonia nitrogen<45mg/L, COD <500mg/L, suspended solids<400mg/L, BOD5 <350mg/L, and total phosphorus<8mg/L	With no total emission indicator available	None	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Exhaust gas	SO_2, NO_X, particulate matter, Ringelmann smokes	Organized emissions	1	Boiler main exhaust gas outlet	SO_2: <3mg/m³; NO_X: 47mg/m³; Particulate matter: 7.1mg/m³; Ringelmann smoke: <1	*Standards for the Emission of Air Pollutants from Boilers* (GB13271-2014): SO_2:<50mg/m³, NO_X:<200mg/m³, Particulate matter:<20mg/m³, Ringelmann smoke: level 1	With no total emission indicator available	None	None
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Wastewater	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, total phosphorus	Drainage outlet	1	Main drainage outlet	Total nitrogen: 5.93mg/L; Ammonia nitrogen: 4.79mg/L; COD:68.24mg/L; Suspended solids: 4mg/L; BOD5:11.8mg/L; Total phosphorus: 0.22mg/L	*Wastewater Quality Standard for Discharge to Municipal Sewers* (GB/T 31962-2015); *Integrated Wastewater Discharge Standards* (GB8978-1996): Total nitrogen<70mg/L, ammonia nitrogen<45mg/L, COD <500mg/L, suspended solids<400mg/L, BOD5 <350mg/L, and total phosphorus<8mg/L	With no total emission indicator available	None	None
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Exhaust gas	Particulate matter, SO_2, NO_X, Ringelmann smoke	Organized emissions	2	Boiler main exhaust gas outlet	Boiler 2 (With an average particulate matter concentration of 3.02mg/m³); Boiler 3 (With an average particulate matter concentration of 3.2mg/m³); Boiler 2 (With an average SO_2	*Standards for the Emission of Air Pollutants from Boilers* (GB13271-2014): SO_2:<50mg/m³, NO_X:<200mg/m³, Particulate matter:<20mg/m ³,	Emissions in 2024: SO_2<0.099t、NO_X: 1.514t、 Particulate matter: 0.104t	Annual total approved emissions: SO2: 0.3t, NO_X: 14.02t, particulate	None

						concentration of <3mg/m³); Boiler 3 (With an average SO_2 concentration of <3mg/m³); Boiler 2 (With an average NO_X concentration of 43.5mg/m³); Boiler 3 (With an average NO_X concentration of 47.25mg/m³); Boiler 2 (With an average smoke density of <1); Boiler 3 (With an average smoke density of <1)	Ringelmann smoke: level 1		matter: 2.14t	
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Wastewater	Total nitrogen, ammonia nitrogen, COD, suspended solids, BOD5, total phosphorus	Drainage outlet	1	Main sewage discharge outlet	Total nitrogen: 6.43mg/L; Ammonia nitrogen: 2.05mg/L; COD: 62mg/L; Suspended solids 9.5mg/L; BOD5:19.5mg/L; Total phosphorus: 0.445mg/L	*Wastewater Quality Standard for Discharge to Municipal Sewers* (GB/T 31962-2015); *Integrated Wastewater Discharge Standards* (GB8978-1996): Total nitrogen<70mg/L, ammonia nitrogen<45mg/L, COD <500mg/L, suspended solids<400mg/L, BOD5 <350mg/L, and total phosphorus<8mg/L	With no total emission indicator available	None	None

4. Treatment of pollutants

(1) Treatment of exhaust gas

The Company equips with corresponding environmental protection facilities for all exhaust gas discharge links, installs end-of-pipe treatment facilities, periodically checks the exhaust emission outlet, and entrusts professional third parties to carry out regular tests to ensure a stable standard emission of all kinds of exhaust gas.

(2) Treatment of wastewater

The wastewater is treated in a centralized way in the sewage treatment station. In the sewage treatment station of Yunnan Baiyao Group TCM Resources Co., Ltd, the A^2/O process is applied, enabling its sewage treatment system to have a capability of sewage treatment of 1,700m³/day. In the sewage treatment station of Yunnan Baiyao the A^2/O process is applied as well, enabling its sewage treatment system to have a capability of sewage treatment of 2,000m³/day. In the sewage treatment station of Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd, the diatomaceous earth + activated sludge process is applied, enabling its sewage treatment system to have a capability of sewage treatment of 150m³/day. In the sewage treatment station of Yunnan Baiyao Group Wenshan Qihua Co., Ltd, the A^2/O process is applied, enabling its sewage treatment system to have a capability of sewage treatment of 2,250m³/day. The sewage treatment system of each unit operates stably, with effluent quality up to discharge standard. After treatment, the sewage is discharged into the municipal sewage pipeline network.

(3) Treatment of solid waste

Upholding the principle of "Waste Minimization, Waste Valorization and Environmentally Sound Management," the Company entrusts professional third parties to treat the sludge and drug residue in the non-hazardous waste generated during production and operations. In this way, fermented sludge will be used for landscape architecture soil improvement, while the fermented drug residue will be used for producing organic fertilizers. Household waste is cleaned, transported and treated by the environmental sanitation station. Hazardous waste is managed by a designated person, with accounts established and appropriate labeling and signage improved. All hazardous waste is stored in a designated area for classified collection before being treated by a qualified third-party company.

(4) Noise

The noise detection results at the factory boundary comply with environmental regulatory requirements.

5. Environmental self-monitoring plan

Each unit itself prepared an environmental self-monitoring plan and carried out self-monitoring in strict accordance with this plan, with all indicators of pollutants meeting the required emission standards.

6. Emergency plans for sudden environmental events

(1) Yunnan Baiyao Group TCM Resources Co., Ltd prepared its emergency plans for sudden environmental events on June 13, 2024 and filed with Yangzonghai Branch of Kunming Municipal Ecology and Environment Bureau.

(2) Yunnan Baiyao Group prepared its emergency plans for sudden environmental events on July 9, 2024 and filed with Chenggong Branch of Kunming Municipal Ecology and Environment Bureau.

(3) Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd prepared its emergency plans for sudden environmental events on December 8, 2023 and filed with Jingkai District Branch ofi tis while the andy 9, 27 /FAAABE 1

Sixth, consumer assistance to jointly shaping the vision of rural revitalization. In 2024, Yunnan Baiyao Group invested RMB 300,000 to optimize and upgrade the configuration and services of the convenience service center, and establish convenience health service stations, occupational health stations, worker stations, dispute mediation rooms, and Party and mass activity centers, so as to continuously promote the reforms to "delegate power, streamline administration and optimize government services," further enhance the grassroots government service capability in Pantiange Township, provide convenience for grassroots people for dealing with affairs, and better meet their basic public service needs. At the same time, through the online sales platform for agricultural and sideline products in poverty-stricken areas ("832" platform), the Company purchased RMB 223,000 worth of agricultural and sideline products. Before the Spring Festival in 2025, the Company purchased a total of 4,637 agricultural and sideline products from Diqing Prefecture through the "832 platform," totaling RMB 436,700, effectively helping farmers solve the problem of no agricultural and sideline product sales channels and increasing their income and wealth. Yunnan Baiyao Group fully leveraged its industrial advantages and, through Shangri La Tianquan Chuanbei Technology Co., Ltd, Hezheng Tibetan Medicine Pharmaceutical Co., Ltd, and Jingxiang Breeding and Planting Co., Ltd, purchased a total of 36,286.4 kilograms of *Fritillaria cirrhosa*, *Fritillaria unibracteata*, fresh *Fritillaria*, and *Dolomiaea costus*, as well as 1.5863 million units of *Dolomiaea costus* (seedlings), amounting to a total investment of RMB 2.316 million, effectively addressing the problem of difficult sales of TCM materials for local farmers and expanding their path to wealth and income increase.

Section VI Significant Events

I. Performance of Commitments

1. Commitments of the Company's De Facto Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Related Entities Fulfilled during the Reporting Period or Ongoing at the Period-End

☑Applicable □Not applicable

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
Commitments made in the acquisition report or equity change report	Yunnan Investment Group	Commitments regarding horizontal competition	1. Our company is not engaged in any business or activity that is the same as, similar to, or resembling, and constitutes or may constitute directly or indirectly a competition in any aspect with, the listed company's any existing business, nor will we actively provide, in any way, any assistance in finance, business, management, etc. or any trade secrets such as technical information, business operations, sales channels, to any enterprises, agencies or other economic organizations that compete with the listed company in any of its existing business. 2. As of the date of issuance of this commitment letter, our company will legally take necessary and possible measures to avoid, and urge any other enterprises under our actual control to avoid, any businesses or activities that may in any way substantially or potentially constitute a horizontal competition or a conflict of interest, with the principal businesses of the listed company. If, in the future, a material conflict of interest arising from substantial or potential horizontal competition between our company and any enterprises under our control and the listed company, our company and such enterprises under our actual control will	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

			give up that business opportunity that may result in a material horizontal competition and thus lead to a substantial conflict of interest or take appropriate measures permitted by other laws and regulations to eliminate the potential impact of material horizontal competition. 3. Our company will not, by virtue of any information learned or known from the listed company, assist our company itself or any third party in engaging in any business activities that may in any way substantially or potentially constitute a horizontal competition with the principal businesses of the listed company.			
Commitments made in the acquisition report or equity change report	Yunnan Investment Group	Commitments to maintain the independence of the listed company	To protect the legitimate rights and interest of any and all of the shareholders of the listed company, our company undertakes to warrant: 1. The personnel independence of the listed company, that is: (1) The general manager, deputy general manager, CFO, secretary of the Board of Directors, and other senior management personnel of the listed company will work full-time and receive compensation in the listed company, with holding no positions other than directors or supervisors or receiving no compensation in any other enterprises under the control of our company, for continuously maintaining the independence of personnel of the listed company; (2) The listed company has a complete and independent labor, personnel, and salary management system, which is fully independent from our company and any other enterprises under our control; (3) The directors, supervisors, and senior management personnel of the listed company are elected or appointed in accordance with legal procedures, and our company will not interfere with the personnel appointment and removal decisions already made by the Board of Directors and the general meeting of the listed company. 2. The asset independence of the listed company, that is: (1) The listed company has independent and complete assets, all of which are under the control of the listed company and are independently owned and operated by the listed company;	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

			(2) Our company and any other enterprises under our control do not and will not in any way occupy the funds, assets, and other resources of the listed company in violation of laws and regulations; (3) Our company and any other enterprises under our control will not use the assets of the listed company as guarantee for our and their debts in violation of regulations. 3. The financial independence of the listed company, that is: (1) The listed company continues to maintain its independent financial department and independent financial accounting system; (2) The listed company opens an independent bank account and does not share a bank account with our company or any other enterprises under our control; (3) The listed company is able to make independent financial decisions, without our company's illegal interference with its asset utilization scheduling; (4) The independence of the listed company's financial personnel who will not work part-time or receive remuneration in any other enterprises under our control; (5) The listed company legally pays taxes independently. 4. The institutional independence of the listed company, that is: (1) The listed company continues to maintain a sound corporate governance structure and has an independent and complete organizational structure; (2) The general meeting, Board of Directors, independent directors, Supervisory Committee, general manager, etc. of the listed company independently exercise their powers in accordance with laws, regulations, and the listed company's articles of association; (3) The listed company has an independent and complete organizational structure, without institutional confusion with any other enterprises under our control. 5. The business independence of the listed company, that is: (1) The listed company has the assets, personnel, qualifications, and capabilities to independently carry out business activities, and also has the capabilities to independently and continuously operate in the market; (2) The listed company has minimized			

			related party transactions between our company and any other enterprises under our control and the listed company as much as possible, and fairly carry out necessary and inevitable related party transactions at fair prices in accordance with market-oriented principles, with transaction procedures and information disclosure obligations fulfilled in accordance with relevant laws, regulations, and normative documents. 6. The listed company maintains independence from our company and any other enterprises under our control in any other aspects.			
Commitments made in the acquisition report or equity change report	Yunnan Investment Group	Commitments regarding related party transactions	1. After the completion of this equity transfer, our company will consciously safeguard the interest of the listed company and any and all of its shareholders, and minimize and avoid related party transactions with the listed company. We will not, by virtue of our indirect stake in the listed company, seek for improper benefits or harm any interest of the listed company and any and all of its shareholders in related party transactions. 2. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek from the listed company for better commercial terms for business cooperation than that given to the third parties in the market for itself or for any other enterprises under our control. 3. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek for privileges for itself or any other enterprises under our control to enter into transactions with the listed company. 4. After completing this equity transfer, our company will strictly adhere to the provisions of the Company Law of the People's Republic of China, the Articles of Association of Yunnan Baiyao Group, the Rules of Procedure for the General Meetings, and the Decision System for Related Party Transactions of the Listed Company when engaging in inevitable related party transactions with the listed company. We are committed to	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

			conducting these transactions in a transparent, fair, and equitable manner. This involves adhering to commercial principles such as “fairness, impartiality, and voluntariness.” We will enter into fair and reasonable transaction contracts with the listed company, ensuring that pricing policies are developed based on market fairness, impartiality, and openness. This approach guarantees the fairness of transaction prices. 5. After the completion of this equity transfer, our company and any other enterprises under our control will not illegally occupy the funds and assets of the listed company, and under no circumstances will the listed company be required to provide any form of guarantees to our company or any other enterprises under our control.			
Commitments made in the acquisition report or equity change report	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government (“SASAC of Yunnan Province”), New Huadu	Commitments regarding horizontal competition	In the future, when the time is ripe, SASAC of Yunnan Province and New Huadu shall urge Baiyao Holdings to gradually inject the high-quality assets related to Yunnan Baiyao’s existing business and future development areas into Yunnan Baiyao Group. Both SASAC of Yunnan Province and New Huadu will also strictly comply with the regulations to avoid horizontal competition.	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made in the acquisition report or equity change report	New Huadu	Commitments regarding related party transactions	1. New Huadu and any other enterprises under our control will try the best to avoid related party transactions with Yunnan Baiyao. For inevitable related party transactions or those occurring for reasonable reasons, New Huadu will undertake to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. 2. New Huadu and any other enterprises under our control will strictly comply with the avoidance provisions on related party transactions set out in Yunnan Baiyao’s articles of association and in other relevant regulations. All related party transactions	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			involved will be carried out in accordance with the decision-making procedures for related party transactions for Yunnan Baiyao, and legal procedures will be followed to ensure not to harm any legitimate rights and interest of Yunnan Baiyao and any other shareholders through related party transactions. 3. If New Huadu and any other enterprises under our control violate any of the above statements and commitments, leading to any damages to any rights and interest of Yunnan Baiyao, New Huadu agrees to bear any and all of the corresponding compensation liabilities for such damages so caused to Yunnan Baiyao.			
Commitments made during asset restructuring	State-owned Equity Management Company, New Huadu and its acting-in-concert parties	Commitments regarding related party transactions	1. State-owned Equity Management Company has undertaken the previous commitments of SASAC of Yunnan Province: After the completion of this significant asset restructuring, SASAC of Yunnan Province will try its best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, SASAC of Yunnan Province will undertake to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. SASAC of Yunnan Province will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by SASAC of Yunnan Province. SASAC of Yunnan Province warrants the effective fulfillment of these commitments, and the listed company has the right to supervise its fulfillment of this	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			commitment letter. If SASAC of Yunnan Province fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, SASAC of Yunnan Province will compensate for any and all of such direct or indirect losses so caused to the listed company. 2. New Huadu and its acting-in-concert parties undertake that: after the completion of this merger and overall listing, our company/I and any enterprises under our/my control will try the best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, our company/I undertake (s) to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company/I and any other enterprises under our/my control will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/me. Our company/I warrant(s) the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/I fail(s) to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/I will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during	Jiangsu Yuyue Science & Technology	Commitments regarding related	Jiangsu Yuyue undertakes that: after the completion of this merger and overall listing, our company/I and any enterprises	October 31, 2018	Remain effective during	Completed

asset restructuring	Development Co., Ltd ("Jiangsu Yuyue")	party transactions	under our/my control will try the best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, our company undertakes to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company and any other enterprises under our control will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company. Our company warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company will compensate for any and all of such direct or indirect losses so caused to the listed company.		the period of holding the shares of Yunnan Baiyao (directly and indirectly)	
Commitments made during asset restructuring	State-owned Equity Management Company, New Huadu	Commitments to maintain the independence of the listed company	After the completion of this merger and overall listing, our company/institution will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents. We will not, by virtue of the identity as a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and any other shareholders. Instead, we will effectively ensure the	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/institution. Our company/institution warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/institution fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/institution will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Jiangsu Yuyue	Commitments to maintain the independence of the listed company	After the completion of this merger and overall listing, our company/institution will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents. We will not, by virtue of the identity as a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and any other shareholders. Instead, we will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/institution. Our company/institution warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/institution fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/institution will compensate for any and all of such direct or indirect losses so caused to the listed company.	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	Completed
Commitments made during	Baiyao Holdings, State-owned Equity	Commitments regarding real	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and	December 11, 2018	Remain effective during	In progress

asset restructuring	Management Company, New Huadu	estate business	its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, our company/institution will bear any and all of corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.		the period of holding the shares of Yunnan Baiyao (directly and indirectly)	
Commitments made during asset restructuring	Jiangsu Yuyue	Commitments regarding real estate business	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, our company/institution will bear any and all of corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	Completed
Commitments made during asset restructuring	Directors and senior management of the listed company	Commitments regarding real estate business	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, I will bear any and all of the corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.	December 11, 2018	Remain effective	In progress
Commitments made during asset	Baiyao Holdings, State-owned Equity Management Company,	Commitments regarding compensatory	1. Our company/institution will not interfere with any operation and management activities of the listed company beyond authority, nor will it encroach on any interest of the	December 11, 2018	Remain effective during the period of	In progress

restructuring	New Huadu	measures after dilution of immediate returns	listed company. 2. After the date of issuance of this commitment letter, if the securities regulatory authorities make other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the securities regulatory authorities, our company/institution will undertake to issue supplementary commitments in accordance with their then latest relevant regulations. 3. Our company/institution undertakes to effectively fulfill the relevant compensatory measures formulated by the listed company and the relevant commitments made by our company/institution. If our company/institution violates these commitments and causes any losses to the listed company or investors, our company/institution is willing to legally bear any and all of the corresponding compensation liabilities for such losses.		holding the shares of Yunnan Baiyao (directly and indirectly)	
Commitments made during asset restructuring	Jiangsu Yuyue	Commitments regarding compensatory measures after dilution of immediate returns	1. Our company/institution will not interfere with any operation and management activities of the listed company beyond authority, nor will it encroach on any interest of the listed company. 2. After the date of issuance of this commitment letter, if the securities regulatory authorities make other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the securities regulatory authorities, our company/institution will undertake to issue supplementary commitments in accordance with their then latest relevant regulations. 3. Our company/institution undertakes to effectively fulfill the relevant compensatory measures formulated by the listed company and the relevant commitments made by our company/institution. If our company/institution violates these commitments and causes any losses to the listed company or	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	Completed

			investors, our company/institution is willing to legally bear any and all of the corresponding compensation liabilities for such losses.			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after dilution of immediate returns	1. I undertake not to transfer benefits to any other units or individuals without compensations or under unfair conditions, nor to harm any interest of the listed company in any other way. 2. I undertake to restrain my official consumption. 3. I undertake not to use the assets of the listed company to engage in investment or consumption activities unrelated to my duties. 4. I undertake that the compensation system to be formulated by the Board of Directors or Remuneration Committee in the future will be linked to the implementation of compensatory measures taken by the listed company. 5. I undertake that the exercise conditions of the listed company's equity incentives to be announced in the future will be linked to the implementation of the compensatory measures taken by the listed company. 6. I undertake to effectively fulfill the relevant compensatory measures formulated by the listed company and any commitments made by myself regarding compensatory measures. If I violate or refuse to fulfill any of the above commitments, leading to any losses to the listed company or any and all of its shareholders, I'm willing to legally bear any and all of the corresponding compensation liabilities. This commitment letter shall come into effect as of the date of my signature and shall constitute a binding legal document on me upon its effectiveness. If I violate this commitment letter, I'm willing to bear any and all of the corresponding legal liabilities.	December 11, 2018	Remain effective	In progress
Commitments made during asset restructuring	State-owned Equity Management Company, New Huadu	Commitments regarding horizontal competition	1. State-owned Equity Management Company has undertaken the previous commitments of SASAC of Yunnan Province: In order to avoid horizontal competition with the listed company and safeguard the legitimate rights and interest of the listed company and other shareholders, State-owned Equity Management Company solemnly makes the following	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao	In progress

			statements and commitments: After the completion of this transaction, State-owned Equity Management Company will not directly engage in any businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company. 2. New Huadu undertakes that: As of the issuance date of this commitment letter, our company and any enterprises under our control have not invested in any company, enterprise or other operating entity engaged in any business the same as, or similar to, the principal businesses of the listed company or co-operating or co-engaged, with others, in business the same as, or similar to, the principal businesses of the listed company. After the completion of this transaction, our company and any enterprises under our control will not directly or indirectly engage in any form (including but not limited to investment, M&A, affiliation, joint ventures, cooperation, partnership, contracting or leasing operations, and equity participation) in businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company, nor will we directly or indirectly own any absolute or relative control over any other companies, enterprises or operating entities that engage in businesses that are the same as or similar to, and constitute a competition with the principal businesses of the listed company. During the commitment period mentioned above, if the listed company actually further expands its existing principal businesses, and our company and any enterprises under our control have not yet engaged in production or operation of such new businesses, our company and any enterprises under our control will not engage in such new businesses that compete with the principal businesses of the listed company unless the listed company notifies us in writing that it would no longer engage in such new businesses. During the aforementioned commitment period, if our		(directly and indirectly)	

			company and any enterprises under our control obtain from any third party any business opportunity that competes or may compete with the principal businesses of the listed company, we shall immediately notify the listed company. If the listed company provides a positive response that it is willing to take advantage of that business opportunity within the reasonable period specified in the notice, our company and any enterprises under our control will abandon that business opportunity. If our company and any enterprises under our control violate any of the above statements and commitments, leading to any damages to any rights and interest of the listed company, our company agrees to bear any and all of the corresponding compensation liabilities for such damages so caused to the listed company.			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding the authenticity, accuracy, and completeness of the information provided	Our company/I has/have provided necessary, authentic, accurate, complete, and effective documents, materials, or oral statements and explanations for this transaction at this stage, without any concealments, false records, or significant omissions. The provided copy materials or photocopies are consistent and aligned with the original materials or originals. The signatures and seals on the provided documents and materials are authentic, with necessary legal procedures for such signatures and seals having been fulfilled, and legal authorizations having been obtained. All statements and explanations of facts are consistent with the facts that occurred. According to the progress of this transaction, our company/I will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company/I undertake (s) and warrant (s) the information provided or disclosed in this transaction is authentic, accurate,	June 10, 2021	Remain effective	In progress

			complete, and effective, without false records, misleading statements, or material omissions, and is/am willing to bear any and all of the corresponding individual and joint legal liabilities for that.			
Commitments made during asset restructuring	State-owned Equity Management Company	Commitments regarding the authenticity, accuracy, and completeness of the information provided	As of the date of the issuance of this commitment, our company has provided necessary, authentic, accurate, complete, and effective documents, materials, or oral statements and explanations for this transaction at this stage, without any concealments, false records, or significant omissions. The provided copy materials or photocopies are consistent and aligned with the original materials or originals. The signatures and seals on the provided documents and materials are authentic, with necessary legal procedures for such signatures and seals having been fulfilled, and legal authorizations having been obtained. All statements and explanations of facts are consistent with the facts that occurred. According to the progress of this transaction, our company will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company undertakes and warrants the information provided or disclosed in this transaction is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and is willing to bear any and all of the corresponding individual and joint legal liabilities for that.	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments regarding the authenticity, accuracy, and completeness of the information	Our company and our acting-in-concert parties have provided necessary, authentic, accurate, complete, and effective documents, materials, or oral statements and explanations for this transaction at this stage, without any concealments, false records, or significant omissions. The provided copy materials or photocopies are consistent and aligned with the original	June 10, 2021	Remain effective	In progress

		provided	materials or originals. The signatures and seals on the provided documents and materials are authentic, with necessary legal procedures for such signatures and seals having been fulfilled, and legal authorizations having been obtained. All statements and explanations of facts are consistent with the facts that occurred. According to the progress of this transaction, our company and our acting-in-concert parties will provide relevant information and documents in a timely manner in accordance with relevant laws, regulations, rules, and relevant provisions of the CSRC and the stock exchange, and ensure that the information and documents to be constantly provided still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company and our acting-in-concert parties undertake and warrant the information provided or disclosed in this significant asset restructuring is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and are willing to bear any and all of the corresponding individual and joint legal liabilities for that.			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. I undertake not to transfer benefits to any other units or individuals without compensations or under unfair conditions, nor to harm any interest of the listed company in any other way. 2. I undertake to restrain my official consumption. 3. I undertake not to use the assets of the listed company to engage in investment or consumption activities unrelated to my duties. 4. I undertake that the compensation system to be formulated by the Board of Directors or Remuneration Committee in the future will be linked to the implementation of compensatory measures taken by the listed company. 5. If the listed company subsequently introduces equity incentive policies, I undertake that the exercise conditions of the listed company's equity incentives to be announced in the future will be linked to the implementation of the compensatory measures taken by the listed company. 6. If, during the period after the date of	June 10, 2021	Remain effective	In progress

			issuance of this commitment letter and before the completion of this transaction by the listed company, the CSRC makes other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the CSRC, I undertake to issue supplementary commitments in accordance with the then latest CSRC regulations. 7. If I violate any of the above commitments, leading to any losses to the listed company or investors, I'm willing to legally bear any and all of the corresponding compensation liabilities for such losses so caused to the listed company or investors.			
Commitments made during asset restructuring	State-owned Equity Management Company	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	1. On October 31, 2018, SASAC of Yunnan Province, as a shareholder of the listed company, issued the *Commitment Letter of SASAC of Yunnan Province on Maintaining the Independence of the Listed Company*, *Commitment Letter of SASAC of Yunnan Province on Reducing and Regulating Related Party Transactions*, and *Commitment Letter of SASAC of Yunnan Province on Avoiding Horizontal Competition*. On April 7, 2020, our company issued the *Commitment Letter of State-owned Equity Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province* (hereinafter referred to as the "*Commitment Letter on Undertaking*"), committing to fully undertake, as of the date of completion of this equity transfer (calculated from the date of registration of the underlying equity in the name of our company), the responsibilities and obligations specified in the commitment documents previously made by SASAC of Yunnan Province and continuously effective at the time of this equity transfer as set out in the following list. The list includes the foregoing three commitment letters issued by SASAC of Yunnan Province. 2. As of the date of signing this commitment letter, our company has always strictly fulfilled the commitments to maintain the independence of the listed	June 10, 2021	Remain effective	In progress

			company, reduce and regulate related party transactions, and avoid horizontal competition in accordance with the requirements of the *Commitment Letter on Undertaking*, and has not violated any of the commitments made. After the completion of this transaction, our company will continue to strictly fulfill the *Commitment Letter on Undertaking* to safeguard the interest of the listed company and any and all of its shareholders.			
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	1. As of the date of signing this commitment letter, our company has always strictly fulfilled the *Commitment Letter on Maintaining the Independence of the Listed Company*, *Commitment Letter on Reducing and Regulating Related Party Transactions*, and *Commitment Letter on Avoiding Horizontal Competition* all issued on October 31, 2018. Our company's acting-in-concert parties have always strictly fulfilled the *Commitment Letter on Reducing and Regulating Related Party Transactions* issued on October 31, 2018, and have not violated any of the commitments made. After the completion of this transaction, our company and our acting-in-concert parties will continue to strictly fulfill this commitment letter to safeguard the interest of the listed company and any and all of its shareholders. 2. After the completion of this transaction, our company's acting-in-concert parties will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents, and will not, by virtue of the identity as a shareholder and a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and other shareholders. Instead, they will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc.	June 10, 2021	Remain effective	In progress

			3. As of the date of signing this commitment letter, our company's acting-in-concert parties and any other companies or enterprises under their control have not engaged in any business that constitute a horizontal competition with the principal businesses of the listed company and any other companies or enterprises under its control. In order to avoid horizontal competition with the listed company and safeguard the legitimate rights and interest of the listed company and other shareholders, after the completion of this transaction, our company's acting-in-concert parties and any other companies or enterprises under their control will not directly engage in businesses that are the same as, or similar to, and constitute a competition with, the principal businesses of the listed company. 4. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company and our acting-in-concert parties. Our company and our acting-in-concert parties warrant the effective fulfillment of these commitments, and the listed company has the right to supervise their fulfillment of this commitment letter. If our company and our acting-in-concert parties fail to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company and our acting-in-concert parties will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Listed company	Commitments to reduce and regulate related party transactions	During the period when our company is a related party of Shanghai Pharma, our company and any other companies or enterprises under our control will try the best to avoid and reduce related party transactions with Shanghai Pharma and its subsidiaries. For inevitable related party transactions or those occurring for reasonable reasons, our company undertakes to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based	June 10, 2021	Remain effective	In progress

			on the reasonable prices recognized in the market. Our company will strictly comply with the provisions of relevant laws, regulations, normative documents, and the *Articles of Association of Shanghai Pharma*, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of Shanghai Pharma and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company. Our company warrants the effective fulfillment of these commitments, and Shanghai Pharma has the right to supervise the fulfillment of this commitment letter. If our company fails to effectively fulfill this commitment letter, leading to any actual losses to Shanghai Pharma, our company will compensate for any and all of such direct or indirect losses so caused to Shanghai Pharma.			
Commitments made during asset restructuring	Listed company	Commitments regarding lock-up shares	Shanghai Pharma's shares subscribed by our company through this transaction shall not be transferred within 36 months from the end of the issuance of these shares. After the expiration of the aforementioned lockup period, the transfer and trading of such shares shall be handled in accordance with the then effective laws and regulations, as well as the regulations and rules of the CSRC, SZSE, and SHSE. After the completion of this transaction, our company will also arrange a lockup period as described above for our any increased stake in Shanghai Pharma after it issues bonus shares or convert public reserve funds into share capital.	May 11, 2021	Thirty-six months from the end of the issuance of new shares by Shanghai Pharma	In progress
Whether the commitments are fulfilled as scheduled	Yes					

2. Statement of the Company that the assets or projects have met the original profit forecast and the reasons for that if there is a profit forecast for the Company's assets or projects and the reporting period is still in the profit forecast period

□Applicable ☑Not applicable

II. Occupation of the Company's Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

□Applicable ☑Not applicable

During the reporting period, there was no occupation of the Company's capital by the controlling shareholder or any of its related parties for non-operating purposes.

