



**Yunnan Baiyao Group Co., Ltd.**

**Interim Report 2023**

**August 2023**

## **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 Interim Report and there are no misrepresentation, misleading statement or material omission from this Interim 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 firm (accounting supervisor), hereby declare that they warrant the truthfulness, accuracy, and completeness of the financial statements in this Interim Report.**

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

**The information publicly disclosed by the Company on the *Securities Times*, *Shanghai Securities News*, *China Securities Journal*, and <http://www.cninfo.com.cn> shall prevail. Forward-looking statements included in this Interim Report, including future plans, do not constitute a substantive commitment to investors by the Company. Investors are advised to pay attention to investment risks.**

**The Company kindly requests investors to read through this report and pay special attention to “X. Risks and Countermeasures” in the “Section III Management Discussion and Analysis.” Investors are advised to pay attention to investment risks.**

**During the reporting period, the Company has no plan to distribute cash dividends and bonus shares or convert capital reserves into share capital.**

**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.**

## Contents

<b>Section I Important Notes, Contents, and Definitions .....</b>	<b>2</b>
<b>Section II Company Profile and Key Financial Indicators .....</b>	<b>6</b>
<b>Section III Management Discussion and Analysis.....</b>	<b>9</b>
<b>Section IV Corporate Governance.....</b>	<b>40</b>
<b>Section V Environmental and Social Responsibilities .....</b>	<b>45</b>
<b>Section VI Significant Events .....</b>	<b>52</b>
<b>Section VII Changes in Shareholdings and Particulars about Shareholders.....</b>	<b>82</b>
<b>Section VIII Preference Shares .....</b>	<b>88</b>
<b>Section IX Bonds .....</b>	<b>89</b>
<b>Section X Financial Statements.....</b>	<b>90</b>

## **Documents Available for Inspection**

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

(II) 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;

(III) 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
CSRC Yunnan Bureau	Yunnan Bureau of China Securities Regulatory Commission
The Company or Yunnan Baiyao	Yunnan Baiyao Group Co., Ltd.
New Huadu	New Huadu Industrial Group Co., Ltd.
Yunnan Investment Holdings Group	Yunnan Provincial Investment Holdings Group Co., Ltd.
Yunnan State-owned Equity Operation 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.
Ban Loong Holdings	Ban Loong Holdings Limited
Sunwah GreatWall	Sunwah GreatWall Group Limited
Shanghai Pharma	Shanghai Pharmaceuticals Holding Co., Ltd.
Tianjin Pharma	Tianjin Pharmaceutical Holdings 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 Yunnan Baiyao merged with Baiyao Holdings by issuing shares to all shareholders of Baiyao Holdings, including SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue
Yunnan Pharma	Yunnan Pharmaceutical Co., Ltd.
Centralized procurement	Centralized volume-based procurement of drugs
OTC	Over-the-counter drug
ESG	Environmental, social and corporate governance
Reporting period	The period from January 1, 2023 to June 30, 2023
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 (If any)	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		

### II. Contact Person and Contact Information

	Secretary of the Board of Directors	Representative of Securities Affairs
Name	Qian Yinghui	Zhao Yan, Zhu Ruiying
Contact Address	No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province	No.3686 Yunnan Baiyao Street, Chenggong District, Kunming, Yunnan Province
Tel	0871-66226106	0871-66226106
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### III. Other Information

#### 1. Contact information of the Company

Whether the Company's registered address, office address, postal code, website, and e-mail address have changed during the reporting period

Applicable  Not applicable

There was no change in the Company's registered address, office address, postal code, website, or e-mail address during the reporting period. For more information, please refer to the 2022 Annual Report.

#### 2. Information disclosure and location

Whether the information disclosure and location have changed during the reporting period

Applicable  Not applicable

There was no change in the stock exchange website, media outlets, and their websites where the Company disclosed the Interim Report, or the location where the Interim Report was prepared and placed during the reporting period. For more information, please refer to the 2022 Annual Report.

#### 3. Other information

Whether other information has changed during the reporting period

Applicable  Not applicable

#### IV. Key Accounting Data and Financial Indicators

Whether the Company needed retroactive adjustment or restatement of accounting data in prior years or not Yes No

	The reporting period	The same period of the previous year	Increase/decrease during the reporting period compared with the same period of the previous year
Operating revenue (RMB)	20,309,372,850.07	18,016,738,609.15	12.73%
Net profit attributable to shareholders of the listed company (RMB)	2,828,011,615.30	1,500,494,603.81	88.47%
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	2,737,055,785.90	1,654,550,261.83	65.43%
Net cash flows from operating activities (RMB)	2,251,951,370.10	1,177,950,057.27	91.18%
Basic earnings per share (RMB/share)	1.58	1.10	43.64%
Diluted earnings per share (RMB/share)	1.58	1.09	44.95%
Weighted average ROE	7.17%	3.89%	3.28%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared with the end of the previous year
Total assets (RMB)	51,926,448,675.34	53,320,943,868.74	-2.62%
Net assets attributable to shareholders of the listed company (RMB)	38,597,910,179.18	38,503,673,731.86	0.24%

Total share capital of the Company as of the trading day preceding disclosure:

Total share capital of the Company as of the trading day preceding disclosure (quantity)	1,796,862,549
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Fully diluted earnings per share calculated under the latest share capital

Preferred stock dividends paid	0
Interest paid on perpetual bonds (RMB)	0
Fully diluted earnings per share calculated under the latest share capital (RMB/share)	1.5739

#### V. 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 profits 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 net assets in financial statements disclosed respectively under overseas accounting standards and CAS.

## 3. Explanations of the causes to differences in accounting data under CAS and overseas accounting standards

Applicable  Not applicable

## VI. Non-recurring Profits and Losses

Applicable  Not applicable

Unit: RMB

Item	Amount	Remarks
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	2,967,422.45	
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 consecutively received by a standard quota or quantity)	37,822,875.91	
Profits and losses from changes in fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities held for trading and financial assets available for sale, except for effective hedging operations related to regular businesses of the Company	73,102,277.05	
Non-operating revenue and expenses other than the above	-3,275,515.13	
Less: Amount affected by the income tax	19,426,852.91	
Amount affected by minority interests (after tax)	234,377.97	
Total	90,955,829.40	

Other profits and losses satisfying the definition of non-recurring profits and losses:  Applicable  Not applicable

There were no other profits and losses of the Company satisfying the definition of non-recurring profits and losses. 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 did 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. Principal Businesses of the Company during the Reporting Period

#### (I) Overview

##### 1. Industry landscape and development trends

The report of the 20th National Congress of the Communist Party of China outlined specific requirements for advancing healthcare system reforms and fostering the integrated development and management of medical insurance, healthcare, and pharmaceuticals. This underscores the ongoing trend of centralized, volume-based procurement and the continued evolution of medical insurance payment methods. Given China's increasingly aging population, rising health consciousness, growing social healthcare needs, technological innovation, and the continued transformation of the medical sector, the industry has witnessed a swift unleashing of its potential. Furthermore, the pharmaceutical sector has exhibited a positive rebound, buoyed by economic marginal improvement and heightened expectations stemming from certain policies in the new era.

China places great emphasis on the development of the traditional Chinese medicine (TCM) industry. Consequently, the TCM sector consistently enjoys the advantages of various national policies, such as the *14th Five-Year Plan for Traditional Chinese Medicine Development* and *Special Provisions on the Administration of Traditional Chinese Medicine Registration*. These policies have opened up new avenues for growth within the TCM sector. In the field of over-the-counter (OTC) TCM, with intensified competition in primary sales channels, branding has emerged as a "barrier" in the retail terminal competition. In the context of a growing industry concentration, the significance of brand value is increasingly pronounced. Top TCM brands in the OTC sector are poised for a trajectory of high-quality development. China strongly supports the preservation and innovation within the prescribed TCM field. The existing centralized procurement system for Chinese patent medicines, adjustments to the basic medicine catalog, and various other measures are advantageous for the inclusion and promotion of TCMs in hospitals, which, in turn, will contribute to enhancing their market shares. Furthermore, as China's TCM review and approval system continues to evolve and mature, innovative TCMs find themselves in a favorable position for development.

During the first half of 2023, the consumer product industry experienced a growth slowdown, as consumer purchases gradually increased with a more rational approach. As consumer product channels are transitioning towards "location-based" and "digital" marketing strategies, e-commerce channels have consistently dominated for three consecutive years and continue to expand. Conversely, traditional large-scale channels have seen a

continuous decline in their market share. The offline consumer product market has shown a slower-than-anticipated recovery. In response, enterprises need to empower their channels and retail terminals with more refined management, gain deeper insights into consumer behavior, and enhance cost competitiveness on the supply side to maintain a competitive edge in this fiercely competitive landscape.

## **2. Industry position**

Yunnan Baiyao has consistently focused on integrating TCM into modern life and infusing traditional brands and TCM products with renewed vitality. In the pharmaceutical products domain, the Company's roots lie in Yunnan Baiyao powder with a century-long legacy. Through persistent exploration and innovation, Yunnan Baiyao has progressively developed a series of core pharmaceutical products encompassing diverse forms like aerosol, plaster, tincture, and woundplast. In the realm of health products, the Company has successfully merged traditional Yunnan Baiyao products with oral care items and created a group of oral care products, notably exemplified by Yunnan Baiyao toothpaste. This achievement stands as a prominent case for TCM enterprises venturing into cross-border innovation and reshaping consumer preferences. Leveraging its successful development strategies in pharmaceutical and health product sectors, the Company has expanded its business footprint into various domains, including natural medicine, TCM decoction pieces, special medicines, medical devices, health and daily chemical products, and healthcare food. This move enables the Company's evolution from a TCM manufacturing enterprise to a modern, Big Health-oriented entity. In the pharmaceutical distribution segment, the Company has deeply entrenched itself in the Yunnan market, forging robust partnerships with both upstream and downstream customers. Through years of growth, Yunnan Baiyao has established an extensive and multifaceted sales network throughout Yunnan Province, establishing a supply chain service platform for the distribution of pharmaceuticals, medical devices, and related products. This ranks it as the leading pharmaceutical distribution enterprise in Yunnan Province.

In July, Brand Finance, a globally recognized brand valuation company, released the *Healthcare 2023 - The Annual Report on Ranking of the Most Valuable and Strongest Pharma, Medical Devices and Healthcare Services Brands by Value*, in which Yunnan Baiyao was included in the shortlist of the global top 25 most valuable pharmaceutical brands, marking the third time it has earned a place in this list since 2021. In the same month, the Company was included in the shortlist of *2023 Fortune 500 China Listed Companies*, marking the 14th consecutive years it has been honored with a place on this list.

## **3. Product and business**

The Company has four business groups, namely Pharmaceutical Business Group, Health Products Business

Group, Traditional Chinese Medicine (TCM) Resources Business Group and Yunnan Pharmaceutical Co., Ltd (“Yunnan Pharma”) (pharmaceutical distribution). These business groups serve as the foundation for the Company’s production and operations.

Pharmaceutical Business Group mainly focuses on Yunnan Baiyao’s key product lines, which include products related to hemostasis, pain relief, swelling reduction, and blood stasis elimination (Yunnan Baiyao Aerosol, Yunnan Baiyao Plaster, Yunnan Baiyao Woundplast, etc). Additionally, the BG extends its offerings to encompass other branded TCMs, catering to various health needs such as tonifying *Qi*, nourishing blood, and treating conditions like colds, cardiovascular and cerebrovascular diseases, gynecological diseases, and pediatric ailments. Furthermore, the Company is actively involved in the development of botanical supplements and explores scenarios for the home use of medical devices, aiming to identify new avenues for growth.

Health Products Business Group, with its core focus on the toothpaste category, relies on its robust brand infrastructure encompassing people, products, and consumer scenarios. Embracing a user-centric approach, the BG actively explores new consumer scenarios and introduces innovative product categories, particularly in the realms of oral care and Yangyuanqing anti-hair loss solutions. Yunnan Baiyao toothpaste is distinguished by its incorporation of active Yunnan Baiyao ingredients, known for their ability to address gum problems, repair mucosal damage, nourish gums, and enhance periodontal health. Furthermore, the Yangyuanqing anti-hair loss lotions feature extracts from various natural sources, including *Cacumen biotae*, *Sophora flavescens* roots, *Fructus cnidii*, *Panax notoginseng* roots, and more. The product holds an invention patent for hair loss prevention and has received a special cosmetics certificate from the Medical Products Administration, underscoring their effectiveness in preventing hair loss.

TCM Resources Business Group capitalizes on Yunnan Province’s unique medicinal plant resources. While ensuring the high-quality, efficient, and cost-effective supply of TCM raw materials across the corporation, it is in a bid to develop both B-end (including *Panax notoginseng* series, branded medicinal materials, natural plant extracts) and C-end (including TCM decoction pieces and healthcare food) products. Moreover, TCM Resources Business Group is actively involved in the digital transformation, platform-based operations, and integrated management of TCM resource cultivation. This initiative aims to offer customers traceable TCM raw materials that boast cost advantages and consistent high quality. The Company is committed to delivering personalized services and solutions tailored to individual customer needs under the guiding principle of “One Enterprise, One Strategy” in order to establish branded medicinal materials.

Yunnan Pharma remains steadfast in its pursuit of maintaining its market share as one of the leading

pharmaceutical distribution companies in Yunnan Province. Its product portfolio now extends to encompass all major retail chain pharmacies in 16 cities within Yunnan Province. Yunnan Pharma actively collaborates with the government and medical institutions to enhance management and service systems, offering high-quality modern pharmaceutical supply chain service solutions to both upstream and downstream customers.

#### **4. Overview of business data**

During the first half of 2023, the Company proactively adapted to evolving external conditions. It adhered to the core principle of balancing progress with stability, maintaining its commitment to both horizontal and vertical expansion within its existing business sectors. Additionally, the Company vigorously explored new avenues for business growth, enhancing its overall enterprise value. During the reporting period, the Company achieved an operating revenue of RMB 20.309 billion, up 12.73% YoY; a net profit attributable to shareholders of the listed company of RMB 2.828 billion, up 88.47% YoY; a profit and tax of RMB 4.509 billion, up 63.95% YoY; a net cash flow from operating activities of RMB 2.252 billion, up 91.18% YoY; a weighted average return on equity of 7.17%, up 3.28 percentage points YoY; basic earnings per share of RMB 1.58, up 43.64% YoY and an inventory turnover of 92 days, 27 days shorter than the same period of the previous year. At the end of the reporting period, the Company had a net asset attributable to shareholders of the listed company of RMB 38.598 billion, up 0.24% compared to that at the beginning of the year, a balance of RMB 1.541 billion in financial assets held for trading, down 36.21% compared to that at the beginning of the year, and a cash and bank balance of RMB 12.546 billion.

#### **(II) Review of key achievements in the first half of the year**

**1. The four business groups (BGs) constantly consolidated their leading position in market segments by steadily increasing their market share**

##### **(1) Pharmaceutical Business Group**

In the first half of 2023, Pharmaceutical Business Group achieved remarkable results driven by its strengthened business focus, improved operational efficiency, and performance growth. The revenue from principal businesses reached RMB 3.852 billion, marking an increase of 14.63% compared to the same period of the previous year. Within this success, the core series of Yunnan Baiyao products maintained steady growth, and other branded TCMs saw a significant surge in sales volume. Among the core series of Yunnan Baiyao products, Yunnan Baiyao Aerosol contributed over RMB 900 million in operating revenue, marking a 18.20% YoY growth. Yunnan Baiyao Plaster and Yunnan Baiyao Capsule also displayed continuous growth in revenue. Regarding other branded TCMs, the BG capitalized on increased market sales volume, achieving higher sales in

both the commercial and OTC sectors through mid-platform outputs and product-driven approaches. Notably, the Pudilan Anti-inflammatory Tablet, used for treating colds, recorded an operating revenue exceeding RMB 100 million, an 80% YoY increase. Shang Feng Ting Capsule witnessed a 27% YoY increase in operating revenue, and Huoxiang Zhengqi Oral Liquid, a Chinese patent medicine for relieving heat and dampness, experienced a surge in operating revenue of over 260% YoY, ranking among the Company's top ten products for the first half of the year. Furthermore, Qixuekang Oral Liquid, a botanical supplement, gained increasing recognition in the market and achieved a revenue increase of nearly 18% YoY.

During the reporting period, Pharmaceutical Business Group executed more than 30,000 promotional initiatives of "One Province, One Strategy," primarily centered around the two major IPs of "health exercises" and "botanical supplement." These efforts were aimed at boosting drug sales volume growth and engaging potential customers. By implementing traceability and control measures via channels and employing different tactics under the same strategies for core products, the BG achieved consistent increases in sales volume for branded TCMs. Furthermore, significant headway was made in key projects for academic promotion. The BG actively sought hospital collaboration for Gongxuening Capsule, a key variety. It completed the collection, inspection, and data clearing for 484 cases in relevant cooperative hospitals. Additionally, data collection and statistical analysis were conducted on 144 cases related to Yunnan Baiyao Capsule, as part of the National Trauma Medical Center project, with a report of knot provided. Moreover, the study on Qixuekang Oral Liquid for improving various symptoms in patients, such as *Qi* deficiency and blood stasis, was completed.

## **(2) Health Products Business Group**

In the first half of 2023, Health Products Business Group achieved a revenue from principal businesses of RMB 3.245 billion, representing a YoY increase of 0.81%. This period also saw multiple breakthroughs in the oral care and anti-hair loss care sectors. In the oral care sector, Yunnan Baiyao toothpaste continued to outpace industry growth, recording a market share of 25% (source: Nielsen Retail Research Data YTD2306) and retaining its top-ranking position in the industry. In the anti-hair loss care sector, Yangyuanqing care products experienced a substantial operating revenue increase of 90% YoY during the reporting period. The 618 Shopping Festival witnessed continuous growth in the anti-hair loss care market, and Yangyuanqing reached record-high online sales volume. The interest-based e-commerce sector contributed up to 80% of the growth, ranking No.1 among domestic anti-hair loss shampoo brands on Tmall platform (source: Shangzhizhen).

During the reporting period, the oral care sector seized opportunities to enhance brand visibility both online and offline, driving user growth. Offline, a total of 10,887 promotional activities under the theme "Blue

Action - for Higher Care Ability and Oral Health” were conducted in 129 cities. In April, the Jinkoujian Yugan Rainbow Toothbrush was launched and, by the end of the reporting period, it had been sold in over 40,000 stores, claiming the top spot in the list of TikTok-branded toothbrushes. Additionally, the BG’s health products saw an increase in online channel revenue proportion to 16%. During the 618 Shopping Festival, Yunnan Baiyao continued to lead the oral care sector across its online channels, widening the gap with competitors and achieving double-digit growth against the industry trend (source: Shangzhizhen). In the anti-hair loss care sector, the Company concentrated on reinforcing brand terminal construction and boosting sales volume through joint promotion. About 20,000 core retail outlets extensively utilized various sales aids to increase product exposure at the terminal level, and the brand emphasized its proposition of “Cleansing and nurturing, patented product for anti-hair loss.”

### **(3) TCM Resources Business Group**

In the first half of 2023, TCM Resources Business Group continued its efforts to reduce costs and enhance efficiency, despite challenges such as rising prices of certain raw materials. As a result, the BG achieved an operating revenue from external sales of approximately RMB 879 million, marking a YoY increase of about 21%, while maintaining a focus on ensuring a high-quality, efficient, and cost-effective internal supply of TCM raw materials for the Company. Notably, the key strategic variety, *Panax notoginseng*, experienced a 30% increase in operating revenue from external sales.

During the reporting period, the Company remained committed to promoting branded TCM projects, expanding the range of fresh-processed varieties, and consistently deepening its involvement in the *Panax notoginseng* industry platform, maintaining its leadership in the *Panax notoginseng* segment. In the natural plant extraction business, despite falling prices and demand in the natural flavors and spices market, the essence and spice team defied the trend by driving eucalyptus oil to capture an even higher market share. Regarding pharmaceutical services, the Company established Xingzhong Digital Intelligence TCM Service Co., Ltd of Yunnan Baiyao Group as the primary entity for its pharmaceutical services, which was dedicated to creating a comprehensive integrated and digitally-driven pharmaceutical service system that combines TCM service models with modern information technology. Furthermore, the Company achieved new progress in the health products sector, obtaining filing certificates for healthcare foods like Yangzhisu B vitamin tablets, and Healthy Kids B vitamin tablets during this reporting period.

### **(4) Yunnan Pharmaceutical Co., Ltd (Pharmaceutical Distribution)**

In the first half of 2023, Yunnan Pharma achieved a revenue from principal businesses of RMB 12.364 billion, marking a YoY increase of 13.6%. Despite uncertainties posed by the external environment, Yunnan Pharma pursued new product delivery authorizations from suppliers, strategically integrated channel resources, and collaborated with its subsidiaries with continued efforts to promote and strengthen regional platform construction, leading to a significant revenue growth. Yunnan Pharma's logistics business continued to maintain its regional advantages and led, in terms of market share, in serving public hospitals at the county level and above in Yunnan Province.

During the reporting period, Yunnan Pharma intensified its customer service system, and promoted customer service upgrades by continuously enhancing delivery efficiency and implementing a multi-warehouse operation system. These improvements led to a 35.2% YoY decrease in the logistics order-to-dispatch time in Yunnan Province. In terms of accounts receivable management, Yunnan Pharma adopted stringent credit control measures, including credit sales limits and active customer tracking. Yunnan Pharma utilized electronic reconciliation tools to enhance reconciliation efficiency, reinforced monthly budgeting for collections, and ensured that accounts receivable risks remained manageable. The June-ending inventory of Yunnan Pharma reduced by approximately 12% compared to the beginning of the year. This achievement was made possible through strengthened collaboration in overall supply chain management, continuous improvement in inventory management practices, and dynamic digital inventory management achieved through a combination with refined variety management. To foster business development, Yunnan Pharma independently developed "Dianyibao," a refined management platform for medical consumables, during the reporting period. This platform is designed as an information management system for the procurement, supply, and circulation of medical consumables, with the national medical insurance code and consumables UDI code as core components. Additionally, Yunnan Pharma continued to advance a modern supply chain system for pharmaceutical distribution characterized by electronic, networked, visual, agile, and intelligent features, showcasing a profound integration of digital technology with business scenarios.

## **2. Comprehensive promotion efforts to establish a more profound presence across emerging business units (BUs)**

The Company, following its established development strategies, primarily focuses on developing new business units (BUs). These BUs include the Smart Oral Care Business Unit, Precision Aesthetic Medicine Business Unit, and Zhiyun Health Business Unit. The Company is committed to exploring precisely customized "comprehensive solutions," a new business model based on a big data service backend, which will create a new

performance growth driver for the Company. Additionally, the Smart Technology Business Unit has officially commenced operations, providing support for the Company's digital and intelligent strategies.

Smart Oral Care BU concentrates on the specialized care market. At the forefront, it utilizes dental science-based specialized brands under the "ToothTalk" name to provide a comprehensive range of oral care products, including intelligent electric toothbrushes, oral irrigators, personalized brush heads, mouthwashes, gels, and oral sprays. At the backend, ToothTalk effectively connects C-end users through the "iKanya" mini program, an oral consultation service platform featuring private-domain traffic operations.

Precision Aesthetic Medicine BU establishes a strong presence in offline flagship stores for aesthetic medicine, aiming to cover the entire aesthetic medicine industry chain. Shanghai Yunzhenni Medical Beauty Clinic and Chenggong Comprehensive Clinic of Kunming Yunzhen Medical Technology Co., Ltd have officially been put into operation. Combining online with modern medicine, these clinics provide customers with efficient and convenient integrated skincare solutions throughout their entire life cycle. Furthermore, the BU actively explores opportunities in upstream segments of the industry, focusing on the development of new materials and products to become a comprehensive solution provider with R&D capabilities in the field of aesthetic medicine.

Zhiyun Health BU is dedicated to creating a commercial operation platform for functional food and scientific nutrition products. In the field of nourishing products, it innovates and iterates products based on existing products and TCM materials that resonate with the public. This strategy has led to the creation of "a new Chinese nourishing product category made from herbs," including the "Zibu" tonifying category and "Baixiaoyang" nourishing category. In the first half of the year, both nourishing and functional foods experienced significant increases in sales volume. The concentrated decoctions, a sub-category under the nourishing category, demonstrated outstanding performance and a positive growth trend. In terms of channel operation, building upon the foundation of traditional channel layouts such as "Baiyao Lifestyle+" self-operated stores, the BU has optimized its omnichannel marketing strategy, with a strong focus on e-commerce. It has established a comprehensive store matrix in both shelf e-commerce and content e-commerce, with 23 online stores launched.

In August 2023, the Company's Smart Technology BU officially commenced operations. It is committed to building a global digital platform for Yunnan Baiyao. This BU aligns with the Company's strategic development direction, focusing on further improving the Company's digital and intelligent capabilities. It has capitalized on internal and external opportunities in the digital economy, constructing technology application scenarios and

industrial ecosystems through intelligent digital operations and deep digital applications, and creating a digital comprehensive solution to enhance operational efficiency and drive business innovation. The Smart Technology BU comprises five Service Units (B2C SU, B2B SU, Base Support SU, System Construction SU, and Digital Intelligence Applications SU), which, in collaboration with multiple supportive departments and specialist committees, promote the Company's digital information technology construction needs and achieve its digital strategic goals.

### **3. Industry-university collaboration to explore fresh concepts in pharmaceutical innovation and development**

The report of the 20th National Congress of the Communist Party of China emphasized the need to strengthen enterprise-led IUR (Industry-University-Research) collaboration, enhancing goal-oriented efforts and elevating the level of transformation and industrialization of scientific and technological achievements. In recent years, Yunnan Baiyao has partnered with the Peking University Health Science Center to drive continuous innovations in the fields of medicine and healthcare. This collaboration has spanned multiple domains and has yielded significant advancements. The establishment of the Peking University-Yunnan Baiyao International Medical Research Center (PKU-YBIMRC) serves as a crucial bridge and platform for promoting industry-university collaborative research and fostering innovation. It plays a pivotal role in bridging the gap between academic and industrial innovation chains. The “2023 Pharmaceutical Innovation and Technology Frontier Forum” was successfully held at Yunnan Baiyao Group's Kunming head office from August 8 to 9, 2023. This forum attracted six academicians and brought together over 700 experts and scholars from universities, research institutes, and enterprises. The event provided a platform for discussions and exchanges on cutting-edge medical concepts, technological innovations, and service experiences. It showcased the latest achievements in medical technology development both domestically and internationally and facilitated collaborative efforts aimed at driving medical innovation and development.

### **4. Strategic cooperation and coordinated development are achieved through equity partnerships**

During the reporting period, the Company actively advanced their strategic cooperation with Shanghai Pharmaceuticals Holding Co., Ltd (hereinafter referred to as “Shanghai Pharma”) in multiple areas for participating in the corporate governance and operation of the latter, based on its equity partnerships with Shanghai Pharma. First, joint procurement of TCM materials. The “Yuntianshang” TCM Industry Alliance, jointly established with Tianjin Pharmaceutical Holdings Co., Ltd (hereinafter referred to as “Tianjin Pharma”), has completed the joint procurement of the first batch of 8 varieties, and will continue to promote large-scale

procurement of more varieties. Second, promotion of OTC variety business cooperation, which is underway. Third, collaboration in innovation and R&D services. Fourth, commercial business cooperation aimed at enhancing supply chain value via further cooperation in products, resources, and channels between both parties. Furthermore, the General Meeting of Shanghai Pharma on June 29 officially elected Mr. Chen Fashu, a director of the Company, as a non-executive director of its eighth Board of Directors, Mr. Dong Ming, a director and CEO of the Company, as an executive director of its eighth Board of Directors, and Mr. Ma Jia, the CFO of the Company, as a supervisor of its eighth Supervisory Committee. The Company's participation in Shanghai Pharma's corporate governance promotes the integration of their advantageous resources and coordinated development.

#### **5. High-caliber talents are brought in across various fields, establishing an innovative talent system**

Talent and innovation capabilities are at the core of competition among modern biopharmaceutical technology enterprises. Yunnan Baiyao's sustainable development in the new era hinges on the establishment of robust independent R&D and global resource integration capabilities, driven by continuous investment in innovation and complemented by an exceptional talent pool. Regarding management talents, in March, the Company appointed Mr. Zhao Yingming as the Group's Chief Business Officer and Senior Vice President. He is tasked with leading the development of the Oral Care, Precision Aesthetic Medicine, and Zhiyun Health BUs. Mr. Zhao Yingming's vast 30-year management experience in the consumer goods and retail sector, coupled with his professional proficiency in both traditional retail and new retail, will effectively enable the Company to expand its new business areas. In August, the Company appointed Mr. Li Shaochun as the Company's Digital Strategy Scientist and the General Manager of Smart Technology BU. As a former General Manager of the Medical and Life Science Industry at IBM Greater China, he possesses extensive practical experience in medical digitization and Big Health. His expertise will drive innovation and digital development at Yunnan Baiyao. Regarding R&D talents, the PKU-YBIMRC serves as a platform for multidimensional talent exploration, absorption, and recruitment. To date, the Center has attracted 8 senior researchers, 2 new system researchers, and a team of young and middle-aged experts. Simultaneously, the Central Research Institute, positioned at the apex of the Company's innovative R&D system, has enhanced the Company's organizational system, platform development, institutional growth, and project execution. It efficiently employs its central coordination function to integrate and align Yunnan Baiyao's cross-regional R&D resources, efficiently promoting the R&D processes with scientific rigor.

## **6. R&D investments have been increased consistently to build a scientific and efficient R&D platform**

The Company continues its commitment to increasing R&D investments. During the reporting period, the Company invested RMB 145 million in R&D, representing a 12.59% YoY increase. In terms of building its R&D capabilities, the Company has established an R&D Management Committee to oversee the entire R&D system. Its R&D strategy is rooted in preserving the essence of Yunnan TCM, facilitating product enhancements, expanding its presence in innovative drugs, utilizing AI for drug design, and carrying out unified and efficient management of resources. The Company has also implemented a scientifically clear and diversified system for R&D project establishment and authorization, reinforcing the oversight and management of its scientific and technological R&D efforts.

Regarding key R&D projects, on July 24, the Company registered and established Yunhe Pharmaceutical (Tianjin) Co., Ltd, a wholly-owned subsidiary, in the Tianjin Free Trade Zone (Airport Economic Zone). This subsidiary serves as its R&D platform for radiopharmaceuticals and will construct a 6,000 m<sup>2</sup> R&D center for radiopharmaceuticals in Tianjin, including a planned 2,000 m<sup>2</sup> radioactive workplace equipped with radiochemical laboratories, quality inspection rooms, imaging facilities, etc. This initiative aims to establish a proprietary R&D platform and systematic R&D system, enhancing the efficiency of radiopharmaceuticals R&D and laying a solid foundation for its presence in innovative drugs.

## **7. Risk management and control capabilities have been improved continuously for scientifically planning and actively promoting overseas business operations**

The M&A and internationalization processes have imposed new demands on Yunnan Baiyao's investment capabilities, talent system construction, risk control capabilities, and internal control system development. Yunnan Baiyao is committed to continuously enhancing and refining these capabilities while steadily advancing its M&A and internationalization.

Ban Loong Holdings Limited ("Ban Loong Holdings"), one of the Company's holding subsidiaries, is dedicated to establishing an international industry platform for Yunnan Baiyao based in Hong Kong and catering to the global market. In the first half of 2023, Ban Loong Holdings not only increased orders from existing overseas markets but also successfully expanded its presence in new overseas markets, achieving a significant boost in Yunnan Baiyao's overseas operating revenue. Branding-wise, Ban Loong Holdings actively conducted a comprehensive branding campaign for Yunnan Baiyao overseas, promoting the brand's image through various channels such as exhibitions, online platforms, city bus advertisements, and more.

### **(III) Business models**

#### **1. Basic business model**

##### **(1) Procurement model**

The Company's procurement demand, execution, and decision-making are separated in authorization, which is a system for strengthening analysis on procurement activities at more specialized level. The Company continues to explore new procurement models, and develop and integrate platform resources with Internet enterprises, for achieving a one-stop solution for employee welfare and travel services. Through innovative supply chain value and an "agency procurement model," the Company has successfully optimized its supply chain services, reduced total supply chain costs, enhanced product competitiveness, and thus achieved a win-win situation between supply and demand.

##### **(2) Production model**

The Company's production of industrial products (self-made) is "customer-oriented" and "order-based," with emphasis on the alignment of production with sales. The Company also has optimized work processes and systems, and established a safety production management organization system from top to bottom and layer by layer to further standardize and regulate all production links and processes, ensuring the controllability and stability of product production and quality.

##### **(3) Sales model**

The Company sells industrial products (self-made) mainly based on the payment principle of "Payment before Delivery" and signs annual agreements with distributors to fix the payment terms and other matters. The Company provides specialized maintenance for important terminals, showing its strong terminal control capabilities. In its commercial operations, a significant portion of sales comes from wholesale activities, while retail sales constitute a smaller portion. The wholesale business primarily targets long-term, high-volume customers like medical institutions and commercial companies, following a "Delivery before Payment" principle. In the retail sector, the Company uses a "Cash on Delivery" approach.

##### **(4) R&D model**

Yunnan Baiyao adheres to market trend insight-driven R&D, fully taking into account its technological capabilities and research in strategic areas. It enhances synergy between marketing and R&D through effective mechanism construction. It requires its technical personnel to have marketing thinking, and marketing personnel to understand mainstream technological trends, to achieve its effective integration of technology and user needs. The Company harnesses the collective wisdom and capabilities of multiple parties to expedite its access to

global R&D and technological resources. It will also continuously increase the proportion of R&D investment, and build its own differentiated competitive advantages with integrated healthcare solutions.

## **2. Transformation to new business models**

### **(1) Transformation from a traditional manufacturing enterprise to a provider of comprehensive solutions**

Driven by innovative biotechnology, artificial intelligence, and big data computing capabilities, the global healthcare industry is undergoing a transformation from evidence-based medicine to precision medicine, which has driven the global pharmaceutical industry to transform from large-scale industrial production to personalized preparations and therapies. The market demand has also shifted from a single “product” to “comprehensive solutions.” In this context, Yunnan Baiyao is gradually transitioning from a traditional manufacturing enterprise that provides products to a provider of comprehensive solutions. Based on its established “1+4+1” strategic presence, Yunnan Baiyao is committed to providing services around customer needs. Leveraging its extensive user big data repository and adaptable production capabilities, it organically integrates precisely customized products and personalized services, and ultimately delivers differentiated “comprehensive solutions.” Meanwhile, based on digitalization and platformization, the Company is building a new user-centered service model, which will make it move from a to-B enterprise to a to-C enterprise. Through continuous dialogues with users, the Company manages users throughout the entire lifecycle, providing comprehensive solutions for customers, and becoming a high-quality partner for users to have a healthy and beautiful life.

### **(2) Transformation from a regional enterprise to an international enterprise with cross-regional presence**

Yunnan Baiyao has planned the establishment of regional strategic functional centers in regions such as Kunming, Beijing, Shanghai, and Hong Kong. Among these, Kunming is the Company’s headquarters, the production facility, and the hub for TCM research and development. It serves as the focal point from which the Company expands its influence outward. Once completed, Kunming Innovation and R&D Center will concentrate on TCMs and natural drugs research, capitalizing on the abundant local flora and fauna. This will complement the Company’s traditional R&D strengths in natural plant extraction and further enhance its independent R&D capabilities. The Company has set up functions such as Yunnan Baiyao International Operation Center and R&D Center in Shanghai for building an innovative R&D system and cultivating emerging business sectors. The Company also established multi-disciplinary R&D centers there, and quickly introduced world-class talents and project resources globally, for gathering and allocating global resources, and promoting its technological and internationalization process. The PKU-YBIMRC, located in Beijing, serves as

an R&D and a scientific research transformation platform, and connects the innovative IUR chain. In addition, it closely focuses on world cutting-edge technology researches, and explores new mechanisms for enterprise-university cooperation, with an aim to attract world-class scientists, accelerate transformation of academic and scientific research achievements, and create a competitive medical brand. The Company is creating an industrial platform that leverages resource-rich highland regions with favorable policies. This approach involves cross-regional expansion to effectively harness resources and develop core competitive advantages.

(3) Transformation from traditional endogenous growth to a growth model “driven by dual wheels”

The research and innovation model of global pharmaceutical companies has shifted from the traditional “closed-door innovation” to a new model characterized by patent collaborations, M&As, reflecting an outward-oriented development approach. Against the backdrop of centralized drug procurement, medical insurance fee control and other payment reforms in China, reliance on a single product and simple imitation in manufacturing will no longer meet the long-term development needs of Chinese pharmaceutical enterprises. On one hand, Yunnan Baiyao continues to deeply cultivate and explore the potential of its existing business sectors, thus accumulating momentum for its significant leapfrog advancements. Also, its business sectors strive to achieve commercial collaboration, technological exchange, and data sharing, and work together to create a moat for Yunnan Baiyao. On the other hand, the Company will continue to promote the introduction of innovative products at home and abroad through various business models such as M&As, patent authorization, and joint venture construction.

(4) Transformation from training internal talents to “training internal talents + introducing external talents”

The Company firmly believes in the pivotal role of talent in driving its development. It has established a comprehensive training system and various avenues for employee growth, fostering both specialized knowledge and comprehensive skills, with the mutual development of talents and the Company as the objective. By creating an internal, specialized training platform centered on “attracting elites, addressing pain points, acquiring true knowledge, spreading culture, and transcending boundaries,” it is dedicated to empowering key businesses and enhancing the specialized abilities of its talent pool. Simultaneously, the Company will leverage its advantageous resources to actively recruit high-caliber specialists across various domains such as strategic investment, medical academia, drug R&D, and user operations. This initiative aims to bolster independent R&D capabilities and global resource integration expertise, drive technological innovation in pharmaceuticals, particularly in the realm of biopharmaceuticals, and integrate emerging information technologies, for achieving

a leapfrog development, and creating a comprehensive pharmaceutical solution that integrates multiple product forms. By nurturing internal talents, welcoming external experts, and fully utilizing its organizational environment for talent development and market resources, the Company strives to build a high-quality talent pool aligned with its future growth requirements.

(5) Transformation from a traditional manufacturing enterprise to a smart enterprise under digital operations

Yunnan Baiyao is committed to building a digital driving force and actively seeking for transformation to digital operations with customers as the center, so as to bring new value propositions to customers, and improve their experience. Leveraging cutting-edge digital technologies such as cloud computing, big data, artificial intelligence, 5G, and the Internet of Things, the Company drives innovation and development. The Company also seeks for transformation from a function-oriented process to a process that connects customer scenarios to drive the Company's management change and organizational development. Also, the Company will establish a unified "data base" and governance strategy, and build an intelligent decision-making system based on data and facts. Now, it is establishing a hybrid cloud support system and pilot applications for master data and data lakes, sorting end-to-end full process, developing artificial intelligence products, and working together with various business sectors to achieve commercial collaboration, technological exchange, and data sharing, for creating a data moat for the Group, while initiating construction of the Group's private-domain membership system and multiple industrial platforms.

## **II. Analysis on Core Competitiveness**

### **(I) Brand strength**

Yunnan Baiyao is a well-established Chinese heritage brand with a 120-year history. The Company places the Yunnan Baiyao brand at its core, evolving from a pharmaceutical brand to encompass a diverse range of sub-brands, including personal healthcare products, crude drugs, and Big Health products. This expansion highlights the Company's extensive portfolio of brands and its ongoing commitment to reaching and engaging customers, thereby enhancing the brand value. With the continuous enhancement of brand market value, brands have emerged as the focal point in the global economic arena. Throughout its more than a century of evolution, Yunnan Baiyao has consistently pursued innovation and transformation. Looking ahead, the Company is poised to increase investments in technological innovation and expedite the optimization and transformation of its product development processes, solidifying the Company's presence on the global stage. In July, Brand Finance,

a British brand evaluation agency, released the *Healthcare 2023 — The Annual Report on Ranking of the Most Valuable and Strongest Pharma, Medical Devices and Healthcare Services Brands by Value*. Yunnan Baiyao was included in the shortlist of the global top 25 most valuable pharmaceutical brands for the third time, showing the market's acknowledgment of Yunnan Baiyao's brand value during the reporting period.

