



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

**Annual Report 2025**

**March 2026**

# 2025 Annual Report

## Section I Important Notes, Contents, and Definitions

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

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

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

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

The cash dividend to be implemented this time will be combined with the special dividend already distributed in 2025. The total accumulated cash dividends for 2025 represent 90.09% of the net profit attributable to shareholders of the listed company for 2025, with the total accumulated cash dividends amounting to RMB 4,642,651,293.01 (tax inclusive). The Company completed the distribution of the 2025 special dividend profits in September 2025, distributing cash of RMB 10.19 per 10 shares (tax inclusive), with total cash dividends amounting to RMB 1,818,163,592.46 (tax inclusive).

The Company’s 2025 annual profit distribution plan is as follows: Based on the total share capital of the Company of 1,784,262,603 shares as at the end of 2025, the Company proposes to distribute cash dividends of RMB 15.83 per 10 shares (tax inclusive) to all shareholders, with no bonus shares issued and no capital reserve to increase the 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.

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## **Documents Available for Inspection**

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

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

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

(IV) Other related materials.

## Definitions

Term	Definitions
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC of Yunnan Province	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government
The Company or Yunnan Baiyao	Yunnan Baiyao Group Co., Ltd.
New Huadu	New Huadu Industrial Group Co., Ltd.
State-owned Equity Management Company	Yunnan State-owned Equity Operation Management Co., Ltd.
Yunnan Hehe	Yunnan Hehe (Group) Co., Ltd.
Baiyao Holdings	Yunnan Baiyao Holdings Co., Ltd.
YNBY International	YNBY International Limited
Shanghai Pharma	Shanghai Pharmaceuticals Holding Co., Ltd.
Merger and overall listing	A transaction that Yunan Baiyao merged with Baiyao Holdings by issuing shares to all shareholders of Baiyao Holdings, including SASAC of Yunnan Province, New Huadu and Jiangsu Yuyue Science & Technology Development Co., Ltd.
Health Products Company	Yunnan Baiyao Group Health Products Co., Ltd.
TCM Resources Company	Yunnan Baiyao Group TCM Resources Co., Ltd.
Yunnan Pharma	Yunnan Pharmaceutical Co., Ltd.
Yunhe Pharmaceutical	Yunhe Pharmaceutical (Tianjin) Co., Ltd.
Zhengwu Technology	Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd.
Juyaotang	Anguo Juyaotang Pharmaceutical Co., Ltd.
Reporting period	The period from January 1, 2025 to December 31, 2025
RMB, RMB'0,000, RMB'00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

## Section II Company Profile and Key Financial Indicators

### I. Company Profile

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

### II. Contact Person and Contact Information

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

### III. Information Disclosure and Location

Website of the stock exchange where the Company discloses its Annual Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Name and website of the media where the Company discloses its Annual Report	<i>Securities Times, Shanghai Securities News, China Securities Journal</i>
Location where the Company prepares and places its Annual Report	Company Archives Room

#### IV. Changes in Registration

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

#### V. Other Information

The accounting firm engaged by the Company

Name of the accounting firm	Pan-China Certified Public Accountants LLP (SGP)
Office address of the accounting firm	No. 128, Xixi Road, Lingyin Subdistrict, Xihu District, Hangzhou City, Zhejiang Province
Name of signing accountants	Huang Yuanxi, Zhao Li

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

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Yes  No

	2025	2024	Increase/decrease compared to the previous year	2023
Operating revenue (RMB)	41,186,999,090.31	40,033,300,814.72	2.88%	39,111,292,156.00
Net profit attributable to shareholders of the listed company (RMB)	5,153,486,838.91	4,749,415,499.55	8.51%	4,093,782,074.02
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	4,864,568,403.16	4,523,057,538.23	7.55%	3,763,605,361.07
Net cash flows from operating activities (RMB)	4,599,693,880.44	4,297,003,142.27	7.04%	3,502,742,348.02
Basic earnings per share (RMB/share)	2.89	2.66	8.65%	2.29
Diluted earnings per share (RMB/share)	2.89	2.66	8.65%	2.29
Weighted average ROE	13.02%	11.99%	Up 1.03 percentage points	10.51%