III. Non-compliant Provision of External Guarantees

□Applicable ☑Not applicable

There was no non-compliant provision of external guarantees during the reporting period.

IV. Explanation of the Board on the "Modified Audit Report" for the Latest Period

□Applicable ☑Not applicable

V. Explanations Given by the Board of Directors, the Supervisory Committee and Independent Director (if any) Regarding the Auditor's "Modified Audit Report" on the Financial Statements of the Reporting Period

□Applicable ☑Not applicable

VI. Explanation on Changes in Accounting Policies and Accounting Estimates or Rectification on Significant Accounting Errors as Compared with the Financial Report for the Previous Year

□Applicable ☑Not applicable

There was no change in the accounting policies and accounting estimates or rectification on significant accounting errors during the reporting period.

VII. Explanation on the Change in Consolidation Scope as Compared with the Financial Report for the Previous Year

☑Applicable □Not applicable

For details, please refer to "IX. Changes in the Consolidation Scope" under Section X.

VIII. Appointment and Removal of Accounting Firm

Currently engaged accounting firm

Name of domestic accounting firm	Mazars Certified Public Accountants (SGP)
Remuneration for domestic accounting firm (RMB0'000)	249.8
Number of consecutive years of audit services of the domestic accounting firm	9
Names of certified public accountants of the domestic accounting firm	Fang Ziwei, Yang Yanling
Number of consecutive years of audit services of certified public accountants of the domestic accounting firm	1

Whether to change the accounting firm in the current period?

□ Yes ☑No

Engagement of internal control audit accounting firms, financial advisors or sponsors

☑Applicable □Not applicable

Thanks to its strong comprehensive strength, Mazars Certified Public Accountants (SGP) has ranked first in the comprehensive industry ranking of Yunnan Institute of Certified Public Accountants and the bidding ranking of Yunnan SASAC for many years, and fully possesses the experience and ability to provide audit services for listed companies. To ensure the smooth progress of the Company's auditing work, the Company appointed Mazars Certified Public Accountants (SGP) as the Company's auditor for 2024 (including internal control audit).

IX. Delisting after Disclosure of Annual Report

□Applicable ☑Not applicable

X. Bankruptcy and Reorganization

□Applicable ☑Not applicable

There was no bankruptcy or restructuring related events during the reporting period.

XI. Legal Matters

☑Applicable □Not applicable

Basic Information of Litigation (Arbitration)	Amount Involved (RMB'0,000)	Any Estimated Liability Caused or Not	Litigation (Arbitration) Progress	Litigation (Arbitration) Trial Results and Impacts	Enforcement of Litigation (Arbitration) Judgments	Disclosure Date	Disclosure Index
Yunnan Baiyao Group TCM Resources Co., Ltd (one of the Company's subsidiaries) vs Chuxiong Linxin Mushroom Developing Co., Ltd. (Contract Dispute)	368.6	No	The Supreme People's Court has disallowed the request for a retrial by Chuxiong Linxin Mushroom Developing Co., Ltd	If payments of both parties payable to each other can be offset against each other, in accordance with the content of the civil judgments, Chuxiong Linxin Mushroom Developing Co., Ltd shall also need to pay Yunnan Baiyao Group TCM Resources Co., Ltd an outstanding payment loss of RMB 2,876,484.81, together with an interest calculated from the offsetting date based on the above outstanding payment loss and Loan Prime Rate (LPR) published by the National Interbank Funding Center. Meanwhile, Chuxiong Linxin Mushroom Developing Co., Ltd shall also need to compensate Yunnan Baiyao Group TCM Resources Co., Ltd for the prepaid litigation fee of RMB 34,332.00.	The claims were transmitted by means of communication, written reports and other forms through the liaison channel of the Kunming Intermediate Court of the rule of law business environment. The enforcement for debt offsetting was completed on October 24, 2023, with RMB 34.8934 million offset, and RMB 3.686 million subject to further enforcement after discovery of property clues in the future. (In final enforcement, enforcement proceedings will be resumed if continuous follow-up reveals enforceable property)	March 31, 2023	Annual Report for 2022, Interim Report for 2023, Annual Report for 2023 and Interim Report for 2024 For details, please refer to http://www.cninfo.com.cn.
Summary of events not meeting the disclosure standards for being included in significant litigation (arbitration)	86,224.4	No	Some cases have been filed to be tried; some are being under trials to be adjudicated; some have been adjudicated; some have been closed.	Summary of litigation events has no significant impact on the Company	Some judgments have come into effect and have been enforced or are being enforced		

XII. Punishments and Rectifications

□Applicable ☑Not applicable

There was no punishment or rectification involving the Company during the reporting period.

XIII. Credit Quality of the Company as well as its Controlling Shareholder and De Facto Controller

□Applicable ☑Not applicable

XIV. Significant Related Party Transactions

1. Connected transactions in relation to daily operations

□Applicable ☑Not applicable

There were no related party transactions related to daily operations during the reporting period.

2. Related party transactions arising from acquisition or sale of assets or equity

□Applicable ☑Not applicable

There were no related party transactions arising from acquisition or sale of assets or equity during the reporting period.

3. Related party transactions regarding joint investments in third parties

□Applicable ☑Not applicable

There were no related party transactions regarding joint investments in third parties during the reporting period.

4. Amounts due to and from related parties

□Applicable ☑Not applicable

There were no amounts due to and from related parties during the reporting period.

5. Transactions with related finance companies

□Applicable ☑Not applicable

There were no deposit, loan, credit or other financial business occurring between the Company and its related finance companies/related parties.

6. Transactions with related parties by finance company controlled by the Company

□Applicable ☑Not applicable

There were no deposit, loan, credit or other financial business occurred between any finance companies under the control of the Company and related parties.

7. Other significant related party transactions

☑Applicable □Not applicable

The Company has made reasonable estimates on various other related party transactions, including purchases and sales of goods, related to its daily operations, based on the needs of its daily operations in 2024. It is expected that the aggregate total amount of daily related party transactions between the Company and Shanghai Pharma, Tibet Jiushi Zhihe Marketing Co., Ltd and Yuyue Medical in 2024 will be RMB 2,230,000,000, accounting for 5.59% of the Company’s audited net assets of RMB 39,879,122,000 as at the end of 2023, which do not need to be reported to

the 2023 shareholders' meeting for consideration.

The matter has been considered and approved at the third session of the Tenth Board of Directors of the Company in 2024 and the Shareholders' Meeting for 2023, details of which are set out in the *Announcement on the Estimation of Daily Related Party Transactions for 2024* (Announcement No. 2024-18), the *Announcement on Resolutions of the Third Session of the Tenth Board of Directors of the Company for 2024* (Announcement No. 2024-15), and the *Announcement on Resolutions of the Annual General Meeting for 2023* (Announcement No. 2024-22).

Enquiries on the online disclosure of interim announcement of significant related party transactions

Name of interim announcement	Date of disclosure of interim announcement	Website on which interim announcement is disclosed
Announcement on the Estimation of Daily Related Party Transactions for 2024	March 29, 2024	http://www.cninfo.com.cn
Announcement on Resolutions of the Third Session of the Tenth Board of Directors of the Company for 2024	March 29, 2024	http://www.cninfo.com.cn
Announcement on Resolutions of the Annual General Meeting for 2023	April 24, 2024	http://www.cninfo.com.cn

XV. Major Contracts and Their Performance

1. Entrustment, contracting and leases

(1) Entrustment

□Applicable ☑Not applicable

There were no entrustment events of the Company during the reporting period.

(2) Contracting

□Applicable ☑Not applicable

There were no contracting events of the Company during the reporting period.

(3) Leases

□Applicable ☑Not applicable

There were no leases of the Company during the reporting period.

2. Major guarantees

☑Applicable ☐Not applicable

Unit: RMB'0,000

Guarantees provided by the Company and its subsidiaries (excluding the guarantees to subsidiaries)										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not

Yunnan Yuncheng Hospital Management Co., Ltd.	November 24, 2017			150,000	Joint and several liability guarantee			12 years	Yes	No
Total approved limit for guarantees for others during the reporting period (A1)		0		Total amount of guarantees for others incurred during the reporting period (A2)		0				
Total approved limit for guarantees for others at the end of the reporting period (A3)		0		Total actual balance of guarantees for others at the end of the reporting period (A4)		0				
The Company's guarantee to its subsidiaries										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not
Guarantee between subsidiaries										
Guaranteed party	Disclosure date of related announcement of guarantee quota	Guarantee quota	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Fulfilled or not	Guarantee for a related party or not
Total amount of guarantees by the Company (i.e., sum of the above 3 items)										
Total approved limit for guarantees at the end of the reporting period (A3+B3+C3)		0		Total actual balance of guarantees at the end of the reporting period (A4+B4+C4)		0				

Note: On April 22, 2024, Yunnan Yuncheng Hospital Management Co., Ltd held a shareholders' meeting, where the shareholders unanimously agreed to terminate the PPP project for the First Affiliated Hospital of Kunming Medical University Chenggong Hospital (Phase I). They also unanimously agreed to terminate the PPP project contract, investment agreement, and the pharmaceutical distribution project agreement. The project company is currently in the liquidation stage.

Explanations on the specific situation of guarantees provided by composite methods: None.

3. Cash entrusted for wealth management

(1) Entrusted wealth management

☑Applicable □Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB'0,000

Type	Source of funding	Amount	Undue amount	Unrecovered overdue amount	Provision for impairment on unrecovered overdue amount
Bank financial products	Self-owned capital	290,624.5	235,624.5	0	0
Brokerage financial products	Self-owned capital	10,000	10,000	0	0
Total		300,624.5	245,624.5	0	0

Details of high-risk entrusted wealth management products with a significant amount per single item or of low safety and poor liquidity

□Applicable ☑Not applicable

Cases under which it is expected that the principal of entrusted financing cannot be recovered, or there may be other circumstances that may result in impairment

□Applicable ☑Not applicable

(2) Entrusted loan

□Applicable ☑Not applicable

The Company did not have any entrusted loan during the reporting period.

4. Other Significant Contracts

□Applicable ☑Not applicable

There were no other significant contracts of the Company during the reporting period.

XVI. Explanation for Other Significant Events

☑Applicable □Not applicable

(I) System update

1. On March 28, 2024, the Company held the third session of the Tenth Board of Director in 2024, considering and approving the *Proposal on Revising the Rules of Procedure of the Board of Directors* and the *Proposal on Revising the Rules of Procedure of the Office Meeting*. For details, please refer to the *Announcement on Resolutions of the Third Session of the Tenth Board of Directors of the Company in 2024* (Announcement No. 2024-15) disclosed by the Company on March 30, 2024 at http://www.cninfo.com.cn, the *Rules of Procedure of the Board of Directors* and the *Rules of Procedure of the Office Meeting*.

2. On April 26, 2024, the Company held the fourth session of the Tenth Board of Directors in 2024, considering and approving the *Proposal on Formulating the Compliance Management Measures of Yunnan Baiyao Group (Trial)*. For details, please refer to the *Announcement on Resolutions of the Fourth Session of the*

Tenth Board of Directors of the Company in 2024 (Announcement No. 2024-23) disclosed by the Company at http://www.cninfo.com.cn and the *Compliance Management Measures of Yunnan Baiyao Group (Trial)*.

3. On August 26, 2024, the Company held the eighth session of the Tenth Board of Directors in 2024, considering and approving the *Proposal on Formulating the Accounting Firm Selection and Employment System*, the *Proposal on Revising the Internal Audit System*, and the *Proposal on Revising the Investment and Financial Management System*. For details, please refer to the *Announcement on Resolutions of the Eighth Session of the Tenth Board of Directors of the Company in 2024* (Announcement No. 2024-41) disclosed by the Company on August 27, 2024 at http://www.cninfo.com.cn, the *Accounting Firm Selection and Employment System of Yunnan Baiyao Group*, the *Internal Audit System of Yunnan Baiyao Group* and the *Investment and Financial Management System of Yunnan Baiyao Group*.

4. On October 29, 2024, the Company held the tenth session of the Tenth Board of Directors in 2024, considering and approving the *Proposal on Formulating the Intellectual Property Management System* and the *Proposal on Revising the Public Welfare Donation Management Measures*. For details, please refer to the *Announcement on Resolutions of the Tenth Session of the Tenth Board of Directors of the Company in 2024* (Announcement No. 2024-49) disclosed by the Company at http://www.cninfo.com.cn, the *Intellectual Property Management System of Yunnan Baiyao Group*, and the *Public Welfare Donation Management Measures of Yunnan Baiyao Group*.

(II) Shareholding change

1. Expiration of the shareholding reduction plan

On January 17, 2024, the Company disclosed the *Announcement on Expiration of the Shareholding Reduction Plan* (Announcement No. 2024-01). The Company received the *Notice of Voluntary Information Disclosure on Expiration of the Bidding-based Shareholding Reduction Plan and Its Implementation Progress* from Jiangsu Yuyue. As of January 13, 2024, the shareholding reduction plan of Jiangsu Yuyue expired and Jiangsu Yuyue completed this shareholding reduction plan. During the period from July 17, 2023 to January 13, 2024, Jiangsu Yuyue cumulatively reduced, via centralized bidding transactions, its holdings of 35,936,638 outstanding shares of the Company not subject to trading moratorium, accounting for 1.99997% of the total share capital of the Company. The reduction was consistent with the previously disclosed reduction plan and the amount of the reduction was within the scope of the reduction plan.

2. Pledge of certain shares by shareholders and lifting of pledge

(1) On February 28, 2024, the Company disclosed the *Announcement on Lifting of Pledge of Certain Shares by Shareholders* (Announcement No. 2024-10). On February 27, 2024, the Company received a notice from the Company's shareholder, State-owned Equity Management Company, that State-owned Equity Management Company lifted the pledge of its 71,400,000 shares of the Company (accounting for 3.97% of the total share capital).

(2) On May 17, 2024, the Company disclosed the *Announcement on Pledge of Certain Shares by Shareholders* (Announcement No. 2024-29). The Company recently received a notice from the Company's shareholder, New Huadu, that New Huadu pledged its 46,380,000 shares of the Company (accounting for 2.60% of the total share capital).

3. Shareholding increase by shareholders

On August 8, 2024, the Company disclosed the *Announcement on Increase in Shareholdings of the Company by Shareholders of 5% or More and the Subsequent Shareholding Increase Plan* (Announcement No. 2024-40). State-owned Equity Management Company increased its shareholding in the Company by 788,660 shares through the trading system of Shenzhen Stock Exchange by way of centralized bidding on August 6, 2024, accounting for approximately 0.0442% of the total share capital of the Company, and the amount of the increase was RMB 40.0168 million. State-owned Equity Management Company planned to continue to increase its holdings of the Company's shares within six months from the date of the first increase (August 6, 2024), and increase its holdings in an aggregate amount (including the amount disclosed herein as having been increased) of not less than RMB 500 million and not more than RMB 1,000 million. State-owned Equity Management Company has undertaken not to reduce its holdings of the Company's shares during the period of increase in holdings and within the statutory period, and it will complete the plan of increase in holdings within the implementation period mentioned above. This increase in shareholding will not result in the Company's shareholding distribution failing to meet the conditions for listing, will not change the situation that the Company has no controlling shareholders or de facto controllers, and will not have a significant impact on the Company's governance structure.

On November 7, 2024, the Company disclosed the *Announcement on Halfway Progress of the Shareholding Increase Plan* (Announcement No. 2024-54). Yunnan Baiyao recently received the *Notice on the Halfway Point of the Shareholding Increase Plan for Yunnan Baiyao Group* from State-owned Equity Management Company. As at the date of disclosure of the Announcement, half of the time of the plan to increase the shareholding in Yunnan Baiyao Group passed. State-owned Equity Management Company cumulatively increased its shareholding in the Company by 17,485,863 shares through the trading system of Shenzhen Stock Exchange by way of centralized bidding transactions, accounting for 0.98% of the total share capital of the Company, and the cumulative amount of

the increase in shareholding was RMB 931,745,852.22 (excluding all kinds of fees and handling charges). As of the date of disclosure of the Announcement, State-owned Equity Management Company held 467,110,174 shares of the Company, representing 26.18% of the total issued shares of the Company.

On February 7, 2025, the Company disclosed the *Announcement on Expiration and Completion of the Shareholding Increase Plan* (Announcement No. 2025-07). From August 6, 2024 to February 5, 2025, State-owned Equity Management Company increased its shareholding in the Company by 17,807,463 shares through the trading system of the Shenzhen Stock Exchange by way of centralized bidding transactions, the number of shares increased accounted for 0.9980% of the total share capital of the Company, and the cumulative amount of the increase in shareholding amounted to RMB 950,379,399.02. As of the date of disclosure of the Announcement, the term of the Shareholding Increase Plan expired and the Shareholding Increase Plan was completed.

(III) Change of use and cancellation of repurchased shares

On February 8, 2024, the Company disclosed the *Announcement on Change of Use and Cancellation of the Repurchased Shares* (Announcement No. 2024-04), stating that the Company intends to change the use of the shares that have been repurchased by the Company to safeguard the interests of the general investors. The use of the repurchased shares was changed from "for the implementation of the employee stock ownership plan or the share incentive plan" to "for the cancellation to reduce the registered capital", i.e., it is proposed to cancel all the 12,599,946 shares in the special securities account for repurchase and reduce the registered capital of the Company accordingly. The aforesaid matters were considered and approved at the first session of the Tenth Board of Directors of the Company for 2024 on February 7, 2024 and at the first extraordinary general meeting of the Company for 2024 on February 23, 2024, respectively. For details, please refer to the *Announcement of Resolutions of the First Session of the Tenth Board of Directors in 2024* (Announcement No. 2024-03), the *Announcement on Change of Use and Cancellation of the Repurchased Shares* (Announcement No. 2024-04), the *Announcement of Resolutions of the First Extraordinary General Meeting of 2024* (Announcement No. 2024-07) and the *Announcement on Change of Use and Cancellation of the Repurchased Shares and Notification to Creditors* (Announcement No. 2024-08) disclosed by the Company at http://www.cninfo.com.cn. On April 23, 2024, the Company disclosed the *Announcement on Completion of Cancellation of the Repurchased Shares and Changes in Shares* (Announcement No. 2024-21). The Company completed the cancellation of the aforesaid 12,599,946 repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on April 19, 2024. Upon completion of the cancellation of the shares repurchased, the total number of shares of the Company was 1,784,262,603.00.

(IV) Application for registration and issuance of ultra short-term financing bonds

On February 26, 2024, the Company received the *Notice of Acceptance of Registration* (Zhong Shi Xie Zhu [2024] SCP63) from National Association of Financial Market Institutional Investors (the "NAFMII"), which stated NAFMII's agreement to accept the registration of the Company's ultra-short-term financing bonds, and indicated that the Company registered an amount of RMB 3 billion in the ultra-short-term financing bonds, which will be valid for 2 years from the date of the notice, and underwritten by the Industrial and Commercial Bank of China Limited. The Company may issue these ultra-short-term financing bonds in tranches during the registered validity period, and upon completion of the issuance, the issuance results will be disclosed through the channels recognized by the Dealers Association. For details, please refer to the *Announcement on Approval on Registration of Issuance of Ultra-short-term Financing Bonds* (Announcement No. 2024-11) disclosed by the Company on February 28, 2024 at http://www.cninfo.com.cn.

On March 20, 2024, the issuance of the Company's First Tranche of Ultra Short-Term Financing Bonds for 2024 valued RMB 1 billion (Sci-Tech Innovation Notes/Rural Revitalization) was completed and the proceeds were received in full. For details, please refer to the Announcement on Results of Issuance of the First Tranche of Ultra Short-Term Financing Bonds (Sci-Tech Innovation Notes/Rural Revitalization) (Announcement No. 2024-14) disclosed by the Company on March 21, 2024 at http://www.cninfo.com.cn.

The First Tranche of Ultra Short-Term Financing Bonds (Sci-Tech Innovation Notes/Rural Revitalization) of the Company for 2024 expired on December 15, 2024. The Company completed the payment of principal and interest of the First Tranche of Ultra Short-Term Financing Bonds (Sci-Tech Innovation Notes/Rural Revitalization) for 2024 on schedule, and the actual amount of the interest payment was RMB 1,017,013,698.63. The documents in relation to the payment can be found on the website of ChinaMoney (www.chinamoney.com.cn) and the website of Shanghai Clearing House (www.shclearing.com). For details, please refer to the *Announcement on Completion of Payment for the First Tranche of Ultra Short-Term Financing Bonds (Sci-Tech Innovation Notes/Rural Revitalization) for 2024* (Announcement No. 2024-59) disclosed by the Company at http://www.cninfo.com.cn.

(V) R&D projects

1. On May 11, 2024, the Company disclosed the *Announcement on the Approval of INR101 Injection for Drug Clinical Trial* (Announcement No. 2024-26). Yunhe Pharmaceutical (Tianjin) Co., Ltd ("Yunhe Pharmaceutical"), a wholly-owned subsidiary of the Company, recently received the *Notification of Approval for Drug Clinical Trial* (Notification No. 2024LP01109) issued by the National Medical Products Administration ("NMPA"), which stated that after examination, the clinical trial application of INR101 Injection ("the Product") of Yunhe Pharmaceutical

complied with the relevant requirements for drug registration, and it was approved for clinical trials in healthy people and patients with prostate cancer. For details, please refer to the Interim Report of Yunnan Baiyao Group for 2024.

2. On May 11, 2024, the Company disclosed the *Announcement on Approval of Flurbiprofen Cataplasms for Drug Clinical Trial* (Announcement No. 2024-27). Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a wholly-owned subsidiary of the Company, recently received the *Notification of Approval for Drug Clinical Trial* (Notification No. 2024LP00886) issued by the NMPA, which stated that after examination, Flurbiprofen Cataplasms was approved for clinical trials for pain relief.

3. On June 27, 2024, the Company held the seventh session of the Tenth Board of Directors for 2024, which considered and approved the *Proposal on Introduction of Project KA-1641*. The Company was approved to license in the relevant patents of the antibody drug KA-1641 (the "Underlying Product") from KYinno Biotechnology Co., Ltd and carry out the R&D, production and commercialization activities of the Underlying Product worldwide. For details, please refer to the *Announcement on Resolutions of the Seventh Session of the Tenth Board of Directors in 2024* (Announcement No. 2024-38) and the *Announcement on Introduction of Project KA-1641* (Announcement No. 2024-39) disclosed by the Company at http://www.cninfo.com.cn.

(VI) Participation in fund establishment

On November 29, 2024, the Company held the eleventh session of the Tenth Board of Directors, which considered and approved the *Proposal on Joint Investment with Professional Investment Institutions to Establish a Fund*. Under the premise of not affecting the Company's daily operations and development, and effectively controlling investment risks, the Company agreed to jointly invest with BOC International Capital Limited (hereinafter referred to as "BOC International Capital") to establish the Yunnan Provincial TCM Big Health Innovation Fund (provisional name, with the final name subject to approval by the market supervision and administration authority; hereinafter referred to as the "Fund" or the "Partnership"). The total subscribed capital for the Partnership is planned to be RMB 7 billion. The Company, as a limited partner, intends to contribute RMB 5 billion in its own funds, accounting for 71.43% of the total subscribed capital of the partnership. BOC International Capital, as the general partner, intends to contribute RMB 2 billion in its own funds, accounting for 28.57% of the total subscribed capital of the Partnership. For more details, please refer to the *Announcement on Resolutions of Eleventh Session of the Tenth Board of Directors* (Announcement No. 2024-57) and the *Announcement on Joint Investment with Professional Investment Institutions to Establish a Fund* (Announcement No. 2024-58) disclosed by the Company at http://www.cninfo.com.cn.