## **(II) Talent team advantages**

Since 1999, the Company has formed a high-caliber management team with a strong market awareness across various business sectors. In the fierce industry competition over the past two decades, the Company has always maintained a sharp business acumen of market changes and profound insight into industry trends. It adheres to product innovation to meet iteratively upgrading consumer demands, and promotes the integration of TCM into modern life with modern technology. This has driven the Company to achieve a long-term, sustainable, stable and sound development, benefiting from which, it has long been among the forefront in TCM industry in terms of operating revenue, net profit, market value, and other indicators.

Since implementing mixed ownership reform, the Company has leveraged the benefits of market-oriented institutional mechanisms to attract a diverse array of top-tier talents, including CEO Mr. Dong Ming, spanning multiple levels and fields. During the reporting period, Mr. Zhao Yingming was appointed as the Company's Chief Business Officer and Senior Vice President. The Company's talent team building has brought fresh blood into its management improvement, new business incubation, business expansion, digital construction, and other fields, significantly boosting its overall capacity to expand into new business ventures. Following its official launch, PKU-YBIMRC, an R&D platform representing a groundbreaking industry-university collaboration, has attracted renowned scientists from around the world. With this, the Company significantly enhanced its existing capabilities in TCM research and established leading-edge R&D capabilities for modern pharmaceutical products across various domains.

The Company is facilitating the rapid integration of newly acquired talent teams with its existing talent pool to capitalize on emerging development opportunities. It aims to advance its stability, long-term prospects, and sustainability, enabling the Company to reach new milestones in its growth journey.

## **(III) Innovation capabilities and product portfolio strengths**

Products are not only the lifeblood and driving force behind enterprise development but also the vessel through which users experience the value created by the Company. Yunnan Baiyao continues to shine with vitality after 120 years of development by continuously innovating and upgrading its products to meet the evolving demands of consumers. The Company is committed to integrating TCM into modern life by focusing

on innovation strategies such as “center stabilization and wing highlighting,” and “New Baiyao & Big Health.” As such, the Company has evolved from a single hemostatic product manufacturer into a company with broad and diversified Yunnan Baiyao products encompassing various sectors within the Big Health industry. Among them, aerosol, plaster, capsule, toothpaste, woundplast, and Baoqi *Panax notoginseng* products rank among the top in the segmented market share, creating classic cases of TCM innovation such as “Yunnan Baiyao Woundplast” and “Yunnan Baiyao Toothpaste” and their use in daily scenarios.

As a model for cross-border presence of TCM enterprises, the Company has successfully achieved business presence in pharmaceutical products and health products, and holds a leading position in various market segments. In the new era, the Company’s vitality lies in its product innovation capability, which, when combined with coordinated development and mutual empowerment between its pharmaceutical and consumer businesses, allows the Company to navigate market and policy risks in different economic cycles, ensuring overall stability and sustainable development.

#### **(IV) Resource advantages**

Yunnan Baiyao relies heavily on the rich resources in Yunnan Province and has always adhered to a long-term approach when establishing its presence in strategic areas, especially focusing on strategic TCM varieties like *Paris polyphylla* and *Panax notoginseng*. Over two decades of dedicated research on *Paris polyphylla*, a strategic medicinal material for the Company, the Company has successfully addressed the challenges associated with its cultivation. The Company has transformed this once-wild and endangered plant into a cultivatable medicinal material suitable for industrialization. Additionally, the Company has embraced digital infrastructure and information-oriented approaches in the *Panax notoginseng* industry chain, driving the digital transformation across the entire supply chain. Through digital solutions, Yunnan Baiyao ensures stable quality and full traceability of *Panax notoginseng* raw materials, effectively mitigating the quality fluctuations often associated with traditional agricultural products due to extensive processing. This progress allows the Company to gradually establish a fair pricing mechanism and standardized industrial operations, thereby leading and advancing the development and upgrading of the *Panax notoginseng* industry.

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, creating a stable long-term supply system for its strategic medicinal materials. This effectively ensures the stable quality of TCM raw materials and control the price fluctuation risk of strategic

TCM raw materials, laying a solid foundation for the long-term and sustainable development of Yunnan Baiyao.

#### (V) Channel advantages

In terms of pharmaceuticals, the Company has built a marketing network covering various provinces, counties, and towns across China. In terms of OTC channels, it covers over 400,000 stores and grassroots medical units, with 5,000 high-quality chain stores. Especially in areas with well-developed chain pharmacies such as East China, Hunan Province, Hubei Province, and Yunnan Province, the Company has achieved a high coverage and penetration rate in marketing driven by its strong market control capabilities and “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 Pinduoduo, for expansion of online OTC sales channels, and achieved efficient reach to 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. As of 2022, Yunnan Baiyao toothpaste had maintained the largest toothpaste sales share in omni-channels, encompassing supermarkets, mini-stores, convenience stores, and grocery stores (source: Nielsen Retail Research Data YTD2212), 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.

### III. Analysis on Principal Businesses

Overview

Refer to relevant contents of “I. Principal Businesses of the Company during the Reporting Period.”

Year-on-year changes in the key financial data

Unit: RMB

	The reporting period	The same period of the previous year	Year-on-year increase/decrease	Reasons for changes
Operating revenue	20,309,372,850.07	18,016,738,609.15	12.73%	Mainly due to increase in industrial sales revenue by RMB 541 million

				and increase in commercial sales revenue by RMB 1.759 billion during the reporting period.
Operating cost	14,713,232,267.40	12,792,498,131.95	15.01%	Mainly due to increase in industrial sales cost by RMB 223 million and increase in commercial sales cost by RMB 1.698 billion during the reporting period.
Sales expenses	2,257,688,549.69	2,010,088,694.73	12.32%	Mainly due to increase in sales related expenses.
Administrative expenses	344,443,810.40	370,784,999.34	-7.10%	No significant changes.
Financial expenses	-105,990,570.67	-163,777,275.55	35.28%	Mainly due to decrease in interest income by RMB 111 million.
Income tax expenses	477,020,837.61	290,249,994.10	64.35%	Corresponding increase in income tax expenses caused by increase in total profits during the reporting period.
R&D investment	144,819,933.66	128,624,650.16	12.59%	Increase in R&D investments during the reporting period.
Net cash flows from operating activities	2,251,951,370.10	1,177,950,057.27	91.18%	Mainly due to increase in the cash received from sales of goods or rendering of services during the reporting period by RMB 2.198 billion compared to the same period last year and increase in the cash paid for goods purchased and services received during the reporting period by RMB 723 million compared to the same period last year.
Net cash flows from investing activities	307,088,767.49	-7,254,847,260.10	104.23%	Mainly due to decrease in the cash paid for investments during the reporting period by RMB 11.518 billion compared to the same period last year and decrease in the cash received from disposal of investments during the reporting period by RMB 2.817 billion compared to the same period last year.
Net cash flows from financing activities	-3,107,700,963.75	-2,712,674,922.09	-14.56%	Mainly due to decrease in cash received from borrowings during the reporting period by RMB 906 million compared to the same period last year and decrease in other cash received relating to financing activities during the reporting period by RMB 776 million compared to the same period last year.
Net increase in cash and cash equivalents	-543,421,662.08	-8,782,469,818.78	93.81%	Mainly due to increase in the net cash flows from operating activities and investment activities during the reporting period compared to the previous period.

Significant changes in the profit composition or profit source of the Company during the reporting period

Applicable  Not applicable

There were no significant changes in the profit composition or profit source of the Company during the reporting period.

Operating revenue structure

Unit: RMB

	The reporting period		The same period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	20,309,372,850.07	100%	18,016,738,609.15	100%	12.73%
By industries					
Income from industrial sales	7,498,960,250.10	36.92%	6,958,391,645.13	38.62%	7.77%
Income from commercial sales	12,771,903,564.67	62.89%	11,013,048,620.94	61.13%	15.97%
Technical service	2,184,678.61	0.01%	6,118,391.45	0.03%	-64.29%
Hospitality industry	7,304,629.14	0.04%	5,650,952.20	0.03%	29.26%
Income from plantation sales	1,449,878.20	0.01%	364,804.90	0.00%	297.44%
Income from other businesses	27,569,849.35	0.14%	33,164,194.53	0.18%	-16.87%
By products					
Industrial products (Self-made)	7,498,960,250.10	36.92%	6,958,391,645.13	38.62%	7.77%
Wholesale and retail	12,771,903,564.67	62.89%	11,013,048,620.94	61.13%	15.97%
Agricultural products	1,449,878.20	0.01%	364,804.90	0.00%	297.44%
Others	9,489,307.75	0.05%	11,769,343.65	0.07%	-19.37%
Income from other businesses	27,569,849.35	0.14%	33,164,194.53	0.18%	-16.87%
By regions					
Domestic	19,913,147,313.47	98.05%	17,923,913,574.97	99.48%	11.10%
Overseas	396,225,536.60	1.95%	92,825,034.18	0.52%	326.85%

The industries, products, or regions that account for more than 10% of the Company's operating revenue or operating profit

Applicable  Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	Increase/decrease of operating revenue compared with the same period of the previous year	Increase/decrease of operating cost compared with the same period of the previous year	Increase/decrease of gross margin compared with the same period of the previous year
By industries						
Income from industrial sales	7,498,960,250.10	2,679,860,087.48	64.26%	7.77%	9.08%	-0.43%
Income from commercial sales	12,771,903,564.67	12,004,349,749.92	6.01%	15.97%	16.47%	-0.40%

By products						
Industrial products (Self-made)	7,498,960,250.10	2,679,860,087.48	64.26%	7.77%	9.08%	-0.43%
Wholesale and retail	12,771,903,564.67	12,004,349,749.92	6.01%	15.97%	16.47%	-0.40%
By regions						
Domestic	19,913,147,313.47	14,343,621,869.12	27.97%	11.10%	12.83%	-1.11%

When the statistical caliber of the Company's principal business data is adjusted in the reporting period, the Company's principal business data should be subject to the one after the statistical caliber at the end of the reporting period is adjusted in the latest year

Applicable  Not applicable

#### IV. Analysis on Non-principal Businesses

Applicable  Not applicable

Unit: RMB

	Amount	Proportion in total profits	Reasons	Whether it is sustainable
Investment income	421,542,165.56	12.76%	Mainly consisted of Shanghai Pharma's investment income and income from the holding and disposal of financial assets held for trading.	No
Profits and losses of changes in fair values	53,088,928.07	1.61%	Changes in the securities and net asset value held by the Company.	No
Impairment of assets	19,008,334.90	0.58%	Mainly composed of provision for inventory depreciation reversed.	No
Non-operating revenue	2,002,724.29	0.06%	Mainly composed of income not related to daily business activities.	No
Non-operating expenses	12,068,474.23	0.37%	Mainly composed of expenses not related to daily business activities.	No
Other income	42,177,454.66	1.28%	Mainly composed of government subsidies.	No
Credit impairment loss	-74,680,582.29	-2.26%	Mainly composed of provision for bad debt for accounts receivable in the commercial sector.	No
Income from disposal of assets	5,403,078.51	0.16%	Mainly composed of proceeds from the disposal of non-current assets and proceeds from the disposal of right of use assets.	No

#### V. Analysis on Assets and Liabilities

##### 1. Significant changes in assets composition

Unit: RMB

	End of the reporting period		End of the previous year		Increase/decrease in proportion	Statement on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	12,545,694,750.39	24.16%	13,056,113,712.47	24.49%	-0.33%	No significant changes.
Accounts receivable	9,663,208,605.27	18.61%	9,089,822,151.93	17.05%	1.56%	No significant changes.
Inventories	6,970,395,685.01	13.42%	7,993,207,044.26	14.99%	-1.57%	No significant changes.
Investment	54,825,749.03	0.11%	55,823,776.49	0.10%	0.01%	No significant changes.

property						
Long-term equity investments	11,334,322,872.56	21.83%	11,318,749,947.10	21.23%	0.60%	No significant changes.
Fixed assets	2,639,966,624.79	5.08%	2,723,302,365.65	5.11%	-0.03%	No significant changes.
Construction in progress	384,905,022.44	0.74%	193,993,194.93	0.36%	0.38%	Increased investment in construction in progress during the reporting period.
Right-of-use assets	271,007,940.03	0.52%	389,975,390.73	0.73%	-0.21%	Partial lease termination during the reporting period.
Short-term loans	1,524,432,903.76	2.94%	1,850,867,886.59	3.47%	-0.53%	Decreased discount of credit loans and internally issued bills during the reporting period.
Contractual liabilities	1,553,057,007.25	2.99%	2,578,264,621.13	4.84%	-1.85%	Mainly due to the pre-receivables of Pharmaceutical Business Group in the previous period recognized as revenue during the reporting period.
Long-term loans	2,100,000.00	0.00%	2,100,000.00	0.00%	0.00%	No significant changes.
Leasing liabilities	183,946,367.10	0.35%	285,783,728.73	0.54%	-0.19%	Partial lease termination during the reporting period.
Financial assets held for trading	1,541,024,256.18	2.97%	2,415,722,075.60	4.53%	-1.56%	Mainly due to the disposal of some fund investments during the reporting period.
Other receivables	533,146,423.08	1.03%	118,948,994.06	0.22%	0.81%	Mainly due to an increase in dividends receivable.
Non-current assets due within one year		0.00%	361,774,444.44	0.68%	-0.68%	Initial term deposit converted to current deposit upon maturity.
Other current assets	1,230,209,819.11	2.37%	474,340,107.76	0.89%	1.48%	Mainly due to increase in fixed deposits during the reporting period.
Receipts in advance	3,200,394.26	0.01%	1,569,799.63	0.00%	0.01%	Increased rent in advance during the reporting period.

## 2. Major overseas assets

Applicable  Not applicable

## 3. Assets and liabilities at fair value

Applicable  Not applicable

Unit: RMB

Item	Opening balance	Profits or losses on changes in fair value during the reporting period	Cumulative changes in fair value included in equity	Impairment accrued during the reporting period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (derivative financial assets excluded)	2,415,722,075.60	42,427,998.34			20,700,000.00	937,825,817.76		1,541,024,256.18
2. Other equity instrument investments	71,745,000.00							71,745,000.00
3. Other non-current financial assets	380,786,134.24	10,660,929.73						391,447,063.97
Subtotal of financial assets	2,868,253,209.84	53,088,928.07			20,700,000.00	937,825,817.76		2,004,216,320.15
Total	2,868,253,209.84	53,088,928.07			20,700,000.00	937,825,817.76		2,004,216,320.15
Financial liabilities	0.00							0.00

Other variations: None

Whether the Company has significant changes in measurement attributes of main assets during the reporting period

 Yes  No**4. Restrictions on asset rights as of the end of the reporting period**

Item	Closing book value (RMB)	Reason for restriction
Cash and bank balance	42,956,400.00	Banker's acceptance deposit, foreign exchange performance bond and banker's letter of guarantee
Assets in special account for system reform	632,567,609.77	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,334,166,098.19	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021
Total	12,009,690,107.96	--

**VI. Investment Analysis****1. Overview** Applicable  Not applicable

Investment during the reporting period (RMB)	Investment during the same period of the previous year (RMB)	Percentage of change
1,041,333,795.16	12,377,787,168.14	-91.59%

## **2. Significant equity investments made during the reporting period**

Applicable  Not applicable

### 3. Significant non-equity investments in progress during the reporting period

Applicable  Not applicable

Unit: RMB

Project	Investment method	Investment in fixed assets or not	Involved industry in investment projects	Amount invested in the reporting period	Cumulative actual investment as of the end of reporting period	Source of funding	Progress of project	Estimated income	Cumulative income as of the end of the reporting period	Reasons for unmet progress and estimated income	Disclosure date (if any)	Disclosure index (if any)
Yunnan Baiyao Shanghai International Center	Self-established	Yes	Pharmaceuticals, daily chemical products	118,969,257.53	412,849,167.14	Self-raised funds	35.98%			N/A	June 9, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1210206330&amp;orgId=gsz0000538&amp;announcementTime=2021-06-09">http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1210206330&amp;orgId=gsz0000538&amp;announcementTime=2021-06-09</a>
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	Self-established	Yes	Pharmaceuticals	34,371,250.73	54,664,681.90	Self-raised funds	15.00%			N/A		
Total	--	--	--	153,340,508.26	467,513,849.04	--	--	0.00	0.00	--	--	--

### 4. Financial assets investment

**(1) Securities investment**

☑ Applicable ☐ Not applicable

Unit: RMB

Type of securities	Stock code	Stock abbreviation	Initial investment cost	Accounting measurement model	Opening book value	Profits or losses on changes in fair value during the reporting period	Cumulative changes in fair value included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Profits and losses during the reporting period	Closing book value	Accounting items	Source of funding
Domestic and overseas stocks	HK.01810	Xiaomi Corporation	1,631,800,843.40	Fair value	1,078,456,867.31	13,720,796.40				13,720,796.40	1,092,177,663.71	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK.02633	Jacobson Pharma	238,699,200.00	Fair value	164,361,680.00	12,658,480.00				12,658,480.00	177,020,160.00	Other non-current financial assets	Self-raised
Fund	SJS623	CICC Wealth Management Exclusive No. 516	129,850,746.27	Fair value	136,804,621.97	2,369,451.07				2,369,451.07	139,174,073.04	Financial assets held for trading	Self-raised
Fund	162712	Guangfa Juli Bond Class A	400,000,000.00	Fair value	398,257,744.66	9,224,385.79			304,476,800.00	9,945,185.79	103,005,330.45	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK.03681	SinoMab BioScience	354,119,828.19	Fair value	81,419,271.05	1,223,979.15				1,223,979.15	82,643,250.20	Financial assets held for trading	Self-raised
Fund	SEG067	Boshi Robust Preferred FOF2	25,000,000.00	Fair value	61,815,384.62	1,023,076.92				1,023,076.92	62,838,461.54	Financial assets held for trading	Self-raised
Domestic and overseas stocks	HK02161	JBM (Healthcare)	25,039,800.00	Fair value	21,215,162.50	8,288,197.50				8,288,197.50	29,503,360.00	Financial assets held for trading	Self-raised
Fund	004736	Fullgoal Dingli Net Debt	1,700,000,000.00	Fair value	289,725,481.89	6,196,610.89			295,922,092.78	6,807,225.83	-	Financial assets held for trading	Self-raised

Fund	002925	Guangfa Juyuan Class A	100,999,000.00	Fair value	123,309,198.09				123,309,198.09	668,616.43	-	Financial assets held for trading	Self-raised
Fund	SW8334	Le Rui Enhanced Bond No. 27	88,000,000.00	Fair value	116,958,548.41				116,958,548.41	-1,208,297.97	-	Financial assets held for trading	Self-raised
Other securities investments held at the end of the reporting period			50,000,000.00	--	45,118,354.68	170,741.17			45,289,095.85	357,596.05		--	--
Total			4,743,509,417.86	--	2,517,442,315.18	54,875,718.89	0.00	0.00	885,955,735.13	55,854,307.17	1,686,362,298.94	--	--
Disclosure date of the Board's announcement on review and approval of securities investment			December 31, 2022										

**(2) Investments in derivatives**

Applicable  Not applicable

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.

**VII. 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

### VIII. 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 businesses	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	15,166,328,699.19	5,701,337,447.53	12,372,205,584.18	279,796,951.48	238,406,435.42
Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	7,503,518,310.47	5,711,098,622.31	3,247,744,129.12	1,422,105,017.60	1,196,311,128.14
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	213,317,704,838.46	78,942,476,886.95	132,592,157,323.37	4,558,084,231.87	3,417,001,019.98

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Company name	Approaches of acquiring and disposing of subsidiaries during the reporting period	Influences on overall production, operation and performance
Xingzhong Digital Intelligence TCM Service Co., Ltd of Yunnan Baiyao Group	Newly incorporated	No significant influence.
Yunnan Yunyao Nuxiang Co., Ltd.	Newly incorporated	No significant influence.
Yunnan Pharmaceutical Hanbo Co., Ltd.	Cancelled	No significant influence.
Yunnan Baiyao Group Chuxiong Health Products Co., Ltd.	Cancelled	No significant influence.
Ban Loong Fund Investment Co., Ltd.	Cancelled	No significant influence.
Ban Loong Hemp Technology Inc	Cancelled	No significant influence.
Ban Loong Healthcare (Overseas) Co, Ltd.	Newly incorporated	No significant influence.
YNBY Healthcare (Shenzhen) Co., Ltd.	Newly incorporated	No significant influence.
YNBY Healthcare (Singapore) Pte Ltd.	Newly incorporated	No significant influence.
YNBY Healthcare Co., Ltd.	Newly incorporated	No significant influence.
YNBY Beauty Co., Ltd.	Newly incorporated	No significant influence.
YNBY Pharmaceutical Co., Ltd.	Newly incorporated	No significant influence.
YNBY International Co., Ltd.	Newly incorporated	No significant influence.
YNBY Co., Ltd.	Newly incorporated	No significant influence.
YNBY Holdings Group Co., Ltd.	Newly incorporated	No significant influence.
YNBY Group Co., Ltd.	Newly incorporated	No significant influence.
YNBY (Hongkong) Co., Ltd.	Newly incorporated	No significant influence.

Description of the major holding companies and joint-stock companies: None.

## IX. Structured Entities Controlled by the Company

Applicable  Not applicable

See Section X “IX. Interest in Other Entities”

## X. Risks and Countermeasures

### (1) Policy changes

In recent years, a series of supportive policies for the pharmaceutical industry have been introduced successively, opening up favorable development opportunities for pharmaceutical enterprises. Meanwhile, the healthcare reform will be further deepened, and the routine centralized volume-based procurement will cover more pharmaceuticals. Comprehensive revisions to laws and regulations pertaining to drug supervision are also on the horizon. All of these factors are exerting a significant impact on the pharmaceutical industry. Given this context, the Company will place even greater emphasis on aligning with the Chinese pharmaceutical policy direction. The Company will intensify its efforts in analyzing and comprehending critical industry information, and promptly grasp industry development and shifting trends. By devising suitable strategies, the Company aims to alleviate the pressure and uncertainty arising from policy changes on production and operations, ultimately achieving sustained growth.

## (2) R&D of new drugs

In pursuit of maintaining technological advantages and enhancing core competitiveness, the Company has consistently escalated its investment in drug R&D over recent years. The journey of developing novel drugs entails not only substantial capital infusion but also a protracted timeline. If relevant policies and the market undergo changes, the value of the products under R&D may depreciate. Additionally, upon completion of R&D, the successful commercialization of a new drug stands as an important factor influencing R&D yields. The Company is poised to meticulously assess the R&D projects of novel drugs within the framework of its strategic direction. Resources will be apportioned to key projects, bolstering risk management capabilities throughout the R&D. Collaborative IUR efforts will be fortified, optimizing the transformation of achievements and reducing the uncertainties associated with R&D investments.

## (3) Market expansion

Currently, the Company is proactively constructing a secondary growth curve, endeavoring to infuse fresh impetus into its sustainable development. In addition to ongoing product development, one of the significant challenges facing the Company is to establish a strong presence in this rapidly evolving and highly competitive market, cultivate a brand image, and build customer loyalty in the new era. Through an unwavering commitment to user-centered approaches, the Company will persistently enhance its market insight, innovate new products with promising market outlooks, delve into new consumption scenarios, and fortify its marketing capabilities, thus achieving performance breakthroughs.

## (4) Management efficiency

The Company will maintain its strategy of integrating external M&As alongside organic growth, and its management scope will continue to expand as external investments progress. Considering that the invested target companies may differ from the Company in terms of corporate culture and external environment, strengthening operations and management, implementing resource integration, and fostering strategic collaboration are of paramount importance in the Company's research agenda. The Company will continue to improve the post-investment management system, bolster post-investment tracking and evaluation, optimize the governance structure of the acquired targets, nurture a reservoir of managerial talents through internal training and external recruitment, and augment the management capabilities of the targeted enterprises, thus achieving the goal of coordinated development.

## Section IV Corporate Governance

### I. Annual General Meeting and Extraordinary General Meeting Held during the Reporting Period

#### 1. Shareholders' meetings for the reporting period

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Disclosure date	Resolutions
2022 Annual General Meeting	Annual General Meeting	62.74%	May 9, 2023	May 10, 2023	The following proposals had been considered and approved: 1. <i>Proposal on the 2022 Annual Work Report of the Board of Directors</i> ; 2. <i>Proposal on the 2022 Annual Work Report of the Supervisory Committee</i> ; 3. <i>Proposal on the 2022 Final Financial Report</i> ; 4. <i>Proposal on the 2022 Annual Report and its Summary</i> ; 5. <i>Proposal on the 2022 Profit Distribution Plan</i> ; 6. <i>Proposal on the 2023 Financial Budget Report</i> ; 7. <i>Proposal on the Re-appointment of the Company's 2023 Auditor (including internal control audit)</i> .

#### 2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights

Applicable  Not applicable

### II. Changes of Directors, Supervisors, and Senior Management of the Company

Applicable  Not applicable

Name	Position held	Type	Date	Reason
Wang Minghui	Chairman	Resigned	March 6, 2023	Resigned as Chairman and Director for personal reasons
Zhao Yingming	Chief Business Officer & Senior Vice President	Employed	March 13, 2023	For improving the Company's management structure further
Wang Jin	Chief Sales Officer & Senior Vice President	Resigned	March 15, 2023	Resigned as Chief Sales Officer and Senior Vice President for personal reasons

### III. Profit Distribution and Capital Reserve Converted into Share Capital during the Reporting Period

Applicable  Not applicable

The Company did not plan to distribute cash dividends, bonus shares, or convert capital reserves into share capital during the reporting period.

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

Applicable  Not applicable

#### (I) Equity incentive

1. On June 8, 2021, the Company held the fifth session of the ninth Board of Directors in 2021, at which the *Proposal on Fulfillment of Exercise Conditions for First Exercisable Period of Stock Options Initially Granted under the 2020 Stock Option Incentive Plan* had been considered and approved. Those 670 incentive participants initially granted with stock options under the 2020 Stock Option Incentive Plan could exercise a total of 6,746,400 exercisable stock options in the first exercisable period by using the independent exercise method.

2. On May 5, 2022, the *Proposal on the Adjustment of the Number and Exercise Price of Stock Options Initially Granted under the 2020 Stock Option Incentive Plan* had been considered and approved at the seventh session of the ninth Board of Directors in 2022. As the Company's 2021 Annual Equity Distribution Plan had been implemented, a cash dividend of RMB 16.00 (including tax) for every 10 shares would be paid to all shareholders on the basis of 1,796,221,975 shares. According to the Company's *2020 Stock Option Incentive Plan (Draft)*, the number of unexercised options initially granted under the Company's 2020 Stock Option Incentive Plan was adjusted from 11,257,220 to 15,760,108 and the exercise price was adjusted from RMB 74.05/share to RMB 51.75/share.

3. On August 8, 2022, the *Proposal on Cancellation of Certain Stock Options Granted under the 2020 Stock Option Incentive Plan* had been considered and approved at the ninth session of the ninth Board of Directors in 2022, canceling 947,054 stock options initially granted that had not been exercised upon expiration of the first exercisable period. As the Company's return on equity in 2021 was less than 10.5%, the exercise conditions for the second exercisable period had not been satisfied; therefore 7,086,240 stock options initially granted corresponding to the second exercisable period and 840,000 stock options under reserved grant corresponding to the first exercisable period could not be exercised and would thus be canceled by the Company accordingly. After cancellation, the number of stock options initially granted under the Company's

2020 Stock Option Incentive Plan was adjusted from 15,119,534 to 6,772,080, the number of options under reserved grant was adjusted from 1,680,000 to 840,000, and the number of incentive participants was adjusted from 671 to 653.

4. On September 7, 2022, the Shenzhen Branch of China Securities Depository and Clearing Corporation reviewed and confirmed that the cancellation conducted by the Company had been completed. According to the relevant provisions of the *Measures for the Administration of Equity Incentives of Listed Companies* and the *2020 Stock Option Incentive Plan (Draft)*, the Company canceled certain stock options under the 2020 Stock Option Incentive Plan. In particular:

(1) Upon expiration of the first exercisable period of the stock options initially granted under the 2020 Stock Option Incentive Plan, 6,252,954 stock options had been exercised and 947,054 stock options had not been exercised; 947,054 stock options initially granted that had not been exercised upon were canceled.

(2) As the Company's 2021 performance indicators failed to fully meet the performance assessment requirements set forth in the 2020 Stock Option Incentive Plan, 7,086,240 stock options initially granted corresponding to the second exercisable period and 840,000 stock options under reserved grant corresponding to the first exercisable period (1,200,000 stock options were under reserved grant, which were adjusted to 1,680,000 after equity distribution in 2021, and thus 840,000 stock options were not exercised corresponding to the first exercisable period) could not be exercised and would thus be canceled by the Company accordingly.

(3) For the stock options initially granted under the 2020 Stock Option Incentive Plan, 17 incentive participants resigned and 1 incentive participant passed away due to other reasons than performing duties, being no longer eligible for exercising the stock options. Those 314,160 stock options granted but not exercised by the aforementioned incentive participants could not be exercised and would thus be canceled by the Company accordingly. On September 7, 2022, the Shenzhen Branch of China Securities Depository and Clearing Corporation reviewed and confirmed that the Company had completed the cancellation of 9,187,454 stock options mentioned above.

5. On August 28, 2023, the *Proposal on Cancelling the Third Exercisable Period of the Initially Granted Part of the 2020 Stock Option Incentive Plan and the Second Exercisable Period of Its Reserved Granted Part* had been considered and approved at the fifth session of the tenth Board of Directors in 2023 and the third session of the tenth Supervisory Committee in 2023, agreeing to cancel 6,772,080 stock options in the third exercisable period of its initially granted part of the 2020 Stock Option Incentive Plan and 840,000 stock options in the second exercisable period of its reserved granted part. After the cancellation of all the

forementioned stock options, the Company's 2020 Stock Option Incentive Plan will be completely terminated.

## (II) Implementation of the ESOP

Applicable  Not applicable

All active ESOPs during the reporting period

Scope of employees	Number of employees	Number of shares held (share)	Status of change	Proportion in the total share capital of listed company	Source of funding to implement the Plan
1. Directors (excluding independent directors), supervisors, and senior management of the Company; 2. Employees of the Company and its holding subsidiaries. All participants are required to be employed by the Company (including its holding subsidiaries) and sign a labor contract/service contract with the Company.	1,312	0	From December 13, 2022 to May 26, 2023 after the lock-up period expired, 23,379,996 shares held under the Company's 2021 ESOP, accounting for 1.30% of the Company's current total share capital, had all been reduced through centralized bidding or block trading in the secondary markets.	0.00%	Employee's statutory compensation, self-raised funds, funds raised through financing under the Plan, incentive funds set aside by the Company, and funds obtained by any other means permitted by laws and regulations.

Shareholdings of the directors, supervisors, and senior management in ESOPs during the reporting period

Name	Position	Number of shares held at the beginning of the reporting period (share)	Number of shares held at the end of the reporting period (share)	Proportion to the total share capital of listed company
Wang Minghui	Chairman (resigned during the reporting period)	520,570	0	0.00%
Lu Hongdong	Director	26,028	0	0.00%
Dong Ming	Director, CEO, President (acting as the Chairman)	303,666	0	0.00%
Yin Pinyao	Chief Operations Officer & Senior Vice President	303,666	0	0.00%
Wang Jin	Chief Sales Officer & Senior Vice President (resigned during the reporting period)	303,666	0	0.00%
Qin Wanmin	Chief Innovation Officer & Senior Vice President	303,666	0	0.00%
Yang Yong	Chief Compliance Officer & Senior Vice President	303,666	0	0.00%
Zhu Zhaoyun	Traditional Chinese Medicine Strategic Scientist	86,762	0	0.00%
Yu Juan	Chief Human Resources Officer	173,523	0	0.00%
Li Jin	Chief Quality and Process Officer	86,762	0	0.00%
Qian Yinghui	Secretary of the Board of Directors	21,690	0	0.00%
You Guanghui	Chairman of the Supervisory Committee	43,381	0	0.00%
Zhong Jie	Deputy Chairman of the Supervisory Committee	43,381	0	0.00%
Qu Huaxi	Chairman of the Labor Union & Employee Supervisor	26,028	0	0.00%
He Yingxia	Vice Chairman of the Labor Union & Employee Supervisor	21,690	0	0.00%

Changes in asset management institutions during the reporting period:  Applicable  Not applicable

Changes in equity caused by shares disposal by holders during the reporting period:  Applicable  Not applicable

From December 13, 2022 to May 26, 2023 after the lock-up period of the ESOP expired, 23,379,996 shares held under this ESOP, accounting for 1.30% of the Company's current total share capital, had all been

reduced through centralized bidding and block trading in the secondary markets. Among them, no transferees of the block trading and shareholders holding more than 5% of the Company's shares were related or acting-in-concert parties.

Exercise of the shareholders' rights during the reporting period:  Applicable  Not applicable

Other relevant circumstances and statements of the ESOP during the reporting period:  Applicable  Not applicable

Changes in the membership of the management committee of the ESOP:  Applicable  Not applicable

The financial impact of the ESOP on the listed company during the reporting period and related accounting treatment:  Applicable  Not applicable

Termination of the ESOP during the reporting period:  Applicable  Not applicable

The lock-up period of the Company's 2021 ESOP expired on June 30, 2022. As of May 26, 2023, all 23,379,996 shares of the Company held under this ESOP had been reduced, and assets under the ESOP currently were all monetary assets. According to the *2021 Employee Stock Ownership Plan (Amendment)* and the *Measures for the Administration of 2021 Employee Stock Ownership Plan (Amendment)*, when the assets under the ESOP are monetary assets, the ESOP can be terminated early, provided that the early termination has been considered and approved by the Board of Directors of the Company.

On June 25, 2023, the distribution plan for the proceeds and cash assets under the ESOP, and the plan for early termination of the ESOP have been considered and approved at the ESOP Participants' Meeting. According to the resolutions of the Participants' Meeting, the distribution for the ESOP shall be based on the number of shares held by each participant; the balance of cash assets in the account as of June 25, 2023 will be fully allocated to each participant's account; from June 25, 2023 until the actual date of distribution, a small amount of the yields generated in the ESOP account will be used to pay the related expenses incurred in the subsequent account cancellation process.

According to the Company's *2021 Employee Stock Ownership Plan (Amendment)* and the *Measures for the Administration of 2021 Employee Stock Ownership Plan (Amendment)*, on July 5, 2023, the Company held the fourth session of the tenth Board of Directors in 2023, at which the *Proposal on the Early Termination of the Employee Stock Ownership Plan* had been considered and approved, agreeing to this early termination. Thereafter, the ESOP will be liquidated by its management committee and the proceeds will be distributed in proportion to the shares held by the participants.

Other explanations: None

### **(III) Other employee incentive measures**

Applicable  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

Yunnan Baiyao has strictly complied with laws and regulations such as the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Air Pollution Prevention and Control*, the *Law of the People's Republic of China on Water Pollution Prevention and Control*, the *Law of the People's Republic of China on Solid Waste Pollution Prevention and Control*, and the *Law of the People's Republic of China on Environmental Noise Pollution Prevention and Control*, 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*.

Administrative permits for environmental protection

Environmental Impact Assessment (EIA) Approvals: YHXZH [2008] No. 55, YHSH [2009] No. 261, YHSHP [2014] No. 01, WSHH [2017] No. 53, etc.

Approval for Acceptance of Completed Environmental Protection Projects: Phase I YH Acceptance, [2013] No. 1, Phase II YH Acceptance [2015] No. 30, YH Acceptance [2014] No. 16, YH Water Acceptance [2016] No. 4.

## 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	Waste gas	Particulate matter, nitrogen oxide, sulfur dioxide	Organized emissions	3	Boiler flue gas discharge outlet	Particulate matter 3.3mg/m <sup>3</sup> ; nitrogen oxide 96.64mg/m <sup>3</sup> ; sulfur dioxide 3L (Below detection limit)	<i>Standards for the Emission of Air Pollutants for Boilers (GB13271-2014)</i> , particulate matter≤30 mg/m <sup>3</sup> , nitrogen oxide≤400 mg/m <sup>3</sup> , sulfur dioxide≤100 mg/m <sup>3</sup>	Nitrogen oxide 2.55 tons/half a year	Nitrogen oxide 11.0667 tons/year	None
Yunnan Baiyao Group	Waste gas	Non-methane total hydrocarbon, particulate matter	Organized emissions	4	Alcohol extraction waste gas discharge outlet	Non-methane total hydrocarbon 21.18mg/m <sup>3</sup> ; particulate matter 3.1mg/m <sup>3</sup>	<i>Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019</i> , non-methane total hydrocarbon≤100 mg/m <sup>3</sup> , particulate matter≤30 mg/m <sup>3</sup>	/	No total emission indicator available	None
Yunnan Baiyao Group	Waste water	COD, ammonia nitrogen	Main waste water outlet	1	Main drainage outlet	COD 40.12mg/L; ammonia nitrogen 2.54mg/L	<i>Wastewater Quality Standards for Discharge to Municipal Sewers GB/T 31962-2015</i> , COD≤500mg/L, ammonia nitrogen≤45mg/L	COD 4.54 tons/half a year, ammonia nitrogen 0.29 tons/half a year	No total emission indicator available	None
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Waste gas	Particulate matter, nitrogen oxide, sulfur dioxide	Organized emissions	3	Boiler flue gas discharge outlet	Particulate matter 4.00mg/m <sup>3</sup> , nitrogen oxide 65.03mg/m <sup>3</sup> , sulfur dioxide 3L (Below detection limit)	<i>Standards for the Emission for Air Pollutants for Boilers (GB13271-2014)</i> , particulate matter≤20 mg/m <sup>3</sup> , nitrogen oxide≤200 mg/m <sup>3</sup> , sulfur dioxide≤50 mg/m <sup>3</sup>	Particulate matter 0.33 tons/half a year, nitrogen oxide 3.85 tons/half a year	Nitrogen oxide 32.18 tons/year	None
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Waste water	COD, ammonia nitrogen	Indirect emissions	1	Main drainage outlet	COD 63.75mg/L, ammonia nitrogen 0.34mg/L	<i>Wastewater Quality Standards for Discharge to Municipal Sewers GB/T 31962-2015</i> COD≤500mg/L, ammonia nitrogen≤45mg/L, <i>Integrated Wastewater Discharge Standard GB8978-1996</i>	COD 6.115 tons/half a year, ammonia nitrogen 0.033 tons/half a year	No total emission indicator available	None
Yunnan Baiyao Group Traditional	Waste gas	Particulate matter	Organized emissions	5	Pulverization waste gas discharge outlet	Particulate matter 4.96mg/m <sup>3</sup>	<i>Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019</i> , particulate matter≤30	/	No total emission indicator	None

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
Chinese Medicine Resources Co., Ltd.							mg/m <sup>3</sup>		available	
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Waste gas	Non-methane total hydrocarbon	Organized emissions	1	Combustion waste gas discharge outlet	Non-methane total hydrocarbon 3.83mg/m <sup>3</sup>	Standards for the Emission of Air Pollutants in the Pharmaceutical Industry GB37823-2019, non-methane total hydrocarbon≤100 mg/m <sup>3</sup>	/	No total emission indicator available	None
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Waste gas	Sulfur dioxide; particulate matter; nitrogen oxide	Organized emissions	2	Main discharge outlet of boiler waste gas	Boiler 2 (sulfur dioxide<3mg/m <sup>3</sup> ; particulate matter=1.7mg/m <sup>3</sup> ; nitrogen oxide=47mg/m <sup>3</sup> ); boiler 3 (sulfur dioxide<3mg/m <sup>3</sup> ; particulate matter=2.1mg/m <sup>3</sup> ; nitrogen oxide=39mg/m <sup>3</sup> )	Sulfur dioxide: ≤50mg/m <sup>3</sup> ; particulate matter≤20mg/m <sup>3</sup> ; nitrogen oxide≤200mg/m <sup>3</sup> ;	Subject to simplified management, with no total emission indicator available	Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Sulfur dioxide; particulate matter; nitrogen oxide
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	Waste water	COD; BOD5, suspended solids; ammonia nitrogen	Organized emissions	1	Main sewage discharge outlet in the factory area	COD=32mg/L; BOD5=14.3mg/L; suspended solids=8mg/L; ammonia nitrogen=0.584mg/L	COD≤500mg/L; BOD5≤300mg/L; suspended solids≤400mg/L; ammonia nitrogen≤45mg/L	Subject to simplified management, with no total emission indicator available	Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	COD; BOD5; suspended solids; ammonia nitrogen

#### Treatment of pollutants

The Company strictly follows the requirements of environmental impact assessment (EIA) in construction of pollution prevention and control facilities, and has obtained complete related environmental protection approvals. In the first half of 2023, the Company actively carried out third-party environmental testing, showing the emissions of various pollutants such as waste water, waste gas, and noise, were in strict line with the standards.