	End of 2025	End of 2024	Increase/decrease compared to the end of the previous year	End of 2023
Total assets (RMB)	54,268,581,131.82	52,914,181,333.05	2.56%	53,784,293,183.93
Net assets attributable to shareholders of the listed company (RMB)	40,044,058,844.44	38,831,946,424.51	3.12%	39,879,122,031.51

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

Yes  No

During the reporting period, the lower of the Company's audited total profit, net profit, and net profit after deducting non-recurring gains and losses was negative

Yes  No

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

Total share capital of the Company as of the trading day prior to the disclosure (shares)	1,784,262,603.00
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Fully diluted earnings per share calculated based on the latest share capital:

Preferred share dividend paid	0.00
Perpetual bond interest paid (RMB)	0.00
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	2.8883

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

**VIII. Key Financial Indicators by Quarter**

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	10,841,237,721.29	10,415,865,174.73	9,397,111,312.99	10,532,784,881.30
Net profit attributable to shareholders of the listed company	1,934,639,584.60	1,698,271,718.52	1,144,208,354.35	376,367,181.44
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses	1,887,406,845.46	1,573,508,604.02	1,089,023,837.43	314,629,116.25
Net cash flows from operating activities	713,597,559.65	3,247,589,643.12	494,782,308.77	143,724,368.90

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

Yes  No

**IX. Non-recurring Profits and Losses and their Amounts**

Applicable  Not applicable

Unit: RMB

Item	Amount in 2025	Amount in 2024	Amount in 2023	Remarks
Profits and losses from disposal of non-current assets (including the write-offs for the accrued impairment of assets)	7,198,923.23	2,527,905.42	110,477,911.97	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company in line with national policies and received by a determined standard, with a continuous impact on the Company's profits and losses)	96,333,463.99	84,203,749.10	75,375,220.16	
Profits and losses from changes in fair value of financial assets and liabilities held for trading by non-financial enterprises, and from disposal of such financial assets and liabilities, except for effective hedging operations related to regular businesses of the Company	189,486,904.27	150,994,732.81	199,779,795.08	
Profits and losses arising from entrusted investment or asset management	19,212,454.11	6,589,832.78	3,146,335.87	
Reversal of impairment provision of accounts receivable subject to individual impairment test		1,738,612.00		
Non-operating revenue and expenses other than the above	4,570,455.96	-28,939,412.06	-1,919,286.26	
Other profits and losses satisfying the definition of non-recurring profits and losses	17,162,242.56	47,186,324.01	41,588,740.24	
Less: Amount affected by the income tax	44,955,132.44	37,938,914.49	69,955,013.92	
Amount affected by minority interests (after tax)	90,875.93	4,868.25	28,316,990.19	
Total	288,918,435.75	226,357,961.32	330,176,712.95	--

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

Applicable  Not applicable

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

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

Applicable            Not applicable

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

## Section III Management Discussion and Analysis

### I. Principal business of the Company during the Reporting Period

#### (I) Industry landscape and development trends

##### 1. Growing demand in the healthcare industry

In recent years, the aging population, evolving health awareness, and changing lifestyles have been the primary drivers of sustained growth in demand within the healthcare industry. On the one hand, the proportion of the population aged 60 and above rose from 22% in 2024 to 23% in 2025, representing a slightly higher increase than in the same period of the previous year (Source: National Bureau of Statistics). As a result, demand among the elderly for chronic disease management and health maintenance is showing rigid growth. On the other hand, activities such as running, hiking, and working out have become mainstream lifestyle choices, driving increased demand for related medical and health products, including those for sports injury recovery, nutritional supplements, and functional health maintenance. The combination of these factors has created significant market growth opportunities, providing fertile ground for the pharmaceutical industry, particularly the traditional Chinese medicine (“TCM”) sector, to leverage its strengths.