XVII. Significant Events of the Company's Subsidiaries

☑Applicable □Not applicable

On January 30, 2024, YNBY International published announcement according to Listing Rules of Hong Kong Stock Exchange and the provisions of the laws of Hong Kong that as of the date of announcement, YNBY International met the requirements under the resumption guidelines. Trading in its shares had been suspended on the Hong Kong Stock Exchange with effect from 9:00 a.m. on June 21, 2022 at its own request. As the resumption guidelines had been fully met to the satisfaction of the Hong Kong Stock Exchange, YNBY International applied to the Hong Kong Stock Exchange for the resumption of trading in the shares with effect from 9:00 a.m. on January 31, 2024. For details, please refer to the *Announcement on Progress of Matters Relating to YNBY International* (Announcement No. 2024-02) disclosed by the Company on February 1, 2024 at http://www.cninfo.com.cn.

On October 29, 2024, the convertible bonds of YNBY International expired. As considered and approved by the tenth session of the Tenth Board of Directors of Yunnan Baiyao in 2024, it was agreed that the convertible bonds of YNBY International held by the Company would be exercised and converted into shares, in accordance with the provisions of the *Supplementary Agreement to the Convertible Bond Subscription Agreement* and other relevant agreements entered between the Company and YNBY International. Pursuant to the relevant agreement arrangement, the Company will exercise the right to convert the shares and the related matters of the trust products involved in accordance with the determined scheme and operational procedures after the amount of public shareholding of YNBY International meets the conversion requirements. For details, please refer to the *Announcement on Resolutions of the Tenth Session of the Tenth Board of Directors in 2024* (Announcement No. 2024-49) disclosed by the Company on October 30, 2024 at http://www.cninfo.com.cn.

Section VII Changes in Shareholdings and Particulars about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)					After this change	
	Quantity	Proportion	New shares	Bonds Shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium	11,567,358	0.64%	0	0	0	0	0	11,567,358	0.65%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic shareholders	11,567,358	0.64%	0	0	0	0	0	11,567,358	0.65%
Of which: shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	11,567,358	0.64%	0	0	0	0	0	11,567,358	0.65%
4. Foreign-invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Of which: shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading moratorium	1,785,295,191	99.36%	0	0	0	-12,599,946	-12,599,946	1,772,695,245	99.35%
1. RMB-denominated ordinary shares	1,785,295,191	99.36%	0	0	0	-12,599,946	-12,599,946	1,772,695,245	99.35%
2. Domestic-	0	0.00%	0	0	0	0	0	0	0.00%

listed foreign shares									
3. Overseas-listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	1,796,862,549	100.00%	0	0	0	-12,599,946	-12,599,946	1,784,262,603	100.00%

Reasons for changes in shareholdings

☑Applicable □Not applicable

To safeguard the interests of investors, the Company held a general meeting of shareholders in February 2024 and approved to change the use of the 12,599,946 shares repurchased to "for the cancellation to reduce the registered capital", with the cancelled shares accounting for approximately 0.7015% of the Company's total share capital. In April 2024, the Company completed the cancellation of the 12,599,946 repurchased shares mentioned above.

Approval of changes in shareholdings

☑Applicable □Not applicable

At the first session of the Tenth Board of Directors in 2024 held on February 7, 2024 and the First Extraordinary General Meeting in 2024 held on February 23, 2024, the *Proposal on Change of Use and Cancellation of the Repurchased Shares* was considered and approved, agreeing the Company to change the use of the 12,599,946 shares that had been repurchased as mentioned above in the special securities account for repurchases. The use of the repurchased shares was changed from "for the implementation of the employee stock ownership plan or the share incentive plan" to "for the cancellation to reduce the registered capital." The Company completed the cancellation of 12,599,946 shares in the special securities account for repurchase at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on April 19, 2024.

Transfers for changes in shareholdings

□Applicable ☑Not applicable

The impact of changes in shareholdings on financial indicators such as basic and diluted earnings per share, net assets per share attributable to the Company's ordinary shareholders for the latest year and period

☑Applicable □Not applicable

To safeguard the interests of investors, the Company held a general meeting of shareholders in February 2024 and approved to change the use of the 12,599,946 shares repurchased to "for the cancellation to reduce the registered capital", with the cancelled shares accounting for approximately 0.7015% of the Company's total share capital. In April 2024, the Company completed the cancellation of the 12,599,946 repurchased shares mentioned above.

Before the cancellation was completed, the Company's total share capital was 1,796,862,549 shares. After the cancellation, the total share capital of the Company was 1,784,262,603 shares. Based on the total share capital before the cancellation, the Company's basic earnings per share for 2024 were RMB 2.64 per share, diluted earnings

per share were RMB 2.64 per share, and the net assets per share attributable to ordinary shareholders were RMB 21.61 per share. Based on the total share capital after the cancellation, the basic earnings per share were RMB 2.66 per share, diluted earnings per share were RMB 2.66 per share, and the net assets per share attributable to ordinary shareholders were RMB 21.76 per share.

Other disclosures the Company deems necessary or required by securities regulators

□Applicable ☑Not applicable

2. Changes in shares subject to trading moratorium

☑Applicable □Not applicable

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the reporting period	Increase in shares subject to trading moratorium during the reporting period	Number of shares released from trading moratorium during the reporting period	Number of shares subject to trading moratorium at the end of the reporting period	Reason for moratorium	Date of shares released from trading moratorium
Yu Juan	105,000	35,000	35,000	105,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yin Pinyao	252,000	84,000	84,000	252,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yang Yong	75,768	0	0	75,768	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Minghui	756,000	0	0	756,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Jin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Qin Wanmin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Li Jin	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Yanhui	133,009	44,336	44,336	133,009	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Fashu	9,395,621	3,131,874	3,131,874	9,395,621	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements

Dong Ming	9,960	0	0	9,960	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Zhu Zhaoyun	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Total	11,567,358	3,295,210	3,295,210	11,567,358	--	--

II. Issuance and Listing of Securities

1. Issuance of securities (preferred shares excluded) during the reporting period

□Applicable ☑Not applicable

2. Changes in the Company's total number of shares, structure of shareholders and structure of assets and liabilities

☑Applicable □Not applicable

At the first session of the Tenth Board of Directors in 2024 held on February 7, 2024 and the First Extraordinary General Meeting in 2024 held on February 23, 2024, the *Proposal on Change of Use and Cancellation of the Repurchased Shares* was considered and approved, agreeing the Company to change the use of the 12,599,946 shares that had been repurchased as mentioned above in the special securities account for repurchases. The use of the repurchased shares was changed from "for the implementation of the employee stock ownership plan or the share incentive plan" to "for the cancellation to reduce the registered capital." The Company completed the cancellation of 12,599,946 shares in the special securities account for repurchase at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on April 19, 2024. The total share capital of the Company was changed from 1,796,862,549 shares to 1,784,262,603 shares.

3. Existing staff shares

□Applicable ☑Not applicable

III. Particulars about shareholders and de facto controller

1. Number of shareholders of the Company and their shareholdings

Unit: share

Total number of ordinary shareholders at the end of the	162,132	The total number of ordinary shareholders at the end of the preceding month prior to the disclosure date of the annual	167,861	Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if	0	The total number of preferred shareholders with resumed voting rights at the end of the preceding month prior to the disclosure date	0

reporting period		report		any)		of the annual report (if any)	

Shareholdings of shareholders holding more than 5% of the shares or the top 10 shareholders (excluding share lending via securities financing)

Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held at the end of the reporting period	Change during the reporting period	Number of shares subject to trading moratorium	Number of shares not subject to trading moratorium	Pledged, marked or frozen	
							Status	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	State-owned legal person	26.18%	467,110,174	17485863	0	467,110,174	Pledged	119,343,840.00
New Huadu Industrial Group Co., Ltd.	Domestic non state-owned legal person	24.42%	435,742,244	0	0	435,742,244	Pledged	336,894,000.00
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.19%	146,185,851	0	0	146,185,851	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	3.65%	65,212,729	-1,648,336	0	65,212,729	Not applicable	0
China Securities Finance Corporation Limited	Domestic non state-owned legal person	2.09%	37,373,108	0	0	37,373,108	Not applicable	0
Central Huijin Asset Management Ltd.	State-owned legal person	0.93%	16,617,440	0	0	16,617,440	Not applicable	0
China Construction Bank - E Fund CSI 300 Health & Medicine Traded Open-ended Index Securities Investment Fund	Others	0.92%	16,478,306	5,178,540	0	16,478,306	Not applicable	0
ICBC - Huatai PineBridge CSI 300 Open-ended Index Securities Investment Fund	Others	0.86%	15,319,784	8,829,000	0	15,319,784	Not applicable	0
UBS Asset Management (Singapore) Ltd. -UBS Lux Investment SICAV	Others	0.73%	13,099,628	-3,169,000	0	13,099,628	Not applicable	0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	9,395,621	3,131,874	Not applicable	0
Strategic investors or general legal persons who become the top	Not applicable							

10 shareholders due to rights issue (if any)	
Related or acting-in-concert parties among the shareholders above	Chen Fashu is the de facto controller of New Huadu Industrial Group Co., Ltd. It is unclear whether there are any related relationships among other shareholders or whether there is any concerted action as defined by the *Administrative Measures for Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies*.
Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights	Not applicable
Special account for share repurchases (if any) among the top 10 shareholders (if any)	Not applicable

Shareholdings of the top 10 shareholders not subject to trading moratorium (excluding share lending via securities financing and lock-up shares for senior management)

Name of shareholder	Number of shares not subject to trading moratorium held at the end of the reporting period	Type of shares	
		Type	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	467,110,174.00	RMB-denominated ordinary shares	467,110,174.00
New Huadu Industrial Group Co., Ltd.	435,742,244.00	RMB-denominated ordinary shares	435,742,244.00
Yunnan Hehe (Group) Co., Ltd.	146,185,851.00	RMB-denominated ordinary shares	146,185,851.00
Hong Kong Securities Clearing Company Limited	65,212,729.00	RMB-denominated ordinary shares	65,212,729.00
China Securities Finance Corporation Limited	37,373,108.00	RMB-denominated ordinary shares	37,373,108.00
Central Huijin Asset Management Ltd.	16,617,440.00	RMB-denominated ordinary shares	16,617,440.00
China Construction Bank - E Fund CSI 300 Health & Medicine Traded Open-ended Index Securities Investment Fund	16,478,306.00	RMB-denominated ordinary shares	16,478,306.00
ICBC - Huatai PineBridge CSI 300 Open-ended Index Securities Investment Fund	15,319,784.00	RMB-denominated ordinary shares	15,319,784.00
UBS Asset Management (Singapore) Ltd. -UBS Lux Investment SICAV	13,099,628.00	RMB-denominated ordinary shares	13,099,628.00
National Social Security Fund 110	11,568,514.00	RMB-denominated ordinary shares	11,568,514.00

Related or acting-in-concert parties among the top 10 circulating shareholders not subject to trading moratorium, and between the top 10 circulating shareholders not subject to trading moratorium and the top 10 shareholders	It is unclear whether there are any related relationships among the above-mentioned shareholders or whether there is any concerted action as defined by the *Administrative Measures for Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies*.
Top 10 ordinary shareholders involved in securities margin trading (if any)	Not applicable

Shareholders holding more than 5% of the shares, top 10 shareholders and top 10 circulating shareholders not subject to trading moratorium involved in lending of shares through refinancing

☑Applicable □Not applicable

Unit: share

Shareholders holding more than 5% of the shares, top 10 shareholders and top 10 circulating shareholders not subject to trading moratorium involved in lending of shares through refinancing								
Name of shareholder (full name)	Shareholdings in general and credit accounts at the beginning of the period		Shares lent through refinancing and unreturned at the beginning of the period		Shareholdings in general and credit accounts at the end of the period		Shares lent through refinancing and unreturned at the end of the period	
	Total	Percentage of the total share capital	Total	Percentage of the total share capital	Total	Percentage of the total share capital	Total	Percentage of the total share capital
ICBC - Huatai PineBridge CSI 300 Open-ended Index Securities Investment Fund	6,490,784	0.36%	312,300	0.02%	15,319,784	0.86%	0	0.00%
China Construction Bank - E Fund CSI 300 Health & Medicine Traded Open-ended Index Securities Investment Fund	11,299,766	0.63%	2,242,900	0.12%	16,478,306	0.93%	0	0.00%

Change in top 10 shareholders and top 10 circulating shareholders not subject to trading moratorium from the previous period resulting from lending/return of shares through refinancing

□Applicable ☑Not applicable

Whether the top 10 ordinary shareholders and the top 10 ordinary shareholders not subject to trading moratorium of the Company conducted any agreed repurchase transactions during the reporting period

□ Yes ☑No

The top 10 ordinary shareholders and the top 10 ordinary shareholders not subject to trading moratorium of the Company did not conduct any agreed repurchase transactions during the reporting period.

2. Details about the controlling shareholder

Nature of controlling shareholder: No controlling entity

Type of controlling shareholder: Does not exist

Description of no controlling shareholders of the Company

On July 3, 2019, the Company purchased 668,430,196 new shares from Baiyao Holdings, its controlling shareholder, and issued these shares in the public market, of which 321,160,222 shares were issued to the SASAC of Yunnan Province, 275,901,036 shares to New Huadu, and 71,368,938 shares to Jiangsu Yuyue. Meanwhile, the shares held by Baiyao Holdings in the listed company were cancelled. After this issuance, the SASAC of Yunnan Province, New Huadu, and its acting-in-concert parties both hold 25.14% of the Company's shares, resulting in no shareholders having control over the Company actually or via shareholdings and the Company becoming an enterprise with no de facto controllers and controlling shareholders.

On August 8, 2024, the Company disclosed the *Announcement on the Shareholding Increase by Shareholders Holding More Than 5% of the Company's Shares and Subsequent Shareholding Increase Plan* (Announcement No. 2024-40). On August 6, 2024, the State-owned Equity Management Company increased its holdings of the Company's shares by 788,660 shares through the Shenzhen Stock Exchange's trading system via a centralized bidding transaction, representing approximately 0.0442% of the total share capital, with an investment amount of RMB 40.0168 million. The State-owned Equity Management Company plans to continue increasing its shareholding within six months from the initial increase date (August 6, 2024), with a total investment amount (including the already disclosed increase) not less than RMB 50 million and not exceeding RMB 100 million. On February 7, 2025, the Company disclosed the *Announcement on Expiration and Completion of the Shareholder's Shareholding Increase Plan* (Announcement No. 2025-07). From August 6, 2024, to February 5, 2025, the State-owned Equity Management Company increased its holdings of the Company's shares by 17,807,463 shares through the Shenzhen Stock Exchange's trading system via a centralized bidding transaction, representing 0.9980% of the total share capital, with a cumulative investment amount of RMB 950,379,399.02. As of the date of this announcement, the shareholding increase plan has been completed within the stipulated period. This shareholding increase does not result in the Company's shareholding distribution failing to meet the listing conditions, nor does it change the Company's situation of having no controlling shareholder or de facto controller, and it will not have a significant impact on the Company's corporate governance structure.

After the merger and overall listing completed in July 2019, Baiyao Holdings no longer had any personnel and has not conducted any actual operations, only retaining its business registration status. Due to objective reasons such as certain land and property not being included in the merger scope and awaiting government designation for the receiving party, Baiyao Holdings had not yet canceled its corporate status by the end of 2024. According to the *Reply on Proposed Transfer of Three Assets for Entrusted Management by Yunnan Baiyao Holdings Co., Ltd* issued by the State-owned Assets Supervision and Administration Commission of Kunming Municipal Government, Yunnan Baiyao Holdings Co., Ltd has transferred the three assets with ownership defects involved in the merger process to Kunming State-owned Assets Management Co., Ltd, which was designated by the government for takeover. In the future, all rights, obligations, benefits, and risks related to these properties will be owned and borne by the receiving party, Kunming State-owned Assets Management Co., Ltd. On March 5, 2025, the Yunnan Administration for Market Regulation issued the *Registration Notice* ((Yun) Deng Zi [2025] No. 120) regarding the cancellation registration of Baiyao Holdings. As of the date of this report, the cancellation registration procedures for Baiyao Holdings have been completed, and the shareholder change registration for the 66.67% equity in

Shanghai Xinhou Asset Management Co., Ltd and the 100% equity in Shenzhen Jurong Commercial Factoring Co., Ltd, which were spun off from Baiyao Holdings' wholly-owned subsidiary, Yunnan Baiyao Holdings Investment Co., Ltd before the merger and overall listing, has also been completed.

Changes in controlling shareholders during the reporting period

□Applicable ☑Not applicable

There was no change in the controlling shareholders of the Company during the reporting period.

3. The Company's de facto controllers and their respective acting-in-concert parties

Nature of de facto controllers: No de facto controllers

Type of de facto controllers: Does not exist.

Description of no de facto controllers of the Company

On July 3, 2019, the Company purchased 668,430,196 new shares from Baiyao Holdings, its controlling shareholder, and issued these shares in the public market, of which 321,160,222 shares were issued to the SASAC of Yunnan Province, 275,901,036 shares to New Huadu, and 71,368,938 shares to Jiangsu Yuyue. Meanwhile, the shares held by Baiyao Holdings in the listed company were cancelled. After this issuance, the SASAC of Yunnan Province, New Huadu, and its acting-in-concert parties both hold 25.14% of the Company's shares, resulting in no shareholders having control over the Company actually or via shareholdings and the Company becoming an enterprise with no de facto controllers and controlling shareholders.

Whether the Company has any shareholders at the ultimate control level with a shareholding of more than 10%

□ Yes ☑No

□Shareholders at the ultimate control level with a shareholding of more than 5% ☑ Shareholders at the ultimate control level with a shareholding of less than 5%

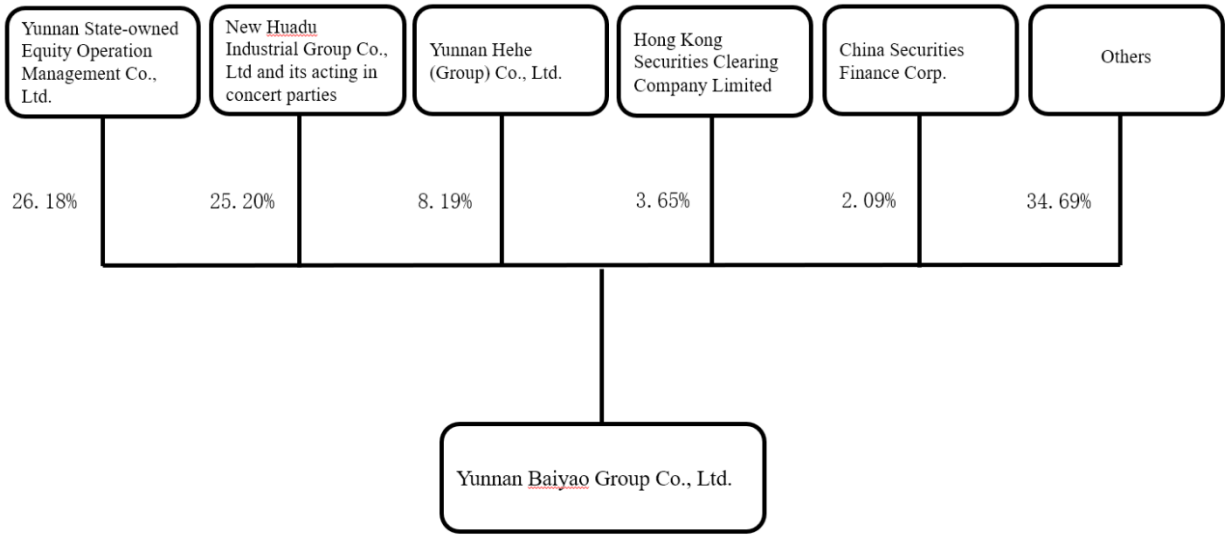
The Company has no de facto controllers.

Change of de facto controllers during the reporting period

□Applicable ☑Not applicable

There was no change in the de facto controllers of the Company during the reporting period.

Diagram of property rights and control relationship between the Company and the de facto controller



The de facto controllers of the Company control the Company via trust or other asset management methods

□Applicable ☑Not applicable

4. The cumulative number of pledged shares held by the controlling shareholder or the largest shareholder of the Company and their acting-in-concert parties accounts for up to 80% of the total number of shares held by them in the Company

□Applicable ☑Not applicable

5. Other legal-person shareholders holding more than 10% of the shares

☑Applicable □Not applicable

Name of corporate shareholder	Legal representative/Head of the organization	Date of establishment	Registered capital	Main business operations or management activities
Yunnan State-owned Equity Operation Management Co., Ltd.	Wang Hongxin	June 21, 2019	RMB 20,977,469,085.95	Holding and managing state-owned equity; Equity (including listed company equity) investment, operation, and transfer; Fundraising; Research and consulting services on the structural layout of state-owned capital and industrial development (Business activities that require approval according to the law may be conducted only after obtaining approval from the relevant departments.)

New Huadu Industrial Group Co., Ltd.	Chen Fashu	May 4, 1996	RMB 139,800,000.00	Wholesale and retail of pre-packaged and bulk food products; Investment, management, and consulting services in the retail industry, interior and exterior decoration, hotel industry, mining industry, hydropower engineering, road and bridge engineering projects, real estate industry, and industrial sector (Business activities that require approval according to the law may be conducted only after obtaining approval from the relevant departments.)

6. Restricted reduction of shares held by controlling shareholders, de facto controllers, restructuring parties, and other committed entities

□Applicable ☑Not applicable

IV. Detailed implementation of share repurchase during the reporting period

Implementation of share repurchase

□Applicable ☑Not applicable

Implementation of reduction in repurchased shares via centralized bidding

□Applicable ☑Not applicable

Section VIII Preference Shares

□ Applicable ☑ Not applicable

There were no preference shares in the Company during the reporting period.

Section IX Bonds

☑Applicable □Not applicable

I. Enterprise bonds

□Applicable ☑Not applicable

The Company did not have enterprise bonds during the reporting period.

II. Corporate bonds

□Applicable ☑Not applicable

The Company did not have corporate bonds during the reporting period.

III. Debt financing instruments for non-financial enterprises

☑Applicable □Not applicable

1. Basic information on debt financing instruments for non-financial enterprises

Unit: RMB 0’000

Bond name	Abbreviation	Bond code	Issue date	Interest starting date	Maturity date	Bond balance	Interest rate	Debt service method	Trading place
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	2024 Yunnan Baiyao SCP001 (SciTech Notes)	012480938	March 18, 2024	March 20, 2024	December 15, 2024	100,000	2.30%	Lump-sum debt service on maturity	Interbank market
Investor suitability arrangements (if any)	For qualified institutional investors								
Applicable trading mechanism	Bid, offer, request for quotation and agreement trading								
Risk of termination of listing and trading (if any) and countermeasures	No								

Overdue bonds

□Applicable ☑Not applicable

2. Triggering and enforcement of issuer or investor option clauses, investor protection clauses

□Applicable ☑Not applicable

3. Information about agents

Bond name	Agent name	Office address	Name of the undersigned accountant	Contact of the agent	Tel
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	Lead underwriter: Industrial and Commercial Bank of China Limited	No.55 Fuxingmen Inner Street, Xicheng District, Beijing	/	Li Jianing	010-66108574
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	Joint underwriter: China CITIC Bank Corporation Limited	Block 1, Courtyard 10, Guanghua Road, Chaoyang District, Beijing	/	Zhao Meixing	010-66635913
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	DeHeng (Kunming) Law Offices	3/F and 4/F, Block B5, Rongcheng Youjun, Xishan District, Kunming City	/	Wang Xiaolei	0871-63172192
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	Mazars Certified Public Accountants (SGP)	MAZARS Building, No. 169, Donghu Road, Wuchang District, Wuhan City	Yang Manhui, Yang Fan	Liu Ronghui, Wang Kunbi	027-86791215
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	China Lianhe Credi Rating Co., Ltd.	17/F, PICC Property and Casualty Building, No.2, Jianguomen Wai Street, Chaoyang District, Beijing	/	Pu Yaxiu, Wang Xinglong	010-85679696

Were there any changes in the above agents during the reporting period

□Yes ☑No

4. Usage of the funds raised

Unit: RMB0’000

Name of bond	Total funds raised	Agreed purpose of the funds raised	Amount used	Amount unused	Raised funds’ special account operation information (if any)	Rectification of the violated use of the raised funds (if any)	Consistence with the purpose, usage plan and other agreements as undertaken in the Offering Circular or not
2024 First Tranche of Ultra-short-term Financing Bonds (Sci-Tech Notes/Rural Revitalization) of Yunnan Baiyao Group Co., Ltd.	100,000	Used for a supplement to the working capital of the Company and some of its subsidiaries, 30% of which were used for rural revitalization	100,000	0	None	None	Yes

The funds raised were used for construction projects

□Applicable ☑Not applicable

Changes in the purpose of the funds raised by the above bonds during the reporting period of the Company

□Applicable ☑Not applicable

5. Adjustments to credit rating results during the reporting period

□Applicable ☑Not applicable

6. Implementation and changes in guarantees, debt-servicing plans and other debt-servicing safeguards during the reporting period and their impact on the rights and interests of bond investors

□Applicable ☑Not applicable

IV. Convertible corporate bonds

□Applicable ☑Not applicable

The Company did not have convertible corporate bonds during the reporting period.

V. Losses in the scope of the consolidated statements during the reporting period exceeding 10% of net assets at the end of the previous year

□Applicable ☑Not applicable

VI. Overdue interest-bearing debts other than bonds at the end of the reporting period

□Applicable ☑Not applicable

VII. Violations of rules and regulations during the reporting period

□Yes ☑No

VIII. Major accounting data and financial indicators of the Company for the latest two years as at the end of the reporting period

Unit: RMB0’000

Item	At the end of the reporting period	At the end of the previous year	Increase/decrease at the end of the reporting period compared to the end of the previous year
Current ratio	2.66	2.85	-6.67%
Gearing ratio	26.55%	25.80%	0.75%
Quick ratio	2.17	2.35	-7.66%
	The reporting period	The same period last year	Increase/decrease in the reporting period over the same period last year

Net profit after extraordinary profits and losses	454,071.44	379,238.44	19.73%
EBITDA total debt ratio	32.32%	27.32%	5.00%
Interest coverage multiple	90.98	98.13	-7.29%
Cash interest coverage multiple	70.42	100.48	-29.92%
EBITDA interest coverage multiple	71.87	76.46	-6.00%
Loan repayment ratio	100.00%	100.00%	0.00%
Interest repayment ratio	100.00%	100.00%	0.00%

Section X Financial Statements

I. Audit Report

Body Text of Audit Report

ZHS Zi (2025) No. 1600190

To All shareholders of Yunnan Baiyao Group Co., Ltd:

I. Audit Opinions

We have audited the financial statements of Yunnan Baiyao Group Co., Ltd ("Yunnan Baiyao"), which comprise the consolidated and balance sheets of the Company as of December 31, 2024, as well as the consolidated and income statements of the Company, the consolidated and cash flow statements of the Company, the consolidated and statements of changes in shareholders' equity of the Company for 2024 and notes to the financial statements.

In our opinion, the attached financial statements have been prepared in accordance with the provisions of the *Accounting Standards for Business Enterprises* in all major aspects, and present fairly the consolidated financial position of Yunnan Baiyao as of December 31, 2024, and the results of its operations and cash flows in 2024.