The Company adopts a physical-biological contact oxidation process for sewage treatment (3,000m<sup>3</sup>/day), a closed treatment process, which can efficiently treat organic compounds in high-concentration waste water from traditional Chinese medicine pharmaceuticals and mainly has the following characteristics:

1. The acid-base regulation tank, pre-acidification tank, anoxic tank, aerobic tank, and sludge concentration tank, etc, all of which have a closed design. Volatile gases (odor, hydrogen sulfide, ammonia, etc.) are collected through pipelines and then transported to photocatalytic oxidation deodorization equipment, for decomposing and purifying harmful gases to reduce air pollution.

2. The methane gas produced during the anaerobic reaction stage is transported, through the biogas recovery system, to the boiler for combustion, which not only protects the environment but also provides energy for the Company and saves costs.

#### Emergency plans for sudden environmental events

The Company has prepared emergency plans for sudden environmental events and submitted them to Chenggong Branch of Kunming Ecological Environment Bureau, Wenshan Branch of Wenshan Prefecture Ecological Environment Bureau, and other competent departments for record keeping.

#### Investments in environmental governance and protection and payment of environmental protection taxes

The Company pays environmental protection taxes on a quarterly basis in a timely manner based on its own emissions.

#### Self-environmental monitoring plan

The Company has completed the self-monitoring of waste water, waste gas, and noise in the first half of 2023 according to the self-monitoring requirements set out in the pollutant discharge permits, showing all indicators of pollutants in line with the emission standards.

## Administrative punishments for environmental issues during the reporting period

Name of company or subsidiary	Cause to punishment	Violations	Results of punishment	Impact on the production and operation of the listed company	The Company's rectification measures
None	None	None	None	None	None

Other environmental information that should be disclosed

The monitoring results for the first half of 2023 have been made public on the national pollution source monitoring information management and sharing platform.

Measures taken to reduce carbon emissions and their effects during the reporting period

Applicable Not applicable

Other environmental protection related information

None

## II. Social Responsibility

Yunnan Baiyao always fully respects and safeguards the legitimate rights and interest of stakeholders, and achieves a coordinated balance of interest among society, shareholders, the Company, employees, and many other parties. While maintaining sustainable development, improving business performance, and safeguarding shareholders' interest, the Company actively fulfills its social responsibilities in areas such as community welfare, disaster relief, and public welfare. In the first half of 2023, Yunnan Baiyao (000538) was included in the List of "Top 100 ESG Listed Companies in China."

### (1) Promoting ESG work with high quality and efficiency

In the first half of 2023, the Company initiated a comprehensive ESG systematic construction. Adapting to the contemporary trends and policies and building on past successful practices, Yunnan Baiyao benchmarked new domestic and international standards, continuing its efforts in ESG initiatives. The Company has conducted interviews on the construction of ESG projects around functional departments of the Group, and will actively promote the structural accomplishments of top-level design such as ESG strategic vision, governance framework, indicator system, and management methods.

### (2) Building a green and environmentally friendly enterprise for protecting biodiversity

Yunnan Baiyao has a long-standing commitment to becoming a green and environmentally friendly enterprise. To achieve this goal, the Company continuously implements energy-saving and environmental protection technology transformations. It actively promotes the use of new energy-saving and environmentally friendly technologies, processes, equipment, and materials. It also actively eliminates high-energy-consuming

and low-efficiency processes, technologies, and equipment, fully embracing the concept of sustainable development and developing new strategies for utilizing new energy to reduce carbon emissions. To promote the orderly implementation of environmental protection in BG/BU of the Group and establish a long-term mechanism, the Engineering Construction Development Center has released the *Environmental Protection Management System for Yunnan Baiyao Group*.

In terms of biodiversity conservation, the Company has established a gene bank of genuine traditional Chinese medicine in Yunnan and continuously invested in protecting endangered species, domesticating wild plants, and breeding TCM varieties. The Company also has reasonably developed natural resources, and comprehensively assisted in biodiversity conservation.

### (3) Actively engaged in frontline efforts to support rural revitalization

In the first half of 2023, Yunnan Baiyao Group conscientiously implemented the relevant paired-up assistance requirements from party committees and governments at all levels. By leveraging its inherent strengths, the Company dedicated itself to a targeted approach towards multiple objectives and tasks. With well-defined work concepts, the Company developed precise plans and fine-tuned work strategies, and consistently extended support to Chazhiluo Village and Xinle Village in Pantiange Township, Weixi County. Eventually, the Company successfully accomplished its milestones.

Yunnan Baiyao has always been committed to leveraging its corporate advantages. Relying on Yunnan's distinctive geographical advantages, the Company engages in the procurement of medicinal materials from economically disadvantaged counties, striving consistently to establish an enduring mutually beneficial mechanism for the TCM industry's growth. The Company has entered into a strategic partnership with Weixi Weihong Agricultural Resources Development Co., Ltd, designating the enterprise for the acquisition and initial processing of TCM through a unified order-based procurement approach. During this period, the Company also provided technical support in various aspects, including conducting technical guidance on TCM cultivation and training on drug traceability. The village task force regularly carried out dynamic early warning monitoring and assistance work at the assistance sites to prevent them from falling back into poverty again, with "a monthly calculation, analysis and assessment" of the income of farmers there and a thorough investigation of farmers facing poverty-returning risks before including them in early warning monitoring according to the process. Also, targeted investigations and verifications were carried out for households with substandard income, and assistance plans were formulated on a per-household and per-person basis. Support policies were refined, and income-increasing measures were precisely implemented for each household.

Yunnan Baiyao has maintained a steadfast commitment to “Business for Good”, emphasizing its transformation into a public-benefit enterprise. ESG (Environment, Society, and Governance) principles serve as the cornerstone of its commercial strategy, guiding its growth and allowing it to fulfill its role and responsibilities as an industry leader.

## Section VI Significant Events

### I. 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 Provincial Investment Holdings Group Co., Ltd (“Yunnan Investment Holdings 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 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.	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress
Commitments made in the	Yunnan Investment	Commitments to maintain the	In order to protect the legitimate rights and interest of any and all of the shareholders of the listed company, our company undertakes to warrant: 1.	December 10, 2021	Remain effective during	In progress

acquisition report or equity change report	Holdings Group	independence of the listed company	<p>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 personnels 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 personnels 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; (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 personnels 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</p>		the period of holding indirect stake in Yunnan Baiyao	
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			<p>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, personnels, 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.</p>			
Commitments made in the acquisition report or equity change report	Yunnan Investment Holdings Group	Commitments regarding related party transactions	<p>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 <i>Company Law of the People's Republic of China</i>, the <i>Articles of Association of Yunnan Baiyao Group</i>, the <i>Rules of Procedure for General Meetings</i>, and the <i>Decision System for Related Party Transactions of the Listed Company</i> when engaging in inevitable related party transactions with the listed company. We are committed to conducting these transactions in a</p>	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

			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 Industrial Group Co., Ltd (“New Huadu”)	Commitments regarding horizontal competition	In the future, when the time is ripe, SASAC of Yunnan Province and New Huadu shall urge Yunnan Baiyao Holdings Co., Ltd (“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 involved will be carried out in accordance with the decision-making procedures for related party transactions for Yunnan	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			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	Yunnan State-owned Equity Operation Management Co., Ltd (“Yunnan State-owned Equity Operation Management Company”), New Huadu and its acting-in-concert parties, Jiangsu Yuyue Science & Technology Development Co., Ltd (“Jiangsu Yuyue”)	Commitments regarding related party transactions	<p>1. Yunnan State-owned Equity Operation 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 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.</p> <p>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,</p>	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			<p>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.</p> <p>3. Jiangsu Yuyue undertakes that: after the completion of this merger and overall listing, our company and any enterprises under our 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 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.</p>			
Commitments	Yunnan	Commitments	After the completion of this merger and overall listing, our	October 31,	Remain	In progress

made during asset restructuring	State-owned Equity Operation Management Company, New Huadu, Jiangsu Yuyue	to maintain the independence of the listed company	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.	2018	effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	
Commitments made during asset restructuring	Jiangsu Yuyue	Commitments regarding lock-up shares	The shares of the listed company subscribed by our company through this transaction shall not be transferred during the period from the end of the issuance of these shares to June 26, 2023 (inclusive). 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 China Securities Regulatory Commission (CSRC) and Shenzhen Stock Exchange (SZSE). After the completion of this transaction, our company will also arrange a lockup period as described above for our any increased stake in the listed company after it issues bonus shares or convert public reserve funds into share capital.	October 31, 2018	June 26, 2023	Completed
Commitments made during asset restructuring	Baiyao Holdings, Yunnan State-owned Equity Operation Management Company, New Huadu, Jiangsu	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)	In progress

	Yuyue					
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 restructuring	Baiyao Holdings, Yunnan State-owned Equity Operation Management Company, New Huadu, Jiangsu Yuyue	Commitments regarding compensatory measures after dilution of immediate returns	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after dilution of immediate returns	<ol style="list-style-type: none"> <li>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.</li> <li>2. I undertake to restrain my official consumption.</li> <li>3. I undertake not to use the assets of the listed company to engage in investment or consumption activities unrelated to my duties.</li> <li>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.</li> <li>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</li> </ol>	December 11, 2018	Remain effective	In progress

			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.			
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company, New Huadu	Commitments regarding horizontal competition	<p>1. Yunnan State-owned Equity Operation 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, Yunnan State-owned Equity Operation Management Company solemnly makes the following statements and commitments: After the completion of this transaction, Yunnan State-owned Equity Operation 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.</p> <p>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.</p> <p>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&amp;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.</p> <p>During the commitment period mentioned above, if the listed company</p>	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

			<p>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.</p> <p>During the aforementioned commitment period, if our 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.</p> <p>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.</p>			
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	<p>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, complete, and effective, without false</p>	June 10, 2021	Remain effective	In progress

			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	Yunnan State-owned Equity Operation 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 provided	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 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	June 10, 2021	Remain effective	In progress

			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 behavior. 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 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.	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	Yunnan State-owned Equity Operation Management Company	Commitments regarding compensatory measures after diluting immediate returns by this	1. Our company 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. If, during the period after the date of 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	June 10, 2021	Remain effective	In progress

		restructuring	the CSRC, our company undertakes to issue supplementary commitments in accordance with the then latest CSRC regulations. 3. Our company will effectively fulfill this commitment letter. If our company violates any of these commitments and causes any losses to the listed company or investors, our company is 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	New Huadu and its acting-in-concert parties	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	<p>1. Our company and our acting-in-concert parties will not interfere with any operation and management activities of the listed company beyond authority, nor will they encroach on any interest of the listed company.</p> <p>2. If, during the period after the date of 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, our company and our acting-in-concert parties undertake to issue supplementary commitments in accordance with the then latest CSRC regulations.</p> <p>3. Our company and our acting-in-concert parties will effectively fulfill this commitment letter. If our company violates any of these commitments and causes any losses to the listed company or investors, our company and our acting-in-concert parties are willing to legally bear any and all of the corresponding compensation liabilities for such losses so caused to the listed company or investors.</p>	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	Yunnan State-owned Equity Operation 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 <i>Commitment Letter of SASAC of Yunnan Province on Maintaining the Independence of the Listed Company</i> , <i>Commitment Letter of SASAC of Yunnan Province on Reducing and Regulating Related Party Transactions</i> , and <i>Commitment Letter of SASAC of Yunnan Province on Avoiding Horizontal Competition</i> . On April 7, 2020, our company issued the <i>Commitment Letter of Yunnan State-owned Equity Operation Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province</i> (hereinafter referred to as the " <i>Commitment Letter on Undertaking</i> "), 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	June 10, 2021	Remain effective	In progress

			<p>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.</p> <p>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 company, reduce and regulate related party transactions, and avoid horizontal competition in accordance with the requirements of the <i>Commitment Letter on Undertaking</i>, and has not violated any of the commitments made. After the completion of this transaction, our company will continue to strictly fulfill the <i>Commitment Letter on Undertaking</i> to safeguard the interest of the listed company and any and all of its shareholders.</p>			
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	<p>1. As of the date of signing this commitment letter, our company has always strictly fulfilled the <i>Commitment Letter on Maintaining the Independence of the Listed Company</i>, <i>Commitment Letter on Reducing and Regulating Related Party Transactions</i>, and <i>Commitment Letter on Avoiding Horizontal Competition</i> all issued on October 31, 2018. Our company's acting-in-concert parties have always strictly fulfilled the <i>Commitment Letter on Reducing and Regulating Related Party Transactions</i> 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.</p> <p>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.</p> <p>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</p>	June 10, 2021	Remain effective	In progress

			<p>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.</p> <p>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.</p>			
Commitments made during asset restructuring	Listed company	Commitments to reduce and regulate related party transactions	<p>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, the 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 will strictly comply with the provisions of relevant laws, regulations, normative documents, and the <i>Articles of Association of Shanghai Pharma</i>, 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</p>	June 10, 2021	Remain effective	In progress

			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					

## 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. Engagement and Disengagement of Auditor

Whether the interim financial statements were audited or not

Yes No.

The Company's interim financial statements were unaudited.

## V. Explanations Given by the Board of Directors and the Supervisory Committee Regarding the Auditor’s “Modified Opinion” on the Financial Statements of the Reporting Period

Applicable Not applicable

## VI. Explanations Given by the Board of Directors Regarding the Auditor’s “Modified Opinion” on the Financial Statements of Previous Year

Applicable Not applicable

## VII. Bankruptcy and Reorganization

Applicable Not applicable

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

## VIII. Legal Matters

Significant lawsuits and arbitrations

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
Chuxiong Linxin Mushroom Developing Co., Ltd. vs Yunnan Baiyao Group Traditional Chinese	4,236.57	No	Yunnan Provincial Higher People’s Court has disallowed the request for a retrial by both Chuxiong	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 Traditional Chinese Medicine 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 plaintiff Chuxiong Linxin Mushroom Developing Co., Ltd filed an application for enforcement, and the Court accepted on July 12, 2023	March 31, 2023	2022 Annual Report. More details can be found at <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Medicine Resources Co., Ltd, one of the Company's subsidiaries, (Contract Dispute)			Linxin Mushroom Developing Co., Ltd and Yunnan Baiyao Group Chinese Medicine Resources Co., Ltd.	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 Traditional Chinese Medicine Resources Co., Ltd for the prepaid litigation fee of RMB 34,332.00.			
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd (one of the Company's subsidiaries) vs Chuxiong Linxin Mushroom Developing Co., Ltd. (Contract Dispute)	4,545.90	No	Supreme People's Court has disallowed the request for a new trial by Chuxiong Linxin Mushroom Developing Co., Ltd.	Ditto	After the judgment took effect, compulsory execution had been applied for, as Chuxiong Linxin Mushroom Developing Co., Ltd could not find any executable assets. Consequently, the execution process was suspended on January 24, 2022. Execution proceedings would resume once assets subject to execution are located. On November 30, 2022, the <i>Notice of Debt Set-off</i> was served by notarization, and after obtaining legal advice on debt set-off on December 19, 2022, the Company had made appropriate accounting treatment. On July 24, 2023, the plaintiff Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd submitted an application for restoration of compulsory execution to the Kunming Intermediate People's Court, and applied for execution of the mutual liability offset	March 31, 2023	2022 Annual Report. More details can be found at <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## Other lawsuits

Applicable Not applicable

Basic Information of Litigation (Arbitration)	Amount Involved (RMB'0,000)	Any Estimated Liability Caused or Not	Litigation (Arbitration) Progress	Trial Results and Impacts of Litigation (Arbitration)	Enforcement of Litigation (Arbitration) Judgments	Disclosure Date	Disclosure Index
Summary of events not meeting the disclosure standards for being included in significant litigation (arbitration)	32,300.94	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		/

## **IX. Punishments and Rectifications**

Applicable Not applicable

## **X. Credit Quality of the Company as well as its Controlling Shareholder and De Facto Controller**

Applicable Not applicable

## **XI. Significant Related Party Transactions**

### **1. Related party transactions related 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 occurred 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

There were no other significant related party transactions during the reporting period.

## XII. 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 for others by the Company and its subsidiaries (excluding those provided by the Company for 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
Yunnan Yuncheng Hospital Management Co., Ltd.	November 24, 2017			150,000	Joint and Several Liability Guarantee			12 years	No	No
Total approved limit for guarantees for others at the end of the reporting period (A3)		150,000		Total actual balance of guarantees for others at the end of the reporting period (A4)		150,000				
Guarantees by the Company 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
Guarantees by subsidiaries to another subsidiaries										
Guaranteed party	Disclosure date of related announcement of guarantee	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

quota									
The Company's total guarantee amount (total amount of the first three major items)									
Total approved guarantee limit during the reporting period (A1+B1+C1)			Total actual amount of guarantee incurred during the reporting period (A2+B2+C2)						0
Total approved guarantee limit at the end of the reporting period (A3+B3+C3)		150,000	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						150,000
The proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets			3.89%						
Of which:									

Explanations on the specific situation of guarantees provided by composite methods: Not applicable.

### 3. Cash entrusted for wealth management

Applicable Not applicable

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 funds	11,721.88	12,051.88	0	0
Other type	Self-owned funds	0	30,501.79	0	0
Total		11,721.88	42,553.67	0	0

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

Applicable Not applicable

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

### 4. Other Significant Contracts

Applicable Not applicable

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

## XIII. Explanations to Other Significant Events

Applicable Not applicable

1. On January 18, 2023, the Company disclosed the *Announcement on Obtaining the Approval for Preparation Registration of Medical Institutions in Yunnan Province and the Notification of Drug GMP Compliance Inspection Results* (Announcement No. 2023-01). The Company received, from Yunnan Provincial Hospital of Traditional Chinese Medicine, the *Notification Letter on "Xianghuo Spray" Obtaining the Approval*

for the Preparation Registration of Medical Institutions in Yunnan Province. Xianghuo Spray, which was applied by Yunnan Provincial Hospital of Traditional Chinese Medicine and prepared by Yunnan Baiyao, obtained the *Approval for the Preparation Registration of Medical Institutions* issued by Medical Products Administration of Yunnan Province (hereinafter referred to as “MPA of Yunnan Province”) with MPA’s conditional approval for its registration. During the same period, the Company received the *Notice on the Drug GMP Compliance Inspection Results* approved by MPA of Yunnan Province, and the Company’s sprays met the requirements of the *Good Manufacturing Practice for Drugs (2010 Revision)* and its appendixes. More details can be found at <http://www.cninfo.com.cn>.

2. On February 3, 2023, the Company disclosed the *Announcement on the Progress of Subscription for Convertible Bonds of Ban Loong Holdings* (Announcement No. 2023-02). On January 12, 2023, considering that the relevant regulatory authorities in Hong Kong had no further inquiries about the content of its circular, Ban Loong Holdings, on the same day, issued a circular and a notice of convening an extraordinary general meeting. On February 1, 2023, Ban Loong Holdings held the Extraordinary General Meeting, which considered and approved all necessary proposals related to the maturity extension of convertible bonds. As of the disclosure date of this announcement, Ban Loong Holdings had obtained all necessary consents and approvals for the maturity extension of convertible bonds. The *Supplementary Agreement to the Convertible Bond Subscription Agreement* signed between the Company and Ban Loong Holdings had come into effect, and the maturity date of convertible bonds had been extended from October 31, 2022 to October 30, 2024. More details can be found at <http://www.cninfo.com.cn>.

3. On March 7, 2023, the Company disclosed the *Announcement on Resignation of Chairman of the Board* (Announcement No. 2023-03). The Company’s tenth Board of Directors received the Board Chairman Mr. Wang Minghui’s *Resignation Report*, stating his application for resignation from Chairman and director of the Company’s tenth Board of Directors, member of the Strategy Committee of the Board and any and all of his positions held in Yunnan Baiyao and its holding subsidiaries for his personal reasons. As required by the *Company Law* and the Company’s *Articles of Association*, Mr. Wang Minghui’s resignation application took effect as of the date of its service to the Board. His resignation would not cause the number of the Company’s Board members to be lower than the quorum, nor would it affect the normal operation of the Company’s Board and businesses.

The Board would complete director by-election, new chairman election, and adjustment made to the Board’s special committee members as soon as possible. Prior to the Board’s election of new chairman by

nomination by a majority of Board directors, Mr. Dong Ming, the Company's legal representative, director, CEO (president), would act as Board Chairman and preside over the Board's daily work until new Board Chairman was elected. More details can be found at <http://www.cninfo.com.cn>.

4. On 13 March, 2023, the Company's tenth Board of Directors convened its first session in 2023 which considered and approved the *Proposal on the Company's Appointment of Senior Management*. As required by the Company's *Articles of Association*, Mr. Zhao Yingming was nominated by the Company's CEO. After qualification review for the Company's senior management by the Board's Nomination Committee, the Company's tenth Board of Directors agreed to appoint Mr. Zhao Yingming as the Company's Chief Business Officer and Senior Vice President, with a term of office starting from the date of approval by this Board meeting and ending at the expiration of the tenth Board of Directors.

More details can be found in the *Announcement on Resolution of the First Session of the Company's Tenth Board of Directors in 2023* (Announcement No. 2023-04) and the *Announcement on Appointment of the Company's Senior Management* (Announcement No. 2023-05) disclosed by the Company at <http://www.cninfo.com.cn> on March 15, 2023.

5. On March 15, 2023, the Company disclosed the *Announcement on Resignation of Senior Management* (Announcement No. 2023-06). The Company's tenth Board of Directors received the *Resignation Report* of Mrs. Wang Jin, the Company's Chief Sales Officer and Senior Vice President, stating her application for resignation from Chief Sales Officer and Senior Vice President of the Company, and any and all of her positions held in Yunnan Baiyao and its holding subsidiaries for her personal reasons. As required by the *Company Law* and the Company's *Articles of Association*, Ms. Wang Jin's resignation application took effect as of the date of its service to the Board. Her resignation would not affect the normal operation of the Company's businesses. More details can be found at <http://www.cninfo.com.cn>.

6. On March 29, 2023, the Company convened the second session of the tenth Board of Directors in 2023 which considered and approved 24 proposals including the *2022 Annual Work Report of the Board of Directors*. On the same day, the Company convened the first session of the Supervisory Committee in 2023, which considered and approved 10 proposals including the *2022 Annual Work Report of the Supervisory Committee*.

More details can be found in the *Announcement on the Resolution of the Second Session of the Tenth Board of Directors in 2023* (Announcement No. 2023-07), the *Announcement on the Resolution of the First Session of the Supervisory Committee in 2023* (Announcement No. 2023-08), the *Summary of the 2022 Annual Report* (Announcement No. 2023-09), the *Announcement on the Proposed Re-appointment of Auditor*

(Including Internal Control Audit) for 2023 (Announcement No. 2023-10), the *Announcement on the Projected Daily Related Party Transactions for 2023* (Announcement No. 2023-11), the *Announcement on the Provision for Asset Impairment for 2022* (Announcement No. 2023-12), the *Announcement on Changes in Accounting Policies* (Announcement No. 2023-13), and the *Notice on Convening the 2022 Annual General Meeting* (Announcement No. 2023-14), all disclosed by the Company at <http://www.cninfo.com.cn> on March 31, 2023.

7. On April 14, 2023, the Company disclosed *Yunnan Baiyao Group's Announcement on Change of the Independent Financial Advisor Sponsor for Continuous Supervision* (Announcement No. 2023-16). The Company engaged China International Capital Corporation Limited (hereinafter referred to as "CICC") as the independent financial advisor for major asset purchase and related party transactions projects for 2022 (ie, the Company, as a strategic investor, subscribed in cash 665,626,796 A-shares Shanghai Pharma placed privately in 2021, hereinafter referred to as "this major asset restructuring"). The continuous supervision period for this major asset restructuring would continue until December 31, 2023.

On April 13, 2023, the Company received the *Letter on Change of the Independent Financial Advisor Sponsor for Continuous Supervision of Yunnan Baiyao Group's Major Asset Restructuring Project* from CICC, its independent financial advisor. The Letter stated that CICC originally appointed Mr. Xing Hongyuan and Mr. Liu Yuran to be the independent financial advisor sponsors for continuous supervision of this major asset restructuring; however, for his personal job change, Mr. Liu Yuran did not continue this job during this continuous supervision period and Ms. Yang Luwei was appointed to replace him to perform his remaining job. Therefore, after this change, Mr. Xing Hongyuan and Ms. Yang Luwei were CICC's appointed independent financial advisor sponsors during the Company's continuous supervision period. More details can be found at <http://www.cninfo.com.cn>.

8. On May 9, 2023, the Company convened the 2022 Annual General Meeting, which considered and approved the *Proposal on the 2022 Annual Work Report of the Board of Directors*, *Proposal on the 2022 Annual Work Report of the Supervisory Committee*, *Proposal on the 2022 Final Financial Report*, *Proposal on the 2022 Annual Report and its Summary*, *Proposal on the 2022 Profit Distribution Plan*, *Proposal on the 2023 Financial Budget Report*, *Proposal on the Re-appointment of the Company's 2023 Auditor (including internal control audit)*.

More details can be found in the *Announcement on the Resolution of the 2022 Annual General Meeting* (Announcement No. 2023-19) disclosed by the Company at <http://www.cninfo.com.cn> on May 10, 2023.

9. On May 13, 2023, the Company disclosed the *Announcement on Completion of the Deregistration of a Wholly-Owned Third-Tier Subsidiary of Yunnan Baiyao Group as a Private Equity Fund Manager* (Announcement No. 2023-20). Hainan Yunfan Private Equity Fund Management Co., Ltd (hereinafter referred to as “Yunfan Fund”), a wholly-owned third-tier subsidiary of the Company, was wholly owned by Yunnan Baiyao Group (Hainan) Co., Ltd, a wholly-owned second-tier subsidiary of the Company. Yunfan Fund completed the registration as a private equity fund manager with the Asset Management Association of China (hereinafter referred to as “AMAC”) and registered Yunfan No.1 Private Equity Securities Investment Fund with AMAC in 2021. Recently, after liquidation of Yunfan No.1 Private Equity Securities Investment Fund, Yunfan Fund deregistered itself as a private equity fund manager with AMAC. Deregistration type: Voluntary deregistration. Please refer to the official website of AMAC (<http://www.amac.org.cn/>) for its detailed registration information. More details can be found at <http://www.cninfo.com.cn>.

10. On May 15, 2023, the Company disclosed the *Announcement on the Implementation of 2022 Equity Distribution of Yunnan Baiyao Group* (Announcement No. 2023-21). At the 2022 Annual General Meeting held on May 9, 2023, the 2022 Equity Distribution Plan had been considered and approved, in which the Company proposed to base on its 1,784,262,603 shares obtained after 12,599,946 shares repurchased in the special securities account for stock repurchase deducted from the Company’s total share capital at the end of 2022, ie 1,796,862,549 shares, to distribute to all shareholders a cash dividend of RMB 15.20 (including tax) and zero bonus shares per 10 shares, with no capital reserves converted into share capital. According to this distribution ratio, the distributable amount would be determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan would be implemented in the future, with the remaining undistributed profits to be distributed in the subsequent years. The equity distribution registration date for this distribution is May 18, 2023, and the ex-dividend date is May 19, 2023. The distribution is made to all shareholders of the Company who are registered with the Shenzhen Branch of China Securities Depository and Clearing Corporation, as of the close of trading on the Shenzhen Stock Exchange on the afternoon of May 18, 2023. More details can be found on at <http://www.cninfo.com.cn>.

11. On May 30, 2023, the Company disclosed *Yunnan Baiyao Group’s Announcement on Completion of Shareholding Reduction under the 2021 Annual Employee Stock Ownership Plan* (Announcement No. 2023-22). On May 29, 2023, the Company received a notice from the ESOP Management Committee, which stated the completion of a full reduction in shareholding in the Company under the 2021 Annual ESOP.

During December 13, 2022 to May 26, 2023, upon the expiration of the lock-up period of this ESOP, a full reduction in shareholding in the Company involving 23,379,996 shares of the Company under this ESOP was completed by means of centralized bidding and block trading in the secondary market. Such shares accounted for 1.30% of the Company's current total share capital, among which, the transferees of block trading were not related or acting-in-concert parties of shareholders holding more than 5% of the Company's shares. As for this ESOP, its income distribution, liquidation, termination, and other related matters would be subsequently completed as per relevant regulations. More details can be found at <http://www.cninfo.com.cn>.

12. On June 21, 2023, the Company disclosed *Yunnan Baiyao Group's Announcement on the Release of Shareholders' Partial Pledged Shares* (Announcement No. 2023-23). On June 19, 2023, the Company received a notice from its shareholder Jiangsu Yuyue, stating that Jiangsu Yuyue had released the pledge on its 1.66% equity in the Company for its repayment of the loan from China Minsheng Bank Co., Ltd Zhenjiang Sub-branch. More details can be found at <http://www.cninfo.com.cn>.

13. On June 21, 2023, the Company disclosed *Yunnan Baiyao Group's Informative Announcement on the Circulation of Certain Shares Subject to Trading Moratorium* (Announcement No. 2023-24). The Company's shareholder Jiangsu Yuyue had applied for release of the trading moratorium on its shares. There would be totally 99,916,513 such shares circulating in the markets on June 27, 2023 for this time, accounting for 5.56% of the Company's total share capital. More details can be found at <http://www.cninfo.com.cn>.

14. On June 22, 2023, the Company disclosed the *Announcement on Pre-disclosure of Shareholding Reduction by Shareholders Holding 5% or More Shares* (Announcement No. 2023-25). On June 20, 2023, the Company received from its shareholder Jiangsu Yuyue the *Notification Letter Regarding Proposed Reduction in Shareholding in Yunnan Baiyao Group*, stating that it planned to reduce no more than 35,937,250 shares of the Company (accounting for no more than 2% of the Company's total share capital) from its 99,916,513 shares in the Company (accounting for 5.56% of the Company's total share capital) via bidding from July 17, 2023 to January 13, 2024. During the implementation of this shareholding reduction plan, if the Company distributes cash dividends, bonus shares, converts capital reserves into share capital, or occurs any other ex-rights or ex-dividend events, Jiangsu Yuyue would make corresponding adjustments to this shareholding reduction in the number and equity ratio. More details can be found at <http://www.cninfo.com.cn>.

#### **XIV. Significant Events of the Company's Subsidiaries**

Applicable Not applicable

## (1) Related events of Ban Loong Holdings

### 1. Suspension of trading

At the request of Ban Loong Holdings, trading of its shares was suspended on Hong Kong Stock Exchange as of 9:00 am on June 21, 2022 and would continue to be suspended. Ban Loong Holdings will issue further announcements to inform its shareholders and potential investors of any significant developments related to the aforementioned event as and when appropriate.

### 2. Resumption guidance

On July 26, 2022, Ban Loong Holdings received the following resumption guidance from Hong Kong Stock Exchange, requiring Ban Loong Holdings to: (1) publish all outstanding financial results required under the Listing Rules and address any audit modifications; (2) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; (3) conduct an appropriate independent forensic investigation, announce the findings and take appropriate remedial actions; (4) demonstrate that there is no reasonable regulatory concern about the management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence; (5) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and (6) announce all material information for the Company's shareholders and investors to appraise its position.

Hong Kong Stock Exchange also required Ban Loong Holdings to correct the wrongs that led to the suspended trading of its shares and fully comply with the Listing Rules to the satisfaction of Hong Kong Stock Exchange before it was allowed to resume trading of its securities. Hong Kong Stock Exchange may revise or supplement the resumption guidance against any changes of Ban Loong Holdings.

According to Rule 6.01A (1) of the Listing Rules, Hong Kong Stock Exchange may cancel the listing status of any securities that have been suspended for trading for 18 months. As for Ban Loong Holdings, this 18-month term will expire on December 20, 2023. Any failure of Ban Loong Holdings to correct the wrongs that led to suspended trading of its shares so as to meet resumption guidance, fully comply with Listing Rules to the satisfaction of Hong Kong Stock Exchange, or resume trading of shares before December 20, 2023, the Listing Division will recommend that the Listing Committee proceed with the cancellation of Ban Loong Holdings' listing status. According to Rules 6.01 and 6.10 of the Listing Rules, Hong Kong Stock Exchange also has the right to specify a specific shorter correction period (if applicable). Ban Loong Holdings is taking appropriate measures to comply with the resumption guidance and relevant listing rules, and will issue separate

announcements as appropriate to ensure the public to be aware of the latest developments. Ban Loong Holdings is providing active support and cooperation to auditors, independent professional advisors, and independent investigation committees, with an aim to publish the annual results for 2021/2022 as soon as feasible. Ban Loong Holdings will seek to reach resumption guidance as soon as feasible, fully comply with Listing Rules to the satisfaction of Hong Kong Stock Exchange, and resume trading of its shares.

On April 28, 2023, Ban Loong Holdings disclosed that HLB Hodgson Impey Cheng (hereinafter referred to as “HLB”) had applied for resignation from its auditor, effective from April 25, 2023. After referring to the recommendations given by the Audit Committee, the Board decided to appoint Zhonghui Anda CPA Limited. (hereinafter referred to as “Zhonghui”) as the auditor of Ban Loong Holdings, effective from April 28, 2023, to fill the temporary vacancy after the resignation of HLB. Zhonghui’s term of office would continue until the end of the next annual general meeting of Ban Loong Holdings.

As of June 20, 2023, independent investigations by forensic investigators and internal control inspections by independent internal control advisors were still ongoing. Ban Loong Holdings was still collaborating with forensic investigators and independent internal control advisors to complete the investigation results report. Ban Loong Holdings aims to release the investigation results as soon as practical and feasible.

To comply with the requirements of the resumption guidance, Ban Loong Holdings will continue to cooperate with its professional advisors to advance the resumption process. Also, it will make further announcements to notify its shareholders and potential investors about its business operations and resumption status as and when appropriate.

### 3. Framework Agreement of Continuing Connected Transactions and Extraordinary General Meeting

On December 13, 2022, the Company entered into the *Framework Agreement of Continuing Connected Transactions* (hereinafter referred to as the “*Framework Agreement*”) with Ban Loong Holdings, stating that the Company agreed to purchase from Ban Loong Holdings product registration and promotion services, global supply chain integration services, and specialized support services; Ban Loong Holdings agreed to cooperate with the Company to sell and distribute to overseas markets certain products produced and branded by the Company, while the Company agreed to cooperate with Ban Loong Holdings to sell and distribute to China health products and foods purchased, procured, manufactured, and/or branded by Ban Loong Holdings. The *Framework Agreement* would only take effect after adoption of the necessary resolutions for approving the execution of the *Framework Agreement* and the transactions to be promoted thereunder at the Extraordinary General Meeting.

Ban Loong Holdings convened an Extraordinary General Meeting on May 15, 2023, which adopted the ordinary resolutions for approving, confirming, and endorsing the *Framework Agreement*, as well as the proposed annual transaction upper limits set out in the proposed transactions thereunder and circulars related to such transactions from the effective date to the third anniversary of the effective date. The Extraordinary General Meeting also authorized any one or more directors of Ban Loong Holdings to act on behalf of Ban Loong Holdings to sign all relevant documents and agreements, and to do all relevant actions and matters, if they deem it necessary, expedient or appropriate in their discretion to implement (or make effective) the *Framework Agreement* and all matters in connection therewith.

## Section VII Changes in Shareholdings and Particulars about Shareholders

### I. Changes in Shareholdings

#### 1. Changes in shareholdings

Unit: Share

	Before this change		Increase/decrease (+, -)					After this change	
	Quantity	Proportion	New shares	Bonus shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium	112,267,869	6.25%	0	0	0	-100,322,511	-100,322,511	11,945,358	0.66%
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	112,267,869	6.25%	0	0	0	-100,322,511	-100,322,511	11,945,358	0.66%
Of which: shares held by domestic legal persons	99,916,513	5.56%	0	0	0	-99,916,513	-99,916,513	0	0.00%
Shares held by domestic natural persons	12,351,356	0.69%	0	0	0	-405,998	-405,998	11,945,358	0.66%
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	1,684,594,680	93.75%	0	0	0	100,322,511	100,322,511	1,784,917,191	99.34%
1. RMB-denominated ordinary share	1,684,594,680	93.75%	0	0	0	100,322,511	100,322,511	1,784,917,191	99.34%
2. Domestic-listed	0	0.00%	0	0	0	0	0	0	0.00%

foreign-invested shares									
3. Overseas-listed foreign-invested 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	0	0	1,796,862,549	100.00%

Reasons for changes in shareholdings

Applicable  Not applicable

On April 24, 2019, the Company received the *Approval for the Merger and Overall Listing of Yunnan Baiyao Group Co., Ltd with Yunnan Baiyao Holdings Co., Ltd* (Zheng Jian Xu Ke [2019] No.770) issued by the China Securities Regulatory Commission, which approved the issuance of 321,160,222 shares by the Company to the SASAC of Yunnan Province, the issuance of 275,901,036 shares to New Huadu and the issuance of 71,368,938 shares to Jiangsu Yuyue. Among them, the new shares subscribed by Jiangsu Yuyue shall not be transferred from the closing offering date to June 26, 2023 (inclusive).

On May 5, 2022, the Company completed the annual equity distribution for 2021. Based on the total share capital of 1,283,015,697 shares, 4.00 bonus shares and RMB 16.00 in cash for every 10 shares were distributed to all shareholders, and after the dividend distribution, the total share capital increased to 1,796,221,975 shares. Upon completion of this equity distribution, Jiangsu Yuyue held 99,916,513 shares subject to trading moratorium of the Company. Such shares held by Jiangsu Yuyue were listed for trading on June 27, 2023. For details, please refer to *the Informative Announcement on the Circulation of Certain Shares Subject to Trading Moratorium* (Announcement No.: 2023-24) disclosed by the Company on <http://www.cninfo.com.cn>.

During the reporting period, Mr. Yang Changhong and Mr. Wu Wei had resigned for more than 6 months, and Mr. Wang Minghui and Ms. Wang Jin resigned during the reporting period. According to relevant regulations, the quantity of shares subject to trading moratorium for this period changed correspondingly.

Approval of changes in shareholdings

Applicable  Not applicable

Transfers for changes in shareholdings

Applicable  Not applicable

Implementation of share repurchases

Applicable  Not applicable

Implementation of reduction in share repurchases by means of centralized bidding

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

Other disclosures deemed necessary by the Company 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	Number of shares released from trading moratorium during the reporting period	Increase in shares subject to 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
Jiangsu Yuyue Science & Technology Development Co., Ltd.	99,916,513	99,916,513	0	0	Shares subject to trading moratorium after private placement	June 27, 2023
Chen Fashu	9,395,620	0	1	9,395,621	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Minghui	756,000	0	252,000	1,008,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yang Changhong	504,000	504,000	0	0	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Yanhui	133,008	0	1	133,009	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
Yin Pinyao	252,000	0	0	252,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Jin	378,000	0	126,000	504,000	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
Yang Yong	75,768	0	0	75,768	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements

						requirements
Wu Wei	280,000	280,000	0	0	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yu Juan	105,000	0	0	105,000	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
Zhu Zhaoyun	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Total	112,267,869	100,700,513	378,002	11,945,358	--	--

Note: Mr. Chen Fashu and Mr. Chen Yanhui have increased their shares subject to trading moratorium by 1 share for this period, due to system residual differences of the Shenzhen Branch of China Securities Depository and Clearing Corporation.