##### 2. Acceleration of policy-driven transformation and upgrading in the TCM industry

In 2025, driven by government policies, the TCM industry exhibited core development trends toward innovation, large-scale, and standardization, as the sector continued to deepen its transition toward high-quality development. The *Proposal of the Central Committee of the Communist Party of China on Formulating the 15th Five-Year Plan for National Economic and Social Development* includes the biopharmaceutical industry among its 12 strategic tasks, establishing a policy support system for the industry’s development across R&D, regulatory approval, and production. The *Opinions on Improving the Quality of TCM and Promoting the High-Quality Development of the TCM Industry* centers on quality improvement and establishes a development framework across four key dimensions: resource conservation, industrial upgrading, technological innovation, and strengthened regulation. This framework aims to address the industry’s challenges of being “small, fragmented, and weak” as well as inconsistent quality. It encourages enterprises to establish traceability systems covering the entire industrial chain, promotes the digital and intelligent transformation of the TCM industry, supports the redevelopment of major TCM varieties and the market launch of compound preparations based on ancient classic formulas, strengthens clinical value assessment, and creates a favorable environment for leading enterprises to integrate resources. The

*Implementation Plan for High-Quality Development of the TCM Industry (2026–2030)*, serving as a roadmap for the industry over the next five years, proposes the establishment of 60 high-standard production bases for TCM raw materials, 5 centers for inheritance and innovation, and 20 smart factories, and the cultivation of 10 major Chinese patent medicines and 10 green factories, thereby directing industry resources toward high-quality production capacity, innovative products, and green manufacturing. In terms of industrial chain collaboration, leading enterprises are encouraged to establish a full-chain presence to drive integrated development across upstream and downstream sectors. Regarding product innovation, efforts will be made to facilitate the transition of hospital-prepared formulations into innovative drugs, focusing on major chronic and intractable diseases. And in terms of internationalization, support will be provided for the international registration and market expansion of Chinese patent medicines to help promote the “global outreach” of TCM. These policies work in concert, ranging from short-term regulations to long-term planning, to form a comprehensive policy framework that supports the high-quality development of the TCM industry. At the same time, health insurance policies continue to be refined, significantly improving access to medications. As centralized procurement policies continue to be implemented on a regular basis, the 10th round of centralized procurement covers 62 varieties, putting pressure on the prices of some products and accelerating industry consolidation. Companies with strengths in cost control and quality will gain significant competitive edge. The implementation of regulatory policies for online pharmaceutical sales has driven the standardized development of online channels and opened up new opportunities for the retail sale of TCM.

It should also be noted that the TCM industry as a whole is currently still undergoing a period of adjustment marked by multiple intertwined pressures. Due to factors such as centralized drug procurement, healthcare cost containment, frequent fluctuations in the prices of upstream TCM materials, rising production costs, and declining foot traffic at pharmacies, the industry is facing increasing pressure regarding revenue growth and profit realization, resulting in a slowdown in overall growth and heightened polarization. According to the *2025 Economic Performance of the Pharmaceutical Industry* report released by the China Pharmaceutical Enterprises Association, the revenue and profit growth rates of the Chinese patent medicine industry were -6% and -2.9%, respectively, in 2025.

### 3. The health products industry facing both challenges and opportunities

In the consumer goods market, driven by consumption recovery, growing health awareness, and policy support, the total retail sales of consumer goods exceeded RMB 50 trillion for the first time in 2025, representing a year-on-year increase of 3.7%. The consumption contributed 52% to economic growth, up 5 percentage points from the previous year. (Source: 2026 State Council Government Work Report)

Although the consumer goods sector as a whole continued to grow, the oral health industry experienced a structural slowdown in growth due to persistently high costs associated with online channels. In 2025, the toothpaste sector exhibited the following characteristics: First, growth in omnichannel sales slowed down, with online and offline trends diverging. Online sales accounted for over 45% of total sales (Source: Nielsen IQ), with the market expanding rapidly; and live-streaming e-commerce and social media-driven growth became key strategies for emerging brands to gain a foothold in the market. The sales structure of offline channels changed. Traditional channels such as hypermarkets and convenience stores saw their market share contract, while emerging channels, including warehouse membership stores, snack specialty chains, and discount stores, defied the downward trend to become new growth drivers for the offline sector. Second, consumer demand shifted toward more targeted needs, with a growing emphasis on functional benefits such as skin whitening, gum care, and sensitivity relief. Segments focused on efficacy, high-end products, and children's products have become key drivers of growth.