II. Basis for the Audit Opinion

We conduct our audit in accordance with the PRC Standards on Auditing for Certified Public Accountants. Our responsibilities under these standards are further described in the section on "the Certified Public Accountants'

Including: Interest payable		
Dividends payable	86,490,742.04	86,490,742.04
Fees and commissions payable		
Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	88,436,075.74	74,736,102.58
Other current liabilities	620,862,624.93	532,943,904.40
Total current liabilities	12,858,491,395.24	12,737,778,898.81
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	2,100,000.00	2,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	190,656,990.23	172,347,309.72
Long-term payables	591,533,288.57	631,735,908.04
Long-term payroll payable	1,296,365.44	4,090,687.99
Estimated liabilities	12,726,280.09	
Deferred income	295,493,565.32	238,811,111.04
Deferred income tax liabilities	93,867,331.53	74,772,071.70
Other non-current liabilities	1,931,554.36	17,296,814.41
Total non-current liabilities	1,189,605,375.54	1,141,153,902.90
Total liabilities	14,048,096,770.78	13,878,932,801.71
Owners’ equity		
Share capital	1,784,262,603.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,637,148,823.48	18,246,619,742.09
Less: Treasury stock		707,428,892.15
Other comprehensive income	-101,263,356.31	-89,538,172.13
Special reserves		
Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	16,981,339,385.76	18,102,147,836.12
Total owners’ equity attributable to parent company	38,831,946,424.51	39,879,122,031.51
Minority interests	34,138,137.76	26,238,350.71
Total owners’ equity	38,866,084,562.27	39,905,360,382.22

Total liabilities and owners' equity	52,914,181,333.05	53,784,293,183.93

Legal representative: Dong Ming Accounting officer: Ma Jia Head of accounting center: Xu Jing

2. Balance sheet of parent company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	8,385,552,777.48	11,558,478,370.89
Financial assets held for trading	2,496,810,753.70	72,221,202.90
Derivative financial assets		
Notes receivable	675,593,542.66	6,112,294.09
Accounts receivable	1,940,715,863.84	1,330,908,560.96
Accounts receivable financing	591,699,974.35	602,881,796.61
Prepayment	1,351,285,270.04	1,600,931,041.18
Other receivables	6,501,863,512.27	4,127,088,902.76
Including: Interest receivable		
Dividends receivable	10,348,033.98	4,531,100.00
Inventory	1,160,234,826.84	1,462,389,548.82
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year	480,295,722.22	442,772,777.78
Other current assets	443,410,111.63	3,156,374,029.15
Total current assets	24,027,462,355.03	24,360,158,525.14
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	14,927,341,039.68	13,882,263,332.22
Investment in other equity instruments		
Other non-current financial assets	387,188,897.11	324,174,379.63
Investment properties	350,771,014.59	319,279,203.56
Fixed assets	1,657,360,463.22	1,406,905,437.93
Construction in progress	63,945,254.57	127,864,253.80
Productive biological assets		
Oil and gas assets		
Right-of-use assets	195,572,313.66	259,635,687.65
Intangible assets	232,180,054.34	283,913,499.08
Including: Data resources		
Development expenses	25,422,461.13	14,452,474.57

Including: Data resources		
Goodwill		
Long-term deferred expenses	40,087,609.94	19,333,368.56
Deferred income tax assets	387,502,971.84	374,888,819.41
Other non-current assets	404,946,229.16	467,069,694.11
Total non-current assets	18,672,318,309.24	17,479,780,150.52
Total assets	42,699,780,664.27	41,839,938,675.66
Current liabilities:		
Short-term loans	400,133,333.33	19,002,863.01
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	4,018,681,496.23	3,247,231,002.57
Receipts in advance	355,324.62	368,860.80
Contractual liabilities	1,534,629,073.69	1,316,384,668.74
Payroll payable	940,019,555.32	742,388,264.48
Taxes and duties payable	207,921,216.70	53,940,771.05
Other payables	10,071,969,063.28	9,513,887,394.94
Including: Interest payable		
Dividends payable	86,490,742.04	86,490,742.04
Held-for-sales liabilities		
Non-current liabilities due within one year	15,543,095.75	17,766,112.27
Other current liabilities	102,375,999.95	86,664,716.45
Total current liabilities	17,291,628,158.87	14,997,634,654.31
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	184,260,902.19	247,778,172.74
Long-term payables	591,533,288.57	631,735,908.04
Long-term payroll payable		
Estimated liabilities		
Deferred income	198,493,435.95	147,405,764.87
Deferred income tax liabilities	51,548,686.57	48,751,418.36
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,028,867,867.64	1,078,702,818.37
Total liabilities	18,320,496,026.51	16,076,337,472.68
Owners' equity:		

Share capital	1,784,262,603.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,839,540,148.42	18,449,011,067.03

Amount for the previous year

Unit: RMB

Item	2023													
	Owner's equity attributable to parent company												Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undisturbed profits	Others	Subtotal	
		Preferred shares	Perpetual bonds	Others										
I. Closing balance of the previous year	1,796,862,549.00				18,231,423,838.72	707,428,892.15	-68,087,650.95		2,530,458,968.58		16,720,444,918.66		38,503,673,731.86	23,323,529.93	38,526,997,261.79
Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current period	1,796,862,549.00				18,231,423,838.72	707,428,892.15	-68,087,650.95		2,530,458,968.58		16,720,444,918.66		38,503,673,731.86	23,323,529.93	38,526,997,261.79
III. Increase/decrease for the period (decrease is indicated with "-")					15,195,903.37		-21,450,521.18				1,381,702,917.46		1,375,448,299.65	2,914,820.78	1,378,363,120.43
(I) Total comprehensive income							-21,450,521.18				4,093,782,074.02		4,072,331,552.84	28,381,721.87	4,100,713,274.71
(II) Contribution and withdrawal of capital by owners					-3,648,728.86								-3,648,728.86	-8,532,477.14	-12,181,206.00
1. Ordinary shares invested by owners														-2,230,000.00	-2,230,000.00
2. Capital invested by holders of other equity instruments															
3. Amount of share payment credited to owners' equity															
4. Others					-3,648,728.86								-3,648,728.86	-6,302,477.14	-9,951,206.00
(III) Profit distribution											-2,712,079,156.56		-2,712,079,156.56	-16,934,423.95	-2,729,013,580.51
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-2,712,079,156.56		-2,712,079,156.56	-16,934,423.95	-2,729,013,580.51
4. Others															
(IV) Internal carry-															

over of owner's equity															
1. Transfer of capital reserves to capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Covering loss with surplus reserves															
4. Change of defined benefit plan carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves															
1. Provision for the period															
2. Utilization for the period															
(VI) Others					18,844,632.23								18,844,632.23		18,844,632.23
IV. Closing balance for the period	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22

8. Statement of changes in owners' equity of parent company

Amount for the current period

Unit: RMB

Item	2024											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undisturbed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current period	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98
III. Increase/decrease for the period (decrease is indicated with "-")	-12,599,946.00				-609,470,918.61	-707,428,892.15	-6,855,667.55			-1,462,818,925.21		-1,384,316,565.22
(I) Total comprehensive income							-6,855,667.55			4,407,405,024.70		4,400,549,357.15
(II) Contribution and withdrawal of capital by owners	-12,599,946.00				-694,828,946.15	-707,428,892.15						
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others	-12,599,946.00				-694,828,946.15	-707,428,892.15						
(III) Profit distribution										-5,870,223,949.91		-5,870,223,949.91
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-5,870,223,949.91		-5,870,223,949.91
3. Others												
(IV) Internal carry-over of owner's equity												

1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					85,358,027.54							85,358,027.54
IV. Closing balance for the period	1,784,262,603.00				17,839,540,148.42		-61,502,389.01		2,529,297,618.08	2,287,686,657.27		24,379,284,637.76

Amount for the previous year

Unit: RMB

Item	2023											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undisturbed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,796,862,549.00				18,430,166,434.80	707,428,892.15	-32,221,472.36		2,529,297,618.08	5,050,873,408.22		27,067,549,645.59
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current period	1,796,862,549.00				18,430,166,434.80	707,428,892.15	-32,221,472.36		2,529,297,618.08	5,050,873,408.22		27,067,549,645.59
III. Increase/decrease for the period (decrease is indicated with "-")					18,844,632.23		-22,425,249.10			-1,300,367,825.74		-1,303,948,442.61
(I) Total comprehensive income							-22,425,249.10			1,411,711,330.82		1,389,286,081.72
(II) Contribution and withdrawal of capital by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others												
(III) Profit distribution										-2,712,079,156.56		-2,712,079,156.56
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-2,712,079,156.56		-2,712,079,156.56
3. Others												
(IV) Internal carry-over of owner's equity												

1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					18,844,632.23							18,844,632.23
IV. Closing balance for the period	1,796,862,549.00				18,449,011,067.03	707,428,892.15	-54,646,721.46		2,529,297,618.08	3,750,505,582.48		25,763,601,202.98

III. Basic Information of the Company

1. Place of registration, form of organization and address of headquarters of the Company

The registered address of Yunnan Baiyao Group Co., Ltd is No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province. The Company is established as a joint-stock limited company with its head office located at No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province.

2. History of the Company

The Company was formerly known as Yunnan Baiyao Factory, which was established in June 1971. On May 3, 1993, Yunnan Provincial System Reform Committee approved the establishment of Yunnan Baiyao Industrial Co., Ltd in the Document *Yun Ti Gai [1993] No.48*. The Company's sponsors were Yunnan Baiyao Factory, Yunnan Fudian Trust and Investment Company and Lianjiang International Trade Co., Ltd. On June 18, 1993, the Economic System Reform Commission and the Planning Commission of Yunnan Province jointly issued the Document *Yun Ti Gai [1993] No.74* to approve the Company's public offering of RMB 20 million of individual shares (in the par value of the shares). On June 24, 1993, the Administration of State-owned Assets of Yunnan Province issued the Document *Yun Guo Zi Zi (1993) No.37* to confirm the appraisal results of Yunnan Baiyao Factory and decided to set up RMB 40 million of national capital stock, amounting to 40 million shares. Yunnan Baiyao Industrial Co., Ltd was approved by CSRC under the *Document Zheng Jian Fa Shen Zi (1993) No.55* to issue 20 million RMB-denominated ordinary shares to the public. Yunnan Baiyao issued 20 million shares to the public in November 1993, of which 18 million shares were issued to the public individuals and 2 million shares to the Company's internal employees.

On November 30, 1993, the Company was registered as a joint-stock limited company with the Administration for Industry and Commerce of Yunnan Province, and on December 15, 1993, the public shares issued by the Company were listed on the Shenzhen Stock Exchange, with a total share capital of 80 million shares and a stock code of "000538."

In accordance with the resolutions passed at the third Extraordinary General Meeting of the fifth Board of Directors of the Company in 2008 on August 11, 2008, and at the first Extraordinary General Meeting of the Company in 2008 on August 27, 2008, and the approval by the CSRC on the Document (*2008) No.1411 Reply on Approving the Private Issuance of Shares of Yunnan Baiyao Group Co., Ltd*, the Company issued 50,000,000 new shares to Ping An Life Insurance Company of China Limited in a private offering, raising funds of RMB 1,393,500,000.00 (including issuance expenses), all of which were subscribed in cash. The share capital of the Company increased from 484,051,138 shares to 534,051,138 shares after the implementation of the above private offerings.

In accordance with the 2009 Annual Equity Distribution Plan approved at the General Meeting of the Company in May 2010, 3 shares were issued to all shareholders from the capital reserve as a bonus for every 10 shares held. The Company's share capital amounted to 534,051,138 shares prior to the distribution, and the total share capital increased to 694,266,479 shares after the distribution.

The 2013 Annual General Meeting was held on May 8, 2014, and in accordance with the resolution of the meeting and the amended articles of association, the shareholders of the Company increased the registered capital by RMB 347,133,239.00. The newly registered capital would be increased by the distribution of 5 bonus shares for

every 10 shares to all shareholders based on the Company's existing total share capital of 694,266,479 shares. After the change, the share capital of the Company increased from 694,266,479 shares to 1,041,399,718 shares.

The Company underwent a merger and overall listing with Baiyao Holdings by issuing shares to three shareholders of Baiyao Holdings: SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue. This merger and overall listing were successfully completed on June 1, 2019, with the Company as the existing entity. As a result, the Company acquired all the assets, liabilities, businesses, contracts, and other rights and obligations of Baiyao Holdings. Following the completion of the transaction, the 432,426,597 shares of the listed company previously held by Baiyao Holdings were canceled. The merger and overall listing brought in a newly registered capital of RMB 236,003,599.00, and the Company's total share capital amounted to RMB 1,277,403,317.00 after this change. A total of 236,003,599 newly issued shares subject to trading moratorium were issued, with a listing date of July 3, 2019, and the shares were listed on the Shenzhen Stock Exchange. Upon completion of this transaction, SASAC of Yunnan Province and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and neither of them obtained control over the Company.

On May 22, 2020, SASAC of Yunnan Province transferred its 321,160,222 shares of the Company to State-owned Equity Management Company at nil consideration. Upon completion of this transfer, State-owned Equity Management Company and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and there was no change in the Company's situation of not having a de facto controller or controlling shareholder.

On December 8, 2021, SASAC of Yunnan Province transferred 100% of its shares of State-owned Equity Management Company into Yunnan Investment Group. After the equity transfer, Yunnan Investment Group held 321,160,222 shares of the Company through the State-owned Equity Management Company, accounting for 25.04% of the total share capital of the Company. State-owned Equity Management Company and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and there was no change in the Company's situation of not having a de facto controller or controlling shareholder.

On April 20, 2022, the Company's 2021 Annual Equity Distribution Plan had been considered and approved at the Company's 2021 Annual General Meeting, and the details of 2021 Annual Equity Distribution Plan were as follows: Based on the total share capital on the equity registration date when the distribution plan was implemented in the future, a cash dividend of RMB 16.00 (including tax) for every 10 shares and 4.00 bonus shares (including tax) for every 10 shares would be distributed to all shareholders, and there would be no conversion of share capital from the capital reserve. On April 21, 2020, the fourth session of the ninth Board of Directors of the Company in 2020 and the third session of the ninth Supervisory Committee of the Company in 2020 respectively considered and approved the *Proposal on Granting Stock Options (Initially Granted Part) to Incentive Participants of the 2020 Equity Incentive Plan*. As of December 31, 2022, the Company had completed distributing dividends of 513,206,278 shares and stock exercises of 941,029 shares, increasing its share capital to 1,796,862,549 shares.

On April 23, 2024, the Company disclosed the *Announcement on Completion of Cancellation of the Repurchased Shares and Changes in Shares* (Announcement No. 2024-21). The Company completed the cancellation of the aforesaid 12,599,946 repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on April pril cBran l(cBran)(ncement)1( )-318(Nl6.1snceNl66()(l(cBran)(ncement)1( )-)-1(

contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing arrangement. The Group measures such financial assets at fair value and their changes are recognized in other comprehensive income, but impairment losses or gains, exchange profits and losses and interest income calculated under the effective interest rate method are recognized in current profits and losses.

In addition, the Group has designated certain non-trading equity instrument investments as financial assets at fair value through other comprehensive income. The Group recognizes the relevant dividend income of such financial assets in current profits and losses and the fair value changes in other comprehensive income. Upon the derecognition of the financial assets, the accumulated profits and losses previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings and are not recognized in the current profits and losses.

③ Financial assets at fair value through profits and losses

The Group's financial assets other than those at amortized cost and those at fair value through other comprehensive income as described above are classified as financial assets at fair value through profits and losses. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting misalignments, the Group designated certain financial assets as financial assets at fair value through profits and losses. Such financial assets are subsequently measured at fair value, with changes in fair value recognized in the current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profits and losses and other financial liabilities at the time of initial recognition. For financial liabilities at fair value through profits and losses, the related transaction costs are recognized directly in profits or losses, and for other financial liabilities, the related transaction costs are recognized in their initial recognition amounts.

① Financial liabilities at fair value through profits and losses

The financial liabilities at fair value through profits and losses include financial liabilities held for trading (including derivatives that are financial liabilities) and those designated as financial liabilities at fair value through profits and losses at the initial recognition.

Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, with changes in fair value recognized in current profits and losses, except for those related to hedge accounting.

For those designated as financial liabilities at fair value through profits and losses, the change in fair value of such liabilities caused by changes in the Group's own credit risk is included in other comprehensive income, and the cumulative change in its fair value caused by changes in its own credit risk included in other comprehensive income is transferred to retained earnings when such liabilities are derecognized. Other changes in fair value are included in current profits and losses. If the treatment of the effect of the change in the credit risk of the financial liabilities in the manner described above would cause or widen the accounting mismatch in profits and losses, the Group would recognize the full profits or losses of the financial liabilities (including the amount affected by the change in the credit risk of the enterprise) in the current profits and losses.

② Other financial liabilities

Financial liabilities other than those resulting from the transfer of financial assets that does not meet the conditions for derecognition or continues to be involved in the transfer of financial assets, and other financial liabilities excluding financial guarantee contracts are classified as financial liabilities at amortized cost, which are subsequently measured at amortized cost, and the profits and losses resulting from the derecognition or amortization are included in current profits and losses.

(3) Recognition basis and measurement method for transfer of financial assets

A financial asset is derecognized if it meets any of the following conditions: ① The contractual right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred, and substantially all the risks and returns of ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred, substantially all the risks and returns of ownership of the financial asset have neither been transferred nor retained, but the control over the financial asset has been relinquished.

If neither substantially all the risks and returns of ownership of a financial asset are transferred nor retained, and the control over the financial asset is not relinquished, the underlying financial asset shall be recognized to the extent of its continuing involvement in the transferred financial asset, and the related liability shall be recognized accordingly. The extent of continued involvement in the transferred financial asset is the level of risk to which the enterprise is exposed as a result of changes in the value of that financial asset.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the consideration received as a result of the transfer and the cumulative change in the fair value originally included in other comprehensive income is included in the current profits and losses.

If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets shall be apportioned between the portion derecognized and the portion not for derecognition according to their relative fair value. The difference between the sum of the consideration received as a result of the transfer and the cumulative changes in fair value originally included in other comprehensive income that should be apportioned to the portion derecognized and the above-mentioned book value apportioned are recognized in current profits and losses.

If the Group sells the financial assets by recourse or makes endorsement transfer of the financial assets it holds, it is necessary to determine whether virtually all risks and returns in the ownership of the financial asset have been transferred. If the Group has transferred substantially all the risks and returns related to the ownership of a financial asset to the transferee, the Group shall derecognize the financial asset. If substantially all the risks and returns related to the ownership of a financial asset are retained, the financial assets shall not be derecognized. If substantially all the risks and returns related to the ownership of the financial asset are neither transferred nor retained, whether the enterprise retains control of the asset shall be determined and accounting treatment shall be made in accordance with the principles described in the preceding paragraphs.

(4) Derecognition of financial liabilities

A financial liability (or a portion thereof) is derecognized when the present obligation is discharged. If an

agreement is entered into between the Group (the borrower) and the lender to replace the original financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are materially different from those of the original financial liability, the original financial liability is derecognized and the new financial liability is recognized at the same time. If the Group materially modifies the contractual terms of the original financial liability (or part thereof), it shall derecognize the original financial liability and recognize a new financial liability in accordance with the modified terms.

If a financial liability is derecognized in whole or in part, the difference between the book value of the derecognized portion and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in current profits and losses.

(5) Offsetting of financial assets and financial liabilities

When the Group has the legal rights to offset the financial assets and financial liabilities whose amounts have been recognized, the legal rights are currently exercisable, and the Group plans to settle with net amount or realize the financial asset and repay the financial liability simultaneously, the financial assets and financial liabilities can be presented in the balance sheet with the net amount after they are mutually offset. Apart from this, financial assets and financial liabilities shall be presented separately in the balance sheet and not be offset against each other.

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

Fair value is the price that a market participant would receive to sell an asset or pay to transfer a liability in an orderly transaction occurring on the measurement date. Regarding the financial instruments for which there is an active market, the Group uses quoted prices in an active market to determine their fair values. A quoted price in an active market is a price that is readily available on a regular basis from an exchange, broker, trade association, pricing service agency, etc., and represents the price of a market transaction that actually takes place in a fair trade. If there is no active market for the financial instrument, the Group uses valuation techniques to determine its fair value. The valuation techniques include reference to prices used in recent market transactions by the parties who are familiar with the situation and willing to deal, reference to the current fair value of other substantially identical financial instruments, the discounted cash flow method, and option pricing models. In the valuation, the Group will adopt the valuation techniques applicable in the current situation and supported by sufficiently available data and other information, select the input values that are consistent with the characteristics of the asset or liability considered by market participants in the transaction of the relevant asset or liability, and give priority to the relevant observable input values when possible. The non-observable input values will be used only when the relevant observable input values are unavailable or not practicable to obtain.

(7) Equity instruments

Equity instruments are contracts that demonstrate ownership of the remaining interest in the Group’s assets after deducting all liabilities. The Group’s issuance (including refinancing), repurchase, sale or cancellation of equity instruments is treated as changes in equity, and the transaction expenses related to equity transactions are deducted from equity. The Group does not recognize the changes in fair value of equity instruments.

Dividends (including “interest” on instruments classified as equity instruments) distributed during the existence of the Group’s equity instruments are treated as profit distributions.

(8) Impairment of financial assets

The financial assets for which the Group needs to recognize impairment losses are financial assets at amortized cost, debt instruments at fair value through other comprehensive income, lease receivables, which mainly include notes receivable, accounts receivable, receivables financing, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, for contractual assets and certain financial guarantee contracts, impairment provisions are made and credit impairment losses are recognized in accordance with the accounting policies described in this section.

① Recognition of provision for impairment losses

On the basis of expected credit losses, the Group makes an impairment provision and recognizes credit impairment losses for each of the above items in accordance with its applicable expected credit losses measurement method (general method or simplified method).

Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Group, discounted at the original effective interest rate, i.e., the present value of all cash shortfalls. Financial assets purchased or originated by the Group that are credit impaired shall be discounted at the credit-adjusted effective interest rate of the financial assets.

The general method of measurement of expected credit losses means that the Group assesses at each balance sheet date whether the credit risk of financial assets (including contractual assets and other applicable items, the same below) has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Group measures the loss provision at an amount equivalent to the expected credit losses over the entire duration; If credit risk does not increase significantly since the initial recognition, the Group measures the loss provision at an amount equivalent to expected credit losses over the next 12 months. The Group will consider all the reasonable and evidence-based information, including forward-looking information, when assessing expected credit losses.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that their credit risk has not increased significantly since initial recognition, and measures the provision for losses based on expected credit losses over the next 12 months.

② Criteria for determining whether credit risk has increased significantly since the initial recognition

If the probability of default of a financial asset during the estimated duration determined on the balance sheet date is significantly higher than the probability of default during the estimated duration determined at the time of initial recognition, it indicates that the credit risk of the financial asset has significantly increased. Except in exceptional circumstances, the Group uses the change in default risk occurring over the next 12 months as a reasonable estimate of the change in default risk occurring over the duration to determine whether credit risk has increased significantly since the initial recognition.

③ The portfolio-based approach to assessing expected credit risk

The Group assesses credit risk individually for financial assets with significantly different credit risks, such as receivables that are in dispute with other parties or involved in litigation or arbitration; or where there are clear

indications that the debtor is likely to be unable to meet its repayment obligations.

Apart from financial assets that are individually assessed for credit risk, the Group classifies financial assets into different groups based on common risk characteristics and assesses credit risk on a portfolio basis.

④ Accounting treatment of impairment of financial assets

At the end of the period, the Group will calculate the estimated credit losses of various financial assets, and if the estimated credit losses are greater than the book value of its current impairment provision, the difference is recognized as an impairment loss; If it is less than the book value of the current impairment provision, the difference is recognized as an impairment gain.

⑤ Determination of credit losses of various financial assets

a. Notes receivable

The Group measures the loss provision for notes receivable at the amount equivalent to expected credit losses in the entire duration. Based on the credit risk characteristics of notes receivable, they are divided into different portfolios:

Item	Basis for determining the portfolio
Banker's acceptance bill	Banks with less credit risk in relation to acceptors
Commercial acceptance bill	Divided according to the acceptor's credit risk

b. Accounts receivable and contractual assets

For the accounts receivable and contractual assets that do not have a significant financing component, the Group measures the loss provision at the amount equivalent to expected credit losses in the entire duration.

For the accounts receivable, contractual assets and lease receivables that have a significant financing component, the Group chooses to always measure the loss provision at an amount equivalent to expected credit losses over the duration.

Apart from the accounts receivable for single assessment of credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Related party within the consolidation scope	This portfolio represents amounts receivable of the Company within the scope of consolidation.
Account age portfolio	The portfolio takes the age of receivables as the credit risk characteristics.

Method for calculating aging years based on credit risk characteristics portfolio: The Group calculates the aging years of accounts receivable based on the principle of First Occurrence, First Recovery.

Recognition criteria for provision of bad debts of a single account receivable: The Group conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics, such as significantly deteriorating credit status of the debtor, low possibility of future repayment, and credit impairment that has occurred.

c. Accounts receivable financing

Notes and accounts receivable measured at fair value through other comprehensive income are presented as accounts receivable financing if their maturities are within one year (including one year) from the initial recognition date. The Group measures the loss provision at the amount equivalent to expected credit losses in the entire duration.

Apart from the accounts receivable financing for single assessment of credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Related party within the consolidation scope	This portfolio represents amounts receivable of the Company within the scope of consolidation.
Account age portfolio	The portfolio takes the age of receivables as the credit risk characteristics.

Method for calculating aging years based on credit risk characteristics portfolio: The Group calculates the aging years of accounts receivable based on the principle of First Occurrence, First Recovery.

Recognition criteria for provision of bad debts of a single account receivable: The Group conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics, such as significantly deteriorating credit status of the debtor, low possibility of future repayment, and credit impairment that has occurred.

d. Other receivables

Based on whether the credit risk of other receivables has increased significantly since initial recognition, the Group measures the loss provision at the amount equivalent to expected credit losses in the next 12 months or the entire duration. Apart from the other receivable for single assessment of credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Related party within the consolidation scope	This portfolio represents amounts receivable of the Company within the scope of consolidation.
Account age portfolio	The portfolio takes the age of receivables as the credit risk characteristics.

Method for calculating aging years based on credit risk characteristics portfolio: The Group calculates the aging years of accounts receivable based on the principle of First Occurrence, First Recovery.

Recognition criteria for provision of bad debts of a single account receivable: The Group conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics, such as significantly deteriorating credit status of the debtor, low possibility of future repayment, and credit impairment that has occurred.

12. Notes receivable

Please refer to “11. Financial instruments.”

13. Accounts receivable

Please refer to “11. Financial instruments.”

14. Accounts receivable financing

Notes and accounts receivable at fair value through other comprehensive income are presented as accounts receivable financing if their maturities are within one year (including one year) from the initial recognition date.

The Notes and accounts receivable with the maturity of more than 1 year since the initial recognition date are presented as other debt investments. For the relevant accounting policies, please refer to "11. Financial instruments" under this Note.

15. Other receivables

Method of determining expected credit losses on other receivables and the accounting treatment

For the method of determining expected credit losses on other receivables and the accounting treatment, please refer to "11. Financial instruments."

16. Inventories

(1) Categories of inventories

Inventories mainly include raw materials, packaging and low-value consumable goods, products in process, goods in stock, consumable biological assets, development costs, development products, etc.