Mr. Yang Changhong and Mr. Wu Wei had resigned for more than 6 months, and Mr. Wang Minghui and Ms. Wang Jin resigned during the reporting period. According to relevant regulations, the quantity of shares subject to trading moratorium for this period changed correspondingly.

## II. Issuance and Listing of Securities

Applicable  Not applicable

## III. Number of Shareholders of the Company and Their Shareholdings

Unit: Share

Total number of ordinary shareholders at the end of the reporting period		188,674		Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if any) (see Note 8)		0		
Shareholdings of ordinary shareholders holding more than 5% of the shares or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of ordinary shares held at the end of the reporting period	Change during the reporting period	Number of ordinary shares subject to trading moratorium	Number of ordinary shares not subject to trading moratorium	Pledged, marked or frozen	
							Status	Quantity
Yunnan State-owned Equity Operation	State-owned legal person	25.02%	449,624,311	0	0	449,624,311	Pledged	190,743,840

Management Co., Ltd.								
New Huadu Industrial Group Co., Ltd.	Domestic non-state-owned legal person	24.25%	435,742,244	0	0	435,742,244	Pledged	290,514,000
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.14%	146,185,851	0	0	146,185,851		0
Jiangsu Yuyue Science & Technology Development Co., Ltd.	Domestic non-state-owned legal person	5.56%	99,916,513	0	0	99,916,513	Pledged	32,365,781
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.46%	80,125,353	-439,124	0	80,125,353		0
China Securities Finance Corp.	Domestic non-state-owned legal person	2.08%	37,373,108	0	0	37,373,108		0
UBS Asset Management (Singapore) Ltd. - UBS Lux Investment SICAV	Overseas legal person	1.04%	18,672,128	0	0	18,672,128		0
Central Huijin Investment Ltd.	State-owned legal person	0.92%	16,617,440	0	0	16,617,440		0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	9,395,621	3,131,874		0
National Social Security Fund 110	Others	0.66%	11,796,858	-769,700	0	11,796,858		0
Strategic investors or general legal persons who become the top 10 ordinary shareholders due to rights issue (if any) (see Note 3)	Not applicable							
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 <i>Administrative Measures for Information Disclosure of Changes in Shareholdings of Listed Companies</i> .							
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 (see Note 11)	As of the end of the reporting period, Yunnan Baiyao Group's holdings in the special securities account for stock repurchase amounted to 12,599,946 shares, representing a 0.70% ownership stake.							
Shareholdings of the top 10 ordinary shareholders not subject to trading moratorium								
Name of shareholder	Number of ordinary 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.	449,624,311					RMB-denominated ordinary share	449,624,311	
New Huadu Industrial Group Co., Ltd.	435,742,244					RMB-denominated ordinary share	435,742,244	
Yunnan Hehe (Group) Co., Ltd.	146,185,851					RMB-denominated	146,185,851	

		ordinary share	
Jiangsu Yuyue Science & Technology Development Co., Ltd.	99,916,513	RMB-denominated ordinary share	99,916,513
Hong Kong Securities Clearing Company Limited	80,125,353	RMB-denominated ordinary share	80,125,353
China Securities Finance Corp.	37,373,108	RMB-denominated ordinary share	37,373,108
UBS Asset Management (Singapore) Ltd.—UBS Lux Investment SICAV	18,672,128	RMB-denominated ordinary share	18,672,128
Central Huijin Investment Ltd.	16,617,440	RMB-denominated ordinary share	16,617,440
National Social Security Fund 110	11,796,858	RMB-denominated ordinary share	11,796,858
China Construction Bank Corporation—E Fund CSI 300 Health Care Index ETF	10,297,852	RMB-denominated ordinary share	10,297,852
Related or acting-in-concert parties among the top 10 ordinary shareholders not subject to trading moratorium, and the top 10 ordinary shareholders not subject to trading moratorium and the top 10 ordinary shareholders	Not applicable		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see Note 4)	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.

#### IV. Changes in Shareholdings of Directors, Supervisors and Senior Management

Applicable  Not applicable

There was no change in the shareholdings of the directors, supervisors, and senior management of the Company during the reporting period. For details, please refer to the 2022 Annual Report.

#### V. Changes in Controlling Shareholders or De Facto Controllers

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.

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.

## 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

## Section X Financial Statements

### I. Auditors' Report

Whether the Interim Report has been audited

Yes  No

The Company's interim financial statements were unaudited.

### II. Financial Statements

The units in the Notes to the Financial Statements are presented in RMB.

#### 1. Consolidated balance sheet

Prepared by: Yunnan Baiyao Group Co., Ltd.

June 30, 2023

Unit: RMB

Item	June 30, 2023	January 1, 2023
Current assets:		
Cash and bank balance	12,545,694,750.39	13,056,113,712.47
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets held for trading	1,541,024,256.18	2,415,722,075.60
Derivative financial assets		
Notes receivable	741,097,162.68	789,465,084.93
Accounts receivable	9,663,208,605.27	9,089,822,151.93
Accounts receivable financing	634,158,821.40	834,668,231.58
Prepayment	410,643,169.96	542,948,440.85
Premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	533,146,423.08	118,948,994.06
Including: Interest receivable		
Dividends receivable	406,032,345.56	
Financial assets held under resale agreements		
Inventory	6,970,395,685.01	7,993,207,044.26
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		361,774,444.44
Other current assets	1,230,209,819.11	474,340,107.76

Total current assets	34,269,578,693.08	35,677,010,287.88
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	11,334,322,872.56	11,318,749,947.10
Investment in other equity instruments	71,745,000.00	71,745,000.00
Other non-current financial assets	391,447,063.97	380,786,134.24
Investment properties	54,825,749.03	55,823,776.49
Fixed assets	2,639,966,624.79	2,723,302,365.65
Construction in progress	384,905,022.44	193,993,194.93
Productive biological assets	1,074,374.79	1,160,324.85
Oil and gas assets		
Right-of-use assets	271,007,940.03	389,975,390.73
Intangible assets	592,851,437.55	590,985,824.30
Development expenses	9,048,987.02	6,024,448.12
Goodwill	129,882,094.89	129,882,094.89
Long-term deferred expenses	101,750,205.68	103,039,892.76
Deferred income tax assets	677,123,635.50	713,246,779.66
Other non-current assets	996,918,974.01	965,218,407.14
Total non-current assets	17,656,869,982.26	17,643,933,580.86
Total assets	51,926,448,675.34	53,320,943,868.74
Current liabilities:		
Short-term loans	1,524,432,903.76	1,850,867,886.59
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,889,582,464.57	1,991,907,836.96
Accounts payable	4,521,293,910.32	4,639,261,396.45
Receipts in advance	3,200,394.26	1,569,799.63
Contractual liabilities	1,553,057,007.25	2,578,264,621.13
Financial assets sold under repurchase agreements		
Deposits from customers and interbank		
Customer brokerage deposits		
Acting underwriting of securities		
Payroll payable	370,969,181.40	468,450,348.52
Taxes and duties payable	474,549,435.58	509,286,922.32
Other payables	1,340,766,834.05	1,043,693,209.78

Including: Interest payable		
Dividends payable	95,031,694.37	89,413,484.03
Fees and commissions payable		
Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	79,130,236.45	93,870,902.64
Other current liabilities	468,011,160.68	381,185,773.19
Total current liabilities	12,224,993,528.32	13,558,358,697.21
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	183,946,367.10	285,783,728.73
Long-term payables	637,183,176.29	646,074,143.55
Long-term payroll payable	4,236,056.04	4,280,453.08
Estimated liabilities		
Deferred income	186,342,751.32	178,621,813.00
Deferred income tax liabilities	69,676,395.57	98,079,237.09
Other non-current liabilities	21,535,982.23	20,648,534.29
Total non-current liabilities	1,105,020,728.55	1,235,587,909.74
Total liabilities	13,330,014,256.87	14,793,946,606.95
Owners' equity:		
Share capital	1,796,862,549.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	18,237,265,189.86	18,231,423,838.72
Less: Treasury stock	707,428,892.15	707,428,892.15
Other comprehensive income	-95,625,013.51	-68,087,650.95
Special reserves		
Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	16,836,377,377.40	16,720,444,918.66
Total owners' equity attributable to parent company	38,597,910,179.18	38,503,673,731.86
Minority interests	-1,475,760.71	23,323,529.93
Total owners' equity	38,596,434,418.47	38,526,997,261.79
Total liabilities and owners' equity	51,926,448,675.34	53,320,943,868.74

Legal representative: Dong Ming

Accounting officer: Ma Jia

Head of accounting firm: Xu Jing

## 2. Balance sheet of parent company

Unit: RMB

Item	June 30, 2023	January 1, 2023
<b>Current assets:</b>		
Cash and bank balance	9,675,374,713.21	10,750,790,137.56
Financial assets held for trading	1,426,698,888.74	2,271,661,364.13
Derivative financial assets		
Notes receivable	147,262,548.01	15,053,289.26
Accounts receivable	1,475,394,712.65	977,848,724.80
Accounts receivable financing	237,406,286.64	764,707,862.56
Prepayment	1,836,407,049.14	2,653,025,880.52
Other receivables	4,190,850,711.42	3,123,928,450.54
Including: Interest receivable		
Dividends receivable	406,032,345.56	
Inventory	1,368,695,281.23	1,714,985,144.48
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		161,580,000.00
Other current assets	1,521,554,793.00	860,182,734.75
<b>Total current assets</b>	<b>21,879,644,984.04</b>	<b>23,293,763,588.60</b>
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	13,671,033,044.38	13,555,259,244.01
Investment in other equity instruments		
Other non-current financial assets	390,947,063.97	382,286,134.24
Investment properties	324,217,965.14	329,163,194.06
Fixed assets	1,401,416,216.11	1,466,536,097.93
Construction in progress	88,203,141.97	42,777,046.60
Productive biological assets		
Oil and gas assets		
Right-of-use assets	269,142,633.18	278,370,935.35
Intangible assets	286,058,535.85	279,813,388.40
Development expenses	9,048,987.02	6,024,448.12
Goodwill		
Long-term deferred expenses	18,945,197.92	26,383,681.39
Deferred income tax assets	390,809,600.74	393,672,386.71
Other non-current assets	931,747,729.81	878,933,974.44
<b>Total non-current assets</b>	<b>17,781,570,116.09</b>	<b>17,639,220,531.25</b>
<b>Total assets</b>	<b>39,661,215,100.13</b>	<b>40,932,984,119.85</b>
<b>Current liabilities:</b>		

Short-term loans	19,000,000.00	
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	3,088,848,105.60	3,490,312,525.91
Receipts in advance	1,918,624.04	78,896.18
Contractual liabilities	994,177,648.13	1,854,572,406.22
Payroll payable	219,312,985.68	260,587,798.86
Taxes and duties payable	175,344,210.60	136,524,520.02
Other payables	8,441,509,326.10	6,874,487,463.94
Including: Interest payable		
Dividends payable	86,490,742.04	86,490,742.04
Held-for-sales liabilities		
Non-current liabilities due within one year	20,079,214.86	19,355,990.16
Other current liabilities	66,787,714.04	168,111,106.82
Total current liabilities	13,026,977,829.05	12,804,030,708.11
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	252,841,236.63	262,346,944.44
Long-term payables	637,183,176.29	646,074,143.55
Long-term payroll payable		
Estimated liabilities		
Deferred income	94,384,352.02	90,960,005.58
Deferred income tax liabilities	52,652,022.25	58,991,118.22
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,040,092,341.55	1,061,403,766.15
Total liabilities	14,067,070,170.60	13,865,434,474.26
Owners' equity		
Share capital	1,796,862,549.00	1,796,862,549.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	18,436,007,785.94	18,430,166,434.80
Less: Treasury stock	707,428,892.15	707,428,892.15
Other comprehensive income	-55,068,924.70	-32,221,472.36
Special reserves		
Surplus reserves	2,529,297,618.08	2,529,297,618.08
Undistributed profits	3,594,474,793.36	5,050,873,408.22
Total owners' equity	25,594,144,929.53	27,067,549,645.59
Total liabilities and owners' equity	39,661,215,100.13	40,932,984,119.85

### 3. Consolidated income statement

Unit: RMB

Item	1H 2023	1H 2022
I. Total operating revenue	20,309,372,850.07	18,016,738,609.15
Including: Operating revenue	20,309,372,850.07	18,016,738,609.15
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	17,462,566,820.49	15,245,797,330.36
Including: Operating cost	14,713,232,267.40	12,792,498,131.95
Interest expenses		
Fee and commission expenses		
Surrender value		
Net payments for insurance claims		
Net provision for insurance liability		
Bond insurance expenses		
Reinsurance expenses		
Taxes and surcharges	108,372,830.01	107,578,129.73
Selling expenses	2,257,688,549.69	2,010,088,694.73
Administrative expenses	344,443,810.40	370,784,999.34
R&D expenses	144,819,933.66	128,624,650.16
Financial expenses	-105,990,570.67	-163,777,275.55
Including: Interest expenses	18,798,896.05	46,066,543.03
Interest income	114,776,796.46	225,532,115.81
Plus: other income	42,177,454.66	35,603,814.75
Investment income (loss is indicated with “-”)	421,542,165.56	533,069,805.76
Including: Income from investment in associates and joint ventures	447,048,881.55	415,810,809.60
Investment income from derecognition of financial assets at amortized cost		
Exchange gains (loss is indicated with “-”)		
Net exposure hedging income (loss is indicated with “-”)		
Income from changes in fair value (loss is indicated with “-”)	53,088,928.07	-416,612,452.13
Credit impairment losses (loss is indicated with “-”)	-74,680,582.29	-669,513,755.43
Asset impairment losses (loss is indicated with “-”)	19,008,334.90	-593,505,510.85
Gains from asset disposal (loss is indicated with “-”)	5,403,078.51	-1,942,102.28
III. Operating profit (loss is indicated with “-”)	3,313,345,408.99	1,658,041,078.61
Plus: Non-operating revenue	2,002,724.29	1,898,948.41
Less: Non-operating expenses	12,068,474.23	3,280,239.30
IV. Total profit (total loss is indicated with “-”)	3,303,279,659.05	1,656,659,787.72
Less: Income tax expenses	477,020,837.61	290,249,994.10
V. Net profit (net loss is indicated with “-”)	2,826,258,821.44	1,366,409,793.62

(I) Classification by operation continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	2,826,258,821.44	1,366,409,793.62
2. Net profit from discontinued operations (net loss is indicated with “-”)		
(II) Classification by ownership		
1. Net profits attributable to the shareholders of the parent company (net loss to be listed with “-”)	2,828,011,615.30	1,500,494,603.81
2. Minority interests (net loss is indicated with “-”)	-1,752,793.86	-134,084,810.19
VI. Other comprehensive income, net of tax	-28,749,435.38	-41,333,084.96
Other comprehensive income attributable to owners of parent company, net of tax	-27,537,362.56	-37,357,689.77
(I) Other comprehensive income that cannot be reclassified into profits or losses	-8,119,659.75	
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profits or losses under the equity method	-8,119,659.75	
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise’s credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits or losses	-19,417,702.81	-37,357,689.77
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-14,727,792.59	-22,195,389.71
2. Changes in fair value of other debt investments		
3. Amount of the financial asset reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserves		
6. Exchange differences from translation of statements denominated in foreign currencies	-4,689,910.22	-15,162,300.06
7. Others		
Other comprehensive income attributable to minority interests, net of tax	-1,212,072.82	-3,975,395.19
VII. Total comprehensive income	2,797,509,386.06	1,325,076,708.66
Total comprehensive income attributable to owners of parent company	2,800,474,252.74	1,463,136,914.04
Total comprehensive income attributable to minority interests	-2,964,866.68	-138,060,205.38
VIII. Earnings per share:		
(I) Basic earnings per share	1.58	1.10
(II) Diluted earnings per share	1.58	1.09

Net profit realized by the combined party in business combination under common control before the business combination in the current period was RMB 0.00, and net profit realized by the combined party in the previous period was RMB 0.

Legal representative: Dong Ming

Accounting officer: Ma Jia

Head of accounting firm: Xu Jing

## 4. Income statement of parent company

Unit: RMB

Item	1H 2023	1H 2022
I. Operating revenue	4,070,676,103.03	3,621,961,552.64
Less: Operating costs	1,887,507,329.14	1,594,027,409.62
Tax and surcharge	44,672,855.31	40,989,010.30
Selling expenses	1,113,001,120.00	1,087,138,945.02
Administrative expenses	137,464,403.96	183,782,902.44
R&D expenses	87,188,305.63	64,137,079.43
Financial expenses	-101,225,996.11	-203,026,669.16
Including: Interest expenses	78,186.12	108,028.93
Interest income	102,169,525.79	203,220,929.30
Plus: Other income	26,946,820.33	21,136,422.81
Investment income (loss is indicated with "-")	446,784,505.53	622,410,401.31
Including: Income from investment in associates and joint ventures	438,812,247.13	417,186,780.11
Derecognized financial assets measured by amortized cost (loss is indicated with "-")		
Net exposure hedging income (loss is indicated with "-")		
Income from changes in fair value (loss is indicated with "-")	51,654,189.47	-411,038,740.94
Credit impairment losses (loss is indicated with "-")	-1,916,080.56	-6,496,648.14
Asset impairment losses (loss is indicated with "-")	-4,697,182.46	-71,670,591.47
Gains from asset disposal (loss is indicated with "-")	-75,147.74	-2,021,694.82
II. Operating profit (loss is indicated with "-")	1,420,765,189.67	1,007,232,023.74
Plus: Non-operating revenue	705,000.94	136,673.08
Less: Non-operating expenses	5,805,874.24	2,073,009.65
III. Total profit (total loss is indicated with "-")	1,415,664,316.37	1,005,295,687.17
Less: income tax expenses	159,983,774.67	6,527,317.08
IV. Net profit (net loss is indicated with "-")	1,255,680,541.70	998,768,370.09
(I) Net profit from continuing operations (net loss is indicated with "-")	1,255,680,541.70	998,768,370.09
(II) Net profit from discontinued operations (net loss is indicated with "-")		
V. Other comprehensive income, net of tax	-22,847,452.34	-22,195,389.71
(I) Other comprehensive income that cannot be reclassified into profits or losses	-8,119,659.75	
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profits or losses under the equity method	-8,119,659.75	
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise's credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified into profits or losses	-14,727,792.59	-22,195,389.71

1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-14,727,792.59	-22,195,389.71
2. Changes in fair value of other debt investments		
3. Amount of the financial asset reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserves		
6. Exchange differences from translation of statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	1,232,833,089.36	976,572,980.38
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB

Item	1H 2023	1H 2022
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods or rendering of services	20,702,033,007.45	18,504,329,866.82
Net increase in customer deposits and placements from financial institutions		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of the insured and investment		
Cash received from interest, fees and commissions		9,698.79
Net increase in placements from banks and other financial institutions		
Net increase in repurchase business funds		
Net cash received from acting trading of securities		
Receipts from tax refunds	4,075,145.25	88,557,113.46
Other cash receipts related to operating activities	243,193,845.25	448,878,139.77
Subtotal of cash inflows from operating activities	20,949,301,997.95	19,041,774,818.84
Cash paid for goods purchased and services received	14,862,338,495.13	14,139,344,398.81
Net increase in loans and advances to customers		
Net increase in deposits with the central bank and other financial institutions		
Cash paid for claim settlements on original insurance contract		
Net increase in placements to banks and other financial institutions		
Cash paid for interest, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	1,247,729,927.92	1,049,690,373.76
Payments of all types of taxes	1,315,371,659.24	1,127,340,363.11
Other cash paid relating to operating activities	1,271,910,545.56	1,547,449,625.89
Subtotal of cash outflows from operating activities	18,697,350,627.85	17,863,824,761.57
Net cash flows from operating activities	2,251,951,370.10	1,177,950,057.27
<b>II. Cash flows from investment activities:</b>		
Cash received from disposal of investments	968,704,891.05	3,785,845,797.27
Cash received from returns on investments	16,545,231.60	216,499,527.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	172,440.00	594,583.14
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment	363,000,000.00	1,120,000,000.00

activities		
Subtotal of cash inflows from investment activities	1,348,422,562.65	5,122,939,908.04
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	275,314,995.16	204,414,966.46
Cash paid for acquisition of investments	68,700,000.00	11,586,624,186.44
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		548,420,497.85
Other cash paid relating to investment activities	697,318,800.00	38,327,517.39
Subtotal of cash outflows from investment activities	1,041,333,795.16	12,377,787,168.14
Net cash flows from investment activities	307,088,767.49	-7,254,847,260.10
III. Cash flows from financing activities:		
Cash received from absorption of investments		122,051,491.61
Including: Cash received from subsidiaries' absorbing minority shareholder investment		86,921,829.54
Cash received from borrowings	592,248,791.91	1,498,269,608.15
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	592,248,791.91	1,620,321,099.76
Cash payments for settlement of debts	917,334,047.33	1,356,624,806.88
Cash payments for distribution of dividends and profits or repayment of interest	2,741,240,399.43	2,159,418,120.35
Including: Dividends and profits paid to minority shareholders by subsidiaries	11,316,213.63	7,029,234.99
Other cash payments relating to financing activities	41,375,308.90	816,953,094.62
Subtotal of cash outflows from financing activities	3,699,949,755.66	4,332,996,021.85
Net cash flow from financing activities	-3,107,700,963.75	-2,712,674,922.09
IV. Effect of foreign exchange rate changes on cash and cash equivalents	5,239,164.08	7,102,306.14
V. Net increase in cash and cash equivalents	-543,421,662.08	-8,782,469,818.78
Plus: Opening balance of cash and cash equivalents	13,046,160,012.47	18,869,864,842.32
VI. Closing balance of cash and cash equivalents	12,502,738,350.39	10,087,395,023.54

## 6. Cash flow statement of parent company

Unit: RMB

Item	1H 2023	1H 2022
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods or rendering of services	2,961,019,462.94	2,570,186,723.42
Receipts from tax refunds		102,588.12
Other cash receipts related to operating activities	2,590,203,193.90	4,719,233,117.50
Subtotal of cash inflows from operating activities	5,551,222,656.84	7,289,522,429.04
Cash paid for goods purchased and services received	928,869,090.40	1,355,262,592.37
Cash paid to and on behalf of employees	528,333,366.43	514,308,454.35
Payments of all types of taxes	451,039,753.23	452,749,410.25
Other cash paid relating to operating activities	2,192,698,982.19	1,810,893,096.43
Subtotal of cash outflows from operating activities	4,100,941,192.25	4,133,213,553.40
Net cash flows from operating activities	1,450,281,464.59	3,156,308,875.64
<b>II. Cash flows from investment activities:</b>		
Cash received from disposal of investments	884,291,638.76	2,498,345,797.03
Cash received from returns on investments	9,639,488.08	207,591,547.81
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		429,082.14
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	160,000,000.00	
Subtotal of cash inflows from investment activities	1,053,931,126.84	2,706,366,426.98
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	87,181,750.91	72,947,044.71
Cash paid for acquisition of investments	100,000,000.00	11,028,424,186.44
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	696,518,800.00	
Subtotal of cash outflows from investment activities	883,700,550.91	11,101,371,231.15
Net cash flows from investment activities	170,230,575.93	-8,395,004,804.17
<b>III. Cash flows from financing activities:</b>		
Cash received from absorption of investments		35,129,662.07
Cash received from borrowings	19,000,000.00	
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	19,000,000.00	35,129,662.07
Cash payments for settlement of debts		
Cash payments for distribution of dividends and profit or repayment of interest	2,712,079,156.56	2,052,825,115.20
Other cash payments relating to financing activities	2,219,511.75	708,824,205.17
Subtotal of cash outflows from financing activities	2,714,298,668.31	2,761,649,320.37
Net cash flow from financing activities	-2,695,298,668.31	-2,726,519,658.30
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-628,796.56	
<b>V. Net increase in cash and cash equivalents</b>	-1,075,415,424.35	-7,965,215,586.83
Plus: Opening balance of cash and cash equivalents	10,750,790,137.56	15,642,937,733.61
<b>VI. Closing balance of cash and cash equivalents</b>	9,675,374,713.21	7,677,722,146.78

## 7. Consolidated statement of changes in owners' equity

Amount for the current period

Unit: RMB

Item	1H 2023														
	Owners' 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	Undistributed 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															
Business combination under common control															
Others															
II. Opening balance of the current 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
III. Increase/decrease for the period (decrease is indicated with "-")					5,841,351.14		-27,537,362.56				115,932,458.74		94,236,447.32	-24,799,290.64	69,437,156.68
(I) Total comprehensive income							-27,537,362.56				2,828,011,615.30		2,800,474,252.74	-2,964,866.68	2,797,509,386.06



4. Change of defined benefit plan carried forward to retained earning															
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					5,841,351.14								5,841,351.14		5,841,351.14
IV. Closing balance for the period	1,796,862,549.00				18,237,265,189.86	707,428,892.15	-95,625,013.51		2,530,458,968.58		16,836,377,377.40		38,597,910,179.18	-1,475,760.71	38,596,434,418.47

Amount for the previous year

Unit: RMB

Item	1H 2022														Minority interests	Total owners' equity
	Owners' equity attributable to parent company												Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undistributed profits	Others				
	Preferred shares	Perpetual bonds	Others													
I. Closing balance of the previous year	1,282,715,242.00				18,126,393,630.22		2,513,802.65		2,530,458,968.58		16,284,055,265.44		38,226,136,908.89	207,680,936.70	38,433,817,845.59	
Plus: Changes in accounting policies																

Correction of errors in the prior period																
Business combination under common control																
Others																
II. Opening balance of the current year	1,282,715,242.00				18,126,393.63 0.22		2,513,802.65			2,530,458.9 68.58		16,284,055,265. 44		38,226,136.9 08.89	207,680, 936.70	38,433,817.8 45.59
III. Increase/decrease for the period (decrease is indicated with “-”)	514,147,307.00				137,684,836.7 8	707,428,892. 15	-37,357,689.77					-1,065,536,789. 39		-1,158,491,22 7.53	-85,445,2 60.89	-1,243,936,48 8.42
(I) Total comprehensive income							-37,357,689.77					1,500,494,603.8 1		1,463,136,91 4.04	-138,060, 205.38	1,325,076,70 8.66
(II) Contribution and withdrawal of capital by owners	941,029.00				54,468,345.99	707,428,892. 15								-652,019,517. 16	59,644,1 79.48	-592,375,337. 68
1. Ordinary shares invested by owners															59,247,5 41.68	59,247,541.6 8
2. Capital invested by holders of other equity instruments																
3. Amount of share payment credited to owners' equity	941,029.00				54,468,345.99									55,409,374.9 9		55,409,374.9 9
4. Others						707,428,892. 15								-707,428,892. 15	396,637. 80	-707,032,254. 35

(III) Profit distribution	513,206,278.00										-2,566,031,393.20		-2,052,825,115.20	-7,029,234.99	-2,059,854,350.19
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)	513,206,278.00										-2,566,031,393.20		-2,052,825,115.20	-7,029,234.99	-2,059,854,350.19
4. Others															
(IV) Internal carry-over of owners' equity															
1. Transfer of capital reserve 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 earning															
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					83,216,490.79								83,216,490.79		83,216,490.79
IV. Closing balance for the period	1,796,862,549.00				18,264,078,467.00	707,428,892.15	-34,843,887.12		2,530,458,968.58		15,218,518,476.05		37,067,645,681.36	122,235,675.81	37,189,881,357.17

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

Amount for the current period

Unit: RMB

Item	1H 2023											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed 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 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
III. Increase/decrease for the period (decrease is indicated with "-")					5,841,351.14		-22,847,452.34			-1,456,398,614.86		-1,473,404,716.06
(I) Total comprehensive income							-22,847,452.34			1,255,680,541.70		1,232,833,089.36
(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 owners' 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 earning												
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					5,841,351.14							5,841,351.14
IV. Closing balance for the period	1,796,862,549.00				18,436,007,785.94	707,428,892.15	-55,068,924.70		2,529,297,618.08	3,594,474,793.36		25,594,144,929.53

Amount for the previous year

Unit: RMB

Item	1H 2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,282,715,242.00				18,401,967,020.13		1,601,232.51		2,529,297,618.08	5,720,640,713.51		27,936,221,826.23
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current year	1,282,715,242.00				18,401,967,020.13		1,601,232.51		2,529,297,618.08	5,720,640,713.51		27,936,221,826.23
III. Increase/decrease for the period (decrease is indicated with "-")	514,147,307.00				60,894,908.53	707,428,892.15	-22,195,389.71			-1,567,263,023.11		-1,721,845,089.44
(I) Total comprehensive income							-22,195,389.71			998,768,370.09		976,572,980.38
(II) Contribution and withdrawal of capital by owners	941,029.00				54,468,345.99	707,428,892.15						-652,019,517.16
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity	941,029.00				54,468,345.99							55,409,374.99
4. Others						707,428,892.15						-707,428,892.15

(III) Profit distribution	513,206,278.00									-2,566,031,393.20		-2,052,825,115.20
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)	513,206,278.00									-2,566,031,393.20		-2,052,825,115.20
3. Others												
(IV) Internal carry-over of owners' 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 earning												
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					6,426,562.54							6,426,562.54
IV. Closing balance for the period	1,796,862,549.00				18,462,861,928.66	707,428,892.15	-20,594,157.20		2,529,297,618.08	4,153,377,690.40		26,214,376,736.79

### 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 China Securities Regulatory Commission 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 China Securities Regulatory Commission 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 Yunnan State-owned Equity Operation Management Company at nil consideration. Upon completion of this transfer, Yunnan State-owned Equity Operation 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 Yunnan State-owned Equity Operation Management Company into Yunnan Investment Holdings Group. After the equity transfer, Yunnan Investment Holdings Group held 321,160,222 shares of the Company through the Yunnan State-owned

Equity Operation Management Company, accounting for 25.04% of the total share capital of the Company. Yunnan State-owned Equity Operation 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.

### 3. Business nature and principal businesses of the Company

The business nature and operating activities of the Company and its subsidiaries (collectively referred to as the "Group") mainly include: R&D, manufacturing, and sales of chemical APIs, chemical preparations, Chinese patent medicines, TCM materials, biological products, medical devices, healthcare food, food, beverages, special labor protection products, non-household textile products, daily chemical products, cosmetics, outdoor products; Sales of rubber pastes, plasters, disinfectant products, electronic and digital products; Information technology, science and technology and economic and technological consulting services; Import and export of goods; Property operation and management (carrying out business activities with qualification certificates), wholesale and retail of drugs, logistics and distribution, etc (For items that require approval according to law, business activities of these projects can only be carried out after approval by relevant departments).

4. These financial statements were approved for reporting by a resolution of the Board of Directors of the Company dated August 28, 2023.

As of June 30, 2023, there were 105 subsidiaries and structured entities included in the scope of the Group's consolidated financial statements. For details, please refer to Note IX "Interest in Other Entities." The Group had 13 new entities included in its consolidated financial statements compared to the end of the previous

year, while 5 entities were excluded. For details, please refer to Note VIII “Changes in Consolidation Scope.”

#### **IV. Basis for Preparation of Financial Statements**

##### **1. Basis for preparation**

The financial statements of the Group are prepared on the basis of going concern assumptions, based on actual transactions and events that occur and in accordance with the *Accounting Standards for Business Enterprises — Basic Standards issued by the Ministry of Finance* (issued by Decree No. 33 of the Ministry of Finance, revised by Decree No. 76 of the Ministry of Finance), 41 specific accounting standards, Guidelines for the Application of Accounting Standards for Business Enterprises, interpretations of Accounting Standards for Business Enterprises and other relevant provisions promulgated and revised on and after February 15, 2006 (collectively “Accounting Standards for Business Enterprises” or “ASBEs”), as well the disclosure provisions of the *Rules Governing the Disclosure of Information by Companies Issuing Public Securities No. 15 — General Provisions for Financial Reporting (Revised in 2014)* issued by China Securities Regulatory Commission.

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises, the Group’s accounting is based on the accrual basis. Except for certain financial instruments, these financial statements are prepared at historical cost. In case of asset impairment, provision for impairment would be made according to the relevant regulations.

##### **2. Going concern basis**

The Company and the Group evaluated their abilities to continue as a going concern for the 12 months from the end of the reporting period and there are no material matters affecting their abilities to continue as a going concern.

#### **V. Significant Accounting Policies and Accounting Estimates**

Notes on significant accounting policies and accounting estimates:

Based on the actual production and operation characteristics and in accordance with the provisions of relevant accounting standards for enterprises, the Group has formulated a number of specific accounting policies and accounting estimates for transactions and matters such as revenue recognition and R&D expenses. For details, see the descriptions under Section 39 “Revenue” under this Note V. For the description of significant accounting judgments and estimates made by the management, please refer to Section 43 “Other Significant Accounting Policies and Accounting Estimates” under this Note V.

## **1. Statement of compliance with the ASBEs**

The financial statements prepared by the Company are in compliance with the requirements of the Accounting Standards for Business Enterprises (ASBEs), and have reflected truly and completely such relevant information as the financial positions of the Company and the Group as of June 30, 2023 as well as the business results and cash flows of the Company and the Group for 1H 2023. In addition, the financial statements of the Company and the Group also comply with the disclosure requirements of the *Rules Governing the Disclosure of Information by Companies Issuing Public Securities No. 15 — General Provisions on Financial Reporting* as amended by the China Securities Regulatory Commission in 2014.

## **2. Accounting period**

The Group's accounting periods are divided into annual and interim periods. An interim period refers to a reporting period less than a full accounting year. The accounting year of the Group is the calendar year that starts from January 1 and ends on December 31.

## **3. Operating cycle**

The normal operating cycle refers to the period from purchasing the assets for processing to realizing the cash or cash equivalents. The operating cycle of the Group consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

## **4. Reporting currency**

RMB is the currency used in the major economic environment where the Company and its domestic subsidiaries operate. The reporting currency of the Company and its domestic subsidiaries is RMB. The Company's foreign subsidiaries select HKD as their reporting currencies based on the currency of the primary economic environment in which they operate. The currency used by the Group in preparing the financial statements is RMB.

## **5. Accounting treatment for business combination under common control and not under common control**

A business combination refers to the transaction or matter in which one reporting subject formed due to the combination of two or above separate entities. A business combination can be classified as the combination under common control and not under common control.

### **(1) Business combination under common control**

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that

control is not transitory. For a business combination under common control, the party that obtains the control of the other parties on the combination date is the acquirer, and other parties involving in the business combination are the acquirees. The combination date is the date on which the acquirer effectively obtains the control of the acquirees.

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

Expenses that are directly attributable to the business combination by the acquirer are charged to the current profits and losses in which they are incurred.

## (2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that obtains the control of the other parties on the acquisition date is the acquirer; other parties involving in the business combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquirees.

For a business combination not under common control, the cost of business combination is the fair value of assets paid, liabilities incurred or undertaken, and equity securities issued by the acquirer for obtaining the control of the acquirees at the acquisition date. Expenses that are attributable to the business combination such as audit fees, legal services fees, consultancy fees and other administration expenses incurred by the Company as acquirer are expensed in the current profits and losses in which they are incurred. Transaction fees of equity securities or debt securities issued by the acquirer as consideration for a business combination are included in the initially recognized amount of equity securities or debt securities. Contingent consideration involved is recorded as the combination cost at its fair value on the acquisition date. Should any new or further evidence in relation to the circumstances existing on the acquisition date arise within 12 months after the acquisition date, making it necessary to adjust the contingent consideration, the goodwill arising from the business combination shall be adjusted accordingly. The cost of combination incurred and identifiable net assets obtained by the acquirer in a business combination are measured at fair value on the acquisition date. Where the cost of the

combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognized as goodwill; Where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognized in current profits and losses after a review of measurement for the fair value of identifiable assets, liabilities and contingent liabilities of the acquiree and the combination cost.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognized as deferred tax assets due to non-fulfillment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the realization of the economic benefits brought by the deductible temporary difference of the acquiree on the acquisition date can be expected, the relevant deferred tax assets shall be recognized and goodwill shall be deducted accordingly. When the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in the current profits and losses. Except for the above circumstances, deferred tax assets in relation to business combination are recognized in the current profits and losses.

For a business combination involving entities not under common control that is achieved in stages, the Company shall determine whether the business combination shall be treated as "a bundle of transactions" in accordance with the determination standards as contained in the *Circular on the Publishment of Interpretation 5 on Accounting Standards for Business Enterprises Issued by the Ministry of Finance* (Finance and Taxation[2012] No. 19) and Section 51 of *Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements* (See Item (2) of Section 6 "Preparation of the consolidated financial statements" under this Note V). Where the business combination is treated as "a bundle of transactions," the business combination shall be accounted for in accordance with the previous paragraphs and Section 22 "Long-term equity investments" of this Note V; where the business combination does not fall within "a bundle of transactions," the business combination in the Company's and the consolidated financial statements shall be accounted for as follows:

In the Company's financial statements, the initial cost of the investment shall be the sum of the book value of equity investment held in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. Other comprehensive income relating to the equity interest held in the acquiree prior to the acquisition date shall be, upon disposal of the investment, accounted for in accordance with the same basis as that the acquiree adopts in directly disposing of relevant assets or liabilities.

In the consolidated financial statements, the equity interest held in the acquiree prior to the acquisition date is re-measured according to its fair value at the acquisition date; the difference between the fair value and the book value is recognized as investment income for the current period. Other comprehensive income relating to the equity interest held in the acquiree prior to the acquisition date shall be accounted for in accordance with the same basis as that the acquiree adopts in directly disposing of relevant assets or liabilities.

## **6. Preparation of consolidated financial statements**

### **(1) Criteria for the recognition of scope of consolidated financial statements**

The scope of consolidation shall be determined based on the concept of control. Control means that the Group has power over the investee, enjoys variable returns through its participation in the investee's related activities, and has the ability to use its power over the investee to influence the amount of its returns. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries, which are defined as those entities controlled by the Group.

Once any change in the facts and circumstances arises which leads to a change in the elements involved in the definition of control, the Group will conduct an assessment.

### **(2) Preparation of consolidated financial statements**

Subsidiaries are consolidated from the date on which the Group obtains their net assets and actual control over their operating decisions, and are deconsolidated from the date when such control ceases. For subsidiaries being disposed of, the business results and cash flows prior to the date of disposal are duly included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed of during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures in the consolidated financial statements would not be restated. For subsidiaries acquired from a business combination under common control and acquirees from a merger by absorption, their operating results and cash flows from the date of commencement of the period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures in the consolidated financial statements would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in

accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are offset in preparing the consolidated financial statements.

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Company are recognized as minority interests and profits and losses attributable to minority interests respectively, which are presented under shareholders' equity and net profit separately, in the consolidated financial statement. A subsidiary's net current profits and losses attributable to minority interests is recognized as share of profits or losses of minority interests under net profit in the consolidated income statement. When the amount of a subsidiary's loss attributable to the minority shareholders exceeds the minority shareholders' share of the opening balance of shareholders' equity of the subsidiary, the excess is deducted from the minority interests.

In event of loss of control over a former subsidiary due to disposal of certain equity investments or other reasons, any retained equity is re-measured at its fair value on the date when the control is lost. The surplus of the aggregate considerations received upon disposal of equity plus the fair value of any retained equity less the share of net assets in the former subsidiary calculated cumulatively from the acquisition date based on the original shareholding percentage is included in the investment income for the period where the control is lost. Other comprehensive income related to the equity investment in the former subsidiary shall be accounted for on the same basis at the time of loss of control as the subsidiary directly disposed of the related asset or liability. Then, the remaining equity shall be measured subsequently in accordance with the *Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments* or *Accounting Standards for Business Enterprises No. 22 — The Recognition and Measurement of Financial Instruments* and other regulations. For details, please see Section 22 "Long-term equity investments" or Section 10 "Financial instruments" under this Note V.