## **(II) Industry position**

The Central Committee of the Communist Party of China (“CPC”) and the State Council attach great importance to the development of TCM. The 2026 Government Work Report of the State Council explicitly states that we must “advance the inheritance and innovation of TCM and strengthen the integration of Chinese and Western medical practices.” It places the revitalization and development of TCM at the forefront of the healthcare sector's development, aiming to continuously strengthen top-level design, policy support, and resource allocation. This will accelerate the modernization and industrialization of TCM by preserving its essence and upholding its inheritance and innovation, enabling it to better integrate into the coordinated governance of medical care, health insurance, and pharmaceuticals, and better serve the construction of a Healthy China and the health needs of the people.

Yunnan Baiyao has always been committed to the inheritance and innovation of TCM, continuously exploring the intrinsic potential of traditional medicinal products, and promoting the integration of TCM into modern life. The Company continuously injects new vitality into its brand and products, forming a product portfolio with 40 categories and 416 varieties. In the pharmaceutical products domain, Yunnan Baiyao holds 567 drug approval numbers and 316 product varieties, including 222 types of Chinese patent medicines, 43 of which are exclusive varieties. The Company started with the century-old Yunnan Baiyao powder as its foundation and has gradually created a series of core pharmaceutical products in the field of musculoskeletal and minor wound care, covering all kinds of product forms such as aerosols, plasters, tinctures and woundplast, and has formed a competitive matrix of branded TCM in the areas of cold and anti-inflammatory, gastrointestinal digestion, cardiovascular medicines, and gynecological and pediatric medicines. In the field of health products, combining traditional Yunnan Baiyao

products with oral care products, we have successfully created a group of oral care products, with the flagship product of Yunnan Baiyao Toothpaste, and continued to develop and launch other functional oral care products, such as those for whitening and sensitivity relief. Based on the pharmaceutical science and technology, and drawing on the essence of natural plants, we have successfully created the scalp health care brand “Yangyuanqing.” Leveraging its successful development 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, personal care products, and healthcare food. This move enables the Company’s evolution from a TCM manufacturing enterprise to a modern, holistic wellness-oriented entity.

Yunnan Baiyao’s full-industry-chain strategy, strengths in authentic medicinal herbs, investment in technological innovation, and established brand reputation are highly aligned with the market trends driven by current policy guidance in the pharmaceutical and healthcare industry. First, market demand aligns closely with the Company’s product portfolio: the demand for chronic disease treatment and rehabilitation driven by an aging population, as well as the rapidly growing demand in the sports and wellness sector, directly correspond to Yunnan Baiyao’s core pharmaceuticals, branded TCMs, and health-tonic products. Meanwhile, the demand for injury recovery and functional health supplements spurred by the growth in sports participation is highly compatible with the Company’s Baiyao aerosols and sports protection product lines. Second, we will advance our full-industry-chain strategy by expanding upstream into high-quality TCM materials, implementing a “flagship product” strategy in the midstream to deepen our focus on the pharmaceutical and health products industries, and expanding downstream into retail pharmacies and online sales channels. This will enable us to build an integrated “raw materials–production–sales” system and further enhance the core competitiveness of our principal businesses. Third, we will strengthen scientific and technological innovation, promote the redevelopment of traditional products, and scientifically formulate short-, medium-, and long-term innovation and R&D plans to ensure the sustainable commercialization of innovative achievements. At the same time, we will continuously explore innovations in distribution channels, business models, and application scenarios to better meet the health management needs of various demographics and expand our market reach.

In 2025, Yunnan Baiyao maintained its market-leading position across multiple business sectors. The Company’s flagship product, Yunnan Baiyao Aerosol, ranked first in retail market share among Chinese patent medicine aerosols for the topical treatment of joint and muscle pain in the musculoskeletal system. Yunnan Baiyao Woundplast ranked first in retail market share for topical hemostatic products. Yunnan Baiyao (Powder) ranked first in retail market share the full-body Chinese patent medicine for bone injuries in the musculoskeletal system (Source:

Sinohealth CHIS). In 2025, Yunnan Baiyao Toothpaste continues to maintain the No.1 market share in the Chinese full-channel market (Source: Nielsen Retail Data). In 2025, Yunnan Baiyao was listed on the *Fortune China 500 List* published by Fortune China for the 16th consecutive year, ranking 357th; and ranked 33rd in the *List of Top 50 Global Pharmaceutical Companies* by *Pharmaceutical Executive* in US.