(2) Pricing of inventories

Inventories are initially measured at actual cost. The cost of inventories includes procurement cost, processing cost and other costs. Inventories are measured by the weighted average method upon delivery.

(3) Determination of net realizable value of inventories and method of making provision for inventory impairment

The net realizable value of inventories refers to the estimated selling price deducted by estimated costs until they are made into finished goods, estimated selling expense and relevant taxes in daily activities. The determination of the net realizable value of inventories is based on conclusive evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

Inventories are measured at the lower of cost or net realizable value at the balance sheet date, and provision for their impairment shall be made when the net realizable value is below the cost of inventories. Provision for inventory impairment is made on the basis of the difference whereby the cost of one single inventory item exceeds its net realizable value. For inventories with large quantities and low unit prices, provision for inventory impairment shall be made according to inventory categories. Inventories that are related to product series produced and sold in the same region and have the same or similar end use or purpose, and are difficult to be documented separately from other items that shall be combined for making provision for inventory impairment.

After provision for inventory impairment is made, if the factors that once resulted in the impairment disappear, leading to the net realizable value of inventories higher than their book value, the provision of inventory impairment shall be reversed to the extent of provision previously made, and the reversed amount shall be recognized in current profits and losses.

(4) The inventory system shall be the perpetual inventory system.

(5) Amortization of low-value consumables and packaging materials

The low-value consumables and packaging materials are amortized using a one-off amortization method.

17. Long-term equity investments

Long-term equity investments in this section refers to any equity investment by which the Group has control,

common control or significant influence over the investee. Long-term equity investments by which the Group does not have control, common control or significant influence over the investee are accounted for as financial assets at fair value through profits or losses. If they are non-trading, the Group may elect to designate them as financial assets at fair value through other comprehensive income at the time of initial recognition. For the accounting policies, please refer to "11. Financial instruments" under Note IV.

Common control is the Group's contractually agreed sharing of control over an arrangement, and the activities under which must be decided by unanimous agreement from parties who share the control. Significant influence is the power of the Group to participate in the decision-making for financial and operating policies of an investee, but not to control or common control the formulation of such policies together with other parties.

(1) Determination of investment cost

For long-term equity investments acquired relating to business combination under common control, the initial investment cost is determined on the date of consolidation according to the percentage of shareholders/owners' equity from the combined party as a part of the book value of total shareholders/owners' equity set forth in the consolidated financial statements of the ultimate controlling party. The difference between the said initial investment cost and the sum of cash being paid, non-cash assets being transferred and book value of liabilities being assumed shall be adjusted against the capital reserve; or, in case of insufficient capital reserve to cover the difference, against the retained earnings accordingly. In case that the consideration of the business combination is satisfied by issuing equity securities, the initial investment cost of the long-term equity investments is determined on the date of consolidation according to the percentage of shareholders' equity from the combined party as a part of the book value of total shareholders' equity set forth in the consolidated financial statements of the ultimate controlling party. With the sum of par values of shares being issued as the share capital, the difference between the said initial investment cost and the sum of par values of shares being issued shall be adjusted against the capital reserve; or, in case of insufficient capital reserve to cover the difference, against the retained earnings accordingly. Where a business combination under common control is achieved by acquiring the equity of a combined party under common control in phases through multiple transactions, following policies shall apply depending on whether those transactions are "a bundle of transactions": if so, the Company shall account for all transactions together as the one deal to obtain the control; if not, the initial investment cost of the long-term equity investments shall be determined on the date of consolidation according to the percentage of shareholders/owners' equity from the combined party as a part of the book value of total shareholders' equity set forth in the consolidated financial statements of the ultimate controlling party, while the difference between the initial investment cost and the sum of book value of long-term equity investments before the consolidation and that of consideration newly paid to acquire additional equities on the date of consolidation shall be adjusted against the capital reserve, or, in case of insufficient capital reserve to cover the difference, against retained earnings accordingly. Accounting treatment is currently not required for other comprehensive income that has been recognized due to the adoption of equity method in accounting or the classification as financial assets at fair value through other comprehensive income in respect of equity investments held before the date of consolidation.

For the long-term equity investments acquired relating to business combination not under common control, the initial investment cost is the cost of combination on the date of acquisition which equals to the aggregate fair value

of assets transferred, liabilities incurred or assumed and equity securities issued by the acquirer. Where a business combination not under common control is achieved by acquiring the equity of a combined party under common control in phases through multiple transactions, following policies shall apply depending on whether those transactions are "a bundle of transactions": if so, the Group shall account for all transactions together as the one deal to obtain the control; if not, the initial investment cost of the long-term equity investments that is re-accounted for using the cost method shall be the sum of book value of long-term equity investments previously held by the acquirer in the acquiree and new investment cost. Accounting treatment is currently not required for other comprehensive income in respect of equity investments that have been accounted for using the equity method.

The intermediary expenses on items such as audit, legal service and valuation advisory for business combination and other related administrative expenses incurred by the combining party or acquirer are recognized in current profits and losses upon their occurrence.

Long-term equity investments other than those formed by business combination is initially measured at cost which varies depending on the different ways of acquiring the long-term equity investments and is determined by considering the amount of actual cash paid by the Group, the fair value of the equity securities issued by the Group, the conventional value stipulated in the investment contract or agreement, the fair value or original book value of the assets surrendered in the non-cash and bank balance swap transaction, the fair value of the long-term equity investments itself, and etc. The expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investments are also included in the investment cost. For additional long-term equity investments that entitles the Company with significant influence or common control but not control over the investee, its cost of investment is the sum of fair value of equity investments that have been held plus new cost of investment pursuant to the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instrument*.

(2) Subsequent measurement and recognition method of profits and losses

A long-term equity investment with common control (excluding that constituting a joint venture) over or significant influence on the investee is accounted for by using the equity method, and a long-term equity investment with control over the investee is accounted for in the Company's financial statements by using the cost method.

① Long-term equity investment accounted for with cost method

When a long-term equity investment is accounted for with cost method, its price is measured at initial investment cost, and when the long-term equity investment is added or disposed, its cost is adjusted accordingly. The cash dividend or profit declared by the investee, except for the cash dividend or profit declared but not yet granted that is included in the price or consideration actually paid upon the acquisition of the investment, shall be recognized as investment income for the period.

② Long-term equity investment accounted for with equity method

When a long-term equity investment is accounted for with equity method and its initial investment cost is higher than the proportion of fair value of the investee's identifiable net assets attributable to the investor because of the investment, its initial cost shall not be adjusted; if lower, the difference shall be recognized in the current profits and losses, and its cost shall be adjusted accordingly.

When a long-term equity investment is accounted for with equity method, the investment income and other comprehensive income arising therefrom are recognized in accordance with the proportion of net profits and losses and other comprehensive income of the investee attributable to the investor, and the book value of long-term equity investments is adjusted accordingly; if any profit or cash dividend is declared by the investee, the book value of long-term equity investments shall be reduced according to the part of profit or dividends attributable to the investor; if there is any other changes in shareholders' equity other than net profits and losses, other comprehensive income and profit distribution, such change shall be adjusted against the book value of long-term equity investments and recognized in the capital reserve. The Group recognizes its share of the investee's net profits and losses based on fair value of the investee's identifiable assets at the time of acquisition, after making appropriate adjustments to net profits thereto. In case of any inconsistency between the accounting policies and accounting periods adopted by the investee and by the Group, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Group, and the gain on investment and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets invested or disposed of are not part of the business, the share of unrealized profits and losses arising from inter-group transactions shall be offset by the portion attributable to the Group, and the profits and losses on investment shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not offset to the extent that the loss is impairment loss of the assets transferred. Where the Group invests to its joint ventures or associates an asset forming part of a business, giving rise to the acquisition of a long-term equity investment by the investor without obtaining control, the initial investment cost of the additional long-term equity investments shall be recognized at fair value of the business invested. The difference between initial investment cost and book value of the business invested will be fully included in current profits and losses. Where the Group disposes of an asset forming part of a business to its associates or joint ventures, the difference between the consideration received and the book value of the business shall be fully included in current profits and losses. Where the Group acquires from its associates or joint ventures an asset forming part of a business, the profits or losses related to the transaction shall be accounted for and recognized in accordance with the *Accounting Standards for Business Enterprises No. 20 - Business Combination*.

The Group's share of net loss of the investee shall be recognized to the extent that the book value of the long-term equity investment and any long-term equity that substantially forms part of the investor's net investment in the investee are written down to zero. If the Group has to assume additional obligations to the loss of the investee, the estimated liabilities shall be recognized for the estimated obligation assumed and charged to investment loss for the period. Where the investee makes profits in subsequent periods, the Group shall re-recognize its share of the profits after setting off against the share of unrecognized losses.

③ Acquisition of minority interests

When preparing the consolidated financial statements, the Company adjusts the capital reserve and, if the capital reserve is insufficient, adjusts the retained earnings based on the difference between the additional long-term equity investments arising on acquisition of minority interests and the Company's share in the net assets of the subsidiary accrued from the acquisition date (or consolidation date) in proportion to the additional shareholdings.

④ Disposal of long-term equity investments

In the consolidated financial statements, if the parent company disposes part of the long-term equity investment in the subsidiary without losing its control, the difference between the disposal price and the Company's share in the net assets of the subsidiary attributable to the disposal of the long-term equity investment is recognized in the shareholders' equity; if the parent company disposes part of the long-term equity investment in the subsidiary resulting in the loss of its control over the subsidiary, the accounting treatment shall be in accordance with the policies as set out in Item (2) of Section 6 "Accounting treatment for business combination under common control and not under common control" under this Note V.

In other cases, upon the disposal of a long-term equity investment, the difference between the book value of the investment and the price received is recognized in the current profits and losses.

For a long-term equity investment that is accounted for using the equity method where the remaining equity after disposal continues to be accounted for using the equity method, the portion of other comprehensive income previously included in shareholder's equity shall be treated in accordance with the same basis as the investee directly disposes of relevant asset or liability on pro rata basis at the time of disposal. The owners' equity recognized for the change in owners' equity of the investee other than net profits and losses, other comprehensive income and profit distribution, shall be transferred to current profits and losses on pro rata basis.

For a long-term equity investment accounted for using the cost method where the remaining equity after disposal continues to be accounted for using cost method, other comprehensive income recognized using the equity method or in accordance with the standard for recognition and measurement of financial instruments prior to the acquisition of control over the investee shall be treated in accordance with the same basis as the investee directly disposes of relevant asset or liability, and transferred to current profits and losses on pro rata basis. The change in owners' equity recognized in net assets of the investee by using the equity method other than net profits and losses, other comprehensive income and profit distribution shall be transferred to current profits and losses on pro rata basis.

In preparing separate financial statements, if control is lost over the investee upon partial disposal of equity investment, the remaining equity with common control or an ability to impose a significant influence over the investee after disposal shall be accounted for using the equity method, and shall be adjusted as if it has been accounted for using the equity method since it was acquired. The remaining equity without common control or an ability to impose a significant influence over the investee after disposal shall be accounted for based on the standard for recognition and measurement of financial instruments, and the difference between its fair value and book value on the date of loss of control shall be included in current profits and losses. In respect of other comprehensive income recognized using the equity method or in accordance with the standard for recognition and measurement of financial instruments prior to the acquisition of control over the investee, it shall be accounted for in accordance with the same basis as the investee directly disposes of relevant asset or liability when the control is lost. The change in owners' equity recognized in net assets of the investee by using the equity method other than net profits and losses, other comprehensive income and profit distribution shall be transferred to current profits and losses at the time when the control over investee is lost. Where the remaining equity after disposal is accounted for using the equity method, other comprehensive income and other owners' equity shall be carried forward on pro rata basis. Where the remaining equity after disposal is accounted for in accordance with the standard for recognition and measurement

of financial instruments, other comprehensive income and other owners' equity shall be fully carried forward.

If the common control or significant influence of the Group over the investee is lost upon partial disposal of equity investment, the remaining equity after disposal shall be accounted for in accordance with the standard for recognition and measurement of financial instruments. The difference between its fair value and book value on the date of loss of common control or significant influence shall be included in current profits and losses. For other comprehensive income recognized previously for the equity investment using equity method, it shall be accounted for in accordance with the same basis as the investee directly disposes of relevant asset or liability at the time when the equity method is ceased to be used. The owners' equity recognized arising from the change in owners' equity of the investee other than net profits and losses, other comprehensive income and profit distribution shall be transferred to current profits and losses at the time when the equity method is ceased to be used.

Where the Group disposes of its equity investment in a subsidiary in a series of transactions until the control is lost, and such transactions form "a bundle of transactions," each transaction shall be accounted for as a disposal of equity investment of the subsidiary resulting in a loss of control. The difference between the consideration for each transaction and the book value of the long-term equity investment attributable to the equity interests disposed prior to loss of control shall be initially recognized as other comprehensive income, and upon loss of control, transferred to current profits and losses when the loss of control takes place.

18. Investment properties

Measurement model for investment property

Cost model

Depreciation or amortization method

Investment properties are real estate held for rental income or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and intended to be transferred after appreciation, and buildings that have been leased. In addition, vacant buildings held by the Group for operating leases are reported as investment properties if the Board of Directors (or similar organization) makes a written resolution that they will be used for operating leases and the intention to hold them will not change in the near future.

Investment properties shall be initially measured at cost. The subsequent expenses related to investment properties shall be recognized as cost of the investment properties only if it is probable that economic benefits associated with the assets will flow to the Group and the cost of the assets can be measured reliably. Other subsequent expenses shall be recognized in the current profits and losses when incurred.

The Group uses the cost model for subsequent measurement of investment properties and depreciates or amortizes them according to the policies consistent with that for buildings or land use rights.

For the method of impairment test and provision for impairment loss of investment properties, please refer to Section 25 "Impairment of long-term assets" under Note V.

When the purpose of an investment property changes to self-use, from the date of the change, the investment property shall be reclassified as a fixed asset or intangible asset. When the purpose of a self-use property changes to earning rental income or capital appreciation, from the date of the change, the fixed asset or intangible asset shall

be reclassified as an investment property. Upon reclassification, for investment properties measured using the cost model, the carrying value before reclassification is recognized as the carrying value after reclassification. For investment properties measured using the fair value model, the fair value on the date of reclassification is recognized as the carrying value after reclassification.

An investment property is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net proceeds from sale, transfer, retirement or damage of an investment property after its book value and related taxes and expenses are recognized in the current profits and losses.

19. Fixed assets

(1) Recognition criteria

Fixed assets refer to the tangible assets held by the Company for producing goods, rendering services, renting or operation and administration purposes with useful life of over one accounting year. The fixed assets are recognized only when the economic interests related thereto are likely to flow into the Group and its cost can be measured reliably. The fixed assets are initially measured at cost with consideration of the impact of estimated disposal costs.

(2) Depreciation method

Category	Depreciation method	Depreciation life (year)	Rate of residual value (%)	Annual depreciation rate (%)
Building for production	Straight-line method	39	5	2.44
Machine and equipment for production	Straight-line method	10	5	9.5
Transportation equipment	Straight-line method	10	5	9.5
Electronic device and management tools	Straight-line method	5	5	19
Machine and equipment for non-production purpose	Straight-line method	10	5	9.5
Building for non-production purpose	Straight-line method	45	5	2.11
Others	Straight-line method	5	5	19

The expected residual value refers to the anticipated condition of the fixed asset at the end of its estimated useful life. It represents the estimated amount that the Group would receive from the disposal of the asset, net of any expected disposal costs incurred.

(3) Impairment test method and provision for impairment of fixed assets

The impairment testing method and provision for impairment of fixed assets can be found in Section 25 of Note V “Impairment of Long-term Assets.”

(4) Other Information

Subsequent expenditures related to fixed assets that are expected to generate economic benefits and can be reliably measured are capitalized as part of the fixed asset's cost, and the carrying value of the replaced portion is derecognized. Other subsequent expenditures are recognized in the current period's income statement upon occurrence.

When a fixed asset is classified as held for disposal or is expected to no longer generate economic benefits through use or disposal, it is derecognized. Proceeds from the sale, transfer, scrapping, or destruction of fixed assets, net of their carrying value and related taxes, are recognized in the current period’s income statement.

The Group reviews the useful lives, estimated residual values, and depreciation methods of fixed assets at least annually. Changes in these estimates are treated as changes in accounting estimates.

20. Construction in progress

The cost of construction in progress is measured according to the actual expense for the construction in progress, including all the necessary expenses incurred in the process of construction, borrowing costs to be capitalized before the project is ready for its intended use and other related costs.

The construction in progress is transferred to fixed assets after it is ready for its intended use.

For the method of impairment test and provision for impairment loss of construction in progress, please refer to Section 25 “Impairment of long-term assets” under Note V.

21. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary costs, and exchange differences arising from foreign currency borrowings. Where the borrowing costs can be directly attributable to the acquisition and construction or production activities of assets eligible for capitalization, it shall be capitalized on the basis that the expense for the asset has already been incurred, the borrowing costs have been incurred and the acquisition and construction or production activities necessary to prepare the asset for its intended use or for sale have already commenced; after the acquired or produced asset eligible for capitalization is available for its intended use or for sale, the capitalization shall be stopped. Other borrowing costs shall be recognized as expenses at the time when they are incurred.

The actual interest cost incurred in the period of specific-purpose borrowing net of any interest income from the borrowed funds not used and deposited in bank or any investment income from the temporary investment of those funds shall be capitalized; the amount of interest of general-purpose borrowings to be capitalized is determined by multiplying the weighted average of the amounts of cumulative expenses on the asset over and above the amounts of specific-purpose borrowings by the capitalization rate of the corresponding general-purpose borrowings. Capitalization rate is calculated and determined based on the weighted average rate of general-purpose borrowings.

During the capitalization period, exchange differences related to specific-purpose borrowings denominated in foreign currencies are fully capitalized; exchange differences related to general-purpose borrowings denominated in foreign currencies are recognized in the current profits and losses.

Assets eligible for capitalization refer to the fixed assets, investment properties, inventories and other assets that require a substantially long period of time of acquisition and construction or production activities for intended

use or for sale.

Where the acquisition and construction or production activities of an asset eligible for capitalization is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the acquisition and construction or production of the asset is resumed.

22. Biological assets

(1) Consumptive biological assets

Consumptive biological assets are the biological assets held for sale or harvested for agricultural products in the future, including growing field crops, vegetables, timber stands and livestock stored for sale. Consumptive biological assets shall be initially measured at cost. The cost of a consumptive biological asset that is cultivated, constructed, propagated or farmed by the Company is the necessary expense incurred before the asset is harvested/closed/sold/sold or placed in storage that is directly attributable to the asset, including borrowing costs that are eligible for capitalization. Subsequent expenses such as management and feeding costs incurred after harvesting/closing/storage of consumptive biological assets are included in current profits and losses.

Consumptive biological assets are carried forward at book value using the weighted average method when harvested or sold.

On the balance sheet date, consumptive biological assets are measured at the lower of cost or net realizable value, and the provision for impairment of consumptive biological assets shall be calculated and recognized based on the methods consistent with those for the recognition of the provision for inventory impairment. Where the impairment factors disappear, the amount written down shall be restored and reversed from the original provision for depreciation, with the amount reversed recognized in the current profits and losses.

(2) Productive biological assets

Productive biological assets refer to the biological assets held for the purpose of producing agricultural products, providing services or leasing, including economic forests, firewood forests, production animals and draft animals. Productive biological assets shall be initially measured at cost. The cost of a self-created or propagated productive biological asset is the necessary expense incurred before the asset achieves the intended purpose of production and operation that can be directly attributable to the asset, including borrowing costs that meet the capitalization conditions.

The Group reviews the useful life and estimated net residual value of a productive biological asset and the depreciation method applied at least at each year-end. Any change shall be accounted for as a change in accounting estimate.

The difference between the disposal proceeds from the sale, liquidation, death or destruction of productive biological assets less their book value and related taxes and charges is included in the current profits and losses.

The Group determines whether a productive biological asset has any signs of impairment on each balance sheet date. If the asset shows signs of impairment, the recoverable amount is estimated. The recoverable amount is estimated on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. If the recoverable amount of an asset is lower than its book value, the provision for asset impairment shall be made according to the difference and recorded

in the current profits and losses.

Once the above asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

If a productive biological asset changes its use and becomes a consumptive biological asset, the cost of the change of use is determined at the book value at the time of the change of use. If the productive biological asset changes its use and becomes a public welfare biological asset, whether there is any impairment is determined in accordance with the provisions of *Accounting Standard for Business Enterprises No. 8 - Asset Impairment*. When an impairment occurs, an impairment provision shall be first made and then determined on the basis of the book value after such provision is made.

23. Oil and gas assets

Not applicable.

24. Intangible assets

(1) Useful life and its basis for determination, estimate, amortization method or review procedure

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset shall be initially measured at cost. The expenses incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other expenses shall be recognized in the current profits and losses when incurred.

Land use right acquired shall normally be recognized as an intangible asset. For self-constructed buildings (e.g. plants), the expenses on the land use right and cost of the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognized in full as a fixed asset.

An intangible asset with a definite useful life is amortized on average and by stages using the straight line method by deducting the estimated net residual value and accrued provision for impairment loss from the original value over the estimated useful life from the time when it is available for use. An intangible asset with an indefinite useful life is not amortized.

During the end of the period, the Company shall check the useful life and the amortization method of intangible assets with limited useful life and carry out accounting estimate change in case that a change happens. In addition, the Company shall check the useful life of intangible assets with indefinite useful life. If there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company

2. Increase in the current period			0.00
(1) Provision			0.00
3. Decrease in the current period			0.00
(1) Disposal			0.00
(2) Other transfer out			0.00
4. Closing balance	2,438,059.35		2,438,059.35
IV. Book value			0.00
1. Closing book value	19,945,336.75	29,938,675.40	49,884,012.15
2. Opening book value	16,774,893.97	27,329,252.00	44,104,145.97

The recoverable amount is determined based on fair value less the disposal expense.

□Applicable☑Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows.

□Applicable☑Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: Not applicable.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: Not applicable.

Other explanations: None.

(2) Adoption of the fair value measurement model for investment properties

□Applicable ☑Not applicable

(3) Conversion to investment properties and adoption of fair value measurement:

Not applicable

(4) Investment properties for which the title certificate has not been obtained: None.

Other explanations: None.

15. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	3,012,529,818.52	2,662,805,209.03
Liquidation of fixed assets	349,009.57	94,805.00
Total	3,012,878,828.09	2,662,900,014.03

(1) Fixed assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Transportation vehicles	Electronic equipment	Others	Total
I. Original book value:						

1. Opening balance	2,549,592,791.40	1,603,570,594.77	65,896,843.49	158,127,736.24	1,257,593.86	4,378,445,559.76
2. Increase in the current period	426,619,233.94	129,490,820.78	1,868,922.80	29,271,046.61	143,152.08	587,393,176.21
(1) Purchase		28,770,662.96	1,868,922.80	16,957,982.25	143,152.08	47,740,720.09
(2) Transfer from construction in progress	426,619,233.94	100,720,157.82		12,313,064.36		539,652,456.12
(3) Increase in business combination						0.00
3. Decrease in the current period	8,856,632.97	12,801,485.97	994,233.74	8,155,697.45	19,380.53	30,827,430.66
(1) Disposal or scrapping		12,801,485.97	994,233.74	8,155,697.45	19,380.53	21,970,797.69
(2) Other transfer-out	8,856,632.97					8,856,632.97
4. Closing balance	2,967,355,392.37	1,720,259,929.58	66,771,532.55	179,243,085.40	1,381,365.41	4,935,011,305.31
II. Accumulated depreciation						0.00
1. Opening balance	558,119,997.35	953,150,208.31	34,737,774.48	101,583,125.64	1,036,398.21	1,648,627,503.99
2. Increase in the current period	57,237,793.07	117,337,766.41	3,556,206.12	22,732,261.68	80,235.75	200,944,263.03
(1) Provision	57,237,793.07	117,337,766.41	3,556,206.12	22,732,261.68	80,235.75	200,944,263.03
3. Decrease in the current period	4,367,924.49	7,427,972.76	894,576.22	4,013,117.26	15,452.24	16,719,042.97
(1) Disposal or scrapping		7,427,972.76	894,576.22	4,013,117.26	15,452.24	12,351,118.48
(2) Other transfer-out	4,367,924.49					4,367,924.49
4. Closing balance	610,989,865.93	1,063,060,001.96	37,399,404.38	120,302,270.06	1,101,181.72	1,832,852,724.05
III. Provision for impairment						0.00
1. Opening balance	60,577,222.16	2,268,381.89		4,167,242.69		67,012,846.74
2. Increase in the current period	1,906,976.05	23,835,548.75	0.00	336,545.87	0.00	26,079,070.67
(1) Provision	1,905,065.64	23,835,548.75	0.00	336,545.87	0.00	26,077,160.26
(2) Other transfer-out	1,910.41					1,910.41
3. Decrease in the current period	10,535.86	0.00	0.00	3,452,618.81	0.00	3,463,154.67
(1) Disposal or scrapping	10,535.86			3,452,618.81		3,463,154.67
4. Closing balance	62,473,662.35	26,103,930.64	0.00	1,051,169.75	0.00	89,628,762.74
IV. Book value						0.00
1. Closing book value	2,293,891,864.09	631,095,996.98	29,372,128.17	57,889,645.59	280,183.69	3,012,529,818.52
2. Opening book value	1,930,895,571.89	648,152,004.57	31,159,069.01	52,377,367.91	221,195.65	2,662,805,209.03

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks

Electronic equipment	3,438,850.57	2,043,028.55	714,623.88	681,198.14	
Machinery and equipment	13,810,219.37	10,877,821.34		2,932,398.03	
Houses and buildings	1,530,331.56	460,506.59		1,069,824.97	

(3) Fixed assets leased through operating lease: None.

(4) Fixed assets for which the title certificate has not been obtained

Unit: RMB

Item	Book value	Reasons for not obtaining the title certificate
Overall relocation project of Wenshan Qihua	31,858,783.85	Partial ownership has been secured, and the remaining is in process
Drug Division of Dali Pharmaceutical Economic Development Zone	30,645,112.43	In process
Yunjian Assets	2,043,810.36	Acquired through judicial auction, with land use certificate but no property certificate
Buildings in planting base of Yunquan	1,169,873.98	The land is a leased land
No.51 Xiba Road (general workshop)	256,800.64	Historical legacy, currently in process

Other explanations: None.

(5) Impairment test of fixed assets

☑ Applicable □ Not applicable

The recoverable amount is determined based on fair value less the disposal expense

☑ Applicable □ Not applicable

Unit: RMB

Item	Book balance	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameters	Basis for determining key parameters
Machinery and equipment, electronic equipment	3,583,355.48	191,609.06	3,391,746.42	Considered based on the estimated net residual value and disposal rate	Residual value rate of 5%, tax fees and disposal rate	The disposal fee rate is based on the transaction service fee standards set by the Shanghai Public Resources Trading Center
Houses and buildings, electronic equipment	2,138,707.32	0.00	2,138,707.32	Expected demolition	The expected fair value is 0	Not available
Total	5,722,062.80	191,609.06	5,530,453.74			

The recoverable amount is determined based on the present value of the estimated future cash flows

☑ Applicable □ Not applicable

Unit: RMB

Item	Book balance	Recoverable amount	Impairment amount	Duration of forecast period	Key parameters of the forecast period	Key parameters of the stable period	Basis for determining the key parameters of the stable period

Machinery and equipment	29,046,706.52	8,500,000.00	20,546,706.52	2025-2033	The income growth rate is 10% to 25%, the profit margin ranges from -3.71% to 6.81%, and the pre-tax discount rate is 16.28%		
Total	29,046,706.52	8,500,000.00	20,546,706.52				

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information

Not applicable.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Not applicable.