For disposal of the Group's equity investments in a subsidiary in phases through multiple transactions until loss of control, it is determined based on whether such transactions should be regarded as a bundle of transactions. If the terms, conditions and economic effects of all transactions are conducted for the purpose of disposing of the equity investments in a subsidiary and meet the following one or more criteria, it is usually shown that such multiple transactions are deemed as a bundle of transactions for accounting treatment: ①

These transactions were entered into at the same time or upon the consideration of the effects therebetween; ② These transactions can only generate one complete business result when conducted all together; ③ The occurrence of one transaction depends on the occurrence of at least one other transaction; and ④ One transaction alone is not economical, but is economical when considered with other transactions. When the transactions do not constitute a bundle of transactions, each transaction thereof shall be accounted in accordance with principles applicable to the “disposal of part of long-term equity investments in a subsidiary that does not result in the loss of control” (please see Item (2) ④ of Section 22 “Long-term equity investments” under this Note V for details) and “loss of control over a former subsidiary due to disposal of certain equity investments or other reasons” (please see the preceding paragraph for details). If such transactions fall under a bundle of transactions, those transactions are accounted for as one deal under which the subsidiary is disposed of and control is lost. However, before the control over the subsidiary is lost, the surplus between consideration received for each disposal and the value of corresponding share of net assets in the subsidiary entitled by the investment underlying the disposal shall be recognized as other comprehensive income in the consolidated financial statements, and, when control is lost, converted into investment income or loss for the period in which control is lost.

#### **7. Classification of joint venture arrangements and accounting treatment method for joint operations**

Joint venture arrangement means an arrangement under the common control of two or more parties. The Group classifies the joint venture arrangement into joint operations and joint ventures based on the rights and obligations it enjoys and assumes in the joint venture arrangement. Joint operation means a joint venture arrangement in which the Group owns the assets and assumes the liabilities associated with the arrangement. Joint venture means a joint venture arrangement in which the Group only has rights to the net assets of the arrangement.

The Group’s investments in joint ventures are accounted for using the equity method and are treated in accordance with the accounting policies described in Item (2) ② “Long-term equity investments accounted for using the equity method” in Section 22 “Long-term equity investments” under this Note V.

For the joint operations, the Group, as a joint venture party, recognizes the assets and liabilities separately held by the Group, as well as the assets and liabilities jointly held by the Group in accordance with the Group’s share; recognizes the income arising from the disposal of the Group’s share of joint operation output; recognizes the income from the sale of outputs from joint operations based on the Group’s share; and recognizes the

expenses incurred by the Group alone and the expenses incurred based on the Group's share in the joint operation.

When the Group, as a joint venture party, invests in or sells assets to the joint venture (which do not constitute a business, the same below), or purchases assets from the joint operation, the Group recognizes only those portions of the profits or losses arising from the transaction that are attributable to other participants in the joint operation, prior to the sale of such assets to a third party. In the event that such assets incur asset impairment losses in accordance with the provisions of *Accounting Standard for Enterprises No. 8 — Asset Impairment*, the Group will fully recognize such losses if the assets are invested or sold by the Group to the joint operation; In the case of assets purchased by the Group from the joint operation, the Group will recognize such losses on the basis of its share of commitment.

#### **8. Determination standards for cash and cash equivalents**

Cash and cash equivalents of the Group include the cash on hand, deposits that can be used for payment at any time, the investments that are held for a short period of time (generally maturing within three months from the date of purchase), are highly liquid, easily convertible to known amounts of cash, and having minimal risk of changes in value.

#### **9. Foreign currency business and foreign currency statement translation**

##### **(1) Translation of foreign currency transactions**

Upon initial recognition, the foreign currency transactions of the Group are converted into the amount of reporting currency according to the spot exchange rate of the trading day (usually referring to the median price of the foreign exchange rate of the day published by the People's Bank of China, the same below).

##### **(2) Translation of foreign currency monetary items and foreign currency non-monetary items**

On the balance sheet date, if the foreign currency monetary items are translated at the spot rate of the balance sheet date, the resulting exchange difference, except for ① Exchange differences arising from special loans in foreign currencies related to the acquisition and construction of assets eligible for capitalization, which shall be treated in accordance with the principle of capitalization of borrowing costs; ② Exchange difference of hedging instruments used to operate effective hedging of net investment abroad (this difference is included in other comprehensive income and is not recognized as current profits and losses until the net investment is disposed of) and ③ foreign currency monetary items classified as measured at fair value through other comprehensive income, shall be recorded into current profits and losses, provided that exchange

differences resulting from changes in other book balances other than amortized costs (including impairment) shall be recorded in other comprehensive income.

The non-monetary foreign currency items measured at historical cost shall be measured at the amount of reporting currency that is translated into based on the spot rate on the transaction date. For non-monetary foreign currency items measured at fair value, the exchange rate prevailing at the date when the fair value is determined is used for translation, and the difference between the translated amount of the reporting currency and the original amount of the reporting currency shall be treated as the change in fair value (including change of exchange rate) and recorded in current profits and losses or recognized as other comprehensive income.

### (3) Translation of foreign currency financial statement

Foreign currency financial statements of overseas operations are translated into RMB statements in the following ways: The items of assets and liabilities in the balance sheet were translated at the spot exchange rate on the balance sheet date. The shareholders' equity items are translated at the spot rate at the time of occurrence except for the "undistributed profit" items. The income and expense items in the income statement are converted using the average exchange rate of the current period on the date of occurrence of the transaction. The undistributed profit at the beginning of the year is the undistributed profit at the end of the year after the conversion of the previous year; The undistributed profit at the end of the period is calculated and shown on the basis of each item of profit distribution after translation; The difference between the total amount of asset items and liability items and shareholders' equity items after translation is treated as the difference in the translation of foreign currency statements and recognized as other comprehensive income. Upon disposal of an overseas operation and loss of control, the conversion difference of the foreign currency statement related to the overseas operation, as shown below in the shareholders' equity item in the balance sheet, shall be transferred to the profits or losses of the disposal of the current period in full or in proportion to the disposal of the overseas operation.

Foreign currency cash flow and cash flow of overseas subsidiaries shall be translated at the spot exchange rate in the period when the cash flow is generated. The effect of exchange rate changes on cash is presented separately in the cash flow statement as an adjustment item.

The figures for the beginning of the year and the actual figures for the previous year are presented in accordance with the amounts of the financial statements of the previous year after translation.

Upon the disposal of all the owners' equity of the Group's overseas operations or the loss of control over overseas operations due to the disposal of part of the equity investment or other reasons, the translation

difference of the foreign currency statement related to the owners' equity of the overseas operations attributable to the parent company, as shown below in the shareholders' equity item in the balance sheet, shall be fully transferred to the profits or losses of the disposal period.

When part of the equity investment is disposed of or the proportion of overseas operating interest is reduced but the control of overseas operations is not lost for other reasons, the difference in the translation of foreign currency statements related to the disposal part of the overseas operation will be attributed to the minority shareholders' equity and will not be transferred to the current profits and losses. Upon disposal of part of the equity of the overseas operation as an associate or joint venture, the translation difference of the foreign currency statement related to the overseas operation shall be transferred to the profits or losses of the disposal period in full or in proportion to the disposal of the overseas operation.

If there are foreign currency monetary items that substantially constitute net investments in overseas operations, the exchange difference resulting from changes in exchange rates shall be recognized as other comprehensive income in the consolidated financial statements as "translation difference in foreign currency statements;" Upon disposal of the overseas operations, it shall be included in the profits or losses of the disposal period.

## **10. Financial instruments**

When the Group becomes a party to a financial instrument contract, it shall recognize a financial asset or financial liability.

### **(1) Classification and measurement of financial assets**

The Group has classified the financial assets as financial assets at amortized cost; financial assets at fair value through other comprehensive income and financial assets at fair value through profits or losses based on the business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profits or losses, the related transaction costs are recognized directly in profits or losses, and for other categories of financial assets, the related transaction costs are recognized in initial recognition amounts. For the accounts receivable or notes receivable arising from the sale of products or the provision of services that do not contain or take into account a significant financing component, the amount of consideration to which the Group is expected to be entitled shall be taken as the initial recognition amount.

① Financial assets at amortized cost

The Group's business model of managing financial assets at amortized cost is aimed at the collection of contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing arrangement, that is, the cash flows generated on a specific date are only payments of principal and interest based on the outstanding principal amount. For such financial assets, the effective interest rate method is used for subsequent measurement at amortized cost, and any profits or losses arising from amortization or impairment is included in the current profits and losses.

② Financial assets at fair value through other comprehensive income

The Group's business model of managing such financial assets is aimed at the collection of contractual cash flows and disposal, 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 gains or 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 gains or 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 or 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 or 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 or losses. Such financial assets are subsequently measured at fair value, with changes in fair value recognized in the current profits and losses.

(2) Classification and measurement of financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profits or losses and other financial liabilities at the time of initial recognition. For financial liabilities at fair value through profits or 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 or losses

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

However, for those designated as financial liabilities at fair value through profits or 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 or 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 financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transfer of financial assets, financial guarantee contracts are classified as financial liabilities at amortized cost, which are subsequently measured at amortized cost, and the gains or 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 that should be apportioned to the portion derecognized and the above-mentioned book value apportioned is 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, 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 other 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 loss 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 loss 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 loss 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, domestic letter of credit	Banks with less credit risk in relation to acceptors and negotiation acts
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 for notes receivable 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.

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.

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	This portfolio represents amounts receivable of the Company within the

Item	Basis for determining the portfolio
consolidation scope	scope of consolidation.
Account age portfolio	The portfolio takes the age of receivables as the credit risk characteristics.

e. Debt investments

For debt investments, the Group mainly accounts for bond investment at amortized cost. Based on whether the credit risk of debt investments 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 debt investments for single assessment of credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Portfolio 1	Bonds have not been downgraded since the initial purchase
Portfolio 2	Bonds have been downgraded since the initial purchase

f. Other debt investments

For other debt investments, the Group mainly accounts for bond investment at fair value through other comprehensive income. Based on whether the credit risk of debt investments 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 debt investments for single assessment of credit risk, they are divided into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Portfolio 1	Bonds have not been downgraded since the initial purchase
Portfolio 2	Bonds have been downgraded since the initial purchase

### 11. Notes receivable

Please refer to “10. Financial instruments.”

### 12. Accounts receivable

Please refer to “10. Financial instruments.”

### 13. 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 “10. Financial instruments” under this Note.

#### **14. Other receivables**

For the method of determining expected credit losses on other receivables and the accounting treatment, please refer to “10. Financial instruments.”

#### **15. 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 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 and net realizable value, 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 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.

**16. Contractual assets**

The Group presents in the balance sheet as a contractual asset the right to collect the contractual consideration from the customer which has not yet been paid but for which the Group has fulfilled its performance obligations under the contract, which is not unconditional (i.e. subject only to the passage of time). Contractual assets and contractual liabilities under the same contract are presented on a net basis, and contractual assets and contractual liabilities under different contracts are not offset.

For the method of determining expected credit losses on contractual assets and the accounting treatment, please refer to “10. Financial instruments” under this Note.

**17. Contract cost**

Incremental costs incurred by the Group to acquire contracts that are expected to be recovered are taken as the contract acquisition costs and recognized as an asset. However, if the amortization period of the asset does not exceed one year, it is included in the current profits and losses when it occurs.

The cost incurred for the performance of the contract is recognized as an asset if it does not fall within the scope of *Accounting Standard for Business Enterprises No. 14 — Revenue (Revised in 2017)* and meets the following conditions: ① The costs are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs expressly borne by the customer, and other costs incurred solely as a result of the contract; ② This cost increases the Group’s future resources to meet its performance obligations; ③ This cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as for the recognition of the commodity revenue associated with the assets and are recognized in current profits and losses.

**18. Held-for-sales assets**

Not applicable

**19. Debt investments**

Please refer to “10. Financial instruments” under Note V.

**20. Other debt investments**

Please refer to “10. Financial instruments” under Note V.

**21. Long-term receivables**

Not applicable

## 22. 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 “10. Financial instruments” under Note V.

Common control is the Group’s contractually agreed sharing of control over an arrangement, 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’ 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. 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' 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 (if applicable) 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-monetary assets 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 where 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 or 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 or 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 or losses based on fair value of the investee's identifiable assets at the time of acquisition, after making appropriate adjustments 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 or losses arising from inter-group transactions shall be offset by the portion attributable to the Group, and the profits or 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 the profits or losses as 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 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 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 "Preparation of consolidated financial statements" 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 or 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 or 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 or 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 or 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.

### **23. Investment properties**

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 31 “Impairment of long-term assets” under Note V.

When self-use property or inventory is converted into investment property or investment property is converted into self-use property, the book value before conversion is taken as the entry value after conversion.

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.

## **24. 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
House and building for production	Straight-line method	39	5%	2.44%
Production machine and equipment	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%
Non-production machine and equipment	Straight-line method	10	5%	9.5%
House and building for non-production purpose	Straight-line method	45	5%	2.11%
Others	Straight-line method	5	5%	19%

**(3) Recognition basis, valuation and depreciation method of fixed assets acquired under financing leases**

Not applicable

**25. 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, and 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 31 “Impairment of long-term assets” under Note V.

**26. 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.

## **27. 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 expenses 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.

### **28. Oil and gas assets**

Not applicable

### **29. Right-of-use assets**

For the method of determining right-of-use assets and the accounting treatment, please refer to “42. Leases” under this Note V.

### **30. Intangible assets**

#### **(1) Valuation method, useful life, impairment test**

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 on an item asset 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 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 shall estimate the useful life and carry out amortization according to the amortization policy for intangible assets with finite useful life.

## (2) Accounting policies for internal R&D expenses

The Group classifies the expense on an internal R&D project into expense at the research phase and expense at the development phase.

Expense at the research phase is recognized in the current profits and losses when incurred.

Expense at the development phase is recognized as an intangible asset if all of the following conditions are satisfied at the same time, and otherwise, it is recognized in the current profits and losses:

- ① It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ② It is intended to complete and to use or sell the intangible asset;
- ③ It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or for the intangible asset itself, and that it can be used if the intangible asset is to be used internally;
- ④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
- ⑤ The expense attributable to the intangible asset at its development phase can be reliably measured.

All the expenses on R&D which cannot be distinguished between the research phase and development phase are recognized in the profits or losses when incurred.

### 31. Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, right of use assets, intangible assets with limited useful life, investment real estate measured at cost and long-term equity investments in subsidiaries, joint ventures and associates, the Group determines whether there are signs of impairment on the balance sheet date. If the asset shows signs of impairment, the recoverable amount is estimated, and impairment test is conducted. Goodwill, intangible assets with indefinite useful lives and intangible assets that have not yet reached their useful lives are tested annually for impairment regardless of whether there is an indication of impairment.

If the impairment test results show that the recoverable amount of an asset is lower than its carrying value, the impairment provision shall be made and the impairment loss shall be recorded according to the difference. The recoverable amount is the higher between the net value of the fair value of the asset less the disposal expense and the present value of the estimated future cash flow of the asset. The fair value of the asset is determined based on the sales agreement price in fair transactions. Where there is no sales agreement but there is an active market for the asset, the fair value shall be determined according to the buyer's bid for the asset.

Where there is neither sales agreement nor active market for the asset, the fair value of the asset is estimated based on the best information available. Disposal costs include legal costs associated with the disposal of the asset, related taxes, removal costs and direct costs incurred to bring the asset to marketable status. The present value of the expected future cash flow of the asset shall be determined according to the discounted amount of the expected future cash flow generated by the asset in the process of continuous use and final disposal, which is converted according to the appropriate discount rate. The asset impairment provision is calculated and recognized 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. An asset group is the smallest portfolio of assets that can independently generate cash inflows.

For the goodwill presented separately in the financial statements, when tested for impairment, the book value of goodwill will be apportioned to the asset group or combination of asset groups expected to benefit from the synergies of the business combination. Where the test results indicate that the recoverable amount of an asset group or combination of asset groups containing the apportioned goodwill is less than its book value, the corresponding impairment loss is recognized. The impairment loss amount is first set off against the book value of the goodwill apportioned to the asset group or combination of asset groups and then set off against the book value of other assets based on the proportion of the book value of each asset other than goodwill in the asset group or combination of asset groups.

Once the above asset impairment loss is recognized, it shall not be reversed in subsequent accounting periods for the part whose value is restored.

### **32. Long-term deferred expenses**

Long-term unamortized expenses are the expenses that have been incurred but shall be borne in the reporting period and subsequent periods for a period of assessment of more than one year. The long-term deferred expenses are accounted for according to the actual amount incurred and are amortized on an average basis during the benefit period of the project. If the benefits are no longer available in the subsequent periods, the balance is included in the current profits and losses at one time. The long-term deferred expenses shall be amortized on the basis of the benefit period or usable period if there is a clear benefit period or usable period, and amortized on an average basis of 3 years if there is no clear benefit period or usable period.

### **33. Contractual liabilities**

The contractual liabilities refer to the obligation of the Group to transfer goods to customers for consideration received or receivable. If the customer has paid the contractual consideration or the Group has

obtained an unconditional right of collection prior to the transfer of goods by the Group to the customer, the Group presents the amount received or receivable as a contractual liability on the date when the actual payment is made by the customer or the payment due date, whichever is earlier. Contractual assets and contractual liabilities under the same contract are presented on a net basis, and contractual assets and contractual liabilities under different contracts are not offset.

### **34. Employee compensation**

#### **(1) Accounting treatment for short-term employee compensation**

The employee compensation of the Group includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits. Where:

Short-term compensation mainly includes wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing provident funds, union funds and employee education funds, non-monetary benefits, etc. The Group recognizes short-term employee compensation actually incurred during the accounting period in which employees provide services to the Group as a liability and includes it in current profits and losses or related asset cost. Non-monetary benefits are measured at fair value.

#### **(2) Accounting treatment for post-employment benefits**

Post-employment benefits mainly include basic pension insurance, unemployment insurance and annuity. If a defined contribution plan is adopted, the corresponding amount due is included in the relevant asset cost or current profits and losses at the time of occurrence.

If the employment relationship with the employee is terminated before the expiration of the employee's employment contract, or a compensation proposal is made to encourage the employee to voluntarily accept the reduction, the employee compensation liabilities arising from termination benefits shall be recognized and included in current profits and losses when the Group cannot unilaterally withdraw the termination benefits provided as a result of the termination plan or the reduction proposal, or the Group recognizes the costs associated with the reorganization involving the payment of termination benefits, whichever is earlier. However, if the termination benefits cannot be fully paid within 12 months after the end of the annual reporting period, they shall be treated as other long-term employee compensations.

#### **(3) Accounting treatment for termination benefits**

Internal employee retirement plans are treated in the same way as the termination benefits mentioned above. The Group will recognize the salary of internal retirees and social insurance premiums to be paid during

the period from the date the employee ceases to provide service to the normal retirement date in the current profits and losses (termination benefits) when the conditions for recognition of the estimated liabilities are met.

#### **(4) Accounting treatment for other long-term employee benefits**

Other long-term employee benefits provided by the Group to employees that meet the defined contribution plan are accounted for in accordance with the defined contribution plan. Other benefits shall be accounted for in accordance with the defined benefit plan.

### **35. Lease liabilities**

For the method of determining lease liabilities and the accounting treatment, please refer to “42. Leases” under this Note V.

### **36. Estimated liabilities**

An obligation relating to a contingency is recognized as an estimated liability when the following conditions are met: (1) The obligation is a current obligation undertaken by the Group; (2) The performance of the obligation is likely to result in the outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

On the balance sheet date, estimated liabilities are measured according to the best estimate of expenses required to meet the relevant current obligations, taking into account factors such as risks, uncertainties and the time value of money associated with contingencies.

If all or part of the expenses required to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount shall be recognized separately as an asset when it is basically determined that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liabilities.

#### **(1) Loss-making contract**

A loss-making contract is a contract in which the cost of fulfilling the contractual obligation inevitably exceeds the expected economic benefit. If the contract to be executed becomes a loss-making contract and the obligations arising from the loss-making contract meet the conditions for recognition of the above-mentioned estimated liabilities, the portion of the estimated loss of the contract exceeding the recognized impairment loss (if any) of the underlying asset of the contract is recognized as an estimated liability.

#### **(2) Reorganization obligation**

For a detailed, formal reorganization plan that has been announced to the public, the estimated liability amount is determined on the basis of direct expenses related to the reorganization, subject to meeting the

conditions for recognition of the estimated liabilities described above. For reorganization obligations relating to the sale of part of the business, obligations relating to reorganization are recognized only when the Group has committed to sell part of the business (i.e., entered into a binding sale agreement).

### **37. Share-based payments**

#### (1) Accounting treatment for share-based payment

Share-based payments are transactions in which equity instruments are granted or liabilities are assumed on the basis of equity instruments in exchange for services rendered by employees or other parties. The share-based payments are divided into equity-settled share-based payment and cash-settled share-based payment.

##### ① Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees shall be measured at days the fair value of the equity instruments granted to employees. For the equity-settled share-based payment that can only be vested after services during a waiting period are provided, or required performance conditions are met, the amount of such fair value is calculated on a straight-line basis, based on the best estimate of the number of equity instruments that can be vested during the waiting period, and is included in the relevant costs or expenses, or if available immediately after grant, included in the relevant costs or expenses on the grant date, increasing capital reserves accordingly.

On each balance sheet date during the waiting period, the Group makes the best estimate based on the latest follow-up information such as changes in the number of employees that satisfy vesting conditions, and revises the number of equity instruments expected to be vested. The impact of the above estimates is included in the relevant costs or expenses for the period, and capital reserves are adjusted accordingly.

The equity-settled share-based payments in exchange for services rendered by other parties shall be measured at the fair value of the services on the acquisition date if the fair value of services rendered by other parties can be reliably measured. However, if the fair value of services rendered by other parties cannot be reliably measured, but the fair value of the equity instruments can be reliably measured, the equity-settled share-based payments shall be measured at the fair value of the equity instruments on the acquisition date of the services, and included in the relevant costs or expenses, increasing shareholders' equity correspondingly.

##### ② Cash-settled share-based payments

A cash-settled share-based payment shall be measured in accordance with the fair value of liability determined based on the shares or other equity instruments undertaken by the Group. If the cash-settled

share-based payment can be vested immediately after granting, it shall be included in the relevant costs or expenses on the grant date, increasing the liabilities correspondingly. For the cash-settled share-based payment that can only be vested after services during a waiting period are provided or required performance conditions are met, on each balance sheet date during the waiting period, the services obtained during the current period are included in the cost or expense at the fair value of the liabilities assumed by the Group based on the best estimate of the situation of vesting, increasing the corresponding liabilities correspondingly.

The Group shall, on each balance sheet date and each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

#### (2) Accounting treatment for modification and termination of share-based payment plan

When the Group makes a modification to the share-based payment plan, if the modification increases the fair value of the equity instrument granted, the increase in services obtained is recognized in accordance with the increase in the fair value of the equity instrument. The increase in the fair value of equity instruments refers to the difference between fair values of the equity instruments before and after the modification on the date of modification. If a modification reduces the total fair value of share-based payments or is otherwise unfavorable to the employees, the acquired services continue to be accounted for as if the change never occurs, unless the Group cancels some or all of the equity instruments granted.

If a grant of equity instruments is canceled during the waiting period, the Group treats the cancellation of the granted equity instruments as accelerated exercise of right and includes the amount to be recognized over the remaining waiting period in the current profits and losses immediately, and recognizes the capital reserve at the same time. If employees or other parties can choose to meet the non-vesting conditions but have not met the conditions within the waiting period, the Group treats it as cancellation of equity instruments granted.

#### (3) Accounting treatment for share-based payment transactions involving the Group and shareholders or de facto controllers of the Company

Transactions involving share payments between the Group and shareholders or de facto controllers of the Company are accounted for in the Group's consolidated financial statements in accordance with the following provisions if either one of the settlement enterprises and receiving enterprise is within the Group, while the other one is outside the Group:

① If the settlement enterprise settles by its own equity instruments, the share-based payment transaction shall be treated as the equity-settled share-based payment; otherwise, they shall be treated as the cash-settled share-based payment.

If the settlement enterprise is an investor of the enterprise receiving the services, it shall be recognized as a long-term equity investment in the enterprise receiving the services according to the fair value of the equity instrument on the grant date or the fair value of the liability assumed, and the capital reserve (other capital reserve) or liability shall be recognized at the same time.

② If the enterprise receiving the services has no settlement obligation or the equity instrument granted to its employees is its own equity instrument, the share-based payment transaction shall be treated as the equity-settled share-based payment. If the enterprise receiving the services has settlement obligation and the equity instrument granted to its employees is not its own equity instrument, the share-based payment transaction shall be treated as the cash-settled share-based payment.

For the share-based payment transaction occurring among the enterprises within the Group, where the enterprise receiving the services and the settlement enterprise are not the same enterprise, the recognition and measurement of the share-based payment transaction in the individual financial statements of the enterprise receiving the services and the settlement enterprise shall be processed in accordance with the above principles.

### **38. Preferred shares, perpetual bonds and other financial instruments**

Not applicable

### **39. Revenue**

Accounting policies for revenue recognition and measurement

Revenue is the total inflow of economic benefits arising from the Group's ordinary activities that would result in an increase in shareholders' equity and are unrelated to capital contributions by shareholders. When the contract between the Group and the customer meets the following conditions, revenue is recognized when the customer obtains control of the relevant goods (including services, the same below): The parties to the contract have approved the contract and undertake to perform their obligations; The contract specifies the rights and obligations of the parties to the contract in relation to the goods transferred or the provision of services; The contract has clear payment terms related to the transferred goods; The contract is commercial in nature, i.e. the performance of the contract will change the risk, timing or amount of the Group's future cash flows; The consideration to which the Group is entitled as a result of the transfer of goods to customers is likely to be recovered. Gaining control of the relevant goods means being able to dominate the use of that goods and derive almost all of the economic benefits from it.

On the commencement date of the contract, the Group identifies the individual performance obligations existing in the contract and allocates the transaction price to each individual performance obligation in

proportion to the individual selling price of the goods promised by each individual performance obligation. Factors such as variable consideration, significant financing elements in the contract, non-cash consideration, and consideration payable to customers are considered in determining the transaction price.

For each individual performance obligation in the contract, the Group will recognize the transaction price allocated to the individual performance obligation in accordance with the performance progress during the relevant performance period as revenue if one of the following conditions is met: The customer acquires and consumes the economic benefits arising from the Group's performance at the same time as the Group's performance; The customer can control the goods under construction in the course of the Group's performance; The goods produced in the course of the Group's performance have irreplaceable uses and the Group is entitled to receive payment throughout the contract period for the cumulative part of the performance completed to date. The performance progress is determined by the input or output method, depending on the nature of the goods transferred. When the performance progress cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, revenue is recognized at the amount of the costs incurred until the progress of performance can be reasonably determined.

If one of the above conditions is not met, the Group recognizes revenue at the point at which the customer obtains control of the relevant goods at the transaction price apportioned to the individual performance obligation. In determining whether a customer has acquired control of the goods, the Group considers the following indications: The enterprise has the current right of collection in respect of the goods, that is, the customer has the current payment obligation in respect of the goods; The enterprise has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods; The enterprise has physically transferred the goods to the customer, that is, the customer has physically possessed the goods; The enterprise has transferred the main risks and returns in the ownership of the goods to the customer, that is, the customer has obtained the main risks and returns in the ownership of the goods; The customer has accepted the goods; Other indications that the customer has taken control of the goods.

Differences in accounting policies for revenue recognition due to different operating models for the same type of business

#### **40. Government subsidy**

Government subsidy refers to the monetary assets and non-monetary assets that the Group obtains from the government free of charge, excluding the capital invested by the government as an investor with the corresponding owners' equity. Government subsidies are divided into asset-related government subsidies and

income-related government subsidies. The Group defines government subsidies obtained for the acquisition or otherwise formation of long-term assets as asset-related government subsidies. Other government subsidies are defined as income-related government subsidies. If the government document does not specify the recipients of the subsidies, the subsidies divided into asset-related government subsidies and income-related government subsidies in the following way: (1) If the government documents specify the specific project for which the subsidy is targeted, the division shall be made according to the relative proportion of the disbursement amount forming assets and the disbursement amount included in the expenses in the budget of the specific project, and the division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) Where the government document only has a general description of the purpose and no specific project is specified, it shall be regarded as an income-related government subsidy. For a government subsidy in the form of transfer of monetary assets, the subsidy is measured at the amount received or receivable. For a government subsidy in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value cannot be reliably determinable, the subsidy is measured at nominal amount. Government subsidies measured at nominal amounts are directly included in current profits and losses.

The Group usually recognizes and measures government subsidies in accordance with the amount actually received when they are actually received. However, government subsidies are recognized at the amount receivable if there is evidence that the Group can meet the relevant conditions specified in the financial support policy at the end of the period and the Group is expected to receive the financial support funds. Government subsidies measured at the amounts receivable shall also meet the following conditions: (1) The amount of the receivable subsidies has been confirmed by the competent government department, or can be reasonably calculated according to the relevant provisions of the officially issued measures for the management of financial funds, and there is no significant uncertainty in the estimated amount; (2) It is based on the financial support projects and financial fund management measures officially issued by the local financial department and actively disclosed in accordance with the provisions of the *Regulations on the Disclosure of Government Information*, and the management measures should be inclusive (that is, any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; (3) The relevant grant approval has clearly promised the disbursement period, and the disbursement of the amount is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that it can be received within the specified period.

Asset-related government subsidies are recognized as deferred revenues and included in the current profits and losses over the useful life of the related assets in accordance with a reasonable and systematic method. Income-related government subsidies that compensate the future costs, expenses or losses are recorded as deferred income and recognized in current profits and losses, or deducted against related costs in the period in which the related costs, expenses or losses are recognized; Income-related government subsidies that compensate the incurred expenses or losses are included directly in the current profits and losses.

For government subsidies that contain both parts related to assets and parts related to income, accounting treatments shall be made separately for different parts. If it is difficult to distinguish, it shall be classified as the income-related government subsidy.

Government subsidies related to ordinary activities are recorded in other income in accordance the substance of economic operations. Government subsidies unrelated to daily activities are included in non-operating revenue and expense.

In case a recognized government subsidy is required to be returned, if there is a deferred income balance, the book balance of the deferred income is reduced and the excess is recognized in the current profits and losses; in other cases, it is recognized directly in the current profits and losses.

#### **41. Deferred income tax assets/deferred income tax liabilities**

##### **(1) Current income tax**

The current income tax liabilities or assets generated in the current period and previous periods are measured on the balance sheet date in accordance with the expected payable or refunded income tax amount calculated according to the tax law. The taxable income amount on which the current income tax expense is calculated is based on the corresponding adjustment of the pre-tax accounting profit of the reporting period in accordance with the relevant provisions of the tax law.

##### **(2) Deferred income tax assets and deferred income tax liabilities**

The deferred income tax assets and deferred income tax liabilities can be determined with the balance sheet liability method, based on the difference between the book value of certain assets and liabilities and the tax basis, as well as the temporary difference between the tax basis and the book value of the items not recognized as assets and liabilities but whose tax basis can be determined according to the tax law.

For taxable temporary differences relating to the initial recognition of goodwill and the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor affect accounting profit and taxable income (or deductible losses) at the time of occurrence, the relevant deferred tax liabilities are

not recognized (except for individual transactions in which the initial recognition of assets and liabilities results in equal amounts of taxable temporary differences and deductible temporary differences).

In addition, for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, deferred tax liabilities are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is likely that the temporary difference will not be reversed in the foreseeable future.

Subject to the above exceptions, the Group recognizes all other deferred tax liabilities arising from taxable temporary differences.

For deductible temporary differences relating to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor affect accounting profit and taxable income (or deductible losses) at the time of occurrence, the relevant deferred tax assets are not recognized (except for individual transactions in which the initial recognition of assets and liabilities results in equal amounts of taxable temporary differences and deductible temporary differences). For deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the relevant deferred tax asset is recognized if it is not likely that the temporary differences will reverse in the foreseeable future and it is not likely that taxable income will be available against which the deductible temporary differences can be utilized in the future. Subject to the above exceptions, the Group recognizes other deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

For the deductible losses and tax credits that can be carried forward to future years, the Group recognizes the corresponding deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible losses and tax credits can be utilized.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is recovered or the liability is settled according to the tax law.

On the balance sheet date, the Group reviews the book value of deferred income tax assets. If no sufficient taxable income is probably obtained in the future to offset the benefits of deferred income tax assets, the book value of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be reversed.

### (3) Income tax expense

Income tax expenses include current income tax expenses and deferred income tax expenses.

Except for current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in shareholders' equity, and the book value of deferred income tax adjusted goodwill resulting from business combination, the remaining current income tax and deferred income tax expenses or gains are included in current profits and losses.

#### (4) Offsetting of income tax

If the Group has the legal right to settle on a net basis, and intends to settle on a net basis or acquire assets and settle liabilities simultaneously, the current income tax assets and current income tax liabilities are presented on a net basis after offsetting.

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

## 42. Leases

A lease is a contract in which the Group assigns or acquires the right to control the use of one or more identified assets for a certain period of time in exchange for or payment of consideration. On the contract inception date, the Group assesses whether the contract is a lease or contains a lease.

### (1) The Group as the lessee

The Group's lease assets are mainly housing and buildings.

#### ① Initial measurement

On the date of commencement of the lease term, the Group recognizes the right to use the lease asset during the lease term as a right of use asset and recognizes the present value of the outstanding lease payments as a lease liability, except for short-term leases and low value asset leases. When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the lessor's incremental borrowing rate is used as the discount rate.

#### ② Subsequent measurement

The Group shall depreciate the right of use assets in accordance with the relevant depreciation provisions of *Accounting Standard for Business Enterprises No. 4 — Fixed Assets* (see Section 24 "Fixed assets" under

Note V for details). If the ownership of the leased asset can be reasonably determined at the end of the lease term, the Group shall depreciate the leased asset during the remaining useful life. Where it is unable to reasonably determine the ownership of the leased asset at the end of the and lease term, the Group shall make depreciation provision over the lease term or the remaining useful life of the leased asset, whichever is shorter.

The Group calculates the interest expense on lease liabilities for each period of the lease term at a fixed periodic rate, which is included in the current profits and losses. Variable lease payments that are not included in the measurement of the lease liability are recognized in current profits and losses when they are actually incurred.

After the commencement date of the lease term, when there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value, a change in the index or rate used to determine the lease payment amount, or a change in the evaluation result or actual exercise of the purchase option, renewal option or termination option, the Group remeasures the lease liability at the present value of the changed lease payment amount and adjusts the carrying value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero but the lease liability is subject to further reduction, the Group recognizes the remaining amount in current profits and losses.

### ③ Short-term leases and leases of low-value assets

For short-term leases (leases with a lease term of not more than 12 months since the commencement date of the lease) and low-value asset leases, the Group adopts a simplified approach whereby the right of use assets and lease liabilities are not recognized and the lease payments are recognized in the relevant asset cost or current profits and losses in accordance with the straight-line method or other systematic and reasonable methods during the various periods of the lease term.

## **(2) The Group as a lessor**

On the inception date of the lease, the Group classifies the lease as a finance lease and an operating lease based on the substance of transaction. A finance lease is a lease that transfers substantially all the risks and returns associated with ownership of the leased asset. An operating lease is a lease other than a finance lease.

### ① Operating lease

Lease receipts under operating leases are recognized as rental income on a straight-line basis over the respective periods of the lease term. Variable lease payments acquired in connection with operating leases that are not included in the lease receipts are recognized in current profits and losses when they are actually incurred.

## ② Finance lease

The Group recognizes finance lease receivables and derecognizes finance lease assets on the commencement date of the lease term. Finance lease receivables are initially measured at the net lease investment (the sum of the unsecured balance and the unreceived lease proceeds on the commencement date of the lease term at the present value discounted with the intrinsic interest rate of the lease), and interest income is recognized during the lease term at a fixed periodic interest rate. Variable lease payments obtained by the Group which are not included in the net lease investment measurement are recognized in current profits and losses when they are actually incurred.

### **43. Other significant accounting policies and accounting estimates**

#### (1) Repurchase of shares

Consideration and transaction costs paid in share repurchases reduce shareholders' equity and no profits or losses is recognized when shares of the Company are repurchased, transferred or cancelled.

For the transfer of treasury shares, the difference between the amount actually received and the book value of treasury shares shall be included in the capital reserve. If the capital reserve is insufficient for deduction, the surplus reserve and undistributed profits shall be deducted. For the cancellation of treasury shares, the share capital shall be reduced according to the par value of the shares and the number of shares cancelled, and the difference between the book balance and the par value of treasury shares shall be charged to the capital reserve. If the capital reserve is insufficient for deduction, the surplus reserve and undistributed profits shall be deducted.

### **44. Changes in significant accounting policies and accounting estimates**

#### **(1) Changes in significant accounting policies**

Applicable Not applicable

#### **(2) Changes in significant accounting estimates**

Applicable Not applicable

#### **(3) First-time implementation of the new accounting standard in 2023 to adjust relevant items in the financial statements at the beginning of the year of first-time implementation**

Applicable Not applicable

### **45. Significant accounting judgment and estimate**

As operating activities have inherent uncertainties, the Group needs to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies.

These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. These judgments and estimates may affect the presented amounts of incomes, expenses, assets and liabilities and, as well as the disclosure of contingent liabilities on the balance sheet date. However, the uncertainty in these estimates may result in actual results that differ from the current estimates of the Group's management, resulting in material adjustments to the book value of assets or liabilities affected in the future.

The Group reviews the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current period, the influence amount is recognized in the current period. If the changes of accounting estimates affect both of the current year and the future period, the influence amount is recognized in the current period and the future period.

As at the balance sheet date, the significant areas in which the Group is required to make judgments, estimates and assumptions regarding the amounts of items in the financial statements are as follows:

(1) Revenue recognition

As set out in Section 39 "Revenue" under Note V, the Group's revenue recognition involves significant accounting judgments and estimates such as: identifying customer contracts; estimating the recoverability of the consideration to which the Group is entitled as a result of the transfer of goods to the customer; identifying the performance obligations in the contract; estimating the variable consideration present in the contract and the amount of accumulated recognized revenue that is highly unlikely to be materially reversed when the related uncertainty is eliminated; whether there is any significant financing component to the contract; estimating the individual selling price of the individual performance obligations in the contract; determining whether the performance obligation is to be performed within a certain period of time or at a certain point; determining the implementation progress, etc.

The Group mainly relies on past experience and work to make judgments, and these significant judgments and changes in estimates may have an impact on the operating revenue, operating costs, and profits and losses of the period for the current or subsequent periods, and may constitute a material impact.

(2) Leases

① Identification of leases

When identifying whether a contract is a lease or contains a lease, the Group needs to assess whether there exists an identified asset and the customer controls the use of the asset for a certain period of time. In this assessment, consideration needs to be given to the nature of the asset, substantial replacement rights, and

whether the customer is entitled to receive virtually all of the economic benefits arising from the use of the asset during that period and able to direct the use of the asset.

## ② Classification of leases

When acting as a lessor, the Group classifies leases into operating leases and finance leases. When making the classification, the management needs to make an analysis and judgment as to whether all the risks and returns associated with ownership of the leased asset have been substantially transferred to the lessee.

## ③ Lease liabilities

When the Group is the lessee, the lease liabilities shall be initially measured at the present value of the outstanding lease payment on the commencement date of the lease term. When measuring the present value of lease payments, the Group estimates the discount rate used and the lease term of a lease contract with a renewal or termination option. When assessing the lease term, the Group takes into account all relevant facts and circumstances relating to the economic benefits arising from the exercise of the option by the Group, including expected changes in facts and circumstances between the commencement date of the lease term and the exercise date of the option. Different judgments and estimates may affect the recognition of lease liabilities and right-of-use assets and will affect the profits or losses in subsequent periods.