## II. Industry status during the Reporting Period

### (I) Product and business

The Company has four business groups, namely Pharmaceutical Business Group, Health Products Business Group, TCM Resources Business Group and Yunnan Pharmaceutical Co., Ltd (“Yunnan Pharma”). These business groups serve as the foundation for the Company’s production and operations.

Pharmaceutical Business Group, embodying the Company’s strategic positioning as the “leading brand of pain management in the field of traumatology,” focused on the Yunnan Baiyao product line, which includes hemostatic, analgesic, anti-inflammatory, and bruise-dissolving products such as Yunnan Baiyao Aerosol, Yunnan Baiyao Ointment, Yunnan Baiyao Woundplast as its core. At the same time, it prioritized the development of branded TCMs in areas such as cardiovascular and cerebrovascular, respiratory, digestive, urological, and gynecological systems, while also building long-term reserves and incubating related pharmaceuticals in the fields of oncology and autoimmune diseases.

Health Products Business Group, embodying the Company’s strategic positioning at “the leading tier of high-quality health lifestyle products,” leveraged the brand infrastructure including people, products, and consumer scenarios to drive marketing initiatives, with oral health as its core business. Embracing a user-centric approach to explore new consumption scenarios, the BG not only solidified its market position in oral health but also expanded into multi-domain solutions such as scalp care and body care, thereby becoming the benchmark of the new concept of Chinese healthy lifestyle.

Embodying the Company’s strategic positioning as the “chain leader with high-quality development of Yunan TCM resources,” TCM Resources Business Group makes full use of the province’s distinctive medicinal plant resources to ensure a high-quality, efficient, and low-cost supply of TCM raw materials. The BG has also built a digitalized industrial chain ecosystem for TCM materials with the model of “1+1+N,” which consists of “1 TCM production, research and marketing integrated digital intelligence platform + 1 new specialized market for TCM

materials at the origin + multi-dimensional synergies,” so as to support “excellent TCM products” by “excellent Yunnan TCM resources.”

Yunnan Pharma, embodying the Company’s the strategic positioning as the “leading enterprise in pharmaceutical distribution and innovative services,” remained steadfast in pursuit of maintaining its leading market share among pharmaceutical distribution companies in Yunnan Province. It has achieved full coverage in all 16 prefectures and cities of Yunnan Province, extending its reach to all types of medical facilities from tertiary hospitals to community and township clinics and all types of retail outlets ranging from retail chains to independent pharmacies. It also assists governments and medical institutions in building better management and service systems, providing high-quality and modern pharmaceutical supply chain service solutions for upstream and downstream customers.

## **(II) Business model**

1. Transformation from a Chinese leading TCM enterprise to a “Chinese leading, world-class” modern pharmaceutical industry group

As a “chain leader,” the Company is committed to promoting coordinated development across the industrial chain, refining its focus on core areas, expanding the leadership of advantageous products, and accelerating the construction of the industrial system. Centered on the principles of “strengthening principal businesses, stabilizing growth, and ensuring sustainability,” we aim to create a comprehensive industrial chain for Yunnan-branded TCM materials. We will focus on expanding the long-term potential of pharmaceuticals, health products, TCM resources, and commercial logistics, thus achieving self-driven leapfrog development. In addition, based on the development strategy, the Company will scientifically validate and rapidly promote the Group’s internationalization strategy, and fully leverage the synergistic and promotional effects of “two markets” and “two resources” at home and abroad, focusing on expanding the reach of TCM products abroad, creating new growth opportunities for health products, and integrating international resources for the development of innovative medicines, so as to drive our sustained high-quality development through internationalization, and support the transformation of Yunnan Baiyao from a Chinese leading TCM enterprise to a “Chinese leading, world-class” modern pharmaceutical industry group.