Other explanations: None.

(6) Liquidation of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment	302,720.41	94,206.37
Electronic equipment	46,289.16	598.63
Total	349,009.57	94,805.00

Other explanations: None.

16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	703,439,112.24	529,708,553.58
Total	703,439,112.24	529,708,553.58

(1) Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Project of Yunnan Baiyao Shanghai International Center	614,608,509.29		614,608,509.29	389,398,864.33		389,398,864.33
Yunnan Baiyao Group TCM Pharmaceutical Services Kunming Center Project	45,024,278.93		45,024,278.93	2,667,581.02		2,667,581.02
Radiopharmaceutical R&D Center (Tianjin) Project	18,464,159.31		18,464,159.31			

Yunnan Baiyao R&D Platform - Kunming Center Construction Project	15,417,106.26		15,417,106.26	82,578,321.10		82,578,321.10
Separation of Medicinal and Food Production Lines for Sanqi Extraction and Capacity & Process Technology Improvement Project	1,873,096.24		1,873,096.24			
Yunnan Baiyao Wenshan Sanqi Smart Technology Park Project				1,081,007.34		1,081,007.34
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)				5,655,808.43		5,655,808.43
Optimization Project of New Factory of Yunnan Baiyao Toothpaste				23,403,647.03		23,403,647.03
Granules Production Increase and Expansion Project of Pharmaceutical Business Group of Yunnan Baiyao Group				16,649,408.02		16,649,408.02
Production Base Construction Project of Yunnan Baiyao Group Shanghai Technology Co., Ltd.				1,024,787.20		1,024,787.20
Health Industry Project (Phase I) of Yunnan Baiyao Group				593,826.74		593,826.74
Yunnan Baiyao Shanghai Project Office Decoration Project				396,852.43		396,852.43
Others	8,051,962.21		8,051,962.21	6,258,449.94		6,258,449.94
Total	703,439,112.24	0.00	703,439,112.24	529,708,553.58	0.00	529,708,553.58

(2) Changes in important projects of construction in progress for the period

Unit: RMB

Item name	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of total project investment in budget	Engineering progress	Accumulated amount of interest capitalized	Including: Amount of interest capitalized for the period	Capitalization rate of interest for the period	Source of funds
Project of Yunnan Baiyao Shanghai International Center	1,389,170,500.00	389,398,864.33	332,887,538.78	107,677,893.82		614,608,509.29	63.14%	90.00%				Self-funded
Yunnan Baiyao Group TCM Pharmaceutical Services Kunming Center Project	68,096,000.00	2,667,581.02	44,831,919.14	2,475,221.23		45,024,278.93	94.90%	95.00%				Self-funded
Radiopharmaceutical R&D Center (Tianjin) Project	101,750,000.00	1,339,572.56	70,759,132.69	22,319,101.82	31,315,444.12	18,464,159.31	70.86%	80.00%				Self-funded
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	921,670,000.00	82,578,321.10	205,896,321.05	273,057,535.89		15,417,106.26	32.47%	54.00%				Self-funded
Health Industry Project (Phase I) of Yunnan Baiyao Group	1,158,174,400.00	593,826.74	27,899,831.01	28,493,657.75			91.42%	100.00%				Self-funded
Optimization Project of New Factory of Yunnan Baiyao Toothpaste	38,000,000.00	23,403,647.03	4,201,938.31	25,468,979.82	2,136,605.52		93.55%	100.00%				Self-funded
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)	17,860,000.00	5,655,808.43	3,927,562.63	7,021,470.39	2,561,900.67		62.06%	100.00%				Self-funded
Total	3,694,720,900.00	505,637,621.21	690,404,243.61	466,513,860.72	36,013,950.31	693,514,053.79						

(3) Provision for impairment of construction in progress for the period: None.

(4) Impairment test of construction in progress

□ Applicable ☑ Not applicable

(5) Project materials: None.

17. Productive biological assets

(1) Adoption of the cost measurement model for productive biological assets

☑ Applicable □ Not applicable

Unit: RMB

Item	Planting	Total
	Tea plant	
I. Original book value:		
1. Opening balance	2,578,500.00	2,578,500.00
2. Increase in the current period		
(1) Outsourcing		
(2) Self-cultivation		
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	2,578,500.00	2,578,500.00
II. Accumulated depreciation		
1. Opening balance	1,590,075.15	1,590,075.15
2. Increase in the current period	171,900.00	171,900.00
(1) Provision	171,900.00	171,900.00
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	1,761,975.15	1,761,975.15
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		

(1) Disposal		
(2) Others		
4. Closing balance		
IV. Book value		
1. Closing book value	816,524.85	816,524.85
2. Opening book value	988,424.85	988,424.85

(2) Impairment test of productive biological assets measured at cost

□ Applicable ☑ Not applicable

(3) Adoption of the fair value measurement model for productive biological assets

□ Applicable ☑ Not applicable

18. Right-of-use assets

(1) Right-of-use assets

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Land use rights	Total
I. Original book value				
1. Opening balance	505,660,305.98			505,660,305.98
2. Increase in the current period	112,351,465.82	4,535,659.59	3,637,250.13	120,524,375.54
(1) Lease	112,351,465.82	4,535,659.59	3,637,250.13	120,524,375.54
(2) Others				0.00
3. Decrease in the current period	140,003,236.50	0.00	0.00	140,003,236.50
(1) Lease expiration	91,472,799.11			91,472,799.11
(2) Disposal	48,530,437.39			48,530,437.39
4. Closing balance	478,008,535.30	4,535,659.59	3,637,250.13	486,181,445.02
II. Accumulated depreciation				0.00
1. Opening balance	247,340,820.40			247,340,820.40
2. Increase in the current period	82,716,562.38	420,677.98	227,328.13	83,364,568.49
(1) Provision	82,716,562.38	420,677.98	227,328.13	83,364,568.49
3. Decrease in the current period	135,700,965.39	0.00	0.00	135,700,965.39
(1) Disposal	44,228,166.28			44,228,166.28
(2) Lease expiration	91,472,799.11			91,472,799.11
4. Closing balance	194,356,417.39	420,677.98	227,328.13	195,004,423.50
III. Provision for impairment				0.00
1. Opening balance				0.00
2. Increase in the current period				0.00
(1) Provision				0.00
3. Decrease in the current period				0.00

(1) Disposal				0.00
4. Closing balance				0.00
IV. Book value				0.00
1. Closing book value	283,652,117.91	4,114,981.61	3,409,922.00	291,177,021.52
2. Opening book value	258,319,485.58	0.00	0.00	258,319,485.58

(2) Impairment test of right-of-use assets:

□ Applicable ☑ Not applicable

Other explanations: None.

19. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent Right	Non-patent technology	Software	Trademark	Franchise rights	Total
I. Original book value							
1. Opening balance	689,468,137.84	34,492,676.60	2,150,381.86	75,464,152.76	20,000.00	154,081,682.57	955,677,031.63
2. Increase in the current period	138,776.30	0.00	0.00	7,017,783.79	0.00	0.00	7,156,560.09
(1) Purchase	138,776.30			7,017,783.79			7,156,560.09
(2) Internal R&D							0.00
(3) Increase in business combination							0.00
3. Decrease in the current period	3,921,375.80	0.00	0.00	0.00	0.00	0.00	3,921,375.80
(1) Disposal	119,268.00						119,268.00
	3,802,107.80						3,802,107.80
4. Closing balance	685,685,538.34	34,492,676.60	2,150,381.86	82,481,936.55	20,000.00	154,081,682.57	958,912,215.92
II. Acc24 0.2 55.4249992							

2. Increase in the current period			332,131.80			332,131.80
(1) Provision			332,131.80			332,131.80
3. Decrease in the current period						0.00
(1) Disposal						0.00
4. Closing balance	6,382,453.60		332,131.80		136,417,466.23	143,132,051.63
IV. Book value						0.00
1. Closing book value	508,088,641.89	4,832,102.04	48,860,413.84	14,630.01		561,795,787.78
2. Opening book value	525,361,016.58	7,635,069.81				

		monitoring business activities	

Changes in asset group or combination of asset groups: Not applicable.

Other explanations: None.

(4) Determination of recoverable amount

The recoverable amount is determined based on fair value less the disposal expense

□Applicable ☑Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameters	Basis for determining the key parameters
Shanghai Hanshi Health Consulting Co., Ltd.	38,164,050.15	14,060,000.00	23,247,992.08	The fair value is estimated using the income approach; disposal expenses refer to the expenses associated with the disposal	The revenue growth rate is 10.00%, the profit margin ranges from -16.19% to -5.60%, and the pre-tax discount rate is 13.39%	① Fair value: The future benefits that can be obtained from the asset group, estimated based on market prices and the participant's rate of expenses during the period, using the market average level. ② Disposal expenses: Includes legal fees related to the disposal of the asset, related taxes, and direct expenses incurred to make the asset ready for sale.
Total	38,164,050.15	14,060,000.00	23,247,992.08			

The recoverable amount is determined based on the present value of estimated future cash flows

☑Applicable □Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Forecast period (years)	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
YNBY International Limited	1,181,412,080.68	460,241,900.00	561,515,748.26	2025-2029 (followed by the stable period)	The revenue growth rate ranges from 0.54% to 2.73%, profit margin from 3.25% to 4.48%, and the pre-tax discount rate	The growth rate is 0.00%, the profit margin is 4.48%, and the pre-tax discount rate is 9.28%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the

					is 9.28%		relevant asset group or portfolio of asset groups.
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	34,228,015.85	61,000,000.00	0.00	2025-2029 (followed by the stable period)	The revenue growth rate ranges from -0.62% to 0%, profit margin from 4.90% to 4.96%, and the pre-tax discount rate is 14.07%	The growth rate is 0.00%, the profit margin is 4.90%, and the pre-tax discount rate is 14.07%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Total	1,215,640,096.53	521,241,900.00	561,515,748.26				

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information

Not applicable.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year

Not applicable.

(5) Fulfillment of undertakings and goodwill impairment

Performance commitments existed at the time goodwill was formed and the reporting period, or the previous period of the reporting period was within the performance commitment period

□ Applicable ☑ Not applicable

Other explanations: None.

21. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Building decoration and project renovation	96,424,121.71	68,503,566.21	33,493,996.55	11,444,108.69	119,989,582.68
Nanping Street renovation project of Yunnan Baiyao	6,499,119.51		3,544,974.31		2,954,145.20
Others	2,412,309.09	3,090,931.28	1,365,156.34		4,138,084.03
Total	105,335,550.31	71,594,497.49	38,404,127.20	11,444,108.69	127,081,811.91

Other explanations: None.

22. Deferred income tax assets/deferred income tax liabilities

(1) Deferred tax assets before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	98,058,482.77	19,885,869.32	149,391,736.51	29,733,789.86
Unrealised profits of intra-group transactions	264,588,567.67	42,769,190.08	355,719,960.08	56,616,299.10
Contractual liabilities	1,241,244,032.89	188,564,063.04	927,324,390.56	139,098,658.58
Provision for credit impairment	1,074,991,838.10	165,210,239.51	1,031,702,042.48	155,456,724.98
Payroll payable and long-term employee benefits payable	634,896,697.76	95,426,303.19	442,302,070.56	66,345,310.57
Other payables	577,259,909.29	88,284,205.86	390,202,998.08	58,530,449.71
Lease liabilities	268,875,960.32	39,373,198.50	247,083,412.30	33,532,096.13
Deferred income	236,345,643.60	36,433,668.40	174,855,238.93	26,308,248.51
Losses that can be offset	153,826,415.38	35,665,838.14	85,261,634.28	12,772,083.95
Estimated revenue from returns	177,591,180.68	26,655,057.25	172,763,638.76	26,020,408.22
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	20,779,234.95	3,116,885.24	488,564,678.84	73,284,701.83
Changes in fair value			31,774,859.47	4,766,228.92
Others	89,083,123.75	15,590,498.21	56,028,058.38	8,404,208.76
Total	4,837,541,087.16	756,975,016.74	4,552,974,719.23	690,869,209.12

(2) Deferred tax liabilities before offset

Unit: RMB

	Closing balance	Opening balance

Item	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation of asset valuation	3,305,149.96	826,287.49	5,464,293.67	1,366,073.41
Right-of-use assets	281,580,952.55	41,832,184.12	258,319,485.58	34,427,707.34
Changes in fair value	106,362,930.07	15,954,439.51		
Fixed assets subject to one-time pre-tax deduction	21,032,160.78	3,182,909.00	26,760,390.32	4,014,058.55
Investment income from business combination not under common control achieved in stages	2,282,373.90	570,593.48	2,282,373.90	570,593.48
Cost of returned goods receivable	168,184,195.95	25,242,517.92	163,264,685.39	24,587,573.70
Others	41,722,666.75	6,258,400.01	65,373,768.09	9,806,065.22
Total	624,470,429.96	93,867,331.53	521,464,996.95	74,772,071.70

(3) Deferred income tax assets or liabilities after offset, net

Unit: RMB

Item	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the end of the reporting period	Closing balance of deferred income tax assets or liabilities after offset	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the beginning of the reporting period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		756,975,016.74		690,869,209.12
Deferred income tax liabilities		93,867,331.53		74,772,071.70

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	808,060,703.41	697,042,370.78
Provision for asset impairment	555,344,587.39	505,835,499.95
Deferred income	59,147,921.72	63,955,872.11
Others	9,908,046.96	10,735,715.83
Total	1,432,461,259.48	1,277,569,458.67

(5) Deductible losses for which deferred income tax assets were unrecognized will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2024		18,092,739.35	

2025	11,001,342.99	20,152,321.40	
2026	114,735,981.68	136,477,740.18	
2027	176,920,446.70	202,345,894.66	
2028	269,325,659.53	299,773,438.15	
2029	213,417,423.15	1,476,119.82	
2030	4,028,298.39	4,028,298.39	
2031	12,861,719.12	12,861,719.12	
2032	1,599,912.28	1,599,912.28	
2033	355,122.11	234,187.43	
2034	3,814,797.46		
Total	808,060,703.41	697,042,370.78	

Other explanations: None.

23. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Cost of returned goods receivable	12,097,575.84		12,097,575.84	15,394,540.30		15,394,540.30
Time deposit and interest	485,794,233.38		485,794,233.38	913,499,670.63		913,499,670.63
Stocks of special materials	42,000,723.80		42,000,723.80	42,000,723.80		42,000,723.80
Value-added tax credit refund	35,013,974.79		35,013,974.79	9,867,575.47		9,867,575.47
Advance payment for the purchase of fixed assets, etc.	21,763,610.34		21,763,610.34	3,485,598.75		3,485,598.75
Less: the part due within 1 year	-480,295,722.22		-480,295,722.22	-442,772,777.78		-442,772,777.78
Total	116,374,395.93	0.00	116,374,395.93	541,475,331.17	0.00	541,475,331.17

Other explanations: None.

24. Assets with restricted ownership or use rights

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Type of restriction	Restriction
Cash and bank balance	21,699,196.16	21,699,196.16	Security deposit	Letter of guarantee margin, banker's acceptance bill margin, performance bond margin,	48,618,045.43	48,618,045.43	Security deposit	Letter of guarantee margin, banker's acceptance bill margin, performance bond margin, etc.

				etc.				
Cash and bank balance	2,648,389.00	2,648,389.00	Special use	Special fund for housing reform and housing maintenance costs	2,643,393.65	2,643,393.65	Special use	Special fund for housing reform and housing maintenance costs
Cash and bank balance					500,000.00	500,000.00	Property preservation	The lawsuit has been won, and we are promoting the lifting of the freeze and other related matters
Various assets of the restructured special account	588,106,000.80	588,106,000.80	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises	627,116,169.10	627,116,169.10	Special use	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	12,061,376,588.76	12,061,376,588.76	Within the restricted period	Shares shall not be transferred within 36 months from the completion of the private placement	11,536,646,559.56	11,536,646,559.56	Within the restricted period	Shares shall not be transferred within 36 months from the completion of the private placement
Total	12,673,830,174.72	12,673,830,174.72			12,215,524,167.74	12,215,524,167.74		

Other explanations: None.

25. Short-term loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Loan in credit	402,133,333.39	1,014,634,728.09
Discounted internal bills	21,246,939.25	732,668,972.25
Total	423,380,272.64	1,747,303,700.34

Explanation on classification of short-term loans: None.

(2) Overdue and outstanding short-term loans: None.

26. Notes payable

Unit: RMB

Type	Closing balance	Opening balance
Banker’s acceptance bill	1,913,702,684.41	1,850,863,313.78
Total	1,913,702,684.41	1,850,863,313.78

Total notes payable due and unpaid at the end of the period were RMB 0.00. Reason for the overdue payment: None.

27. Accounts payable

(1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	4,504,527,943.71	4,326,110,424.11
Payment for engineering equipment and others	253,824,460.16	33,522,218.09
Total	4,758,352,403.87	4,359,632,642.20

(2) Major accounts payable aged over one year: None.

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	86,490,742.04	86,490,742.04
Other payables	1,300,141,934.71	938,595,137.50
Total	1,386,632,676.75	1,025,085,879.54

(1) Interests payable: None.

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
State-owned Assets Supervision and Administration Commission of the People's Government of Yunnan Province, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Total	86,490,742.04	86,490,742.04

(3) Other payables

1) Other payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Market maintenance fee	673,934,303.55	459,313,752.19
Deposits and guarantees	298,287,462.43	266,970,613.85
Collection and payment	140,402,907.16	20,013,555.07
Other current accounts	103,612,259.40	81,677,453.94
Hospital management fee payable	51,844,605.65	70,325,588.08
Others	32,060,396.52	40,294,174.37
Total	1,300,141,934.71	938,595,137.50

2) Other important payables aged over 1 year or overdue: None.

3) Other explanations: None.

29. Receipts in advance

(1) Receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - lease	446,673.78	486,612.12
Total	446,673.78	486,612.12

(2) Major receipts in advance aged over one year: None.

30. Contractual liabilities

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - goods contract	1,914,556,130.56	1,737,952,687.45
Others	1,567,256.60	1,912,541.30
Total	1,916,123,387.16	1,739,865,228.75

Significant contractual liabilities with aging more than 1 year: None.

The amount and reasons for significant changes in the book value during the reporting period: None.

31. Payroll payable

(1) Payroll payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	1,020,249,830.45	2,716,783,357.42	2,524,467,706.89	1,212,565,480.98
II. Welfare after demission - defined contribution plan	46,884,565.10	257,404,018.75	240,912,699.00	63,375,884.85
III. Dismissal welfare	56,269.53	18,362,344.50	10,409,151.04	8,009,462.99
Total	1,067,190,665.08	2,992,549,720.67	2,775,789,556.93	1,283,950,828.82

(2) Short-term compensation

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Salary, bonus, allowance, and subsidy	534,578,291.58	2,018,394,621.30	2,007,767,615.86	545,205,297.02
2. Staff welfare	16,108,411.77	131,821,669.66	124,172,097.05	23,757,984.38
3. Social insurance contribution	287,344.93	99,695,898.38	98,873,628.15	1,109,615.16
Of which: Medical insurance premiums	252,139.10	88,208,790.97	87,438,407.20	1,022,522.87
Industrial injury insurance premiums	8,887.25	8,177,628.31	8,140,377.86	46,137.70

Maternity insurance premiums	26,318.58	3,309,479.10	3,294,843.09	40,954.59
4. Housing provident fund	406,947.66	102,733,910.00	101,798,474.31	1,342,383.35
5. Union dues and staff training fees	30,572,145.70	44,585,705.92	34,179,997.73	40,977,853.89
6. Short-term paid absence				0.00
7. Short-term profit-sharing plan	438,112,558.54	184,164,641.30	39,653,600.00	582,623,599.84
8. Other short-term compensation	184,130.27	135,386,910.86	118,022,293.79	17,548,747.34
Total	1,020,249,830.45	2,716,783,357.42	2,524,467,706.89	1,212,565,480.98

(3) Defined contribution plans

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	520,689.77	171,027,035.29	169,654,773.18	1,892,951.88
2. Unemployment insurance premiums	20,881.05	6,598,525.70	6,547,636.38	71,770.37
3. Corporate pension payment	46,342,994.28	79,778,457.76	64,710,289.44	61,411,162.60
Total	46,884,565.10	257,404,018.75	240,912,699.00	63,375,884.85

Other explanations: None.

32. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	63,461,639.78	74,507,524.44
Consumption tax	2,202,350.70	9,690.71
Enterprise Income Tax	312,428,903.46	215,055,624.82
Individual income tax	22,714,512.22	13,584,778.64
Urban maintenance and construction tax	8,407,433.24	5,944,928.97
Property tax	13,699,166.25	11,470,392.03
Land use tax	5,538,344.78	5,324,861.58
Stamp duty	7,385,564.48	5,765,684.18
Resource tax	3,000.00	
Education surcharge	3,014,717.15	2,628,898.41
Local education surcharge	2,005,874.44	1,752,038.22
Environmental protection tax	3,629.23	10,222.02
Water conservancy fund	56,737.77	4,724.15
Collected and remitted taxes and fees	25,681,893.64	3,611,481.85
Total	466,603,767.14	339,670,850.02

Other explanations: None.

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities due within one year	88,436,075.74	74,736,102.58
Total	88,436,075.74	74,736,102.58

Other explanations: None.

34. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Returns payable	164,864,900.59	157,398,378.74
Transfer to output tax	454,197,724.34	373,745,525.66
Special financial support funds of “transferring loan to subsidy” for the use of intelligent voice cluster development base in the R&D project of intelligent medical devices based on medical big data	1,800,000.00	1,800,000.00
Total	620,862,624.93	532,943,904.40

Changes in short-term bonds payable: None.

Other explanations: None.

35. Long-term loans

(1) Long-term loans by type

Unit: RMB

Item	Closing balance	Opening balance
Loan in credit	2,100,000.00	2,100,000.00
Total	2,100,000.00	2,100,000.00

Explanation on classification of long-term loans: None.

Other explanations, including the range of interest rate: None.

36. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Buildings and structures	272,449,967.85	247,083,412.30
Machinery and equipment	2,982,837.50	
Right of land use	3,660,260.62	
Less: Non-current liabilities reclassified to liabilities due within one year	-88,436,075.74	-74,736,102.58
Total	190,656,990.23	172,347,309.72

Other explanations: None.

37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	586,694,704.41	626,897,323.88
Special payables	4,838,584.16	4,838,584.16
Total	591,533,288.57	631,735,908.04

(1) Long-term payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	586,694,704.41	626,897,323.88

Other explanations: None.

(2) Special payables

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Preliminary funds for major technological transformation projects	888,468.00			888,468.00	Transfer from Baiyao Holdings due to merger by absorption
Fulintang chain operating funds	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Funds for Kunming medicine distribution center	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Sanqi brand registration project	164,272.00			164,272.00	Transfer from Baiyao Holdings due to merger by absorption
Group company management information system project	250,978.00			250,978.00	Transfer from Baiyao Holdings due to merger by absorption
Group company technology center construction expenses	231,265.00			231,265.00	Transfer from Baiyao Holdings due to merger by absorption

Nefuramide oxalate project funding	85,426.00			85,426.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Natural Medicine Engineering Center project	998,506.00			998,506.00	Transfer from Baiyao Holdings due to merger by absorption
New drug research project for treatment of back pulp injury	472,062.56			472,062.56	Transfer from Baiyao Holdings due to merger by absorption
Material purchase project research expense	489,575.00			489,575.00	Transfer from Baiyao Holdings due to merger by absorption
R&D of new drugs for treating cardiovascular and cerebrovascular diseases (TCM)	258,031.60			258,031.60	Transfer from Baiyao Holdings due to merger by absorption
Total	4,838,584.16			4,838,584.16	

Other explanations: None.

38. Long-term payroll payable

(1) Details of long-term payroll payable

Unit: RMB

Item	Closing balance	Opening balance
II. Termination benefits	417,539.44	409,232.99
III. Other long-term benefits	878,826.00	3,681,455.00
Total	1,296,365.44	4,090,687.99

(2) Change of defined benefit plan: None.

39. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reasons
Returns payable	12,726,280.09		Returns payable not settled within one year
Total	12,726,280.09		

Other explanations, including important assumptions and estimates related to significant estimated liabilities: None.

40. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Including: Government subsidies related to income	80,923,393.38	83,257,000.00	30,394,212.18	133,786,181.20	
Government subsidies related to assets	157,887,717.66	17,638,200.00	13,818,533.54	161,707,384.12	
Total	238,811,111.04	100,895,200.00	44,212,745.72	295,493,565.32	--

Other explanations: None.

41. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Receipts of real estate sale under staff housing reform	1,931,554.36	1,931,554.36
Returns payable		15,365,260.05
Total	1,931,554.36	17,296,814.41

Other explanations: None.

42. Share capital

Unit: RMB

	Opening balance	Increase or decrease (+,−)					Closing balance
		Issuance of new shares	Share dividend	Capitalization of capital reserve into share capital	Others	Subtotal	
Total number of shares	1,796,862,549.00				-12,599,946.00	-12,599,946.00	1,784,262,603.00

Other explanations: The reason for the decrease in the current period: The Company held a shareholders' meeting in February 2024, which considered and approved to change the use of the 12,599,946 repurchased shares "for the cancellation to reduce the registered capital," In April 2024, the Company completed the cancellation procedure for the aforementioned 12,599,946 repurchased shares.

43. Other equity instruments

(1) Basic information on preferred shares, perpetual bonds, and other financial instruments outstanding at the end of the period: None.

(2) Statement of changes in preferred shares, perpetual bonds, and other financial instruments outstanding at the end of the period: None.

44. Capital reserves

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	18,175,016,281.26		694,828,946.15	17,480,187,335.11
Other capital reserves	71,603,460.83	85,358,027.54		156,961,488.37
Total	18,246,619,742.09	85,358,027.54	694,828,946.15	17,637,148,823.48

Other explanations, including changes and reasons thereof as at the end of the reporting period:

(1) In the current year, other changes in equity in associates and passive dilution of shares due to the exercise of rights to issue new shares were recognized, and an increase of RMB 85,358,027.54 in capital surplus - other capital surplus was recognized in accordance with the proportion of shares held.

(2) At the first session of the Tenth Board of Directors in 2024 held on February 7, 2024 and the First Extraordinary General Meeting in 2024 held on February 23, 2024, the *Proposal on Change of Use and Cancellation of the Repurchased Shares* was considered and approved, agreeing the Company to change the use of the 12,599,946 shares that had been repurchased as mentioned above in the special securities account for repurchases. The use of the repurchased shares was changed from "for the implementation of the employee stock ownership plan or the share incentive plan" to "for the cancellation to reduce the registered capital," with decrease in capital reserve (capital stock premium) by RMB 694,828,946.15.