## (3) Impairment of financial assets

The Group uses the expected credit loss model to evaluate the impairment of financial instruments, and the application of the expected credit loss model requires significant judgments and estimates that take into account all reasonable and evidence-based information, including forward-looking information. When making such judgments and estimates, the Group extrapolates the expected changes in the debtors' credit risk based on historical data and factors such as changes in economic policies, macroeconomic indicators, industry risks, external market conditions, technological environment and customer conditions.

## (4) Provision for inventory impairment

According to the inventory accounting policy, the Group makes provision for inventory impairment based on either the cost or the realizable net value of the old and unsalable inventory, whichever is lower, if the cost is higher than the realizable net value. The impairment of inventory to net realizable value is based on assessing the marketability of the inventory and its net realizable value. Assessment of inventory impairment requires the management to make judgments and estimates on the basis of obtaining solid evidence and considering factors such as the purpose of holding inventory and the impact of events after the balance sheet date. The difference between actual results and the original estimate will affect the book value of inventory and the withdrawal or

reversal of the provision for inventory impairment during the period in which the estimate is changed.

#### (5) Fair value of financial instruments

For financial instruments without active market, the Group will determine their fair values through various valuation methods. These valuation methods include discounted cash flow model analysis. In the valuation, the Group needs to estimate future cash flows, credit risk, market volatility and correlation, and select an appropriate discount rate. These assumptions are subject to uncertainty, and changes in them can have an impact on the fair value of financial instruments. Where equity instrument investments or contracts are publicly quoted, the Group does not use cost as the best estimate of their fair value.

#### (6) Provision for impairment of long-term assets

On the balance sheet date, the Group makes a judgment on whether there is any sign of possible impairment of non-current assets other than financial assets. Intangible assets with uncertain useful life shall be subject to impairment tests when there are signs of impairment in addition to annual impairment tests. Non-current assets other than financial assets shall be subject to impairment tests when there are signs indicating that their book value is uncollectible.

Impairment occurs when the book value of an asset or asset group is greater than the recoverable amount, that is, the net amount of fair value minus disposal expenses and the present value of expected future cash flow, whichever is higher.

The net amount of fair value minus disposal expenses shall be determined by reference to the sale agreement price or observable market price of similar assets in an arm's length transaction, less the incremental cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flows, it is necessary to make significant judgments about the output of the asset (or group of assets), the selling price, the associated operating costs, and the discount rate used in calculating the present value. When estimating the recoverable amounts, the Group uses all the relevant information available, including projections of production volumes, selling prices and related operating costs based on reasonable and supportable assumptions.

The Group tests goodwill for impairment at least annually. This requires an estimate of the present value of the future cash flows of the asset group or combination of asset groups to which goodwill has been allocated. When estimating the present value of the future cash flow, the Group needs to estimate the expected future cash flow generated by the asset group or combination of asset groups, and determine the present value of the future cash flow at an appropriate discount rate.

#### (7) Depreciation and amortization

The Group depreciates and amortizes the investment real estate, fixed assets and intangible assets on a straight-line basis over their useful lives, taking into account their residual value. The Group periodically reviews the useful life to determine the amount of depreciation and amortisation expenses to be included in each reporting period. The useful life is determined by the Group based on previous experience with similar assets as well as expected technological updates. If there is any material change in previous estimates, an adjustment will be made to depreciation and amortization expense in future periods.

#### (8) Deferred income tax assets

To the extent that there is likely sufficient taxable profit to offset the loss, the Group recognises deferred tax assets on all unutilised tax losses. This requires the management of the Group to use massive judgments to estimate the time and amount of taxable profit in the future and then to determine the value of deferred tax assets in combination with tax planning strategies.

#### (9) Income tax

In the normal business activities of the Group, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be deducted before tax requires the approval of the tax authority. Where the final tax outcome of these matters is different from the estimated amounts, the differences will impact the current income tax and deferred income tax in the period in which such determination is made.

#### (10) Estimated liabilities

Based on the terms of the contract, current knowledge and historical experience, the Group estimates and makes corresponding provisions for product quality assurance, expected contract losses, liquidated damages for late delivery, etc. Where such contingencies have created a current obligation and the fulfilment of such current obligations is likely to result in an outflow of economic benefits from the Group, the Group recognises the contingency as an estimated liability based on the best estimate of the expense required to fulfil the relevant current obligation. The recognition and measurement of the estimated liabilities relies heavily on the judgment of the management. When making this judgment, the Group needs to assess factors such as risks, uncertainties and the time value of money associated with such contingencies.

Among other things, the Group will estimate liabilities for after-sales quality maintenance commitments provided to customers in relation to the sale, repair and modification of the products sold. The Group's recent maintenance experience data has been taken into account when estimating liabilities, but recent maintenance

experience may not reflect future maintenance situation. Any increase or decrease in this provision may affect profits or losses in future years.

(11) Measurement at fair value

Certain assets and liabilities of the Group are measured at fair value in the financial statements. When estimating the fair value of an asset or liability, the Group uses available observable market data. If the inputs of level 1 are not available, the Group uses appropriate valuation techniques and relevant models for valuation.

**46. Others: None**

## VI. Taxation

### 1. Main tax types and tax rates

Tax type	Taxation basis	Tax rate
Value-added tax	Value added from sales of goods or rendering of services	13%, 9%, 6%, 5%, 3%
Consumption tax	Quantity-based collection and price-based collection	Price-based collection: 20%; Quantity-based collection: RMB 0.5 per 0.5kg
Urban maintenance and construction tax	Amount of turnover tax payables	7%, 5%, 1%
Enterprise Income Tax	Taxable income	15%, 16.5%, 20%, 25%
Education surcharge	Amount of turnover tax payables	3%
Local education surcharge	Amount of turnover tax payables	2%

If there are taxable entities with different corporate income tax rates, disclose the description of the situation

Taxpayer	Income tax rate
Yunnan Baiyao Group Co., Ltd.	15%
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	15%
Yunnan Pharmaceutical Co., Ltd.	15%
Yunnan Pharmaceutical Technology Co., Ltd.	15%
Yunnan Pharmaceutical Yuxi Sales Co., Ltd.	15%
Yunnan Pharmaceutical Sanfa Co., Ltd.	15%
Yunnan Pharmaceutical Xingda Co., Ltd.	15%
Yunnan Pharmaceutical Wanhe Co., Ltd.	15%
Yunnan Pharmaceutical Baoshan Drug Development Co., Ltd.	15%
Yunnan Baiyao Group Health Products Co., Ltd.	15%
Yunnan Tianzheng Testing Technology Co., Ltd.	15%
Yunnan Baiyao Group Lijiang Pharmaceutical Co.,	15%

Ltd.	
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	15%
Yunnan Baiyao Pharmacy Co., Ltd.	15%
Yunnan Baiyao Group Wuding Pharmaceutical Co., Ltd.	15%
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15%
Yunnan Pharmaceutical Tianma Co., Ltd.	15%
Yunnan Pharmaceutical Hongde Development Co., Ltd.	15%
Yunnan Pharmaceutical Qujing Co., Ltd.	15%
Yunnan Institute of Materia Medica	15%
Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd.	15%
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	15%
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	15%
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	15%
Ban Loong Holdings Ltd.	16.5%
Beijing Ruiyou Testing Technology Co., Ltd.	20%
Yunnan Pharmaceutical Jiayuan Co., Ltd.	20%
Yunnan Pharmaceutical Ruiyang Shenhua Technology Co., Ltd.	20%
Yunnan Pharmaceutical Xiongyi Co., Ltd.	20%
Yunnan Pharmaceutical Tianfu Dahua Co., Ltd.	20%
Yunnan Pharmaceutical Lincang Sales Co., Ltd.	20%
Yunnan Pharmaceutical Diqing Development Co., Ltd.	20%
Yunnan Pharmaceutical Pu'er Co., Ltd.	20%
Yunnan Pharmaceutical Dali Development Co., Ltd.	20%
Lijiang Yunquan Biological Development Co., Ltd.	20% (excluding agricultural primary processing)
Yunnan Baiyao Tiancui Business Management Co., Ltd.	20%
Beijing Yunzhi Health Management Co., Ltd.	20%
Shanghai Wenshu Health Management Co., Ltd.	20%
Yunnan Baiyao Yunzhen International Trade Co., Ltd.	20%
Kunming Yunzhen Medical Technology Co., Ltd.	20%
Shanghai Yunyao Oral Medical Technology Co., Ltd.	20%
Yunnan Fengqing Tea Plant	20%
Yunnan Baiyao Group (Hainan) Import and Export Trade Co., Ltd.	20%

## 2. Preferential tax treatment

(1) Yunnan Baiyao Group Co. Ltd, Yunnan Baiyao Group Medicine E-commerce Co., Ltd, Yunnan Pharmaceutical Co., Ltd, Yunnan Pharmaceutical Technology Co., Ltd, Yunnan Pharmaceutical Yuxi Sales Co., Ltd, Yunnan Pharmaceutical Sanfa Co., Ltd, Yunnan Pharmaceutical Xingda Co., Ltd, Yunnan Pharmaceutical Wanhe Co., Ltd, Yunnan Pharmaceutical Baoshan Drug Development Co., Ltd, Yunnan Baiyao Group Health Products Co., Ltd, Yunnan Tianzheng Testing Technology Co., Ltd, Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd, Yunnan Baiyao Group Wenshan Qihua Co., Ltd, Yunnan Baiyao Pharmacy Co., Ltd, Yunnan Baiyao Group Wuding Pharmaceutical Co., Ltd, Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd, Yunnan Pharmaceutical Tianma Co., Ltd, Yunnan Pharmaceutical Hongde Development Co., Ltd, and Yunnan Pharmaceutical Qujing Co., Ltd enjoy the preferential tax treatment for the Western Development and pay the enterprise income tax at the tax rate of 15%.

(2) Yunnan Institute of Materia Medica, Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd, Yunnan Baiyao Group Medical Technology Hefei Co., Ltd, Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, and Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd enjoy the preferential tax treatment for high-tech enterprises and pay the enterprise income tax at the tax rate of 15%.

(3) For Yunnan Baiyao Group Sanqi Industry Co., Ltd and Yunnan Baiyao Group Tai'an Biotechnology Industry Co., Ltd, the primary processing of agricultural products is exempt from enterprise income tax, and the income other than that is taxed at 25%.

For Lijiang Yunquan Biological Development Co., Ltd, the primary processing of agricultural products is exempt from enterprise income tax, and the income other than that shall be subject to enterprise income tax for small and micro enterprises.

(4) According to the *Announcement of the General Administration of Taxation of the Ministry of Finance on the Further Implementation of the Preferential Income Tax Policy for Small and Micro Enterprises* (Finance and Taxation [2022] No. 13), “the part of the annual taxable income of small and micro profit enterprises exceeding RMB 1 million but not exceeding RMB 3 million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The period of implementation of this announcement is from January 1, 2022 to December 31, 2024,” the *Announcement of the General Administration of Taxation of the Ministry of Finance on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Finance and Taxation [2023] No. 6), “the part of the annual taxable income of small and micro profit enterprises that does not exceed RMB1

million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The period of enforcement of this Announcement is from January 1, 2023 to December 31, 2024,” and the *Announcement of the General Administration of Taxation of the Ministry of Finance on Tax Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Enterprises* (Finance and Taxation [2023] No. 12), “For small, low-profit enterprises, the taxable income amount shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The policy shall be continued until December 31, 2027.” Eighteen companies, including Yunnan Fengqing Tea Plant, Beijing Ruiyou Testing Technology Co., Ltd and Yunnan Pharmaceutical Ruiyang Shenhua Technology Co., Ltd pay enterprise income tax at a tax rate of 20% according to this policy.

### 3. Others

None

## VII. Notes to Items in Consolidated Financial Statements

### 1. Cash and bank balance

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	115,703.87	224,637.14
Bank deposit	12,482,505,485.18	13,006,283,524.34
Other cash and bank balance	63,073,561.34	49,605,550.99
Total	12,545,694,750.39	13,056,113,712.47
Including: Total amount of money deposited overseas	204,197,569.57	177,953,497.45

Other explanations: None

### 2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	1,541,024,256.18	2,415,722,075.60
Including:		
Investments in debt instruments		
Investments in equity instruments	1,513,942,138.94	2,357,680,635.18
Others	27,082,117.24	58,041,440.42
Including:		
Total	1,541,024,256.18	2,415,722,075.60

Other explanations: None

**3. Derivative financial assets: None****4. Notes receivable****(1) Notes receivable by type**

Unit: RMB

Item	Closing balance	Opening balance
Banker's acceptance bill	543,218,295.72	789,465,084.93
Domestic letter of credit	197,878,866.96	
Total	741,097,162.68	789,465,084.93

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Bills receivable with provision for bad debts by portfolio	741,097,162.68	100.00%			741,097,162.68	789,465,084.93	100.00%			789,465,084.93
Including:										
Banker's acceptance bill	543,218,295.72	73.30%			543,218,295.72	789,465,084.93	100.00%			789,465,084.93
Domestic letter of credit	197,878,866.96	26.70%			197,878,866.96					
Total	741,097,162.68	100.00%			741,097,162.68	789,465,084.93	100.00%			789,465,084.93

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Banker's acceptance bill	543,218,295.72		
Domestic letter of credit	197,878,866.96		
Total	741,097,162.68		

If provision was made for bad debts of notes receivable in accordance with the general expected credit loss model, please disclose relevant information of provision for bad debts referring to the disclosure of other receivables:

Applicable Not applicable

**(2) Provision for bad debts accrued, recovered or reversed during the reporting period: None**

**(3) Notes receivable pledged by the Company at the end of the reporting period: None**

**(4) Notes receivable endorsed or discounted by the Company, which were not yet due on the balance sheet date as at the end of the reporting period**

Unit: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Banker's acceptance bill	126,635,848.51	
Total	126,635,848.51	

**(5) Notes receivable that were converted to accounts receivable due to the drawer's failure to perform the contract: None**

**(6) Actual write-off of notes receivable for the period: None**

**5. Accounts receivable****(1) Disclosure of accounts receivable by type**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with provision for bad debts on individual basis	7,404,800.00	0.07%	7,404,800.00	100.00%	0.00	7,404,800.00	0.08%	7,404,800.00	100.00%	
Including:										
Accounts receivable with provision for bad debts on individual basis	7,404,800.00	0.07%	7,404,800.00	100.00%	0.00	7,404,800.00	0.08%	7,404,800.00	100.00%	
Accounts receivable with provision for bad debts on portfolio basis	10,380,646,596.43	99.93%	717,437,991.16	6.91%	9,663,208,605.27	9,737,464,470.52	99.92%	647,642,318.59	6.65%	9,089,822,151.93
Including:										
Aging portfolio	10,380,646,596.43	99.93%	717,437,991.16	6.91%	9,663,208,605.27	9,737,464,470.52	99.92%	647,642,318.59	6.65%	9,089,822,151.93
Total	10,388,051,396.43	100.00%	724,842,791.16	6.98%	9,663,208,605.27	9,744,869,270.52	100.00%	655,047,118.59	6.72%	9,089,822,151.93

Provision for bad debts made on an individual basis:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debts	Provision proportion	Reason for provision
Ningbo Qingbing Biotechnology Co., Ltd.	7,404,800.00	7,404,800.00	100.00%	The possibility of recovery is minimal

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Aging portfolio	10,380,646,596.43	717,437,991.16	6.91%
Total	10,380,646,596.43	717,437,991.16	

Explanation on the basis for determining the portfolio: None

If provision was made for bad debts of accounts receivable in accordance with the general expected credit loss model, please disclose relevant information of provision for bad debts referring to the disclosure of other receivables:

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (inclusive of 1 year)	9,695,273,937.65
1 to 2 years	623,626,006.05
2 to 3 years	46,941,869.29
Above 3 years	22,209,583.44
Total	10,388,051,396.43

**(2) Provision for bad debts accrued, recovered or reversed during the reporting period**

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	647,642,318.59	70,022,581.61		226,909.04		717,437,991.16
Accounts receivable with provision for bad debts on individual basis	7,404,800.00					7,404,800.00

Total	655,047,118.59	70,022,581.61		226,909.04		724,842,791.16
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Among them, the important amount of recovery or reversal of provision for bad debt for the period: None

### (3) Actual write-off of accounts receivable for the period:

Unit: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	226,909.04

### (4) Top five customers with closing balance of accounts receivable summarized by debtor

Unit: RMB

Entity name	Closing balance of accounts receivable	Percentage of total of closing balance of accounts receivable	Closing balance of provision for bad debt
Customer A	678,664,760.59	6.53%	65,363,580.28
Customer B	415,835,763.29	4.00%	20,791,788.16
Customer C	408,988,809.56	3.94%	20,481,160.48
Customer D	406,380,910.51	3.91%	65,738,274.11
Customer E	397,742,912.98	3.83%	19,887,145.65
Total	2,307,613,156.93	22.21%	

### (5) Accounts receivable derecognized due to the transfer of financial assets: None

### (6) Amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved: None

## 6. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Notes receivable	634,158,821.40	834,668,231.58
Total	634,158,821.40	834,668,231.58

Changes in accounts receivable financing and changes in fair value

Applicable Not applicable

If provision was made for accounts receivable financing in accordance with the general expected credit loss model, please disclose relevant information of provision for impairment referring to the disclosure of other receivables:

Applicable Not applicable

Other explanations: None

## 7. Prepayments

### (1) Prepayments by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	377,839,021.29	92.01%	498,263,637.61	91.77%
1 to 2 years	26,004,453.52	6.33%	31,396,687.61	5.78%
2 to 3 years	3,796,113.21	0.93%	7,040,632.08	1.30%
Above 3 years	3,003,581.94	0.73%	6,247,483.55	1.15%
Total	410,643,169.96		542,948,440.85	

Explanation on why prepayments with aging of more than 1 year and an important amount not settled in time: None

## (2) Top five suppliers with closing balance of prepayment summarized by payee

Entity name	Book balance (RMB)	Proportion of total prepayments
Shenzhen China Resources Sanjiu Medicine Trading Co., Ltd.	56,937,095.46	13.87%
Yunnan Summit Biotechnology Co., Ltd.	22,012,956.00	5.36%
Beijing Zhongwai Mingren Technology Co., Ltd.	20,570,581.66	5.01%
Guangzhou Baiyunshan Pharmaceutical Co., Ltd. Baiyunshan Hejigong Pharmaceutical Factory	18,805,274.53	4.58%
Focus Media Advertising Co., Ltd.	11,320,754.00	2.76%
Total	129,646,661.65	31.57%

Other explanations: None

## 8. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	406,032,345.56	
Other receivables	127,114,077.52	118,948,994.06
Total	533,146,423.08	118,948,994.06

### (1) Interest receivable

1) Interest receivable by type: None

2) Major overdue interest: None

3) Provision for bad debts

Applicable Not applicable

**(2) Dividends receivable****1) Dividends receivable by type**

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Shanghai Pharmaceuticals Holding Co. Ltd.	406,032,345.56	
Total	406,032,345.56	

**2) Major dividends receivable aged over one year: None****3) Provision for bad debts**□Applicable Not applicable

Other explanations: None

**(3) Other receivables****1) Other receivables by nature**

Unit: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Deposits and guarantees	339,901,594.94	341,475,970.72
Petty cash	32,712,469.03	40,949,868.07
Borrowings	9,889,172.38	9,889,172.38
Others	606,713,572.87	584,078,713.91
Total	989,216,809.22	976,393,725.08

**2) Provision for bad debts**

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses for the next 12 months	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 1, 2023	271,949,622.49	0.00	585,495,108.53	857,444,731.02
Balance as of January 1, 2023 in the current period				
Current provision	4,398,000.68	0.00	260,000.00	4,658,000.68
Balance as of June 30, 2023	276,347,623.17	0.00	585,755,108.53	862,102,731.70

Changes in book balance with significant changes in loss reserves in the current period

□Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (inclusive of 1 year)	209,171,601.47
1 to 2 years	294,432,916.00
2 to 3 years	238,154,453.40
Above 3 years	247,457,838.35
Total	989,216,809.22

### 3) Provision for bad debts accrued, recovered or reversed during the reporting period

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Other accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	857,444,731.02	4,658,000.68				862,102,731.70
Total	857,444,731.02	4,658,000.68				862,102,731.70

Among them, the important amount of reversal or recovery of provision for bad debt for the period: None

### 4) Actual write-off of other receivables for the period: None

### 5) Top five customers with closing balance of other receivables summarized by debtor

Unit: RMB

Entity name	Nature of payment	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debt
Entity A	Security deposit	100,000,000.00	Above 3 years	10.11%	100,000,000.00
Entity B	Security deposit	50,000,000.00	Above 3 years	5.05%	50,000,000.00
Entity C	Security deposit	30,000,000.00	Above 3 years	3.03%	30,000,000.00
Entity D	Security deposit	18,000,000.00	2 to 3 years	1.82%	10,800,000.00
Entity E	Security deposit	10,800,000.00	Above 3 years	1.09%	10,800,000.00
Total		208,800,000.00		21.10%	201,600,000.00

**6) Accounts receivable related to government subsidy: None****7) Other receivables derecognized due to the transfer of financial assets: None****8) Amount of assets and liabilities generated by transferring other receivables and continuing to be involved: None****9. Inventories**

Did the Company need to comply with the disclosure requirements of the real estate industry

No

**(1) Categories of inventories**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories or provision for impairment of contract fulfillment costs	Book value	Book balance	Provision for inventory impairment or provision for impairment of contract performance costs	Book value
Raw materials	1,939,064,950.14	63,944,242.20	1,875,120,707.94	2,392,701,254.76	118,815,553.26	2,273,885,701.50
Work in process	129,957,222.84		129,957,222.84	142,723,757.34		142,723,757.34
Finished goods	4,916,594,863.41	54,851,168.13	4,861,743,695.28	5,520,098,866.23	55,694,955.01	5,464,403,911.22
Consumptive biological assets	36,472,686.08		36,472,686.08	36,074,617.71		36,074,617.71
Contract performance costs	10,381,879.61		10,381,879.61	13,070,656.42		13,070,656.42
Materials outsourced for processing				447,210.05		447,210.05
Packaging materials and low value consumables	58,828,769.79	2,109,276.53	56,719,493.26	64,864,577.24	2,263,387.22	62,601,190.02
Total	7,091,300,371.87	120,904,686.86	6,970,395,685.01	8,169,980,939.75	176,773,895.49	7,993,207,044.26

**(2) Provision for inventory impairment or provision for impairment of contract performance costs**

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	118,815,553.26	30,432.21		54,901,743.27		63,944,242.20

Work in process		0.00		0.00	
Finished goods	55,694,955.01	6,223,413.42		7,067,200.30	54,851,168.13
Packaging materials and low value consumables	2,263,387.22	34,807.84		188,918.53	2,109,276.53
Total	176,773,895.49	6,288,653.47		62,157,862.10	120,904,686.86

**(3) Explanation on closing balance of inventories involving capitalized amount of borrowing costs: None**

**(4) Explanation on the current amortization amount of contract performance costs: None**

**10. Contractual assets: None**

**11. Held-for-sales assets: None**

**12. Non-current assets due within one year**

Unit: RMB

Item	Closing balance	Opening balance
Certificate of deposit and interest		361,774,444.44
Total		361,774,444.44

Important debt investments/other debt investments: None

**13. Other current assets**

Unit: RMB

Item	Closing balance	Opening balance
Input tax to be deducted and certified	357,399,146.08	309,513,536.94
Cost of returned goods receivable	145,762,005.26	136,588,595.19
Prepaid taxes and fees	5,013,862.30	13,248,495.90
Time deposits and other wealth management products	718,505,457.13	11,209,672.18
Others	3,529,348.34	3,779,807.55
Total	1,230,209,819.11	474,340,107.76

Other explanations: None

**14. Debt investments: None**

**15. Other debt investments: None**

**16. Long-term receivables**

**(1) Long-term receivables: None**

**(2) Long-term receivables derecognized due to the transfer of financial assets: None**

**(3) Amount of assets and liabilities generated by transferring long-term receivables and continuing to be involved: None**

**17. Long-term equity investments**

Unit: RMB

Investee	Opening balance (book value)	Increase and decrease in the current period								Closing balance (book value)	Closing balance of impairment provision
		Additional investment	Decreased investment	Profits and losses on investments confirmed under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to be issued	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Shanghai Pharmaceuticals Holding Co. Ltd.	11,318,607,693.92			438,596,851.03	-22,847,452.34	5,841,351.14	406,032,345.56			11,334,166,098.19	
Lijiang Changgengming Trading Co., Ltd.	142,253.18									142,253.18	
Ban Loong Jacobson JBM Pharma Limited		55,318.80		-38,841.58	-1,956.03					14,521.19	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.											
Subtotal	11,318,749,947.10	55,318.80		438,558,009.45	-22,849,408.37	5,841,351.14	406,032,345.56			11,334,322,872.56	
Total	11,318,749,947.10	55,318.80		438,558,009.45	-22,849,408.37	5,841,351.14	406,032,345.56			11,334,322,872.56	

Other explanations: None

**18. Other equity instrument investment**

Unit: RMB

Item	Closing balance	Opening balance
Immune Sensor Therapeutics Inc.	71,745,000.00	71,745,000.00
Total	71,745,000.00	71,745,000.00

Itemized disclosure of investment in non-trading equity instruments for the period: None

**19. Other non-current financial assets**

Unit: RMB

Item	Closing balance	Opening balance
Classified as financial assets at fair value through profits or losses	391,447,063.97	380,786,134.24
Total	391,447,063.97	380,786,134.24

Other explanations: None

**20. Investment properties****(1) Adoption of the cost measurement model for investment properties**Applicable Not applicable

Unit: RMB

Item	Buildings and structures	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	52,663,738.12	38,294,126.24		90,957,864.36
2. Increase in the current period				
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\ construction in progress				
(3) Increase in business combination				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	52,663,738.12	38,294,126.24		90,957,864.36
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	31,783,351.89	3,350,735.98		35,134,087.87
2. Increase in the current period	519,350.88	478,676.58		998,027.46
(1) Provision or	519,350.88	478,676.58		998,027.46

amortization				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	32,302,702.77	3,829,412.56		36,132,115.33
III. Provision for impairment				
1. Opening balance				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance				
IV. Book value				
1. Closing book value	20,361,035.35	34,464,713.68		54,825,749.03
2. Opening book value	20,880,386.23	34,943,390.26		55,823,776.49

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

Applicable Not applicable

**(3) Investment properties for which the title certificate has not been obtained: None****21. Fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	2,639,966,219.12	2,721,970,469.98
Liquidation of fixed assets	405.67	1,331,895.67
Total	2,639,966,624.79	2,723,302,365.65

**(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	2,480,173,132.48	1,533,268,006.94	60,443,544.48	176,201,281.24	2,140,485.56	4,252,226,450.70
2. Increase in the current period	7,886,027.84	12,933,583.64	8,894,368.94	13,371,158.07	805,173.83	43,890,312.32
(1) Purchase	823,838.26	11,718,904.69	8,799,803.86	13,233,034.30	1,000.00	34,576,581.11

(2) Transfer from construction in progress	6,381,997.71	1,214,678.95				7,596,676.66
(3) Increase in business combination						
(4) Others	680,191.87		94,565.08	138,123.77	804,173.83	1,717,054.55
3. Decrease in the current period	3,134,211.68	4,265,452.84	3,174,497.79	19,152,482.58		29,726,644.89
(1) Disposal or scrapping	3,134,211.68	3,627,419.75	3,174,497.79	2,603,284.39		12,539,413.61
(2) Others		638,033.09		16,549,198.19		17,187,231.28
4. Closing balance	2,484,924,948.64	1,541,936,137.74	66,163,415.63	170,419,956.73	2,945,659.39	4,266,390,118.13
II. Accumulated depreciation						
1. Opening balance	503,358,238.26	843,895,176.28	36,330,631.77	78,536,215.59	1,564,749.64	1,463,685,011.54
2. Increase in the current period	32,422,386.61	59,082,447.63	1,749,876.84	11,942,811.15	689,399.32	105,886,921.55
(1) Provision	31,821,741.92	59,082,447.63	1,658,396.69	11,847,602.35	204,574.55	104,614,763.14
(2) Others	600,644.69		91,480.15	95,208.80	484,824.77	1,272,158.41
3. Decrease in the current period	839,925.43	3,993,345.24	2,629,464.28	2,204,562.75		9,667,297.70
(1) Disposal or scrapping	839,925.43	3,428,597.93	2,629,464.28	2,204,562.75		9,102,550.39
(2) Others		564,747.31				564,747.31
4. Closing balance	534,940,699.44	898,984,278.67	35,451,044.33	88,274,463.99	2,254,148.96	1,559,904,635.39
III. Provision for impairment						
1. Opening balance	63,002,508.17	3,558,224.02		10,236.99		66,570,969.18
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period		51,705.56				51,705.56
(1) Disposal or scrapping		51,705.56				51,705.56
4. Closing balance	63,002,508.17	3,506,518.46		10,236.99		66,519,263.62
IV. Book value						
1. Closing	1,886,981,741.03	639,445,340.61	30,712,371.30	82,135,255.75	691,510.43	2,639,966,219.12

book value						
2. Opening book value	1,913,812,386.05	685,814,606.64	24,112,912.71	97,654,828.66	575,735.92	2,721,970,469.98

**(2) Temporarily idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Houses and buildings	8,212,670.38	5,491,650.48	2,444,550.42	276,469.48	
Machinery and equipment	15,138,795.36	14,345,984.66	44,048.79	748,761.91	
Electronic equipment	154,803.47	24,200.10	10,236.99	120,366.38	
Total	23,506,269.21	19,861,835.24	2,498,836.20	1,145,597.77	

**(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 Yunnan Baiyao in Yuhua Industrial Zone	204,538,292.54	Some title certificates have been obtained, and the rest is under application.
R&D Center in the health industry park	113,787,196.71	Under application
API Center Phase II expansion project of Yunnan Baiyao Group (warehouse, office building, corridor)	70,162,712.19	Under application
Drug Division of Dali Pharmaceutical Economic Development Zone	26,700,297.84	Under application
Overall relocation project of Wenshan Qihua	33,148,521.57	Some title certificates have been obtained, and the rest is under application.
Buildings in planting base of Yunquan	1,322,338.00	The land is a leased land
Total	449,659,358.85	

Other explanations: None

**(5) Liquidation of fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment	405.67	1,223,963.94
Transportation vehicles		107,058.13
Electronic equipment		873.60
Total	405.67	1,331,895.67

Other explanations: None

**22. Construction in progress**

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	384,905,022.44	193,993,194.93
Total	384,905,022.44	193,993,194.93

**(1) Construction in progress**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Shanghai International Center project of Yunnan Baiyao	234,822,928.48		234,822,928.48	115,853,670.95		115,853,670.95
Yunnan Baiyao R&D platform - Kunming center construction project	50,046,197.10		50,046,197.10	15,674,946.37		15,674,946.37
Upgrading project of the old workshop in the economic development zone	13,500,969.81		13,500,969.81	9,585,081.75		9,585,081.75
Health Industry Project (Phase I) of Yunnan Baiyao Group	7,023,832.39		7,023,832.39	6,979,457.53		6,979,457.53
Yunnan Baiyao Shanghai project office decoration project	5,513,196.92		5,513,196.92	5,513,196.92		5,513,196.92
Whole plant organic cosmetics production workshop				4,254,297.70		4,254,297.70
Yunnan Baiyao Wenshan Sanqi Smart Technology Park Project	3,986,332.63		3,986,332.63	3,986,332.63		3,986,332.63
Yunnan Baiyao Tai'an Project Phase III				2,271,149.08		2,271,149.08
Aesthetic medicine	3,162,958.47		3,162,958.47	2,218,701.36		2,218,701.36

supporting commercial and office projects of Yunnan Baiyao in Beijing SOHO						
Peking University Baiyao International Medical Research Center renovation project				1,890,969.29		1,890,969.29
Production base construction project of Yunnan Baiyao Group Shanghai Technology Co., Ltd.	25,223,893.04		25,223,893.04	4,216,297.70		4,216,297.70
Optimization project of new factory of Yunnan Baiyao toothpaste	12,885,659.00		12,885,659.00	1,677,435.34		1,677,435.34
Data lake construction project	5,156,670.77		5,156,670.77	3,366,622.14		3,366,622.14
TCM resources phase II project	4,180,973.05		4,180,973.05	4,107,659.80		4,107,659.80
Greenhouse project of Yunnan Baiyao Taian project phase IV	1,746,206.00		1,746,206.00	1,746,206.00		1,746,206.00
Yuhua Industrial Zone — Museum project	1,458,960.50		1,458,960.50	1,458,960.50		1,458,960.50
Electromechanical installation project for <i>Panax notoginseng</i> oral liquid production line	1,317,431.19		1,317,431.19			
OA system upgrade and instant messaging integration project	1,195,270.38		1,195,270.38	1,195,270.38		1,195,270.38
Government-enterprise	124,000.00		124,000.00			

Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)						
Others	13,559,542.71		13,559,542.71	7,996,939.49		7,996,939.49
Total	384,905,022.44		384,905,022.44	193,993,194.93		193,993,194.93

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

Unit: RMB

Project 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	Project progress	Accumulated amount of interest capitalized	Including: Amount of interest capitalized for the period	Capitalization rate of interest for the period	Source of funds
Shanghai International Center project of Yunnan Baiyao	1,550,556,100.00	115,853,670.95	118,969,257.53			234,822,928.48	30.09%	35.98%				Others
Yunnan Baiyao R&D platform - Kunming center construction project	921,670,000.00	15,674,946.37	34,371,250.73		0.00	50,046,197.10	12.80%	15.00%				Others
Health Industry Project (Phase I) of Yunnan Baiyao Group	1,158,174,400.00	6,979,457.53	44,374.86		0.00	7,023,832.39	90.00%	99.00%				Others
Peking University Baiyao International Medical Research Center renovation project	42,000,000.00	1,890,969.29	2,025,306.45		3,916,275.74		91.00%	100.00%				Others
Upgrading project of the old workshop in the economic development zone	10,856,500.00	9,585,081.75	3,915,888.06		0.00	13,500,969.81	88.30%	86.66%				Others
Optimization project of new factory of Yunnan Baiyao toothpaste	380,000,000.00	1,677,435.34	11,208,223.66		0.00	12,885,659.00	37.44%	86.00%				Others
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase I)	17,860,000.00		124,000.00			124,000.00	1.00%	15.00%				Others
Production base	45,850,000.00	4,216,297.70	21,007,595.34			25,223,893.04	98.72%	99.00%				Others

construction project of Yunnan Baiyao Group Shanghai Technology Co., Ltd.												
Total	4,126,967,000.00	155,877,858.93	191,665,896.63		3,916,275.74	343,627,479.82						

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

**(4) Project materials: None**

**23. Productive biological assets****(1) Adoption of the cost measurement model for productive biological assets**

☑Applicable ☐Not applicable

Unit: RMB

Item	Planting	Stockbreeding	Forestry	Aquaculture	Total
	Tea				
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	1,418,175.15				1,418,175.15
2. Increase in the current period	85,950.06				85,950.06
(1) Provision	85,950.06				85,950.06
3. Decrease in the current period					
(1) Disposal					
(2) Others					
4. Closing balance	1,504,125.21				1,504,125.21
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	1,074,374.79				1,074,374.79

2. Opening book value	1,160,324.85				1,160,324.85
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**(2) Adoption of the fair value measurement model for productive biological assets**

Applicable Not applicable

**24. Oil and gas assets**

Applicable Not applicable

**25. Right-of-use assets**

Unit: RMB

Item	Houses and buildings	Total
<b>I. Original book value</b>		
1. Opening balance	580,165,392.75	580,165,392.75
2. Increase in the current period	20,711,606.29	20,711,606.29
(1) Lease	20,646,509.12	20,646,509.12
(2) Others	65,097.17	65,097.17
3. Decrease in the current period	99,850,335.19	99,850,335.19
(1) Disposal	99,850,335.19	99,850,335.19
4. Closing balance	501,026,663.85	501,026,663.85
<b>II. Accumulated depreciation</b>		
1. Opening balance	190,190,002.02	190,190,002.02
2. Increase in the current period	53,794,434.08	53,794,434.08
(1) Provision	53,794,434.08	53,794,434.08
3. Decrease in the current period	13,965,712.28	13,965,712.28
(1) Disposal	13,965,712.28	13,965,712.28
4. Closing balance	230,018,723.82	230,018,723.82
<b>III. Provision for impairment</b>		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
4. Closing balance		
<b>IV. Book value</b>		
1. Closing book value	271,007,940.03	271,007,940.03
2. Opening book value	389,975,390.73	389,975,390.73

Other explanations: None

## 26. 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	683,358,811.53	35,290,624.52	2,150,381.86	44,659,022.05	20,000.00	151,853,515.32	917,332,355.28
2. Increase in the current period				15,906,005.46		2,228,167.25	18,134,172.71
(1) Purchase				15,906,005.46			15,906,005.46
(2) Internal R&D							
(3) Increase in business combination							
(4) Transfer in						2,228,167.25	2,228,167.25
3. Decrease in the current period				1,070,580.62			1,070,580.62
(1) Disposal				1,070,580.62			1,070,580.62
4. Closing balance	683,358,811.53	35,290,624.52	2,150,381.86	59,494,446.89	20,000.00	154,081,682.57	934,395,947.37
II. Accumulated amortization							
1. Opening balance	144,827,547.65	24,852,586.94	2,150,381.86	11,566,287.48	925.55	16,855,816.42	200,253,545.90
2. Increase in the current period	8,085,179.89	1,392,817.32		5,337,122.58	1,110.66	404,199.96	15,220,430.41
(1) Provision	8,085,179.89	1,392,817.32		5,337,122.58	1,110.66	404,199.96	15,220,430.41
3. Decrease in the current period				22,451.57			22,451.57
(1) Disposal				22,451.57			22,451.57
4. Closing balance	152,912,727.54	26,245,404.26	2,150,381.86	16,880,958.49	2,036.21	17,260,016.38	215,451,524.74
III. Provision for impairment							
1. Opening balance	6,382,453.60					119,710,531.48	126,092,985.08
2. Increase in the current period							
(1) Provision							
3. Decrease in the current period							
(1) Disposal							
4. Closing balance	6,382,453.60					119,710,531.48	126,092,985.08
IV. Book value							
1. Closing book value	524,063,630.39	9,045,220.26		42,613,488.40	17,963.79	17,111,134.71	592,851,437.55
2. Opening book value	532,148,810.28	10,438,037.58		33,092,734.57	19,074.45	15,287,167.42	590,985,824.30

Proportion of intangible assets generated through internal R&D of the Company in the balance of intangible assets at the end of the reporting period: Nil

**(2) Land use rights for which the title certificate has not been obtained: None****27. Development expenses**

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development expenses	Others	Recognized as intangible assets	Transfer to current profits and losses	
P137 Project Research and Development (IND)	6,024,448.12	3,024,538.90				9,048,987.02
Total	6,024,448.12	3,024,538.90				9,048,987.02

Other explanations: None

**28. Goodwill****(1) Original book value of goodwill**

Unit: RMB

Name of the investee or items forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Formed by business combination	Disposal	
Ban Loong Holdings Ltd.	645,635,327.81			645,635,327.81
Shanghai Hanshi Health Consulting Co., Ltd.	23,247,992.08			23,247,992.08
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	12,843,661.62			12,843,661.62
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	26,904,931.64			26,904,931.64
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
Total	709,353,683.54			709,353,683.54

**(2) Provision for impairment of goodwill**

Unit: RMB

Name of the investee or items forming goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Provision	Disposal	
Ban Loong Holdings Ltd.	561,515,748.26			561,515,748.26
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	17,234,070.00			17,234,070.00
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
Total	579,471,588.65			579,471,588.65

Related information on asset group or combination of asset groups containing goodwill: None

Explanation on goodwill impairment test process, key parameters (such as the forecast period growth rate when the present value

of future cash flows are expected, the stable period growth rate, profit rate, discount rate, forecast period, etc.) and the method of recognition of goodwill impairment loss: None

Impact of goodwill impairment test: None

Other explanations: None

## 29. 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	90,442,503.49	15,184,070.87	11,947,336.05	1,774,173.55	91,905,064.76
Nanping Street renovation project of Yunnan Baiyao	9,497,542.66		1,676,036.94		7,821,505.72
External preparation demonstration hall renovation project	1,434,420.64		717,210.18		717,210.46
Others	1,665,425.97		359,001.23		1,306,424.74
Total	103,039,892.76	15,184,070.87	14,699,584.40	1,774,173.55	101,750,205.68

Other explanations: None

## 30. 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	144,350,839.28	30,704,945.95	183,093,535.46	35,612,233.01
Unrealised profits of intra-group transactions	351,145,242.68	55,904,719.95	433,164,555.99	68,246,952.21
Deductible losses	89,475,980.28	14,202,475.09	98,294,872.23	16,407,198.08
Provision for credit impairment	966,903,289.24	147,475,988.27	858,738,207.86	130,874,447.83
Deferred income	117,661,353.99	17,706,736.43	112,673,439.27	16,991,015.89
Contractual liabilities	643,314,389.17	96,497,158.38	744,264,425.60	111,639,663.83
Payroll payable and long-term employee benefits payable	184,354,149.24	27,653,122.39	213,880,961.43	32,082,144.21
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	443,562,376.80	66,534,356.52	523,242,481.81	78,486,372.27

Lease liabilities	263,093,805.41	51,128,603.14	377,446,471.13	78,492,672.52
Changes in fair value	496,803,036.88	74,520,455.53	511,601,593.57	76,740,239.04
Other payables	606,511,081.38	90,976,662.21	439,458,968.57	65,918,845.29
Others	24,577,525.29	3,818,411.64	11,621,529.09	1,754,995.48
Total	4,331,753,069.64	677,123,635.50	4,507,481,042.01	713,246,779.66

**(2) Deferred tax liabilities before offset**

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value	77,987,638.47	11,976,293.43	111,313,586.41	16,988,794.59
Right-of-use assets	243,095,319.95	47,924,173.30	359,106,274.04	74,402,624.87
Fixed assets subject to one-time pre-tax deduction	26,619,194.06	3,992,879.11	25,258,729.32	3,788,809.41
Appreciation of asset valuation	6,542,594.41	1,635,648.59	7,642,418.23	1,148,270.17
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
Others	23,062,905.04	3,576,807.66	7,867,630.46	1,180,144.57
Total	379,590,025.83	69,676,395.57	513,471,012.36	98,079,237.09

**(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		677,123,635.50		713,246,779.66
Deferred income tax liabilities		69,676,395.57		98,079,237.09

**(4) Details of unrecognized deferred income tax assets**

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	608,499,949.08	443,245,994.93
Provision for asset impairment and provision for credit impairment	1,462,848,360.28	1,240,170,950.71
Deferred income	68,681,397.33	65,948,373.73
Unrealized profit on internal sales		
Others	7,424,247.40	9,339,644.36
Total	2,147,453,954.09	1,758,704,963.73

**(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
2023	9,639,436.11	9,639,436.11	
2024	4,973,973.57	4,973,973.57	
2025	12,532,306.31	15,423,790.17	
2026	121,761,352.36	125,859,640.03	
2027	188,993,027.14	209,472,670.65	
2028	194,048,988.21	6,005,279.37	
2029	12,571,801.89	12,571,801.89	
2030	7,604,046.31	7,604,046.31	
2031	16,954,195.55	19,011,681.19	
2032	33,582,258.58	32,683,675.64	
2033	5,838,563.05		
Total	608,499,949.08	443,245,994.93	

Other explanations: None

**31. 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	18,430,122.64		18,430,122.64	17,595,832.83		17,595,832.83
Time deposit and interest	898,229,618.13		898,229,618.13	1,044,622,324.57		1,044,622,324.57
Stocks of special materials	30,000,000.00		30,000,000.00	30,000,000.00		30,000,000.00
Advance payment for the purchase of fixed assets	40,391,657.77		40,391,657.77	24,712,674.27		24,712,674.27
Value-added tax credit refund	9,867,575.47		9,867,575.47	9,867,575.47		9,867,575.47
Advance payment for investment						
Less: the part due within 1 year				-161,580,000.00		-161,580,000.00
Total	996,918,974.01		996,918,974.01	965,218,407.14		965,218,407.14

Other explanations: None

**32. Short-term loans****(1) Classification of short-term loans**

Unit: RMB

Item	Closing balance	Opening balance
Loan in credit	741,998,578.55	890,531,958.04
Factoring contract loans		
Discounted internal bills	782,434,325.21	960,335,928.55
Total	1,524,432,903.76	1,850,867,886.59

Explanation on classification of short-term loans: None

**(2) Overdue and outstanding short-term loans: None****33. Financial liabilities held for trading: None****34. Derivative financial liabilities: None****35. Notes payable**

Unit: RMB

Type	Closing balance	Opening balance
Commercial acceptance bill		100,000.00
Banker's acceptance bill	1,889,582,464.57	1,991,807,836.96
Total	1,889,582,464.57	1,991,907,836.96

Total notes payable due and unpaid at the end of the period were RMB 0.