2. Transformation of the development model from “endogenous growth” to “intensive and extensive growth”

The Company adopts a two-pronged growth strategy as the main growth model that combines internal efficiency improvement (“intensive growth”) with external market expansion (“extensive growth”). “Intensive growth” focuses on tapping potential and increasing efficiency to stabilize the fundamental base. It concentrates on the development foundations of the pharmaceutical, health, and distribution industries. Following the approach of

maximizing overall benefits, it aims for systematic improvement and optimization across the industrial chain, value chain, and production factors, continuously promoting the high-quality development of the Company's principal businesses. "Extensive growth" emphasizes foresight and insight. Based on the overall strategic requirements and orientation, we actively explore strategic mergers and acquisitions, strategic cooperation and other models to complement and strengthen the existing industrial segments, and quickly break through the existing growth bottlenecks. This dual approach enables the Company to build a healthy and sustainable industrial portfolio system, and achieve high-quality and sustainable development.

3. Transformation from training internal talents to the model of "training internal talents + introducing external talents"

The Company believes in the pivotal role of talent in driving its development. It has established a systematic and scientific training system that offers diverse career development pathways, fostering both specialized knowledge and comprehensive skills, with the mutual development of talents and the Company as the objective. The Company concentrates its superior resources and actively introduces high-level professionals from multiple fields, including drug R&D, digital construction, and strategic investment. It continues to enhance its business capabilities in multiple dimensions, such as innovative R&D, lean operations, and investment and mergers & acquisitions. By nurturing internal talents, actively recruiting 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.

4. Transformation from a traditional manufacturing enterprise to a smart enterprise based on digital operations

The Company is committed to building a digital driving force and actively seeking transformation to digital operations with a strong customer-centric approach to enhance customer value and experience. By leveraging cutting-edge digital technologies such as cloud computing, big data, AI, 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 is moving beyond a unified "data base" and governance strategy to build a data-driven intelligent decision-making system "based on facts."

### **III. Analysis on Core Competitiveness**

#### **(I) Full-industry-chain advantage**

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

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

## **(II) Continuous innovation capability**

Yunnan Baiyao consistently meets the rapidly evolving and upgrading consumer demand through continuous innovation, and is committed to integrating TCM into modern life. We have evolved from a single hemostatic product to a vast Yunnan Baiyao industrial group, covering various sectors of the health industry, and created classic examples of innovation and the integration of TCM products into daily life, such as “Yunnan Baiyao Woundplast” and “Yunnan Baiyao Toothpaste.”

Looking ahead, the Company is dedicated to integrating cross-regional resources to build a modern R&D system, driving the inheritance and innovation of TCM alongside advancements in biopharmaceutical technology, and leveraging digital and intelligent transformation to continuously enhance our innovation efficiency. Currently, the Group’s Central Research Institute has established 5 major R&D centers and more than 10 national and provincial-level research platforms, building a cross-regional R&D capability that spans TCM and ethnic medicine, innovative radiopharmaceuticals, biopharmaceuticals, transdermal formulations, medical devices, and skin care. Through collaboration with numerous leading domestic research institutions and universities, the Company has integrated industry-academia-research resources and attracted top-tier R&D talents. Leveraging a dual-track mechanism of “external recruitment and internal development,” we have established a high-caliber talent team led

by members of the Chinese Academy of Engineering, recipients of the National “Ten Thousand Talents Program” and recipients of the National Science Fund for Distinguished Young Scholars, with over 60% of the team holding master’s or doctoral degrees. Leveraging the strengths of its R&D system, which focuses on “building platforms, establishing mechanisms, and attracting talent,” the Company adheres to a market-driven approach to R&D and innovation. We deeply explore the clinical value of existing products and are fully committed to promoting the synergistic development of the industrial and innovation chains, thereby achieving the effective commercialization of research outcomes, cross-disciplinary integration, and innovative breakthroughs. In addition, the Company has identified “AI+Medicine” as the core focus of its strategic transformation, deeply integrating technologies such as artificial intelligence, big data, and cloud computing to empower drug discovery and clinical research, thereby continuously improving R&D efficiency.