45. Treasury stock

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share repurchase for equity incentives	707,428,892.15		707,428,892.15	0.00
Total	707,428,892.15		707,428,892.15	

Other explanations, including changes and reasons thereof as at the end of the reporting period:

At the first session of the Tenth Board of Directors in 2024 held on February 7, 2024 and the First Extraordinary General Meeting in 2024 held on February 23, 2024, the *Proposal on Change of Use and Cancellation of the Repurchased Shares* was considered and approved, agreeing the Company to change the use of the 12,599,946 shares that had been repurchased as mentioned above in the special securities account for repurchases. The use of the repurchased shares was changed from "for the implementation of the employee stock ownership plan or the share incentive plan" to "for the cancellation to reduce the registered capital." The Company completed the cancellation of 12,599,946 shares in April 2024.

46. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount for the current period						Closing balance
		Amount before income tax in the current period	Less: Amount previously included in other comprehensive income but transferred to profits and losses in the current period	Less: Amount previously included in other comprehensive income but transferred to retained earnings in the current period	Less: income tax expenses	That attributable to the Company after tax	That attributable to minority interests after tax	
I. Other comprehensive incomes that will not be reclassified into profits or losses	450,547.51	-2,067,513.33				-2,067,513.33		-1,616,965.82
Other comprehensive income that cannot be transferred to profits or losses under equity method	450,547.51	-2,067,513.33				-2,067,513.33		-1,616,965.82
II. Other comprehensive incomes to be reclassified into profits and losses	-89,988,719.64	-9,657,670.85	0.00	0.00	0.00	-9,657,670.85	-1,716,145.16	-99,646,390.49
Including: Other comprehensive income that can be transferred to profits or losses under equity method	-56,428,881.64	-4,787,910.02				-4,787,910.02		-61,216,791.66
Other fair value changes in debt investments								0.00
Amount of financial assets reclassified to other comprehensive income								0.00

Other credit impairment provisions for debt investments								0.00
Cash flow hedge reserve								0.00
Exchange differences from translation of financial statements denominated in foreign currencies	-33,559,838.00	-4,869,760.83				-4,869,760.83	-1,716,145.16	-38,429,598.83
Total other comprehensive income	-89,538,172.13	-11,725,184.18				-11,725,184.18	-1,716,145.16	-101,263,356.31

Other explanations, including adjustments to the effective portion of the cash flow hedge profits or losses transferred to the amount initially recognized for the hedged item: None.

47. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserves	2,530,458,968.58			2,530,458,968.58
Total	2,530,458,968.58			2,530,458,968.58

Explanations on surplus reserves, including changes and reasons thereof for the period: None.

48. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	18,102,147,836.12	16,720,444,918.66
Undistributed profit at the beginning of the period after adjustment	18,102,147,836.12	16,720,444,918.66
Plus: Net profits attributable to equity owners the Company's owners in the current period	4,749,415,499.55	4,093,782,074.02
Ordinary share dividends payable	5,870,223,949.91	2,712,079,156.56
Undistributed profit at the end of the period	16,981,339,385.76	18,102,147,836.12

Details on adjustment of undistributed profits at the beginning of the period:

1) Due to retrospective adjustments in accordance with *Accounting Standards for Business Enterprises* and relevant new provisions, the undistributed profits at the beginning of the period were affected by RMB 0.00.

2) Due to changes in accounting policies, the undistributed profits at the beginning of the period were affected by RMB 0.00.

3) Due to correction of material accounting errors, the undistributed profits at the beginning of the period were affected by RMB 0.00.

4) Due to changes in the consolidation scope under common control, the undistributed profits at the beginning of the period were affected by RMB 0.00.

5) Due to other adjustments, the undistributed profits at the beginning of the period were affected by RMB 0.00.

49. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	39,983,936,095.25	28,851,334,965.90	39,062,420,069.47	28,704,978,123.36
Other businesses	49,364,719.47	13,431,239.20	48,872,086.53	39,539,516.93
Total	40,033,300,814.72	28,864,766,205.10	39,111,292,156.00	28,744,517,640.29

Whether the lower of the audited net profit before and after deducting non-recurring gains or losses is negative

□ Yes ☑No

Breakdown information of operating revenue and operating cost:

Unit: RMB

Type of contract	Drug sales		Health and daily chemical		TCM resources		Pharmaceutical distribution		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	7,263,081,091.04	2,386,844,301.31	6,678,868,719.01	2,211,048,121.05	1,782,164,316.89	1,517,777,209.62	23,630,359,445.80	22,208,783,649.22	678,827,241.98	540,312,923.90	40,033,300,814.72	28,864,766,205.10
Including:												
Industry sales income	7,263,081,091.04	2,386,844,301.31	6,678,868,719.01	2,211,048,121.05	463,805,656.30	302,335,655.88			62,494,748.03	29,110,492.60	14,468,250,214.38	4,929,338,570.84
Commercial sales income					1,315,965,323.19	1,214,290,744.27	23,630,359,445.80	22,208,783,649.22	526,561,244.95	468,200,967.96	25,472,886,013.94	23,891,275,361.45
Technical services									26,297,797.46	20,496,861.16	26,297,797.46	20,496,861.16
Hotel catering industry									14,108,732.07	9,073,362.98	14,108,732.07	9,073,362.98
Planting sales income					2,393,337.40	1,150,809.47					2,393,337.40	1,150,809.47
Others									49,364,719.47	13,431,239.20	49,364,719.47	13,431,239.20
By operating areas	7,263,081,091.04	2,386,844,301.31	6,678,868,719.01	2,211,048,121.05	1,782,164,316.89	1,517,777,209.62	23,630,359,445.80	22,208,783,649.22	678,827,241.98	540,312,923.90	40,033,300,814.72	28,864,766,205.10
Including:												
In Yunnan province	913,541,710.08	250,767,064.54	284,933,183.66	122,830,382.15	1,045,453,619.48	833,224,359.39	23,572,709,915.12	22,145,515,381.18	200,056,836.92	112,202,737.53	26,016,695,265.26	23,464,539,924.79
Outside Yunnan province (excluding overseas)	6,320,451,601.22	2,128,268,974.36	6,380,681,563.65	2,075,664,717.19	704,944,116.78	653,067,532.78	57,649,530.68	63,268,268.04	194,205,453.35	148,169,541.25	13,657,932,265.68	5,068,439,033.62
Overseas	29,087,779.74	7,808,262.41	13,253,971.70	12,553,021.71	31,766,580.63	31,485,317.45			284,564,951.71	279,940,645.12	358,673,283.78	331,787,246.69

Information related to performance obligations: None.

Other explanations: The Company and its subsidiaries are mainly engaged in sale of drugs, medicinal materials, health and daily chemical products, etc. and recognize the realization of revenue upon delivery of products to customers and confirmation by customers that they have obtained control over the products. No contracts are for the purpose of significant financing. But some contracts may include some discount and concession clauses. Usually, no contracts contain expected refunds to customers or other similar obligations assumed by the Company.

Information related to the transaction price allocated to remaining performance obligations:

As of the end of this reporting period, the income corresponding to the performance obligations that have been contracted but not yet fulfilled or completed is RMB 0.00.

Information about variable consideration in the contract: None.

Significant contract changes or significant adjustments to the transaction price: None.

Other explanations: None.

50. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	2,559,522.81	1,334,001.60
Urban maintenance and construction tax	102,075,935.22	87,286,116.05
Education surcharge	43,871,752.93	38,006,819.35
Resource tax	3,000.00	
Property tax	25,986,330.94	20,854,291.61
Land use tax	11,067,873.16	11,015,525.09
Vehicle and vessel use tax	68,462.25	82,456.83
Stamp duty	28,025,938.39	26,724,523.32
Local education surcharge	29,246,835.29	25,358,176.63
Others	211,718.45	139,568.24
Total	243,117,369.44	210,801,478.72

Other explanations: None.

51. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	677,420,256.86	699,216,701.82
Depreciation and amortization	100,161,064.67	119,934,021.71
Agency service fee	34,600,043.93	52,485,577.72
Office expenses	34,922,096.07	22,359,108.91
Technical service fee	45,839,677.23	31,860,830.97
Business entertainment fee	9,996,603.25	15,994,289.45
Travel expenses	19,239,105.28	20,122,003.15
Utilities and property management fee	9,266,666.24	5,926,154.60
Security and cleaning fee	7,385,287.50	6,322,427.76
Advertising and promotion expenses	2,656,177.04	3,570,476.33
Afforestation and pollution discharge fee	3,624,510.35	4,477,164.69

Lease cost	3,314,864.30	6,457,746.85
Others	89,127,131.15	69,777,019.94
Total	1,037,553,483.87	1,058,503,523.90

Other explanations: None.

52. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,600,098,657.89	1,831,501,877.46
Business promotion expenses	756,413,873.55	783,885,455.50
Display expenses	555,834,987.51	372,839,604.06
Advertising expenses	460,234,304.23	661,244,437.69
Marketing service fees	294,098,539.30	340,293,664.08
Travel expenses	148,652,306.95	109,139,900.74
Promotion fees	113,293,440.09	21,239,165.85
Promotional staff expenses	96,654,358.32	98,296,774.25
Information technology service fees	82,203,681.73	53,262,914.17
Others	772,017,887.34	720,453,797.31
Total	4,879,502,036.91	4,992,157,591.11

Other explanations: None.

53. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	176,064,710.71	155,787,826.65
Materials consumption and inspection fee	58,512,136.24	32,779,955.16
New product design fee	18,717,947.75	4,086,610.07
Commissioned R&D cost	44,437,281.25	59,308,976.45
Depreciation and amortisation	12,431,179.87	18,203,654.61
Test out-sourcing expenses	2,971,133.28	38,162,026.18
Others	24,278,911.93	27,684,385.71
Total	337,413,301.03	336,013,434.83

Other explanations: None

54. Financial expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	63,177,001.07	49,601,252.93
Less: interest income	-221,210,259.84	-315,758,812.17
Net loss on foreign exchange	-7,646,886.55	-2,073,485.41
Bank charges	10,749,449.67	6,759,007.86
Others	-624,414.20	2,228,291.91
Total	-155,555,109.85	-259,243,744.88

Other explanations: None.

55. Other income

Unit: RMB

Other sources of income	Amount for the current period	Amount for the previous period
Government subsidies directly included in current profit and loss during the period	42,056,174.39	51,549,775.52
Amortization of government subsidies related to assets	12,768,533.54	16,798,505.37
Amortization of government subsidies related to income	29,379,041.17	7,026,939.27
Return of individual income tax service charge	9,533,408.94	4,121,718.75
Others	8,272,615.61	3,818,208.41
Total	102,009,773.65	83,315,147.32

56. Gains on changes in fair value

Unit: RMB

Sources of gains on changes in fair value	Amount for the current period	Amount for the previous period
Financial assets held for trading	73,822,492.46	179,678,085.07
Other non-current financial assets	63,014,517.48	-56,111,754.61
Total	136,837,009.94	123,566,330.46

Other explanations: None.

57. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gain on long-term equity investments subject to accounting with equity method	774,279,535.69	628,531,524.35
Investment income from disposal of long-term equity investment		110,398,541.09
Investment income on financial assets held for trading during holding period	6,671,289.70	7,606,635.89
Investment income from disposal of financial assets held for trading	-12,988,016.22	-7,010,382.50
Investment income earned during the holding period of other non-current financial assets	20,474,449.39	75,617,211.23
Others	-11,499,763.50	-36,132,801.24
Total	776,937,495.06	779,010,728.82

Other explanations: None.

58. Credit impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on accounts receivable	-46,675,411.57	-179,435,027.97
Bad debt losses on other receivables	6,749,484.95	42,979,823.61
Total	-39,925,926.62	-136,455,204.36

Other explanations: None.

58. Asset impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Inventory impairment losses and contract performance cost impairment losses	-49,327,607.34	-11,490,525.22
IV. Impairment loss of fixed assets	-26,077,160.26	-4,169,779.04
IX. Impairment loss of intangible assets	-332,131.80	-16,706,934.75
X. Goodwill impairment loss	-7,158,530.50	-25,760,323.22
XII. Others	-8,335,279.72	
Total	-91,230,709.62	-58,127,562.23

Other explanations: None.

60. Gains on disposal of assets

Unit: RMB

Source of gains on disposal of assets	Amount for the current period	Amount for the previous period
Profit from disposal of non-current assets	-435,663.65	-105,279.84
Profit from disposal of right-of-use assets	926,315.30	10,759,718.22
Total	490,651.65	10,654,438.38

61. Non-operating revenue

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring profits or losses included in the current period
Profits from destruction and scrapping of non-current assets	2,313,930.54	171,572.75	2,313,930.54
Including: fixed assets	2,313,930.54	171,572.75	2,313,930.54

Donations accepted			
Government subsidy			
Others	13,169,408.19	12,062,476.51	13,169,408.19
Total	15,483,338.73	12,234,049.26	15,483,338.73

Other explanations: None.

62. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring profits or losses included in the current period
Losses from destruction and scrapping of non-current assets	276,676.77	10,746,640.25	276,676.77
Including: fixed assets	276,676.77	10,746,640.25	276,676.77
External donations	4,588,957.23	3,439,155.47	4,588,957.23
Others	37,519,863.02	10,542,607.30	37,519,863.02
Total	42,385,497.02	24,728,403.02	42,385,497.02

63. Income tax expense

(1) Table of income tax expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Current income tax expenses	964,657,851.50	696,380,255.02
Deferred income tax expenses	-47,010,547.79	-929,594.85
Total	917,647,303.71	695,450,660.17

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Amount for the current period
Total profit	5,684,719,663.99
Income tax expense calculated at statutory/applicable tax rate	852,707,949.60
Effect of different tax rates applied to subsidiaries	2,876,397.53
Effect of adjusting income tax for prior periods	73,086,852.64
Effect of non-taxable income	-132,324,338.65

Effect of non-deductible costs, expenses and losses	127,140,502.28
Effect of deductible losses on the use of deferred tax assets not recognized in prior periods	-25,827,738.84
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	82,950,492.77
Change in the balance of deferred income tax assets/liabilities at the beginning of the year due to tax rate adjustments	-12,193,015.34
Extra tax deductions for R&D costs	-49,481,612.97
Others	-1,288,185.31
Income tax expenses	917,647,303.71

Other explanations: None.

64. Other comprehensive income

For details, please refer to Note 46 “Other comprehensive income.”

65. Cash flow statement

(1) Cash relating to operating activities

Cash received relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest income	219,472,052.00	343,668,676.54
Deposits and guarantees	146,845,057.57	137,533,597.44
Government subsidy	151,879,874.90	134,140,444.78
Current account and petty cash	39,444,457.98	23,924,789.88
Others	54,463,899.59	49,853,998.90
Total	612,105,342.04	689,121,507.54

Explanations on cash received relating to other operating activities: None.

Cash payments relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenses of cost nature	2,795,371,889.92	2,788,122,677.99
Deposits and guarantees	166,961,729.93	121,204,248.66
Current account and petty cash	14,551,758.72	41,963,044.67
Others	7,683,664.97	29,831,773.08
Total	2,984,569,043.54	2,981,121,744.40

Explanations on cash payments relating to other operating activities: None.

(2) Cash relating to investment activities

Cash received relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal and interest of time deposits and other financial products redeemed	7,043,006,500.00	1,978,176,523.10
Total	7,043,006,500.00	1,978,176,523.10

Important cash received relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal of stocks, financial products, etc.	553,145,988.51	2,858,040,561.69
Principal and interest of time deposits and other financial products	7,043,006,500.00	1,978,176,523.10
Interest and income from stocks, time deposits, financial products, etc.	420,227,984.66	136,597,866.72
Total	8,016,380,473.17	4,972,814,951.51

Explanations on cash received relating to other investing activities: None.

Cash payments relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Net cash outflow from disposal of subsidiary		37,021.72
Time deposits and other banking products	5,143,140,000.00	3,805,272,300.00
Total	5,143,140,000.00	3,805,309,321.72

Important cash paid relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other banking products	5,143,140,000.00	3,805,272,300.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	675,074,486.64	575,507,137.90
Banking products and other wealth management products	2,900,000,000.00	68,700,000.00
Equity investment funds	500,000,000.00	
Total	9,218,214,486.64	4,449,479,437.90

Explanations on cash payments relating to other investing activities: None.

(3) Cash received relating to financing activities

Cash received relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Withholding and remittance of individual income tax on dividend distribution	73,292,510.43	
Refund of dividend distribution guarantee deposit	2,000,000.00	
Total	75,292,510.43	

Explanations on cash received relating to other financing activities: None.

Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment of lease costs	90,383,082.47	91,230,648.56
Handling fee for financing activities	2,381,635.77	953,227.70
Withholding and remittance of individual income tax on dividend distribution	60,073,045.88	
Dividend distribution guarantee deposit	2,000,000.00	
Payment for minority equity upon cancellation and liquidation of subsidiary		4,900,000.00
Payments for acquisition of minority equity in Hefei Company		8,100,000.00
Total	154,837,764.12	105,183,876.26

Explanations on cash paid relating to other financing activities: None.

Change of liabilities resulting from financing activities

☑Applicable □Not applicable

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Cash change	Non-cash change	Cash change	Non-cash change	
Short-term borrowings	1,747,303,700.34	822,419,213.86	7,421,589.78	1,702,653,581.37	451,110,649.97	423,380,272.64
Lease liabilities (Lease liabilities due within one year)	247,083,412.30		153,292,150.09	90,383,082.47	30,899,413.95	279,093,065.97
Dividend payable	86,490,742.04		5,878,264,865.44	5,878,264,865.44		86,490,742.04
Other current liabilities		1,000,000,000.00		1,000,000,000.00		0.00
Long-term borrowings	2,100,000.00					2,100,000.00
Total	2,082,977,854.68	1,822,419,213.86	6,038,978,605.31	8,671,301,529.28	482,010,063.92	791,064,080.65

(4) Explanation on presentation of cash flow in net amount: None.

(5) Significant activities and financial effects that do not involve current cash receipts and disbursements but affect the enterprise's financial position or may affect the enterprise's cash flows in the future: None.

66. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,767,072,360.28	4,122,561,096.49
Plus: Impairment provision for assets	131,156,636.24	194,582,766.59
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	203,119,678.85	208,456,263.24
Depreciation of right-of-use assets	83,364,568.49	100,305,178.75
Amortization of intangible assets	25,012,034.21	30,940,993.27
Amortization of long-term deferred expenses	38,404,127.20	33,493,659.88
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated with "-")	435,663.65	79,370.88
Losses on scrapping of fixed assets (gain is indicated with "-")	-2,037,253.77	10,575,067.50
Losses on changes in fair value (gain is indicated with "-")	-136,837,009.94	-123,566,330.46
Financial expenses (income is indicated with "-")	62,336,462.09	49,601,252.93
Investment losses (gain is indicated with "-")	-842,061,414.65	-779,010,728.82
Decrease of deferred income tax assets (increase is indicated with "-")	-66,105,807.62	22,377,570.54
Increase of deferred income tax liabilities (decrease is indicated with "-")	19,095,259.83	-23,307,165.39
Decrease in inventories (increase is indicated with "-")	113,232,804.84	1,539,521,695.37
Decrease in operating receivable items (increase is indicated with "-")	-758,018,810.16	-2,088,116,474.45
Increase in operating payable items (decrease is indicated with "-")	585,907,421.72	198,990,559.88

Others	72,926,421.01	5,257,571.82
Net cash flows from operating activities	4,297,003,142.27	3,502,742,348.02
2. Major investment and financing activities irrelevant to cash income and expense:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	10,275,529,575.34	14,151,765,468.49
Less: Opening balance of cash	14,151,765,468.49	13,046,160,012.47
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-3,876,235,893.15	1,105,605,456.02

(2) Net cash paid for acquisitions of subsidiaries for the period: None.

(3) Net cash received from disposal of subsidiaries for the period: None.

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	10,275,529,575.34	14,151,765,468.49
Including: Cash on hand	124,469.53	258,600.92
Bank deposit available for payment at any time	10,222,574,046.06	14,114,677,091.39
Other cash and bank balance available for payment at any time	52,831,059.75	36,829,776.18
III. Cash and cash equivalents at the end of the reporting period	10,275,529,575.34	14,151,765,468.49

(5) Presentation of items with restricted use but still belonging to cash and cash equivalents: None.

(6) Cash and bank balance which are not cash and cash equivalents

Item	Amount in the reporting period	Amount in the previous period	Reasons for not belonging to cash and cash equivalents
Guarantee deposit, banker's acceptance bill deposit, performance deposit, etc	21,699,196.16	48,618,045.43	Cannot be withdrawn at any time

Cost specially used for housing reform and maintenance	2,648,389.00	2,643,393.65	Cannot be withdrawn at any time
Cost for property preservation		500,000.00	Cannot be withdrawn at any time
Cost specially used for identity conversion for employees in state-owned enterprises	588,106,000.80	14,816,169.10	Cannot be withdrawn at any time
Total	612,453,585.96	66,577,608.18	

(7) Explanations on other significant activities: None.

67. Notes to statement of changes in equity

Explanation on "Others" adjusted for closing balance of the previous year and adjusted amount thereof: None.

68. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Cash and bank balance			
Including: USD	5,793,601.15	7.1884	41,646,722.51
Euro	2,036,154.03	7.5257	15,323,484.38
HKD	150,174,402.72	0.92604	139,067,503.89
Japanese yen	5,356,674.00	0.04623	247,639.04
South Korean won	21,324,422.00	0.00494	105,300.00
THB	3,521,782.79	0.21260	748,731.02
CAD	1,462.25	5.1198	7,486.43
CHF	21,144.34	8.3154	175,823.64
SGD	49,832.37	5.3219	265,202.89
Accounts receivable			
Including: USD	5,683,408.50	7.1884	40,854,613.66
Euro			
HKD	44,853,013.90	0.92604	41,535,684.99
Accounts payable			
Including: USD			
Euro			
HKD	6,701,016.38	0.92604	6,205,409.21
Other current assets			
Including: HKD	10,016,152.00	0.92604	9,275,357.40

Other explanations: None.

(2) Description of overseas business entities; for material overseas business entities, disclose their major business places overseas, functional currency and the selection criterion thereof; should there be any change in the functional currency, disclose the reason for such change.

□ Applicable ☑Not applicable

69. Lease

(1) The Company as the lessee

☑ Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☑ Applicable □ Not applicable

Item	Amount
Variable lease payments not included in the measurement of lease liabilities	1,853,203.38

Simplified handling of payments of short-term leasing or leasing of low value assets

☑ Applicable □ Not applicable

Item	Amount
Simplified handling of fees of short-term leasing or leasing of low value assets	21,297,315.26

After-sales leaseback transactions: None.

(2) The Company as the lessor

Operating lease where the Company is the lessor

☑ Applicable □ Not applicable

Item	Receipts from lease	Including: Receipts related to variable lease payments not included in lease receipts
Houses and buildings	19,604,965.17	
Total	19,604,965.17	

Finance lease where the Company is the lessor

□ Applicable ☑ Not applicable

Undiscounted lease receipts for each of the next five years

□ Applicable ☑ Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases

(3) Recognition of profits and losses on sales under finance leases as a manufacturer or distributor

☐ Applicable ☑ Not applicable

70. Data resources: None.

71. Others

None.

VIII. R&D Expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee Benefits	176,428,120.44	155,787,826.65
Materials consumption and inspection fees	58,715,281.92	33,036,222.54
Depreciation and amortization	12,553,292.71	18,301,737.20
Test outsourcing fee	13,008,621.76	38,167,290.57
Commissioned R&D cost	44,437,281.25	67,328,221.73
New product design fee	18,717,995.73	4,086,610.07
Others	24,522,693.78	27,733,552.52
Total	348,383,287.59	344,441,461.28
Including: Expensed R&D expenditure	337,413,301.03	336,013,434.83
Capitalized R&D expenditure	10,969,986.56	8,428,026.45

1. R&D projects meeting capitalization conditions

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development costs	Others	Recognized as intangible assets	Transfer to current profits or losses	
P137 Project R&D (IND)	14,452,474.57	10,969,986.56				25,422,461.13
Total	14,452,474.57	10,969,986.56	0.00	0.00	0.00	25,422,461.13

Important capitalized R&D projects: None.

Impairment provision for R&D expenditure: None.

2. Important outsourced project under study: None.

IX. Changes in the Consolidation Scope

1. Business combination not under common control: None.

2. Business combination under common control: None.

3. Reverse purchase: None.

4. Disposal of subsidiaries

Whether there were any transactions or events during the period in which control of subsidiaries was lost

☐Yes ☑No

Whether there was a loss of control in the current period under a progressive disposal of investments in subsidiaries through multiple transactions

☐Yes ☑No

5. Changes in the consolidation scope due to other reasons

Describe the change in scope of consolidation for other reasons (e.g. Establishing new subsidiaries, liquidating subsidiaries, etc.) and its details:

(1) Establishment of new subsidiaries

1) Yunnan Baiyao Group TCM Resources Co., Ltd invested in the establishment of Hangzhou Shanqi Health Industry Co., Ltd, with a registered capital of RMB 1,000,000 and a 100% ownership. Yunnan Baiyao included Hangzhou Shanqi Health Industry Co., Ltd into its consolidation scope from April 2024.

2) Yunnan Pharmaceutical Co., Ltd invested in the establishment of Yunnan Pharmaceutical Zhaotong Co., Ltd, with a registered capital of RMB 10,000,000 and a 100% ownership. Yunnan Baiyao included Yunnan Pharmaceutical Zhaotong Co., Ltd into its consolidation scope from March 2024.

3) Yunnan Baiyao Group TCM Resources Co., Ltd invested in the establishment of Yunnan Baiyao Group Seed Industry Technology Co., Ltd, with a registered capital of RMB 10,000,000 and a 100% ownership. Yunnan Baiyao included Yunnan Baiyao Group Seed Industry Technology Co., Ltd into its consolidation scope from December 2024.

4) Yunnan Baiyao Group Zhiyun Health Services Co., Ltd invested in the establishment of Shaanxi Zhiyun Wenshu Health Services Co., Ltd, with a registered capital of RMB 1,000,000 and a 100% ownership. Yunnan Baiyao included Shaanxi Zhiyun Wenshu Health Services Co., Ltd into its consolidation scope from November 2024.

5) Yunnan Baiyao Group Co., Ltd invested in the establishment of Yunnan Yunling Management Consulting Co., Ltd, with a registered capital of RMB 10,000,000 and a 100% ownership. Yunnan Baiyao included Yunnan Yunling Management Consulting Co., Ltd into its consolidation scope from November 2024.

(2) Deregistration of Subsidiary:

1) Ban Loong Capital GP was deregistered in April 2024.