**36. Accounts payable****(1) Accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	4,504,683,578.71	4,598,356,773.61
Payment for engineering equipment	16,610,331.61	40,782,479.02
Labor expenses and others		122,143.82
Total	4,521,293,910.32	4,639,261,396.45

**(2) Major accounts payable aged over one year: None****37. Receipts in advance****(1) Receipts in advance**

Unit: RMB

Item	Closing balance	Opening balance
Lease payment	3,200,394.26	1,569,799.63
Total	3,200,394.26	1,569,799.63

**(2) Major receipts in advance aged over one year: None****38. Contractual liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Advances from customers	1,550,793,001.50	2,575,823,948.53
Others	2,264,005.75	2,440,672.60
Total	1,553,057,007.25	2,578,264,621.13

Amount of and reasons for significant changes in the book value during the reporting period: None

**39. 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	440,330,260.27	1,120,171,117.57	1,217,536,330.50	342,965,047.34
II. Welfare after demission - defined contribution plan	27,839,224.27	74,875,752.43	74,913,505.30	27,801,471.40
III. Dismissal welfare	280,863.98	3,629,998.05	3,708,199.37	202,662.66
IV. Other welfares due within one year		0.00	0.00	0.00
V. Others		375,807.82	375,807.82	0.00
Total	468,450,348.52	1,199,052,675.87	1,296,533,842.99	370,969,181.40

**(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	163,058,986.84	684,344,814.14	728,993,206.93	118,410,594.05
2. Staff welfare	12,216,670.96	116,874,307.22	111,776,855.73	17,314,122.45
3. Social insurance contribution	829,224.27	42,289,929.37	42,829,240.03	289,913.61
Of which: Medical insurance premiums	809,268.95	38,613,332.11	39,159,336.39	263,264.67
Industrial injury insurance premiums	7,217.66	2,615,445.88	2,612,527.26	10,136.28
Maternity insurance premiums	12,737.66	912,620.10	908,845.10	16,512.66
Others	0.00	148,531.28	148,531.28	0.00
4. Housing provident	215,632.66	45,820,947.59	45,708,879.60	327,700.65

fund				
5. Union dues and staff training fees	27,188,273.65	19,167,139.26	14,257,644.91	32,097,768.00
6. Short-term paid absence	23,383.99	30,110.00	14,642.93	38,851.06
7. Short-term profit-sharing plan	236,797,817.90	184,140,283.25	246,452,003.63	174,486,097.52
8. Other short-term compensation	270.00	27,503,586.74	27,503,856.74	0.00
Total	440,330,260.27	1,120,171,117.57	1,217,536,330.50	342,965,047.34

### (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	466,997.59	68,820,974.32	69,031,731.09	256,240.82
2. Unemployment insurance premiums	15,428.02	2,652,237.19	2,646,481.13	21,184.08
3. Corporate pension payment	27,356,798.66	3,402,540.92	3,235,293.08	27,524,046.50
Total	27,839,224.27	74,875,752.43	74,913,505.30	27,801,471.40

Other explanations: None

### 40. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	166,448,608.35	105,116,961.78
Consumption tax	25,544.51	274,825.30
Enterprise Income Tax	249,150,959.42	366,975,428.61
Individual income tax	26,497,071.69	16,268,091.05
Urban maintenance and construction tax	12,161,574.06	6,874,277.78
Property tax	114,400.33	152,423.60
Land use tax	25,004.80	25,004.80
Stamp duty	4,125,238.39	4,476,145.74
Education surcharge	5,286,020.87	3,110,941.91
Local education surcharge	3,519,225.93	2,049,949.71
Environmental protection tax	7,865.71	18,065.25
Water conservancy fund	3,947.55	11,439.47
Collected and remitted taxes and fees	7,183,973.97	3,933,367.32
Total	474,549,435.58	509,286,922.32

Other explanations: None

### 41. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable	95,031,694.37	89,413,484.03
Other payables	1,245,735,139.68	954,279,725.75
Total	1,340,766,834.05	1,043,693,209.78

**(1) Interest payable: None****(2) Dividends payable**

Unit: RMB

Item	Closing balance	Opening balance
State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Kunming Nuo'an Enterprise Management Co., Ltd.		2,922,741.99
Yunnan Baoshan Medicine Co., Ltd.	4,276,038.78	
Yunnan Jianshui County Xingda Medicine Co., Ltd.	1,803,953.87	
Qiubei County Wanhe Pharmaceutical Co., Ltd.	1,388,255.99	
Dali Hongxu Trading Co., Ltd.	784,161.64	
Diqing Xingjian Trading Co., Ltd.	288,542.05	
Total	95,031,694.37	89,413,484.03

**(3) Other payables****1) Other payables by nature of payment**

Unit: RMB

Item	Closing balance	Opening balance
Market maintenance fee	685,594,131.74	449,675,991.26
Deposits and guarantees	304,428,270.53	305,330,173.64
Management fee payable	99,384,319.02	85,937,574.20
Other current accounts	66,828,827.91	31,366,513.19
Collection and payment	15,287,363.50	14,954,473.71
Loans and interest	54,800,000.00	60,956,390.23
Others	19,412,226.98	6,058,609.52
Total	1,245,735,139.68	954,279,725.75

**2) Other significant payables aged over one year**

Unit: RMB

Item	Closing balance	Reasons for outstanding or carry-forward
Entity A	21,800,000.00	Unsettled
Entity B	20,000,000.00	Unsettled
Entity C	13,000,000.00	Unsettled
Entity D	4,497,653.51	The warranty period has not expired
Total	59,297,653.51	

Other explanations: None

#### 42. Held-for-sales liabilities: None

#### 43. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities due within one year	79,130,236.45	93,870,902.64
Total	79,130,236.45	93,870,902.64

Other explanations: None

#### 44. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Returns payable	156,251,622.75	145,436,712.72
Transfer to output tax	309,959,537.93	233,949,060.47
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	468,011,160.68	381,185,773.19

Changes in short-term bonds payable: None

#### 45. 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

**46. Bonds payable****(1) Bonds payable: None****(2) Changes in bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities): None****(3) Explanation on conversion conditions and conversion time of convertible corporate bonds: None****(4) Explanation on other financial instruments classified as financial liabilities: None****47. Lease liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Buildings and structures	263,076,603.55	379,654,631.37
Less: Non-current liabilities reclassified to liabilities due within one year	-79,130,236.45	-93,870,902.64
Total	183,946,367.10	285,783,728.73

Other explanations: None

**48. Long-term payables**

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	632,344,592.13	641,235,559.39
Special payables	4,838,584.16	4,838,584.16
Total	637,183,176.29	646,074,143.55

**(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	632,344,592.13	641,235,559.39

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	500,000.00			500,000.00	Transfer from

operating funds					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

#### 49. Long-term payroll payable

##### (1) Details of long-term payroll payable

Unit: RMB

Item	Closing balance	Opening balance
II. Termination benefits	554,601.04	598,998.08
III. Other long-term benefits	3,681,455.00	3,681,455.00
Total	4,236,056.04	4,280,453.08

**(2) Change of defined benefit plan: None****50. Estimated liabilities: None****51. 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	20,353,660.72	7,230,774.36	2,667,927.59	24,916,507.49	
Government subsidies related to assets	158,268,152.28	9,833,000.00	6,674,908.45	161,426,243.83	
<b>Total</b>	<b>178,621,813.00</b>	<b>17,063,774.36</b>	<b>9,342,836.04</b>	<b>186,342,751.32</b>	

Projects involving government subsidies:

Unit: RMB

Liability items	Opening balance	Amount of new subsidies during the period	Amount included in non-operating revenue during the period	Amount included in other income during the period	Amount that offsets costs and expenses during the period	Other changes	Closing balance	Asset-related/ income-related
Industrial development support funds for Health Industry Project (Phase I) of Yunnan Baiyao Group	26,896,122.25			365,400.42			26,530,721.83	Related to assets
Industrial development support funds for Health Industry Project (Phase II) of Yunnan Baiyao Group	21,274,820.51			291,435.90			20,983,384.61	Related to assets
Subsidies for construction of Yunnan Baiyao (Tianzihong) project road, water supply and drainage and other infrastructure	20,030,768.58			357,692.34			19,673,076.24	Related to assets
Construction of Chinese herbal medicine supply public service platform and standardized service demonstration system of <i>Panax notoginseng</i> , <i>Paris polyphylla</i> and other advantage Chinese herbal medicines	18,606,822.49			670,819.74			17,936,002.75	Related to assets
2020 traditional Chinese medicine production capacity improvement project	9,421,333.34			144,666.72			9,276,666.62	Related to assets
Relocation and expansion of Wenshan Qihua Co., Ltd.	6,858,697.44	300,000.00		164,105.79			6,994,591.65	Related to assets
Fiscal appropriation for <i>Panax notoginseng</i> series preparation	6,000,000.00			750,000.00			5,250,000.00	Related to assets

Liability items	Opening balance	Amount of new subsidies during the period	Amount included in non-operating revenue during the period	Amount included in other income during the period	Amount that offsets costs and expenses during the period	Other changes	Closing balance	Asset-related/ income-related
product upgrade project of Yunnan Baiyao								
Healthcare food key technology research and industrialization demonstration project	6,000,000.00			300,000.00			5,700,000.00	Related to assets
Preclinical Studies and Quality (PSQ) of Yunnan Characteristic Key Variety <i>Panax Notoginseng</i> Innovative Drugs	5,559,585.93			25,452.83			5,534,133.10	Related to income
Special fund for provincial strategic emerging industry development - Yunnan Baiyao <i>Paris polyphylla</i> industry chain construction	5,500,000.00						5,500,000.00	Related to assets
Relocation and expansion of Qihua Company in 2015	4,743,589.74			64,102.56			4,679,487.18	Related to assets
Science and Technology Outstanding Contribution Award of Yunnan Province	3,272,324.12			116,854.66			3,155,469.46	Related to income
Warehousing project in Denggao area of Wenshan Sanqi Industrial Park	2,771,794.88			57,051.30			2,714,743.58	Related to assets
Construction of Yunnan characteristic plant drug development platform	2,337,329.75			1,532,111.58			805,218.17	Related to income
Key technology innovation platform for consistency evaluation of chemical generic drugs	2,175,000.00			125,000.00			2,050,000.00	Related to assets
New preparation varieties industrialization construction project	2,160,000.00			1,080,000.00			1,080,000.00	Related to assets
<i>Panax notoginseng</i> standard extract, special total saponin, Xuesaitong capsule industry demonstration project	1,851,049.64			132,217.86			1,718,831.78	Related to assets
National service industry development guidance fund - construction of third-party test technology demonstration center of Yunnan Baiyao	1,800,000.00			225,000.00			1,575,000.00	Related to assets
Technical modifications	1,493,333.32			320,000.00			1,173,333.32	Related to assets
Improving the capacity of third-party public technical service platforms of Yunnan Institute of Materia Medica	1,439,547.10			73,093.02			1,366,454.08	Related to assets
Evaluation of the effectiveness of new transdermal drug	1,419,602.61						1,419,602.61	Related to income

Liability items	Opening balance	Amount of new subsidies during the period	Amount included in non-operating revenue during the period	Amount included in other income during the period	Amount that offsets costs and expenses during the period	Other changes	Closing balance	Asset-related/ income-related
delivery system and construction of key technology platform for preparation research								
Smart technology park project	1,400,000.00						1,400,000.00	Related to assets
<i>Panax Notoginseng</i> Tablet in-depth research project	1,282,771.85	2,100,000.00		134,978.86			3,247,792.99	Related to income
Annual fixed assets investment subsidy (Health industry phase I)	1,263,461.49			17,307.72			1,246,153.77	Related to assets
Special fund for TCM decoction pieces industry development of Yunnan Province in 2018	1,120,000.00						1,120,000.00	Related to assets
Dali manufacturing center project	1,080,000.00			36,000.00			1,044,000.00	Related to assets
Overall relocation project of the API center	1,000,000.00			250,000.00			750,000.00	Related to assets
Improving the ability of the experimental research condition platform of new technology for extraction and separation of traditional Chinese medicine	856,315.59			142,333.44			713,982.15	Related to assets
Standard plant subsidy	840,000.00			28,000.00			812,000.00	Related to assets
Transfer of assets by Dali Economic Development Zone Management Committee at nil consideration	826,888.43			57,433.03			769,455.40	Related to assets
Construction of quality control system of authentic TCM materials in Yunnan	800,000.00						800,000.00	Related to assets
Crude drugs development fee	800,000.00						800,000.00	Related to assets
Tea production line construction subsidy	733,333.33			200,000.00			533,333.33	Related to assets
Guo Shunxing expert workstation of Yunnan Province	120,000.00	120,000.00					240,000.00	Related to assets
Construction and application of "Land of Yunnan Medicine" quality evaluation system of TCM materials	600,000.00	448,000.00					1,048,000.00	Related to assets
Project fund of wild resources exploration and utilization in northwest Yunnan	360,000.00	270,000.00					630,000.00	Related to assets
Research and demonstration project on standardized planting technology of		600,000.00					600,000.00	Related to assets

Liability items	Opening balance	Amount of new subsidies during the period	Amount included in non-operating revenue during the period	Amount included in other income during the period	Amount that offsets costs and expenses during the period	Other changes	Closing balance	Asset-related/ income-related
authentic medicinal materials, such as Yunnan <i>Angelica</i> and Yunnan <i>Paris polyphylla</i>								
Land subsidy for overall relocation of the Company		1,500,000.00		2,884.62			1,497,115.38	Related to assets
Study on the secondary development of Gongxuening Capsule, a large variety of Chinese medicine launched on the market		2,100,000.00					2,100,000.00	Related to assets
R&D of digital twin key technology in the core production line of traditional Chinese medicine		4,200,000.00					4,200,000.00	Related to assets
Research and Screening of Ethnic and Folk Applied Drugs (Academician's Free Exploration Project)		2,000,000.00		8,541.81			1,991,458.19	Related to income
Subsidies for new R&D institutions in Yunnan Province in 2022		2,000,000.00					2,000,000.00	Related to income
Other government subsidies related to income	6,482,046.46	1,130,774.36		849,987.85			6,762,832.97	Related to income
Other government subsidies related to assets	7,445,274.15	295,000.00		800,363.99		-20,000.00	6,919,910.16	Related to assets

Other explanations: None

## 52. 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	19,604,427.87	18,716,979.93
Total	21,535,982.23	20,648,534.29

Other explanations: None

## 53. 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						1,796,862,549.00

Other explanations: None

#### 54. Other equity instruments

(1) Details of outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period: None

(2) Changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the reporting period: None

#### 55. Capital reserves

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	18,178,665,010.12			18,178,665,010.12
Other capital reserves	52,758,828.60	5,841,351.14		58,600,179.74
Total	18,231,423,838.72	5,841,351.14		18,237,265,189.86

Other explanations, including changes and reasons thereof as at the end of the reporting period: None

#### 56. 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
Total	707,428,892.15			707,428,892.15

Other explanations, including changes and reasons thereof as at the end of the reporting period: None

#### 57. 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	8,731,257.88	-8,119,659.75	0.00	0.00	0.00	-8,119,659.75	0.00	611,598.13

Other comprehensive income that cannot be transferred to profits or losses under equity method	8,731,257.88	-8,119,659.75					-8,119,659.75		611,598.13
II. Other comprehensive incomes to be reclassified into profits and losses	-76,818,908.83	-20,629,775.63	0.00	0.00	0.00	-19,417,702.81	-1,212,072.82		-96,236,611.64
Including: Other comprehensive income that can be transferred to profits or losses under equity method	-42,284,342.91	-14,727,792.59	0.00	0.00	0.00	-14,727,792.59	0.00		-57,012,135.50
Exchange differences from translation of financial statements denominated in foreign currencies	-34,534,565.92	-5,901,983.04	0.00	0.00	0.00	-4,689,910.22	-1,212,072.82		-39,224,476.14
Total other comprehensive income	-68,087,650.95	-28,749,435.38	0.00	0.00	0.00	-27,537,362.56	-1,212,072.82		-95,625,013.51

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

## 58. Special reserves: None

## 59. 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

## 60. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	16,720,444,918.66	16,285,350,424.41
Undistributed profit at the beginning of	16,720,444,918.66	16,285,350,424.41

the period after adjustment		
Plus: Net profits attributable to equity owners the Company's owners in the current period	2,828,011,615.30	3,001,125,887.45
Less: withdrawal of statutory surplus reserve		
Ordinary share dividends payable	2,712,079,156.56	2,566,031,393.20
Undistributed profit at the end of the period	16,836,377,377.40	16,720,444,918.66

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.
- 2) Due to changes in accounting policies, the undistributed profits at the beginning of the period were affected by RMB 0.
- 3) Due to correction of material accounting errors, the undistributed profits at the beginning of the period were affected by RMB 0.
- 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.
- 5) Due to other adjustments, the undistributed profits at the beginning of the period were affected by RMB 0.

## 61. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	20,281,803,000.72	14,692,689,825.40	17,983,574,414.62	12,774,456,694.30
Other businesses	27,569,849.35	20,542,442.00	33,164,194.53	18,041,437.65
Total	20,309,372,850.07	14,713,232,267.40	18,016,738,609.15	12,792,498,131.95

Income related information:

Unit: RMB

Contract classification	Drug sales	Health and daily chemical products	TCM resources	Drug circulation	Others	Total
Commodity type	3,915,741,141.58	3,321,729,096.51	741,539,046.93	11,811,844,170.14	490,949,545.56	20,281,803,000.72
Including:						
Industry sales income	3,879,053,983.68	3,311,111,889.47	285,873,646.35		22,920,730.60	7,498,960,250.10
Commercial sales income	36,687,157.90	10,617,207.04	454,215,522.38	11,811,844,170.14	458,539,507.21	12,771,903,564.67
Technical services					2,184,678.61	2,184,678.61
Hotel catering industry					7,304,629.14	7,304,629.14
Planting sales income			1,449,878.20			1,449,878.20
Classified by operating areas	3,915,741,141.58	3,321,729,096.51	741,539,046.93	11,811,844,170.14	490,949,545.56	20,281,803,000.72
Including:						
In Yunnan province	504,167,239.86	182,965,546.60	236,993,034.80	11,767,059,105.57	88,232,781.99	12,779,417,708.82
Outside Yunnan province	3,397,783,099.69	3,137,838,979.60	486,057,369.28	44,785,064.57	39,695,242.16	7,106,159,755.30

(excluding overseas)						
Overseas	13,790,802.03	924,570.31	18,488,642.85		363,021,521.41	396,225,536.60
Total	3,915,741,141.58	3,321,729,096.51	741,539,046.93	11,811,844,170.14	490,949,545.56	20,281,803,000.72

Information related to performance obligations:

The principal businesses of the Company and its subsidiaries is the sale of pharmaceuticals, medicinal materials, health and daily chemical products and other commodities. After the products are delivered to the customer and it is confirmed by the customer that it has obtained the control of the products, the realization of revenue will be recognized. There is no significant financing component to the contract, some contracts have discount clauses, and there is usually no similar obligation for the Company to return the relevant amount to the customer.

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

The amount of income corresponding to the performance obligations that have been contracted but not yet performed or not yet completed at the end of the reporting period is RMB 0.

Other explanations: None

## 62. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	887,115.80	567,626.00
Urban maintenance and construction tax	46,983,220.42	44,747,191.97
Education surcharge	20,401,524.88	19,664,576.16
Property tax	8,886,349.82	9,619,581.48
Land use tax	5,619,552.59	6,123,222.80
Vehicle and vessel use tax	74,430.93	149,743.87
Stamp duty	11,827,075.83	13,544,326.74
Local education surcharge	13,619,043.57	13,109,579.55
Environmental protection tax		40,919.41
Others	74,516.17	11,361.75
Total	108,372,830.01	107,578,129.73

Other explanations: None

## 63. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Market maintenance and promotion expenses	1,070,383,327.50	806,539,935.37
Employee compensation	777,770,443.04	623,536,834.47
Advertising expenses	132,347,367.85	296,379,432.87
Hospital management fee	42,673,545.65	51,422,435.58
Planning service fee	22,174,137.89	36,162,807.06
Information technology service fee	32,546,782.70	31,101,487.58
Transportation, handling and storage charges	25,365,776.52	29,952,421.54
Depreciation and amortization	33,584,977.25	23,812,587.47
Travel expenses	28,765,406.92	21,503,321.44
Office expenses	21,788,886.99	20,440,859.79

Lease costs	6,931,034.48	12,971,789.71
Material consumption	15,269,432.17	11,971,140.40
Sample expenses	3,381,831.59	8,056,472.91
Promotion expenses	2,159,257.96	3,957,638.96
Service fees	6,682,118.87	4,590,173.99
Others	35,864,222.31	27,689,355.59
Total	2,257,688,549.69	2,010,088,694.73

Other explanations: None

#### 64. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	176,232,082.40	209,742,818.56
Depreciation and amortization	59,917,023.23	48,215,186.22
Agency service fee	29,142,812.97	44,626,638.53
Lease costs	5,900,244.74	3,616,684.57
Business entertainment fee	6,962,426.80	5,100,861.30
Office expenses	13,834,059.14	7,777,467.13
Travel expenses	9,036,707.10	4,871,043.17
Afforestation and pollution discharge fee	1,747,910.19	2,231,575.79
Security and cleaning fee	5,041,654.57	2,372,506.00
Maintenance costs	1,655,191.36	1,181,766.10
Utilities and property management fee	3,844,442.60	3,542,376.46
Others	31,129,255.30	37,506,075.51
Total	344,443,810.40	370,784,999.34

Other explanations: None

#### 65. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	63,827,625.06	62,073,883.53
Materials consumption and inspection fee	25,507,999.95	22,752,059.54
Depreciation and amortisation	4,753,074.27	2,776,922.47
Labor expenses	1,372,659.54	4,070,052.97
Information technology R&D expenses	4,155,924.21	984,801.34
Commissioned R&D cost	34,101,127.85	31,764,737.09
New product design fee	2,732,730.98	838,037.73
Other expenses	8,368,791.80	3,364,155.49
Total	144,819,933.66	128,624,650.16

Other explanations: None

#### 66. Financial Expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	18,798,896.05	46,066,543.03
Less: interest income	114,776,796.46	225,532,115.81
Net loss on foreign exchange	-21,031,853.69	-9,423,203.60
Bank charges	4,460,210.16	19,709,762.44
Others	6,558,973.27	5,401,738.39
Total	-105,990,570.67	-163,777,275.55

Other explanations: None

**67. Other Income**

Unit: RMB

Other sources of income	Amount for the current period	Amount for the previous period
Government subsidies related to assets	6,654,908.45	5,666,555.53
Government subsidies related to income	31,167,967.46	26,775,445.18
Return of individual income tax service charge	4,117,861.85	3,142,301.17
Others	236,716.90	19,512.87
Total	42,177,454.66	35,603,814.75

**68. 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	447,048,881.55	415,810,809.60
Investment income on financial assets held for trading during holding period	4,649,639.30	3,105,334.61
Investment income from disposal of financial assets held for trading	-3,681,651.93	77,548,919.17
Dividend income earned during the holding period of investments in other equity instruments	9,774,283.29	
Gains arising from the re-measurement of equity at fair value when acquiring the right of control		-71,670,591.47
Others	-36,248,986.65	108,275,333.85
Total	421,542,165.56	533,069,805.76

Other explanations: None

**69. Net exposure hedge income: None****70. 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	55,086,478.34	-433,321,452.13
Other non-current financial assets	-1,997,550.27	16,709,000.00
Total	53,088,928.07	-416,612,452.13

Other explanations: None

**71. Credit impairment losses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on other receivables	-4,658,000.68	-220,667,864.34
Bad debt losses on accounts receivable	-70,022,581.61	-113,891,065.58
Impairment loss of placements with banks and other financial institutions		-19,729,837.73
Prepayment impairment loss		-315,224,987.78
Total	-74,680,582.29	-669,513,755.43

Other explanations: None

**72. Asset impairment losses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Inventory impairment losses and contract performance cost impairment losses	19,008,334.90	-32,928,224.97
Goodwill impairment loss		-560,577,285.88
Total	19,008,334.90	-593,505,510.85

Other explanations: None

**73. 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	5,403,078.51	-1,942,102.28
Total	5,403,078.51	-1,942,102.28

**74. 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	118,961.77	10,088.37	118,961.77
Others	1,883,762.52	1,888,860.04	1,883,762.52
Total	2,002,724.29	1,898,948.41	2,002,724.29

Government subsidies included in current profits or losses: None

**75. 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
Donation	1,782,430.73	2,548,887.69	1,782,430.73

Losses from destruction and scrapping of non-current assets	2,554,617.83	206,231.31	2,554,617.83
Others	7,731,425.67	525,120.30	7,731,425.67
Total	12,068,474.23	3,280,239.30	12,068,474.23

Other explanations: None

## 76. 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	466,976,774.03	415,456,714.58
Deferred income tax expenses	10,044,063.58	-125,206,720.48
Total	477,020,837.61	290,249,994.10

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

Unit: RMB

Item	Amount for the current period
Total profit	3,303,279,659.05
Income tax expense calculated at statutory/applicable tax rate	495,491,948.86
Effect of different tax rates applied to subsidiaries	-6,236,751.24
Effect of adjusting income tax for prior periods	22,579,240.46
Effect of non-taxable income	-74,517,918.69
Effect of non-deductible costs, expenses and losses	2,402,037.25
Effect of deductible losses on the use of deferred tax assets not recognized in prior periods	10,276,422.22
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	38,638,944.97
Extra tax deductions for R&D costs	-11,406,207.30
Others	-206,878.92
Income tax expenses	477,020,837.61

Other explanations: None

## 77. Other comprehensive income

For details, please refer to 57 "Other comprehensive income" under Note VII.

## 78. Cash flow statement

### (1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest income	117,918,059.78	218,371,072.31

Security deposit received	33,232,300.23	148,718,173.57
Current account and petty cash	22,933,663.17	39,286,395.57
Government subsidy	45,035,330.05	27,715,183.79
Rent income	2,488,401.74	1,867,131.36
Collection and payment	768,281.91	1,254,563.56
Others	20,817,808.37	11,665,619.61
Total	243,193,845.25	448,878,139.77

Explanations on cash received relating to other operating activities: None

## (2) Cash payments relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Market maintenance fee	721,438,351.98	814,502,745.32
Advertising expenses	126,520,457.04	298,756,053.35
Deposits and guarantees	57,874,758.32	37,355,460.25
Office expenses	41,879,106.52	21,542,583.91
Consulting and other intermediary fee	13,241,300.53	31,282,608.35
Travel expenses	39,236,566.81	26,552,820.62
General and administrative expenses	58,089,540.13	23,685,101.09
Planning service fee	11,619,803.55	17,324,987.25
Material consumption	12,736,064.41	12,446,449.57
Other expenses	170,598,801.61	251,465,426.32
Others	18,675,794.66	12,535,389.86
Total	1,271,910,545.56	1,547,449,625.89

Explanations on cash payments relating to other operating activities: None

## (3) Cash received relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits	363,000,000.00	1,120,000,000.00
Total	363,000,000.00	1,120,000,000.00

Explanations on cash received relating to other investment activities: None

## (4) Cash payments relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits	697,318,800.00	12,000,000.00
Agency service fee		26,327,517.39
Total	697,318,800.00	38,327,517.39

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

## (5) Cash received relating to other financing activities: None

## (6) Cash payments relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment for share repurchase		707,577,483.90
Dividend handling fee	2,219,511.75	1,246,721.27
Payment for commercial factoring		96,556,155.50
Lease payment	34,255,797.15	11,572,733.95
Return of minority equity	4,900,000.00	
Total	41,375,308.90	816,953,094.62

Explanations on cash payments relating to other financing activities: None

## 79. 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	2,826,258,821.44	1,366,409,793.62
Plus: Impairment provision for assets	55,672,247.39	1,263,019,266.28
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	105,698,740.66	103,920,722.17
Depreciation of right-of-use assets	53,794,434.08	39,856,191.53
Amortization of intangible assets	15,220,430.41	11,588,358.47
Amortization of long-term deferred expenses	14,699,584.40	4,018,652.58
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated with "-")	-5,403,078.51	1,942,102.28
Losses on scrapping of fixed assets (gain is indicated with "-")	2,435,656.06	196,142.94
Losses on changes in fair value (gain is indicated with "-")	-53,088,928.07	416,612,452.13
Financial expenses (income is indicated with "-")	18,798,896.05	46,066,543.03
Investment losses (gain is indicated with "-")	-421,542,165.56	-533,069,805.76
Decrease of deferred income tax assets (increase is indicated with "-")	36,123,144.16	-115,531,419.43
Increase of deferred income tax liabilities (decrease is indicated with "-")	-28,402,841.52	-2,659,012.40
Decrease in inventories (increase is indicated with "-")	1,078,680,567.88	-77,214,192.70
Decrease in operating receivable items (increase is indicated with "-")	-274,823,081.61	-421,612,094.17
Increase in operating payable items (decrease is indicated with "-")	-1,172,171,057.16	-925,593,643.30
Others		
Net cash flows from operating activities	2,251,951,370.10	1,177,950,057.27
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	12,502,738,350.39	10,087,395,023.54
Less: Opening balance of cash	13,046,160,012.47	18,869,864,842.32
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-543,421,662.08	-8,782,469,818.78

(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	12,502,738,350.39	13,046,160,012.47
Including: Cash on hand	115,703.87	224,637.14
Bank deposit available for payment at any time	12,482,505,485.18	13,006,283,524.34
Other cash and bank balance available for payment at any time	20,117,161.34	39,651,850.99
III. Cash and cash equivalents at the end of the reporting period	12,502,738,350.39	13,046,160,012.47

Other explanations: None

## 80. Notes to statement of changes in equity

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

## 81. Assets with restricted ownership or use rights

Unit: RMB

Item	Closing book value	Reason for restriction
Cash and bank balance	42,956,400.00	Banker's acceptance deposit, foreign exchange performance bond and banker's letter of guarantee
Assets in special account for system reform	632,567,609.77	Special fund for paying the cost of employee status conversion in state-owned enterprises
Long-term equity investments	11,334,166,098.19	The holdings shall not be transferred within 36 months since the ending date of the private placement in 2021
Total	12,009,690,107.96	

Other explanations: None

**82. 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			185,120,496.11
Including: USD	9,523,776.03	7.2258	68,816,900.83
Euro	2,013,915.88	7.8771	15,863,816.75
HKD	107,071,483.98	0.92198	98,717,766.80
Japanese yen	27,127,306.93	0.05009	1,358,806.80
South Korean won	21,882,422.00	0.0055	120,353.32
THB	1,112,732.81	0.20343	226,363.24
CAD	984.23	5.4721	5,385.81
CHF	1,214.27	8.0614	9,788.72
SGD	245.84	5.3442	1,313.84
Accounts receivable			53,333,378.12
Including: USD	7,033,399.52	7.2258	50,821,938.23
Euro		7.8771	
HKD	2,723,963.52	0.92198	2,511,439.89
Other receivables			4,160,326.54
Including: USD	1,654.36	7.2258	11,954.07
Euro			
HKD	4,190,185.00	0.92198	3,863,266.77
Japanese yen	5,092,206.00	0.05009	255,068.60
THB	121,648.52	0.20343	24,746.96
CAD	966.75	5.4721	5,290.14
Other current assets			101,161,200.00
Including: USD	14,000,000.00	7.2258	101,161,200.00
Euro			
HKD			
Long-term loans			
Including: USD			
Euro			
HKD			

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

Name of subsidiary	Main business location	Place of registration	Business nature	Functional currency	Selection basis for functional currency
Yunbaiyao Hong Kong Co., Ltd.	Hong Kong	Hong Kong	Investment	HKD	Operating revenue and expenses are mainly denominated in Hong Kong dollars

Ban Loong Holdings Ltd.	Hong Kong	Bermuda	At present, it is mainly engaged in finished cooking oil, sugar, personal care product and cosmetics trade. Based on the accumulation of resources in the trading business of cosmetics and personal care products, it has gradually expanded the business scope to the upper, middle and downstream of the related products, including raw material cultivation, extraction, technology R&D, product development, production and testing for medical and non-medical uses.	HKD	Operating revenue and expenses are mainly denominated in Hong Kong dollars
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### 83. Hedging

Disclosure of hedging items and related hedging instruments and qualitative and quantitative information on hedged risks in accordance with the hedging category: None

### 84. Government subsidies

#### (1) Details of government subsidies

Unit: RMB

Type	Amount	Presented items	Amount included in current profits and losses
Government subsidies related to assets received in the current period	9,833,000.00	Deferred income	200,000.00
Government subsidies related to assets received in the current period		Other income	
Government subsidies related to income received in the current period	7,230,774.36	Deferred income	
Government subsidies related to income received in the current period	27,971,555.69	Other income	27,971,555.69

#### (2) Return of government subsidies

Applicable Not applicable

Unit: RMB

Item	Amount	Reason
2021 employment subsidy of Wenshan Public Employment and Talent Service Bureau	7,500.00	Returned for non-compliance with entitlement requirements

Other explanations: None

**85. Others: None****VIII. Changes in the Consolidation Scope****1. Business combination not under common control****(1) Business combination not under common control in the current period: None****(2) Merger cost and goodwill: None****(3) Identifiable assets and liabilities of acquirees as at the acquisition date: None****(4) Profits or losses generated from the re-measurement of equity held before the acquisition date at the fair value**

Whether there was a transaction that realized mergers step by step via multiple transactions and obtained control during the reporting period

Yes  No

**(5) Relevant information about the merger consideration that cannot be reasonably determined as at the acquisition date or the end of the current period of merger or on the fair value of acquirees' identifiable assets and liabilities: None****(6) Other explanations: None****2. Business combination under common control****(1) Business combination under common control in the current period: None****(2) Merger cost: None****(3) Book value of assets and liabilities of the merged entity on the date of merger: None****3. Reverse purchase**

Basic information of the transaction, the basis for the transaction to constitute a reverse purchase, whether the assets and liabilities retained by the listed company constitute a business and its basis, the determination of merger cost, the amount of equity adjustment and its calculation when dealing with equity transactions: None

**4. Disposal of subsidiaries**

Loss of control upon a single disposal of an investment in a subsidiary

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. Cancellation of subsidiaries

(1) Yunnan Medical Hanbo Co., Ltd completed the cancellation of industrial and commercial registration in February 2023.

(2) Yunnan Baiyao Group Chuxiong Health Products Co., Ltd completed the cancellation of industrial and commercial registration in June 2023.

(3) Ban Loong Fund Investment Co., Ltd was cancelled in February 2023.

(4) Ban Loong Hemp Technology Inc was cancelled in March 2023.

## 2. Establishment of new subsidiaries

(1) Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd established through investment Xingzhong Digital Intelligence TCM Service Co., Ltd, with the registered capital of RMB 20 million and the shareholding ratio of 100%. Yunnan Baiyao included Xingzhong Digital Intelligence TCM Service Co., Ltd into the scope of consolidation in May 2023.

(2) Yunnan Yunyao Co., Ltd established through investment Yunnan Yunyao Nuxiang Co., Ltd, with the registered capital of RMB 2 million and the shareholding ratio of 100%. Yunnan Baiyao included Yunnan Yunyao Nuxiang Co., Ltd into the scope of consolidation in June 2023.

(3) Ban Loong Healthcare (Overseas) Co., Ltd, YNBY Healthcare (Shenzhen) Co., Ltd, YNBY Healthcare (Singapore) Pte Ltd, YNBY Healthcare Co., Ltd, YNBY Beauty Co., Ltd, YNBY Pharmaceutical Co., Ltd, YNBY International Co., Ltd, YNBY Co., Ltd, YNBY Holdings Group Co., Ltd, YNBY Group Co., Ltd, and YNBY (Hong Kong) Co., Ltd were established in the current period.

## 3. Liquidation

The structured entity Yunfan No. 1 Private Equity Investment Fund was liquidated in May 2023.

## 6. Others: None

## IX. Interest in Other Entities

### 1. Interest in subsidiaries

#### (1) Composition of the Group

Name of subsidiary	Main business location	Place of registration	Business nature	Shareholding proportion		Acquisition method
				Direct	Indirect	
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co.,	Kunming	Kunming	Pharmaceutical industry	100.00%		Set-up or investment

Ltd.						
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	Kunming	Kunming	Wholesale and retail of daily necessities	100.00%		Set-up or investment
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	Wuxi	Wuxi	Pharmaceutical industry	100.00%		Set-up or investment
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	Dali	Dali	Pharmaceutical industry	100.00%		Set-up or investment
Yunnan Baiyao Group Health Products Co., Ltd.	Chuxiong	Chuxiong	Production and sales of health and daily chemical products	100.00%		Set-up or investment
Yunnan Pharmaceutical Co., Ltd.	Kunming	Kunming	Pharmaceutical wholesale and retail	100.00%		Set-up or investment
Yunnan Institute of Materia Medica	Kunming	Kunming	New drug R&D	100.00%		Business combination under common control
Yunnan Baiyao Holding Investment Co., Ltd.	Kunming	Kunming	Investment	100.00%		Business combination under common control
Yunnan Baiyao Teayield Co., Ltd.	Kunming	Kunming	Tea	100.00%		Business combination under common control
Yunnan Baiyao Group (Hainan) Co., Ltd.	Hainan	Danya	Import and export agency, technical services, etc.	100.00%		Set-up or investment
Yunnan Baiyao Group Shanghai Co. Ltd.	Shanghai	Shanghai	Technical services	100.00%		Set-up or investment
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	Hefei	Hefei	Medical device production and sales	70.00%		Business combination not under the same control
Shanghai Yunzhen Medical Technology Co., Ltd.	Shanghai	Shanghai	Technical development and service	100.00%		Set-up or investment
Ban Loong Holdings Ltd.	Hong Kong	Hong Kong	Trade	28.06%	45.62%	Business combination not under the same control
Yunnan Baiyao Tiancui	Kunming	Kunming	Catering	100.00%		Set-up or investment

Business Management Co., Ltd.						
Yunnan Baiyao Group Beijing Co. Ltd.	Beijing	Beijing	Technology promotion service	100.00%		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: None**

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

## **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	17.97%		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	164,781,723,168.36	149,512,870,619.79
Non-current assets	48,535,981,670.10	48,622,030,879.16
Total assets	213,317,704,838.46	198,134,901,498.95
Current liabilities	124,339,571,550.90	110,691,046,029.78
Non-current liabilities	10,035,656,400.61	9,441,404,411.74
Total liabilities	134,375,227,951.51	120,132,450,441.52
Minority interests	11,583,828,501.82	10,939,445,168.20
Equity attributable to shareholders of the parent company	67,358,648,385.13	67,063,005,889.23
Share of net assets based on percentage of shareholding	12,107,252,272.55	12,072,581,725.67
Adjustment		
— Goodwill	935,611,988.99	937,045,521.30
— Unrealized profit on internal transactions	-13,989,883.58	-5,425,757.63
— Others	-1,694,708,279.77	-1,685,593,795.42
Book value of equity investment in associates	11,334,166,098.19	11,318,607,693.92
Fair value of equity investments in associates for which publicly quoted prices exist	14,916,696,498.36	11,868,125,772.68
Operating revenue	132,592,157,323.37	111,707,464,327.64
Net profits	3,417,001,019.98	4,564,219,430.25
Net profits from discontinued operations		
Other comprehensive income	-122,849,260.45	-166,533,548.07
Total comprehensive income	3,294,151,759.53	4,397,685,882.18
Dividends received from associates during the year		

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	156,774.37	142,253.18
Total of the followings based on the percentage of shareholdings		
— Net profit	-38,841.58	-1,241,779.39
— Other comprehensive income	-1,956.03	
— Total comprehensive income	-40,797.61	-1,241,779.39

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	Accumulated losses in the previous periods that are accumulated and unrecognized	Unrecognized loss in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of the period
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	-292,238.56	-21,982.82	-314,221.38

Other explanations: None

**(7) Unrecognised commitment related to investments in joint ventures: None**

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

**4. Significant joint operation: None**

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

Explanations on structured entities not included in the scope of consolidation for the consolidated financial statements: None

**6. Others: None**

**X. Risks Associated with Financial Instruments**

The Group's financial instruments include equity investments, debt investments, loans, receivables and accounts payable, as detailed in the relevant items under Note VII. 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. The Group's exposure to foreign exchange risks is mainly related to US dollars and Hong Kong dollars. With the exception of several subsidiaries of the Group that conduct purchases and sales in US dollars and Hong Kong dollars, other major business activities of the Group are denominated and settled in RMB. Exchange rate risk has an impact on the Group's trading and the results of its overseas operations. The balance of the Group's foreign currency monetary items as at June 30, 2023 is as shown in Section 82 "Monetary items denominated in foreign currencies" under Note VII. 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 9,777,134.00, with no effect on shareholders' equity excluding retained earnings.

### (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 June 30, 2023, the Group's interest-bearing debt consisted mainly of fixed-rate borrowing contracts denominated in RMB amounting to RMB 741,998,578.55, 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 June 30, 2023, 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 96,623,566.00.

## 2. Credit risk

As at June 30, 2023, 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 XIV "Commitments and contingencies."

In order 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, no collateral is required. Credit risk concentration is managed by customer, 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: (unit: RMB)

Item	December 31, 2022				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
<b>Total</b>				<b>2,100,000.00</b>	<b>2,100,000.00</b>

## XI. 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	1,513,942,138.94	27,082,117.24		1,541,024,256.18
1. Financial assets at	1,513,942,138.94	27,082,117.24		1,541,024,256.18

fair value through profits or losses				
(1) Investment in equity instruments	1,513,942,138.94			1,513,942,138.94
(2) Others		27,082,117.24		27,082,117.24
(II) Accounts receivable financing			634,158,821.40	634,158,821.40
(1) Notes receivable			634,158,821.40	634,158,821.40
(III) Other non-current financial assets	177,020,160.00		214,426,903.97	391,447,063.97
(1) Investment in equity instruments	177,020,160.00		214,426,903.97	391,447,063.97
(IV) Investment in other equity instruments			71,745,000.00	71,745,000.00
Total assets continuously measured at fair value	1,690,962,298.94	27,082,117.24	920,330,725.37	2,638,375,141.55
II. Non-continuous 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 and fund 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 items subject to level II continuous fair value measurement mainly include the wealth management products held by the Company. The profits or losses from fluctuation during the holding period are not recognized because the fair value fluctuation is small.

**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. In case the investee is a start-up biotechnology company, the Company will the business environment, operating conditions

and financial status of the investee, and 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. Therefore, the Company uses the book value as its fair value.

**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: None**

**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:**

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

The management of the Group believes that the book value of the financial assets and financial liabilities in the financial statements is close to the fair value of such assets and liabilities.

**9. Others: None**

## **XII. Related Parties and Related Party Transactions**

**1. Information about the parent company of the Company: None**

Ultimate controller of the Company: None.

Other explanations:

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, China Securities Regulatory Commission 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 Yunnan State-owned Equity Operation 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 Holdings Group Co., Ltd. After the equity transfer, Yunnan Investment Holdings 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.

## 2. Information about subsidiaries of the Company

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

## 3. Information about joint ventures and associates of the Company

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
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	Associate
Lijiang Changgengming Trading Co., Ltd.	Associate
Shanghai Pharmaceuticals Holding Co. Ltd.	Associate
Ban Loong Jacobson JBM Pharma Limited	Associate

Other explanations: None

## 4. Information about other related parties

Name of other related parties	Relationship between other related parties and the Company
Lijiang Dongchuang Trading Co., Ltd.	Shareholder of the equity participation company
Guangxi Zhongheng Chinese Herbal Medicine Industry Development Co., Ltd.	Shareholder of the equity participation company
Beijing Langjia Culture Development Co., Ltd.	Shareholder of the equity participation company
New Huadu Industrial Group Co., Ltd.	Substantial shareholder of the Company
Jiangsu Yuwell Technology Development Co., Ltd.	Substantial shareholder of the Company

Yunnan Tianma Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Pharmaceutical Ruiyang Shenhua Technology 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
Yunnan Renjiu Technology 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
Beijing Jinjianqiao Technology Culture Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Hefei Qifu Jupu Health Technology Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Jiangsu Yuwell Medical Equipment & Supply Co., Ltd.	Subsidiary of the substantial shareholder
Jiangsu Yuwell-POCT Biological Technology Co., Ltd.	Sub-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
MB Packaging	Sub-subsidiary of the substantial shareholder
Kunming branch of Shanghai Zhongyou Medicine High-Tech Co., Ltd.	Branch of sub-subsidiary of the substantial shareholder Branch
Quanzhou New Huadu Shopping Mall Co., Ltd.	Sub-subsidiary of the substantial shareholder
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
Tibet Jiujia E-commerce Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Yusi Pharmaceutical Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Guiyan New Material Technology Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Dehe Trade Co., Ltd.	Subsidiary of the substantial shareholder
Teh-Ho Canned Food Company	Subsidiary of the substantial shareholder
Techpool Bio-Pharma Co., Ltd.	Subsidiaries of associates
Fujian New Huadu Haiwuhui Investment Co., Ltd.	Subsidiary of the substantial shareholder
Fujian New Huadu Enterprise Management Co., Ltd.	Subsidiary of the substantial shareholder
Shanghai Skynet Brand Management Crop., Ltd.	Equity participation company of the subsidiary of the substantial shareholder
Kunming Jinkuan Commerce & Trade Co., Ltd.	Company controlled by the related party
Zhang Sulei	Minority shareholder of the subsidiary
Yin Yifei	Minority shareholder of the subsidiary
Jin Mingwen	Minority shareholder of the subsidiary
Wang Qiwan	Minority shareholder of the subsidiary
Cao Liangming	Minority shareholder of the subsidiary
Yunnan Zhongruixinlian Investment Development Co., Ltd.	Equity participation company of minority shareholder of the former subsidiary
Yunnan Zhongjia Trading Co., Ltd.	Equity participation company of minority shareholder of the former subsidiary
Beijing Jingji Chenggong Sports Brokerage Co., Ltd.	Holding company of minority shareholder of the subsidiary
Hefei Juyinzhai Health Technology Co., Ltd.	Holding company of minority shareholder of the subsidiary
Wenshan Yungui Agricultural Development Co., Ltd.	Former associate
KPC Pharmaceuticals, Inc	Previously having the same director
Kunming Nuo'an Enterprise Management Co., Ltd.	Minority shareholder of the sub-subsidiary

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	307,157,849.91	1,031,000,000.00	No	145,179,876.67
Jiangsu Yuyue Science & Technology Development Co., Ltd. and its subsidiaries	Purchase of goods	20,884,737.52	60,000,000.00	No	13,695,588.86
Teh-Ho Canned Food Company and its subsidiaries	Purchase of foods	521,823.37			1,060,218.58
MB Packaging Limited	Purchase of goods	3,426,512.63			
Shanghai Skynet Brand Management Crop., Ltd	Purchase of anti-counterfeiting laser label	78,849.56			
Yunnan Salt Wenshan Co., Ltd.	Purchase of goods	30,265.49			36,000.00
Yunnan Salt Lijiang Co., Ltd.	Purchase of mineral salt	309.73			
Fujian New Huadu Comprehensive General Department Store Co., Ltd.	Purchase of medicines				198,982.30
Wenshan Yungui Agricultural Development Co., Ltd	Purchase of goods				51,016,777.20
Yunnan Renjiu Technology Co., Ltd.	Purchase of medicines				5,887,494.81
Yunnan Zhongruixinlian Investment Development Co., Ltd.	Purchase of goods				197,129.12

Information of commodities sold/labor services provided

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Amount for the previous period
Shanghai Pharmaceuticals Holding Co. Ltd and its subsidiaries	Sale of goods	228,849,181.50	67,139,958.40
Tibet Jiushi Zhihe Marketing Co., Ltd.	Sale of goods	113,247,658.02	163,623,392.90
Guangxi Zhongheng Chinese Herbal Medicine Industry Development Co., Ltd.	Sales of <i>Panax notoginseng</i>		49,029,375.00
Lijiang Changgengming Trading Co., Ltd.	Sale of goods	256,108.86	645,253.91
Beijing Langjia Culture Development Co., Ltd.	Sale of goods		13,549.76
Lijiang Dongchuang Trading Co., Ltd.	Sale of goods		
Kunming Guiyan New Material Technology Co., Ltd	Testing fees	3,000.00	2,700.00
Jiangsu Yuyue Medical Equipment & Supply Co., Ltd.	Sales of Tea		896,504.42
Kunming Hongyun Hospital Co., Ltd.	Sales of medicine	4,493,134.50	2,560,958.72
Yunnan Baoshan Medicine Co., Ltd.	Sales of medicine	-182,136.79	425,102.28
Kunming Jinkuan Commerce & Trade Co., Ltd.	Sale of goods	31,031,200.04	
KPC Pharmaceuticals, Inc	Sale of goods	9,808,504.09	

Explanations on related party transactions on purchase and sales of goods and rendering and receiving of services: None

**(2) Trusteeship/contracting and entrusted management/outsourcing: None**

**(3) Lease between related parties: None**

The Company as the lessor: None

The Company as the lessee:

Unit: RMB

Name of lessor	Types of leased assets	Rental costs for short-term leases and leases of low-value assets that are streamlined (if applicable)		Variable lease payments that are not included in the measurement of the lease liability (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-to-use assets	
		Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
YEIG Power Assembly Park Developm	House							114,210.95	137,166.64		

ent Co., Ltd											
Yunnan Tianma Pharmaceutical Co., Ltd.	House					420,000.00	420,000.00	25,340.65			
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	House					602,477.88	240,000.00				
Yunnan Jianshui County Xingda Medicine Co., Ltd.	House					1,552,123.81		15,144.50			
Chuxiong Jiayuan Medicine Co., Ltd.	Equipment							2,716.89			

Explanations on lease between related parties: None

**(4) Related party guarantees: None**

**(5) Borrowings with related parties**

Unit: RMB

Related Party	Borrowing amount	Commencement date	Due date	Description
Borrowing				
Entity A	21,800,000.00	June 10, 2021	June 10, 2024	
Entity B	20,000,000.00	September 10, 2021	September 10, 2024	
Entity C	13,000,000.00	August 13, 2021	August 13, 2024	
Loans				

**(6) Asset transfer and debt restructuring of related parties: None**

**(7) Remuneration to key management personnel**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration paid to key management personnel	48,289,461.36	17,301,768.20

**(8) Other related party transactions: None**

**6. Amounts receivable from and payable to related parties**

**(1) Receivables**

Unit: RMB

Project name	Related Party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	33,705,935.43	1,685,296.77	20,885,033.46	974,051.40
Accounts receivable	Lijiang Changgengming Trading Co., Ltd.	3,287,118.83	237,054.57	3,722,642.00	351,110.79
Accounts receivable	Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	200,214.52	60,064.36	200,214.52	60,064.36
Accounts receivable	Yunnan Baoshan Medicine Co., Ltd.	2,922.79	146.14	3,721.00	186.05
Accounts receivable	KPC Pharmaceuticals, Inc	387,209.68	19,360.48		
Accounts receivable	Kunming Hongyun Hospital Co., Ltd.	1,515,839.78	75,791.99		
Other receivables	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.	2,360,000.00	1,416,000.00	2,360,000.00	1,416,000.00
Other receivables	Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.	179,626.46	158,762.90	177,922.32	111,723.90
Other receivables	Cao Liangming	133,368.00	40,010.40	133,368.00	40,010.40
Other receivables	Hefei Juyinzhai Health Technology Co., Ltd.	4,283.45	3,770.07	4,283.45	2,985.04
Other receivables	Zhang Sulei	1,432.00	429.60	1,432.00	429.60
Other receivables	Lijiang Changgengming Trading Co., Ltd.	5,107.85	255.39		
Dividends receivable	Shanghai Pharmaceuticals Holding Co., Ltd.	406,032,345.56			
Prepayment	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries			2,074,165.10	
Prepayment	Qiubei County Wanhe Pharmaceutical Co., Ltd.			72,206.41	
Prepayment	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	1,537,110.55		645,917.73	
Notes receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	4,048,781.51		1,212,677.73	
Accounts receivable financing	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	21,215,027.46		12,229,069.00	
Accounts receivable financing	Tibet Jiushi Zhihe Marketing Co., Ltd.	23,540,000.00		10,000,000.00	

**(2) Payables**

Unit: RMB

Project name	Related Party	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Accounts	Shanghai Pharmaceuticals Holding Co. Ltd and	77,578,407.89	76,496,404.37

payable	its subsidiaries		
Accounts payable	Teh-Ho Canned Food Company and its subsidiaries	182,219.65	1,749,569.64
Accounts payable	Yunnan Pharmaceutical Ruiyang Shenhua Technology Co., Ltd.		1,020,547.93
Accounts payable	Yunnan Renjiu Technology Co., Ltd.	0.30	10,471.90
Accounts payable	Chuxiong Jiayuan Medicine Co., Ltd.	4,762.46	4,762.46
Accounts payable	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.	4,160.00	4,160.00
Accounts payable	Yunnan Drug Technology Development Operation Co., Ltd.		3,612.01
Accounts payable	Jiangsu Yuyue Science & Technology Development Co., Ltd. and its subsidiaries	9,392,010.08	
Accounts payable	MB Packaging	1,322,073.31	
Notes payable	Yunnan Renjiu Technology Co., Ltd.	10,391,748.76	16,989,446.48
Notes payable	Jiangsu Yuwell Technology Development Co., Ltd. and its subsidiaries	2,307,194.20	8,653,145.32
Notes payable	Shanghai Pharmaceuticals Holding Co. Ltd and its subsidiaries		2,690,480.00
Other payables	Beijing Jingji Chenggong Sports Brokerage Co., Ltd.	798,000.00	798,000.00
Other payables	Qiubei County Wanhe Pharmaceutical Co., Ltd.	570,000.00	630,000.00
Other payables	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries		70,000.00
Other payables	Chuxiong Jiayuan Medicine Co., Ltd.	604.80	604.80
Other payables	Kunming Jinkuan Commerce & Trade Co., Ltd.	60,000.00	
Dividends payable	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, New Huadu Industrial Group Co., Ltd.	86,490,742.04	86,490,742.04
Dividends payable	Kunming Nuo'an Enterprise Management Co., Ltd.		2,922,741.99
Dividends payable	Dali Hongxu trading Co. Ltd	784,161.64	
Dividends payable	Diqing Xingjian Trading Co., Ltd.	288,542.05	
Dividends payable	Qiubei County Wanhe Pharmaceutical Co., Ltd.	1,388,255.99	
Dividends payable	Yunnan Baoshan Medicine Co., Ltd.	4,276,038.78	
Dividends payable	Yunnan Jianshui County Xingda Medicine Co., Ltd.	1,803,953.87	
Contractual liabilities	Shanghai Pharmaceuticals Holding Co. Ltd and its subsidiaries	25,018,123.92	48,788,541.50
Contractual liabilities	Tibet Jiushi Zhihe Marketing Co., Ltd.	6,729,155.30	3,061,507.53
Contractual liabilities	Kunming Jinkuan Commerce & Trade Co., Ltd.	10,649,636.38	15,714,893.18
Contractual liabilities	Yunnan Baoshan Medicine Co., Ltd.	483,008.06	
Contractual liabilities	Hefei Qifu Jupu Health Technology Co., Ltd.	30,270.00	
Contractual liabilities	Beijing Jinjianqiao Technology Culture Co., Ltd.	66,835.20	

Non-current liabilities due within one year	YEIG Power Assembly Park Development Co., Ltd.	1,121,472.45	1,121,472.45
Lease liabilities	YEIG Power Assembly Park Development Co., Ltd.	4,020,605.56	5,022,156.52

**7. Related party commitments: None****8. Others: None****XIII. Share-based Payment****1. General information about share-based payment**

Applicable Not applicable

**2. Equity-settled share-based payment**

Applicable Not applicable

**3. Cash-settled share-based payment**

Applicable Not applicable

**4. Amendment and termination of share-based payment: None****5. Others: None****XIV. Commitment and Contingencies****1. Significant commitments****2. Contingencies****(1) Significant contingencies on the balance sheet date**

1) Provision of guarantees for Yunnan Yuncheng Hospital Management Co., Ltd.

In November 2017, the Company issued the *Announcement on the Investment and Establishment of PPP Project Companies by Wholly-owned Subsidiaries and the Provision of Guarantees for Them*. According to the announcement, Yunnan Provincial Health and Family Planning Commission was authorized by Yunnan Provincial People's Government to serve as the project implementation agency of the Chenggong Hospital PPP project (Phase I project) of the First Affiliated Hospital of Kunming Medical University, and The First Affiliated Hospital of Kunming Medical University was authorized to be the representative of the government, to invest and hold shares on behalf of the government, and jointly establish Yunnan Yuncheng Hospital Management Co., Ltd (the "Project Company") with social capital. Yunnan Pharma, a wholly-owned subsidiary of the Company,

and Yunnan Haopy Pharmaceutical Sales Co., Ltd, a private capital, formed a consortium to bid for the project, and finally won the bid. According to the requirements of the procurement documents, Yunnan Pharma shall invest RMB 100,000 in the Project Company in cash, with an equity ratio of 10%. The consortium shall undertake joint and several guarantee liability for the PPP project debt of the Project Company for a period of 12 years, and the maximum total guarantee amount of the consortium should be RMB 150,000.

2) Contract dispute cases of Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, a subsidiary of the Company

① Litigation of Chuxiong Linxin Mushroom Developing Co., Ltd, against Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, a subsidiary of the Company, for contract disputes

On October 9, 2021, Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, a subsidiary of the Company, received the civil judgment numbered (2021) Yun Min Zhong 1007 of the Higher People's Court of Yunnan Province. On the Litigation of Chuxiong Linxin Mushroom Developing Co., Ltd, against Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd for contract disputes, the Higher People's Court of Yunnan Province made the following judgment: Within 10 days after the judgment takes effect, Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd shall pay RMB 29,789,443.69 due to the plaintiff Chuxiong Linxin Mushroom Developing Co., Ltd, as well as the interest calculated based on the payment of RMB 24,617,671.59 owed by Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd to Linxin Company and the interest rate of the loan interest rate issued by the People's Bank of China for the period from April 10, 2018 to August 19, 2019, and the interest rate of the Loan Prime Rate published by the National Interbank Funding Center for the period from August 20, 2019 to April 19, 2020, and the interest calculated based on the payment of RMB 29,789,443.69 owed by Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd to Linxin Company and the interest rate of Loan Prime Rate (LPR) published by the National Interbank Funding Center for the period from April 20, 2020 until the date of payment in full.

② Litigation of Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, a subsidiary of the Company, against Chuxiong Linxin Mushroom Developing Co., Ltd for contract disputes

On July 2, 2021, Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd, a subsidiary of the Company, received the *Civil Judgment (2021) Yun Min Zhong No. 506* of the Higher People's Court of Yunnan Province. The second instance judgment rejected the appeal of Linxin Company and upheld the original judgment (According to the *Civil Judgment (2020) Yun 01 Min Chu No. 2306* made by the Kunming Intermediate People's Court on October 20, 2020: Within 10 days, Linxin Company shall pay the unrecovered

loss of RMB 29,483,588.1 and the tax refund loss of RMB 4,960,807.42 to Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd; as well as the interest calculated based on the unreturned losses and tax refund losses and the interest rate of the Loan Prime Rate published by the National Interbank Funding Center for the period from May 14, 2020 until the date of payment in full. Later, Linxin Company filed an application for retrial, and the Supreme People's Court made *Civil Ruling (2021) Zui Gao Fa Min Shen No.7351* on December 17, 2021, ruling to reject Linxin Company's application for retrial.

In respect of the above two cases, Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd served the *Notice of Debt Set-off* by notarization on November 30, 2022, and contacted the enforcement court to offset the debts owed by the two parties. After the set-off of debts between the parties, in accordance with the contents of the civil judgments, Linxin Company shall also pay the unrecovered loss of RMB 2,876,484.81 and the interest calculated on the basis of the said unrecovered loss from the date of set-off in accordance with the interest rate of the Loan Prime Rate published by the National Interbank Funding Center, and Linxin Company shall indemnify Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd for the legal costs of RMB 34,332.00.

**(2) Where the Company had no significant contingencies to disclose, explanation is also required**

The Company had no significant contingencies to disclose.

**3. Others: None**

**XV. Events Subsequent to the Balance Sheet Date**

- 1. Important non-adjusting events: None**
- 2. Profit Distribution: None**
- 3. Sales Return: None**
- 4. Explanation on other events subsequent to the balance sheet date: None**

**XVI. Other Significant Events****1. Correction of previous accounting errors**

- (1) Retrospective restatement method: None**
- (2) Prospective application method: None**

**2. Debt restructuring: None****3. Assets exchange**

- (1) Exchange of non-monetary assets: None**
- (2) Exchange of other assets: None**

**4. Annuity plan**

(1) In accordance with the *Trial Measures for Enterprise Annuity* and *Trial Measures for Enterprise Annuity Fund Management* of the Ministry of Labor and Social Security, as well as the *Letter Yun Lao She Han [2006] No. 267* of Department of Labor and Social Security of Yunnan Province, the Company was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Fullgoal Fund Management Co., Ltd., and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. The enterprise contribution shall be paid annually at 5-8.33% of the total salary of the employees of the Company in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution. The individual contribution shall be collected and paid by the Company from the employee's salary.

(2) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Lao She Han [2008] No.204*) on the *Enterprise Annuity Implementation Plan of Yunnan Pharma*, Yunnan Pharma, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Merchants Bank Co., Ltd. According to the plan, the enterprise contribution shall be paid

annually at no more than 8.33% of the total salary of the employees of Yunnan Pharma in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

(3) According to the replies of Yunnan Provincial Department of Human Resources and Social Security (*Yun Ren She Letter [2009] No.79*) and Kunming Municipal Labor and Social Security Bureau (*Kun Ren She Han [2016] No.21*) on the *Enterprise Annuity Implementation Plan of Yunnan Institute of Materia Medica*, Yunnan Institute of Materia Medica, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Construction Bank Corporation. According to the plan, the enterprise contribution shall be paid annually at no more than 5% of the total salary of the employees of Yunnan Institute of Materia Medica in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

(4) In accordance with the *Measures on Enterprise Annuity* (Decree No. 36 of Ministry of Human Resources and Social Security), *Measures on the Management of Enterprise Annuity Fund* (Decree No. 11 of Ministry of Human Resources and Social Security) and other relevant provisions as well as the *Reply on Filing of Enterprise Annuity Plan of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd* issued by Wuxi Human Resources and Social Security Bureau (*Xi Ren She Fu [2018] No.27*), Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a subsidiary of the Company, was approved to establish an enterprise annuity. The investment manager of the enterprise annuity fund is Ping An Annuity Insurance Company of China, Ltd, and the trustee of the enterprise annuity fund is China Construction Bank Corporation. According to the plan, the enterprise contribution shall be paid annually at no more than 5% of the total salary of the employees of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd in the previous year, and the individual contribution of the employees shall be paid at 10% of the unit contribution.

There was no significant change in the contribution ratio of enterprise annuity during the reporting period.

**5. Discontinuation of operation: None**

**6. Segment information**

**(1) Determination basis and accounting policy of reporting segments: None**

**(2) Financial information of reporting segments: None**

**(3) If the Company has no reporting segment or the total assets and total liabilities of the reporting segments cannot be disclosed, please explain the reason: None**

**(4) Other explanations: None**

**7. Other significant transactions and matters that have an impact on investors' decision-making: None**

**8. Others: None**

**XVII. Notes to Major Items of Financial Statements of the Parent Company**

**1. Accounts receivable****(1) Disclosure of accounts receivable by type**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with provision for bad debts on portfolio basis	1,493,806,012.82	100.00%	18,411,300.17	1.23%	1,475,394,712.65	995,864,855.57	100.00%	18,016,130.77	1.81%	977,848,724.80
Including:										
Receivables from external customers	76,273,480.13	5.11%	18,411,300.17	24.14%	57,862,179.96	78,444,316.75	7.88%	18,016,130.77	22.97%	60,428,185.98
Receivables from related parties	1,417,532,532.69	94.89%			1,417,532,532.69	917,420,538.82	92.12%			917,420,538.82
Including:										
Total	1,493,806,012.82	100.00%	18,411,300.17		1,475,394,712.65	995,864,855.57	100.00%	18,016,130.77		977,848,724.80

If provision was made for bad debts of accounts receivable in accordance with the general expected credit loss model, please disclose relevant information of provision for bad debts referring to the disclosure of other receivables:

Applicable Not applicable

## Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (inclusive of 1 year)	1,473,867,801.32
1 to 2 years	5,913,520.63
2 to 3 years	510,525.81
Above 3 years	13,514,165.06
Total	1,493,806,012.82

**(2) Provision for bad debts accrued, recovered or reversed during the reporting period**

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	18,016,130.77	395,169.40				18,411,300.17
Total	18,016,130.77	395,169.40				18,411,300.17

Among them, the important amount of recovery or reversal of provision for bad debt for the period: None

**(3) Actual write-off of accounts receivable for the period: None****(4) Top five customers with closing balance of accounts receivable summarized by debtor**

Unit: RMB

Entity name	Closing balance of accounts receivable	Percentage of total of closing balance of accounts receivable	Closing balance of provision for bad debt
Yunnan Pharmaceutical Co., Ltd.	672,130,896.84	44.99%	
Yunnan Baiyao Group Health Products Co., Ltd.	555,396,104.81	37.18%	
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	131,064,017.03	8.77%	
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	26,379,281.28	1.77%	
Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd.	23,671,271.87	1.58%	
Total	1,408,641,571.83	94.29%	

**(5) Accounts receivable derecognized due to the transfer of financial assets: None****(6) Amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved: None****2. Other receivables**

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	406,032,345.56	
Other receivables	3,784,818,365.86	3,123,928,450.54
Total	4,190,850,711.42	3,123,928,450.54

**(1) Interest receivable****1) Interest receivable by type: None****2) Major overdue interest: None****3) Provision for bad debts**□Applicable Not applicable**(2) Dividends receivable****1) Dividends receivable by type**

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Shanghai Pharmaceuticals Holding Co. Ltd.	406,032,345.56	
Total	406,032,345.56	

**2) Major dividends receivable aged over one year: None****3) Provision for bad debts**□Applicable Not applicable**(3) Other receivables****1) Other receivables by nature**

Unit: RMB

Nature of payment	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Related party within consolidation scope	3,911,806,246.95	3,258,095,819.76
Petty cash	15,576,217.04	9,512,706.51
Deposits and guarantees	11,792,390.02	9,155,501.26
Total	3,939,174,854.01	3,276,764,027.53

**2) Provision for bad debts**

Unit: RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses for the next 12 months	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance as of January 01, 2023	152,835,576.99			152,835,576.99
Balance as of January 1, 2023 in the current period				
Current provision	1,520,911.16			1,520,911.16
Balance as of June 30, 2023	154,356,488.15			154,356,488.15

Changes in book balance with significant changes in loss reserves in the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (inclusive of 1 year)	3,927,666,183.85
1 to 2 years	1,586,618.33
2 to 3 years	1,169,639.90
Above 3 years	8,752,411.93
Total	3,939,174,854.01

**3) Provision for bad debts accrued, recovered or reversed during the reporting period**

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Other accounts receivable with provision for bad debts on portfolio basis by credit risk characteristics	152,835,576.99	1,520,911.16				154,356,488.15
Total	152,835,576.99	1,520,911.16				154,356,488.15

Among them, the important amount of reverse or recovery of provision for bad debt for the period: None

**4) Actual write-off of other receivables for the period: None****5) Top five customers with closing balance of other receivables summarized by debtor**

Unit: RMB

Entity name	Nature of payment	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debt
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	Related party within consolidation scope	1,160,789,915.53	Within 1 year, 1-2 years, 2 to 3 years, above 3 years	29.47%	
Yunnan Baiyao Group (Hainan) Co., Ltd.	Related party within consolidation scope	828,502,242.92	Within 1 year, 1-2 years	21.03%	
Shanghai Yijian Industrial Co., Ltd.	Related party within consolidation scope	484,357,417.54	Within 1 year, 1-2 years	12.30%	
Yunnan Baiyao Teayield Co., Ltd.	Related party within consolidation scope	421,534,311.22	Within 1 year, 1-2 years, 2 to 3 years, above 3 years	10.70%	145,974,692.50
Yunnan Yunyao Flavor and Fragrance Co., Ltd.	Related party within consolidation scope	214,082,197.63	Within 1 year, 1-2 years	5.43%	
Total		3,109,266,084.84		78.93%	145,974,692.50

**6) Accounts receivable related to government subsidy: None****7) Other receivables derecognized due to the transfer of financial assets: None****8) Amount of assets and liabilities generated by transferring other receivables and continuing to be involved: None****3. Long-term equity investments**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	2,565,095,450.92	244,474,941.95	2,320,620,508.97	2,465,095,450.92	244,474,941.95	2,220,620,508.97
Investments in associates and joint ventures	11,350,412,535.41		11,350,412,535.41	11,334,638,735.04		11,334,638,735.04
Total	13,915,507,986.33	244,474,941.95	13,671,033,044.38	13,799,734,185.96	244,474,941.95	13,555,259,244.01

**(1) Investments in subsidiaries**

Unit: RMB

Investee	Opening balance (book value)	Increase and decrease in the current period				Closing balance (book value)	Closing balance of impairment provision
		Additional investment	Decreased investment	Provision for impairment	Others		
Yunnan Baiyao Group Traditional Chinese Medicine Resources Co., Ltd.	130,894,518.14					130,894,518.14	
Yunnan Baiyao Group Medicine E-commerce Co., Ltd.	56,059,850.00					56,059,850.00	
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	39,627,253.25					39,627,253.25	
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	16,489,200.00					16,489,200.00	
Yunnan Baiyao Group Health Products Co., Ltd.	168,297,661.03					168,297,661.03	
Yunnan Pharmaceutical Co., Ltd.	765,533,647.30					765,533,647.30	
Yunnan Institute of Materia Medica	101,075,329.94					101,075,329.94	
Yunnan Baiyao Holding Investment Co., Ltd.	193,992,837.67					193,992,837.67	
Yunnan Baiyao Teayield Co., Ltd.	3,701,960.00					3,701,960.00	20,000,000.00
Yunnan Baiyao Group (Hainan) Co., Ltd.	457,198,438.74					457,198,438.74	
Yunnan Baiyao Group Shanghai Co. Ltd.	11,350,000.00					11,350,000.00	
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	77,600,000.00					77,600,000.00	
Shanghai Yunzhen Medical Technology Co., Ltd.	100,572,858.37	100,000,000.00				200,572,858.37	
Ban Loong Holdings Ltd.	98,226,954.53					98,226,954.53	224,474,941.95
<b>Total</b>	<b>2,220,620,508.97</b>	<b>100,000,000.00</b>				<b>2,320,620,508.97</b>	<b>244,474,941.95</b>

**(2) Investments in associates and joint ventures**

Unit: RMB

Investee	Opening balance (book value)	Increase and decrease in the current period								Closing balance (book value)	Closing balance of impairment provision
		Additional investment	Decreased investment	Profits and losses on investments recognized under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to be issued	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Shanghai Pharmaceuticals Holding Co. Ltd.	11,319,745,137.87			438,413,321.34	-22,847,452.34	5,841,351.14	406,032,345.56			11,335,120,012.45	
Yunnan Tianzheng Testing Technology Co., Ltd.	14,893,597.17			398,925.79						15,292,522.96	
Yunnan Baiyao Chinese Herbal Medicine Technology Co., Ltd.											
Subtotal	11,334,638,735.04			438,812,247.13	-22,847,452.34	5,841,351.14	406,032,345.56			11,350,412,535.41	
Total	11,334,638,735.04			438,812,247.13	-22,847,452.34	5,841,351.14	406,032,345.56			11,350,412,535.41	

**(3) Other explanations: None**

#### 4. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	4,029,037,887.33	1,837,757,275.70	3,561,427,768.32	1,554,347,170.55
Other businesses	41,638,215.70	49,750,053.44	60,533,784.32	39,680,239.07
Total	4,070,676,103.03	1,887,507,329.14	3,621,961,552.64	1,594,027,409.62

Income related information:

Unit: RMB

Contract classification	Drug sales	TCM resources	Total
Commodity type	3,983,284,860.36	45,753,026.97	4,029,037,887.33
Including:			
Industry sales income	3,983,284,860.36		3,983,284,860.36
Commercial sales income		45,753,026.97	45,753,026.97
Classified by operating areas	3,983,284,860.36	45,753,026.97	4,029,037,887.33
Including:			
In Yunnan province	482,846,422.64	45,753,026.97	528,599,449.61
Outside Yunnan province (excluding overseas)	3,495,258,316.63		3,495,258,316.63
Overseas	5,180,121.09		5,180,121.09
Total	3,983,284,860.36	45,753,026.97	4,029,037,887.33

Information related to performance obligations:

The main business of the Company and its subsidiaries is the sale of pharmaceuticals, medicinal materials and other commodities. After the products are delivered to the customer and it is confirmed by the customer that it has obtained the control of the products, the realization of revenue will be recognized. There is no significant financing component to the contract, some contracts have discount clauses, and there is usually no similar obligation for the Company to return the relevant amount to the customer.

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

The amount of income corresponding to the performance obligations that have been contracted but not yet performed or not yet completed at the end of the reporting period is RMB 0.

Other explanations: None

#### 5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gains on long-term equity investments subject to accounting with equity method	438,812,247.13	417,186,780.11
Investment income on trading financial assets held for trading during holding period	4,639,488.08	6,032,538.91
Investment income from disposal of financial assets held for trading	-3,681,651.93	75,711,736.30
Investment income from other non-current financial assets during the holding period	5,000,000.00	
Others	2,014,422.25	123,479,345.99
Total	446,784,505.53	622,410,401.31

**6. Others: None****XVIII. Supplementary Information****1. Breakdown of non-recurring profits and losses for the current period**

Applicable Not applicable

Item	Amount	Unit: RMB
		Description
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	2,967,422.45	
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 consecutively received by a standard quota or quantity)	37,822,875.91	
Profits and losses from changes in fair value of financial assets and liabilities held for trading, and investment income from disposal of financial assets and liabilities for trading and financial assets available for sale, except for effective hedging operations related to regular businesses of the Company	73,102,277.05	
Non-operating revenue and expenses other than the above	-3,275,515.13	
Less: Amount affected by the income tax	19,426,852.91	
Amount affected by minority interests (after tax)	234,377.97	
Total	90,955,829.40	--

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

Applicable Not applicable

There are no other profits and losses of the Company satisfying the definition of non-recurring profits and losses.

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	7.17%	1.58	1.58
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	6.94%	1.53	1.53

**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

August 28, 2023