6. Others: None.

X. Interest in Other Entities

1. Interest in subsidiaries

(1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Main business location	Place of registration	Business nature	Shareholding proportion		Acquisition method
					Direct	Indirect	
Yunnan Baiyao Group TCM Resources Co., Ltd	16,400,000.00	Kunming	Kunming	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	30,000,000.00	Kunming	Kunming	Wholesale and retail of daily necessities	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	25,000,000.00	Wuxi	Wuxi	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15,515,000.00	Dali	Dali	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health Products Co., Ltd.	84,500,000.00	Kunming	Kunming	Production and sales of health and daily chemicals	100.00%	0.00%	Set-up or investment
Yunnan Pharmaceutical Co., Ltd.	1,000,000,000.00	Kunming	Kunming	Pharmaceutical wholesale and retail	100.00%	0.00%	Set-up or investment
Yunnan Institute of Materia Medica	54,080,000.00	Kunming	Kunming	New Drug R&D	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Holding Investment Co., Ltd.	100,000,000.00	Kunming	Kunming	Investment	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Teayield Co., Ltd.	20,000,000.00	Kunming	Kunming	Tea	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Group (Hainan) Co., Ltd.	15,000,000.00	Hainan	Danya	Import and export agency, technical services, etc.	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Shanghai Co., Ltd.	15,000,000.00	Shanghai	Shanghai	Technical services	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medical Technology Hefei	25,970,800.00	Hefei	Hefei	Medical Device Production and Sales	100%	0.00%	Business combination not under the

Co., Ltd.							same control
Shanghai Yunzhen Medical Technology Co., Ltd.	900,000.00	Shanghai	Shanghai	Technical development and service	100.00%	0.00%	Set-up or investment
YNBY International Limited	0.00	Hong Kong	Hong Kong	Trade	28.06%	45.62%	Business combination not under the same control
Yunnan Baiyao Tiancui Business Management Co., Ltd.	3,000,000.00	Kunming	Kunming	Catering	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Beijing Co., Ltd.	50,000,000.00	Beijing	Beijing	Technology promotion service	100.00%	0.00%	Set-up or investment
Yunhe Pharmaceutical (Tianjin) Co., Ltd	20,000,000.00	Tianjin City	Tianjin City	Research and experimental development	100.00%	0.00%	Set-up or investment

Explanation of the inconsistency of the percentage of shares in subsidiaries with the proportion of voting rights: None.

Basis for holding half or less of the voting rights but still controlling investees, and holding more than half of the voting rights but not controlling investees: None.

Basis for controlling major structured entities consolidated into the financial statements:

The structured entities included in the scope of consolidation of the Group include CICC Directional Asset Management-GF-CICC Qirui 1 and Shanghai Trust Platinum Series Hong Kong Market Investment Single Fund Trust. Because the Group has power over such structured entities, enjoys variable returns by participating in related activities, and has the ability to use its power over the investee to influence its variable returns, the Group has control over such structured entities.

Basis for determining whether the Company is an agent or an entrustor: None.

Other explanations: None.

(2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Percentage of shares held by minority interests	Profit and loss attributable to non-controlling interests in the current period	Dividends declared to non-controlling interests in the current period	Balance of minority shareholders' equity at the end of the period
YNBY International Limited	26.32%	4,391,193.58		-55,511,300.32

Explanation on the inconsistency of the percentage of shares held by minority shareholders in subsidiaries with the proportion of voting rights: None.

Other explanations: None.

(3) Main financial information of key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YNBY International Limited	328,272,842.86	12,491,866.59	340,764,709.45	94,092,251.84	5,957,177.35	100,049,429.19	336,579,182.52	17,052,211.25	353,631,393.77	112,222,845.17	21,056,768.96	133,279,614.13

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the previous period			
	Operating revenue	Net Profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net Profit	Total comprehensive income	Cash flows from operating activities
YNBY International Limited	689,091,622.71	16,683,866.18	20,363,500.62	33,115,847.31	651,184,145.52	122,600,946.27	123,857,222.10	27,823,483.10

Other explanations: None.

(4) Major restrictions on the use of assets and settlement of debts of the corporate group: None.

(5) Financial support or other support provided for structured entity included in the scope of consolidation for the consolidated financial statements

None.

Other explanations: None.

2. Transaction in which the share of owners' equity in the subsidiary changes while control over the subsidiary remains unchanged

(1) Explanations on changes in the share of owners' equity in the subsidiary: None.

(2) Impact of the transaction on the minority shareholders' equity and the owners' equity attributable to the parent company: None.

3. Interest in joint arrangement or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main business location	Place of registration	Business nature	Shareholding proportion		The accounting method for investments in joint ventures or associates
				Direct	Indirect	
Shanghai Pharmaceuticals Holding Co., Ltd.	Shanghai	No. 92 Zhangjiang Road, China (Shanghai) Pilot Free Trade Zone	Pharmaceuticals	17.95%		Equity method for long-term equity investments

Explanation of the inconsistency of the percentage of shares in joint ventures or associates with the proportion of voting rights: None.

Basis for holding 20% or less voting rights but having important influence, or holding 20% or more voting rights but not having important influence: None.

(2) Main financial information of important joint ventures: None.

(3) Main financial information of important associates

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	171,823,107,421.97	162,433,862,348.46
Non-current assets	49,386,322,726.20	49,538,671,418.34
Total assets	221,209,430,148.17	211,972,533,766.80
Current liabilities	126,038,386,279.10	122,371,879,034.89
Non-current liabilities	11,428,680,148.00	9,274,561,766.98
Total liabilities	137,467,066,427.10	131,646,440,801.87
Minority interests	12,066,743,749.10	11,801,949,913.58

Equity attributable to shareholders of the parent company	71,675,619,971.97	68,524,143,051.35
Share of net assets based on percentage of shareholding	12,866,662,562.66	12,316,447,243.08
Adjustment		
- Goodwill	934,411,132.40	935,589,606.31
- Unrealized profit on internal transactions	-7,831,910.38	-5,399,246.55
- Others	-1,731,865,195.92	-1,709,991,043.28
Book value of equity investment in associates	12,061,376,588.76	11,536,646,559.56
Fair value of equity investments in associates for which publicly quoted prices exist	13,978,162,716.00	11,135,936,297.08
Operating revenue	275,250,934,889.66	260,295,088,943.53
Net profits	5,870,011,314.88	5,166,570,284.26
Net profits from discontinued operations		
Other comprehensive income	-62,617,948.59	-126,719,890.54
Total comprehensive income	5,807,393,366.29	5,039,850,393.72
Dividends received from associates during the year	326,157,130.04	406,032,345.56

Other explanations: None.

(4) Combined financial information of insignificant joint ventures and associates

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Joint ventures:		
Total of the followings based on the percentage of shareholdings		
Associates:		
Total book value of investments	9,809.54	14,433.37
Total of the followings based on the percentage of shareholdings		
- Net profit	-318,336.97	-746,786.87
- Other comprehensive income	244.20	
- Total comprehensive income	-318,092.77	-746,786.87

Other explanations: None.

(5) Explanation on significant restrictions on the ability of joint ventures or associates to transfer funds to the Company: None.

(6) Excess loss generated from joint ventures or associates

Unit: RMB

Name of joint venture or associate	Cumulative unrecognized losses in the previous period	Unrecognized losses in the current period (or net profit	Cumulative unrecognized losses at the end of the current

		shared in the current period)	period
Lijiang Changgengming Trading Co., Ltd.	-199,216.33	-313,468.94	-512,685.27

Other explanations: None.

(7) Unrecognized commitment related to investments in joint ventures: None.

(8) Contingent liabilities related to investments in joint ventures or associates: None.

4. Significant joint operation

Explanations on the proportion of shareholding or entitlement differing from voting rights in joint operations: None.

Basis for classification as a joint operation where the joint operation is a separate entity: None.

Other explanations: None.

5. Interest in structured entities not included in the scope of consolidated financial statements

Relevant explanation on structured entities not included in the consolidated financial statements: None.

6. Others

None.

XI. Government Grants

1. Government grants recognized at the end of the reporting period based on amounts receivable

□Applicable☑Not applicable

Reasons for not receiving the estimated amount of government grants at the expected time point

□Applicable☑Not applicable

2. Liabilities involving government grants

☑Applicable ☐Not applicable

Unit: RMB

Accounting item	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating revenue during the period	Amount transferred to other income in the current period	Other changes in the current period	Closing balance	Related to assets/income
Deferred income	80,923,393.38	83,257,000.00		29,379,041.17	1,015,171.01	133,786,181.20	Related to income
Deferred income	157,887,717.66	17,638,200.00		12,768,533.54	1,050,000.00	161,707,384.12	Related to assets

3. Government grants included in profit or loss for the current period

☑Applicable ☐Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Other income	84,203,749.10	75,375,220.16

Other explanations: None.

XII. Risks Associated with Financial Instruments

(I) Risks incurred by financial instruments

The Group's financial instruments include equity investments, debt investments, loans, receivables and accounts payable, etc., as detailed in the relevant items under Note VI. The risk management objective of the Group is to get an appropriate balance between risk and return, minimize the negative impact of risk on business results of the Group, and maximize the interest of shareholders and other equity investors. Based on this risk management objective, the basic risk management strategy of the Group is to identify and analyze various risks faced by the Group, establish an appropriate risk tolerance bottom line and conduct risk management, and supervise various risks in a timely and reliable manner to control risks within a limited range.

1. Market risks

Market risk of financial instruments is the risk of fluctuation in the fair value of financial instruments or future cash flow arising from changes in market price, including exchange rate risk, interest rate risk and other price risk.

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and possible changes in market risk related variables on current profits and losses or shareholders' equity. Since any risk variable rarely changes in isolation, and the correlations that exist between variables will have a significant impact on the ultimate amount of a change in a risk variable, in the following explanation, it is assumed that each variable changes independently.

(1) Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate due to changes in the exchange rate. Exchange rate risk arises from financial instruments denominated in foreign currencies other than the functional currency. The Group's principal operations are located in the PRC, the functional currency is RMB, and its principal operations are settled in RMB. The principal place of business of the Group's subsidiary, YNBY International, is located in Hong Kong, the PRC, and its functional currency is Hong Kong dollars. The Group's exposure to foreign exchange risk relates mainly to the US dollar and Hong Kong dollar, etc. The exchange rate risk affects both the Group's transactions and the results of its foreign operations. The balance of the Group's foreign currency monetary items as at December 31, 2024 is as shown in Section 66 "Monetary items denominated in foreign currencies" under Note VI. If the RMB had appreciated or depreciated by 3% against the US dollar and Hong Kong dollar, while other factors remained unchanged, the net profit of the Company would have increased or decreased by approximately RMB 8,491,444.23.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from bank loans and bonds payable and other interest-bearing long-term debts. Financial liabilities at floating rates expose the Group to the cash flow interest

rate risk, and financial liabilities at fixed rates expose the Group to the fair value interest rate risk. The Group determines the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. As at December 31, 2024, the Group's interest-bearing debt consisted mainly of fixed-rate borrowing contracts denominated in RMB amounting to RMB 404,233,333.39 (end of last year: RMB 1,016,734,728.09), and the exposure to changes in market interest rates was not material.

(3) Other price risk

The investments classified as financial assets at fair value through profits or losses held by the Group are measured at fair value on the balance sheet date. Therefore, the Group is exposed to fluctuations in the securities market. The Group reduces the price risk of equity portfolio investments by holding multiple equity portfolios.

As at December 31, 2024, if the expected price at which the Group holds the above types of investments had increased or decreased by 5%, while other factors remained unchanged, the Group would have increased or decreased its net profit by approximately RMB 18,398,335.90.

2. Credit risk

As at December 31, 2024, the maximum exposure to credit risk that could cause the Group's financial loss is mainly due to losses on the Group's financial assets arising from the failure of the other party to perform its obligations under the contract and financial guarantees undertaken by the Group, including:

The book value of recognized financial assets in the consolidated balance sheet. For financial instruments measured at fair value, the book value reflects its risk exposure, but not its maximum risk exposure, which will change as fair value changes in the future;

The financial guarantee contract amount disclosed in Note XI "Commitments and contingencies."

To reduce credit risk, the Company's self-produced drugs and health products are generally sold in accordance with the principle of first payment before delivery. When selecting dealers (customers), the Company will investigate the scale and financial strength, market resources, operations, brands, sales networks, and sales channels of dealers (customers). Only dealers (customers) that meet the requirements of the Company can be selected. Yunnan Pharma, a subsidiary of the Company, mainly faces the customer credit risk caused by credit sales. Yunnan Pharma strictly implements credit management for the whole process of credit sales. It has established a customer credit evaluation management system, and divided customers into various types according to their nature, expected sales, operating conditions, and development potential. For each type of customer, it will set assessment credit and red line credit days according to a unified division standard, and then confirm the effective sales and the time limit to stop billing, and make credit sales forecast and evaluation before the transactions. In the process of cooperation, dynamic credit adjustment is carried out according to the actual purchase amount of customers and the change of business scale, so that the credit sales amount given matches its business strength. Because the Company only deals with recognized and reputable third parties, and customer bases are mainly medical institutions at all levels, large pharmacy chains, distributors, community and township medical service outlets, no collateral is required. Credit risk concentration is managed by customer type, geographic region and industry.

Because the Company's customer base for accounts receivable is widely dispersed in different regions and industries, there is no significant concentration of credit risk within the Company.

The Group's working capital is held in banks with high credit ratings and therefore the credit risk of working

capital is low.

3. Liquidity risk

Liquidity risk is the risk that a company will run short of funds to meet its obligations settled by delivering cash or other financial assets.

It is the Company's policy to ensure that it has sufficient cash to pay its debts as they fall due. Liquidity risk is centrally controlled by the Company's Financial Department. The Financial Department ensures that the Company has sufficient funds to service its debt with all reasonable projections by monitoring cash balances, readily realizable marketable securities and rolling projections of cash flows for the next 12 months.

The maturity analysis of financial liabilities based on undiscounted contractual cash flows of the Company is as follows:

(1) The Company's current liabilities include short-term loans, notes payable and accounts payable, and other payables, which are expected to be repaid within 1 year.

(2) The maturity analysis of non-current liabilities (including the non-current liabilities due within 1 year) based on undiscounted contractual cash flows of the Company is as follows:

Item	December 31, 2024				Total
	Within one year	1 to 2 years	2 to 3 years	Above 3 years	
Long-term loans				2,100,000.00	2,100,000.00
Lease liabilities	88,436,075.74	63,253,673.61	49,397,616.62	78,005,700.00	279,093,065.97
Total	88,436,075.74	63,253,673.61	49,397,616.62	80,105,700.00	281,193,065.97

(II) Hedging

(1) The Company carried out hedging business for risk management

☐Applicable ☑Not applicable

(2) The Company conducted eligible hedging business and applied hedging accounting: None.

(3) The Company carried out hedging business for risk management, which is expected to achieve risk management target, but did not apply hedging accounting

☐Applicable ☑Not applicable

3. Financial assets

(1) Classification by type of transfer

☐Applicable ☑Not applicable

(2) Derecognition of financial assets due to transfer

☐Applicable ☑Not applicable

(3) Financial assets involved in continued assets transfer

☐Applicable ☑Not applicable

Other explanations: None.

XIII. Disclosure of Fair Value

1. Final fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Closing fair value			
	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading	179,246,998.10	2,363,266,525.30	4,600,000.00	2,547,113,523.40
(1) Investment in liability instruments				
(2) Investment in equity instruments	179,246,998.10			179,246,998.10
(3) Derivative financial assets				
(4) Others		2,363,266,525.30	4,600,000.00	2,367,866,525.30
(II) Accounts receivable financing			1,887,789,780.16	1,887,789,780.16
(1) Notes receivable			1,887,789,780.16	1,887,789,780.16
(III) Other non-current financial assets	190,764,240.00		196,958,378.32	387,722,618.32
Investment in equity instruments	190,764,240.00		196,958,378.32	387,722,618.32
(III) Investment in other equity instruments			71,745,000.00	71,745,000.00
Total assets at continuous fair value measurement	370,011,238.10	2,363,266,525.30	2,161,093,158.48	4,894,370,921.88
II. Noncontinuous fair value measurement	--	--	--	--

2. Determination basis of the market price of the item measured using level I fair value measurement continuously and non-continuously

The financial assets at fair value through profits or losses held by the Company are mainly the share investments in the secondary market, whose closing fair value is determined by the closing price of the publicly traded market on the balance sheet date.

3. Valuation techniques and qualitative and quantitative information on important parameters adopted for items subject to level II continuous and noncontinuous fair value measurement

The Company generally classifies the financial products it holds, such as wealth management products, as level II fair value measurement items. The Company recognizes the fair value of these financial products based on their net asset value, with minimal fluctuations in fair value. As of the end of 2024, the Company's holdings of such financial products had a fair value of RMB 2,363,266,525.30.

4. Valuation techniques and qualitative and quantitative information on important parameters adopted for items subject to level III continuous and noncontinuous fair value measurement

(1) Other non-current financial assets subject to level III continuous fair value measurement are the equity investment in non-listed companies held by the Company. The Company will obtain the annual auditor's report of the investee, consider the operating environment, operating conditions and financial status of the investee enterprise, and determine the closing fair value on the basis of the closing net assets of the company. Other investments in other equity instruments are the equity of non-listed companies held by the Company. As the investee is a start-up biotechnology company, considering that the business environment and operating conditions of the invested enterprise currently in the project R&D phase, its financial position have not changed substantially at the time of the new investment, the investment cost is used as the best estimate of fair value in the current period.

(2) The accounts receivable financing subject to level III fair value measurement are the notes receivable held by the Company, mainly including banker's acceptance bill. Its credit risk is negligible, its remaining term is short (less than 12 months), and its book value is close to its fair value. The book value is used as the best estimate of fair value by the Company.

5. The reconciliation information between opening and closing book values and unobservable parameter sensitivity analysis for the items subject to level III continuous fair value measurement

The financial assets and liabilities measured at amortized cost reported in the financial statements mainly include: notes receivable, accounts receivable, other receivables, long-term borrowings, short-term borrowings, notes payable, accounts payable, other payables, long-term payables, etc.

6. For the items subject to continuous fair value measurement, if there is a conversion between all levels in the current period, the reason for the conversion and the policy for determining the time point of the conversion

None.

7. Changes in the valuation technology and the reason for the changes in the current period

None.

8. Fair value of financial assets and financial liabilities that are not measured at fair value

None.

9. Others

None.

XIV. Related Parties and Related Party Transactions

1. Information about the parent company of the Company

Explanations on the parent company of the Company: None.

Ultimate controller of the Company: None.

Other explanations:

1. Controlling shareholders and ultimate controller

The proposal of merger and overall listing of Yunnan Baiyao Group and Baiyao Holdings by issuing shares had been considered and approved at the First Extraordinary General Meeting of Yunnan Baiyao for 2019. On April 24, 2019, CSRC issued the *Approval on the Proposal of Merger and Overall Listing of Yunnan Baiyao Group Co., Ltd and Yunnan Baiyao Holdings Co., Ltd (*Zheng Jian Xu Ke [2019] No. 770). Prior to the completion of the above-mentioned merger and overall listing, the controlling shareholder of the Company was Baiyao Holdings, and there was no de facto controller. After the completion of the transaction, SASAC of Yunnan Province and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and neither of them obtained the control over the listed company. SASAC of Yunnan Province, along with New Huadu and its acting-in-concert parties, had made long-term share lock-up commitments. Therefore, the listed company did not have de facto controller before and after the transaction.

On May 22, 2020, SASAC of Yunnan Province transferred 321,160,222 shares of the Company held by it to its wholly-owned subsidiary State-owned Equity Management Company at nil consideration. After the completion of the transfer, State-owned Equity Operation and Management Company and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and there was no change in the Company's situation of not having a de facto controller or controlling shareholder.

On December 8, 2021, SASAC of Yunnan Province transferred 100% of the shares held by State-owned Equity Operation and Management Company to Yunnan Investment Group Co., Ltd. After the equity transfer, Yunnan Investment Group Co., Ltd would hold 321,160,222 shares of the Company through State-owned Equity Operation and Management Company, accounting for 25.04% of the total share capital of the Company. State-owned Equity Operation and Management Company and New Huadu and New Huadu with its acting-in-concert parties, were equally the largest shareholder of the Company, and the situation that the Company has no de facto controller and no controlling shareholder remain unchanged.

On August 8, 2024, the Company disclosed the *Announcement on Increase in Shareholdings of the Company by Shareholders of 5% or More and the Subsequent Shareholding Increase Plan*. The Company's largest shareholder, the State-owned Equity Management Company, increased its holdings of the Company by 17,485,863 shares through the Shenzhen Stock Exchange's centralized bidding system on August 6, 2024. As of December 31, 2024, the State-owned Equity Management Company held 467,110,174 shares of the Company, accounting for 26.18% of the Company's total shares. The State-owned Equity Management Company remains the largest shareholder, and the Company continues to have no de facto controller and no controlling shareholder.

2. Information about subsidiaries of the Company

For details of subsidiaries of the Company, please refer to Section 1 "Interest in Subsidiaries" under Note X.

3. Information about joint ventures and associates of the Company

For details of important joint ventures or associates of the Company, please refer to Note X3 (1) Important Joint Ventures or Associates.

Details of joint ventures or associates with related party transactions for the period and balances resulting from related party transactions in the previous period are as follows:

Name of joint ventures or associates	Relationship with the Company
Shanghai Pharmaceuticals Holding Co., Ltd.	Associate
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	Former associate (Cancelled in September 2024)
Lijiang Changgengming Trading Co., Ltd.	Associate

Other explanations: None.

4. Information about other related parties

Name of other related parties	Relationship between other related parties and the Company
Yunnan State-owned Equity Operation Management Co., Ltd.	Substantial shareholder of the Company
New Huadu Industrial Group Co., Ltd.	Substantial shareholder of the Company
Jiangsu Yuyue Science & Technology Development Co., Ltd.	Former substantial shareholder of the Company
Yunnan Renjiu Technology Co., Ltd.	Former minority shareholder that has significant influence on the subsidiary
Yunnan Tianma Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Jianshui County Xingda Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Baoshan Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Qiubei County Wanhe Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Chuxiong Jiayuan Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Drug Technology Development Operation Co., Ltd.	Subsidiary of the substantial shareholder
YEIG Power Assembly Park Development Co., Ltd.	Subsidiary of the substantial shareholder
Tibet Jiushi Zhihe Marketing Co., Ltd.	Subsidiary of the substantial shareholder
Jiuai Zhihe (Beijing) Technology Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Jinkuan Trading Co., Ltd.	Company controlled by former related party
Kunming Yusi Pharmaceutical Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Hongta Bank Co., Ltd.	Subsidiary of the substantial shareholder
Teh-Ho Canned Food Company	Subsidiary of the substantial shareholder
Quanzhou New Huadu Supercenter Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Salt Wenshan Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Lijiang Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Rixin Co., Ltd.	Sub-subsidiary of the substantial shareholder
MB Packaging Limited	Sub-subsidiary of the substantial shareholder
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder

YEIG Property Services Co., Ltd.	Sub-subsidiary of the substantial shareholder
Tibet Juliang E-commerce Co., Ltd.	Sub-subsidiary of the substantial shareholder
Kunming Guiyan New Material Technology Co., Ltd.	Subsidiary of the substantial shareholder
Guiyan Chemical Materials (Yunnan) Co., Ltd.	Sub-subsidiary of the substantial shareholder
Guiyan Platinum Industry Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Kunhua Hospital Investment Management Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Pharmaceutical Health Products Import and Export Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Gongtou TCM Materials and Decoction Pieces Industry Development Co., Ltd.	Sub-subsidiary of the substantial shareholder
Shanghai Skynet Brand Management Crop., Ltd.	Equity investment company of the subsidiary of the substantial shareholder

Other explanations: None.

5. Related party transactions

(1) Related party transactions on purchase and sales of goods and rendering and receiving of services

Information of commodities purchased/labor services accepted

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Approved transaction limit	Whether exceeding the transaction limit	Amount for the previous period
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Purchase of goods and services	728,349,788.25	120,000,000.00	No	615,537,706.00
Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	Purchase of medical devices, goods and drugs	23,819,450.91	50,000,000.00	No	32,852,184.77
MB Packaging Limited	Purchase of goods	4,544,493.47			3,925,036.06
Yunnan Gongtou TCM Materials and Decoction Pieces Industry Development Co., Ltd.	Purchase of goods	4,004,620.45			
Yunnan State-owned Equity Operation Management Co., Ltd.	Purchase of services	1,469,355.33			
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Purchase of goods	1,098,494.12			
YEIG Property Services Co., Ltd.	Purchase of services	1,049,364.96			
Teh-Ho Canned Food Company and its subsidiaries	Purchase of goods and promotion services	578,624.26			2,661,071.80
Kunming Yusi Pharmaceutical Co., Ltd.	Purchase of goods	545,939.23			767,124.82

Information about performance obligations: None.

Other explanations: None.

Information related to the transaction price allocated to the remaining performance obligations:

At the end of this reporting period, the Company recorded an amount of revenue of RMB 0.00 from its performance of obligations set out in the signed contracts to be fulfilled or fully fulfilled. Among them, RMB 0.00 is expected to be recognized as revenue in year 0, RMB 0.00 is expected to be recognized as revenue in year 0, and RMB 0.00 is expected to be recognized as revenue in year 0.

Significant contractual changes or significant transaction price adjustments: None.

Other explanations: None.

5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes accounted by the cost method	1,900,000,000.00	
Long-term equity investment incomes accounted by the equity method	772,732,477.51	628,517,050.64
Investment income on financial assets held for trading during holding period	6,671,289.70	7,606,635.89
Investment income from disposal of financial assets held for trading		7,855,018.09
Investment income from other non-current financial assets during the holding period	20,474,449.39	70,844,082.00
Others	-3,991,808.68	27,070,201.34
Total	2,695,886,407.92	741,892,987.96

6. Others: None.

XX. Supplementary Information

1. Breakdown of non-recurring profits and losses for the current period

☑Applicable ☐Not applicable

Unit: RMB

Item	Amount	Description
Profits and losses from disposal of non-current assets	2,527,905.42	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company in line with national policies and received by a determined standard, with a continuous impact on the Company's profits and losses)	84,203,749.10	
Profits and losses from changes in fair value of financial assets and liabilities held for trading by non-financial enterprises, and from disposal of such financial assets and liabilities, except for effective hedging operations related to regular businesses of the Company	150,994,732.81	
Profits and losses from entrusted investment or asset management	6,589,832.78	

Reversal of impairment provision of accounts receivable subject to individual impairment test	1,738,612.00	
Non-operating revenue and expenses other than the above	-28,939,412.06	
Other profits and losses satisfying the definition of non-recurring profits and losses	47,186,324.01	
Less: Amount affected by the income tax	37,938,914.49	
Amount affected by minority interests (after tax)	4,868.25	
Total	226,357,961.32	--

Other profits and losses satisfying the definition of non-recurring profits and losses:

☑Applicable ☐Not applicable

Other profit and loss items that meet the definition of non-recurring profit and loss mainly include other non-recurring profit and loss such as interest on time deposits and return of individual income tax fees.

Note for the definition of non-recurring profits and losses set out in the *No.1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profits and Losses*, as recurring profits and losses

□Applicable ☑Not applicable

2. Return on equity and earnings per share

Profits during the reporting period	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to ordinary shareholders of the Company	11.99%	2.66	2.66
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	11.42%	2.53	2.53

3. Differences in Accounting Data under Chinese Accounting Standards (CAS) and Overseas Accounting Standards

(1) Differences in the net profits and net assets in financial statements disclosed respectively under International Financial Reporting Standards (IFRS) and CAS

□Applicable ☑Not applicable

(2) Differences in the net profits and net assets in financial statements disclosed respectively under overseas accounting standards and CAS

□Applicable ☑Not applicable

(3) Explanations of the causes to differences in accounting data under CAS and overseas accounting standards; if adjustment is made for data audited by an overseas audit institution, the name of the institution shall be provided

4. Others: None.

Yunnan Baiyao Group Co., Ltd.

Board of Directors

March 31, 2025