### **(III) Channel advantages**

In terms of pharmaceuticals, the Company has built a marketing network covering medical institutions and retail pharmacies across various provinces, regions, counties, and towns in China, and simultaneously expanded its presence in the online market. We have developed the “Yunding Jingwei” ecosystem cooperation model, establishing a streamlined, flat-structured, data- and intelligence-driven direct-supply model from primary distributors. This enables point-to-point delivery of products from manufacturers to pharmacies, facilitates a more effective “brand + channel + service” integrated ecosystem management model, and continuously strengthens traceability management and sales performance monitoring, thereby setting a new industry benchmark for channel management in the pharmaceutical sector. In the advantageous over-the-counter (“OTC”) channels, we have nationwide coverage, serving 5,000 top-tier chains and reaching over 400,000 retail stores. In terms of healthcare facilities, our network covers more than 12,000 hospitals nationwide (including primary care facilities). In the online marketplace, we have precisely targeted the “immediacy” trend in O2O channels, establishing a comprehensive “on-site + off-site” collaborative matrix, and engaging in extensive partnerships with major e-commerce platforms to effectively reach modern consumers through customized digital marketing.

Regarding health products, Yunnan Baiyao has established a comprehensive nationwide sales team dedicated to holistic wellness products, covering all terminals. Yunnan Baiyao Toothpaste continues to maintain a leading market share in China with a high brand penetration in the oral product category. Through ongoing optimization of its full chain channels, the Company has not only strengthened its position in traditional offline channels but also experienced significant growth in emerging business models such as on-demand retail, community group purchases, and interest-based e-commerce. This demonstrates the Company’s willingness to experiment and adapt, taking

measured steps forward and learning from any mistakes along the way, all of which enhance its ability to quickly respond to evolving business trends. Such channel advantages have driven significantly enhancement to Yunnan Baiyao's market competitiveness, laying the foundation for the Company to continuously commercialize new products.

#### **(IV) Talent team strengths**

The Company continues to strengthen the development of a specialized workforce aligned with the Group's strategic development, while collaboratively advancing the development of talent pipelines across all fields. First, we have established a long-term mechanism for talent development, opening up career pathways across management, technical, and professional tracks, and implement targeted recruitment based on specific needs, promoting the recruitment of highly skilled, highly technical, and high-level talent in core professional fields essential for our development. Second, to advance the development of our talent pool in the new era, we have established a career grading system and training mechanisms, and implemented a lifelong vocational skills training system, leveraging the "mentorship and guidance" provided by professionals in various fields to build a high-quality, specialized workforce. Third, we keep refining our incentive mechanisms, using a variety of approaches to stimulate the creativity of all types of talent. We have further aligned our compensation system with areas such as industrial transformation and upgrading, technological innovation, reform and development, value creation, new product development, and the development of flagship products, prioritizing those working in frontline positions that are arduous, dirty, dangerous, or physically demanding. This ensures employees genuinely feel the benefits of the Company's growth, helps to maximize the enthusiasm and creativity of cadres and employees, promote the Company towards high-quality development, and lay a strong foundation for achieving win-win cooperation among all stakeholders.

#### **(V) Brand strength**

Yunnan Baiyao is a well-established Chinese heritage brand with a history of over 124 years. Centered around the Yunnan Baiyao brand, the Company has expanded from a pharmaceutical brand into a multi-brand ecosystem covering personal healthcare products, crude drugs, and holistic wellness products. We have built a diverse portfolio of brands and continuously expanded our reach to target audiences, enhancing our brand value over the long term. The Company has been consistently listed in the brand value rankings of internationally authoritative organizations. During the reporting period, it ranked 33rd in the *List of Top 50 Global Pharmaceutical Companies* by *Pharmaceutical Executive* in US again, and was included in the *List of China's Best Brands* published by Interbrand, and the *Kantar BrandZ Top 100 Most Valuable Chinese Brands* list.

## IV. Analysis on Principal Businesses

### 1. Overview

#### (I) Overview of business data

In 2025, the Company remained firmly committed to its strategic plan, continued to refine its principal businesses, and leveraged its ever-improving operational management capabilities to navigate external market uncertainties. As a result, its operating performance grew against the trend, achieving the established goals of “growth, efficiency enhancement, and value creation.”

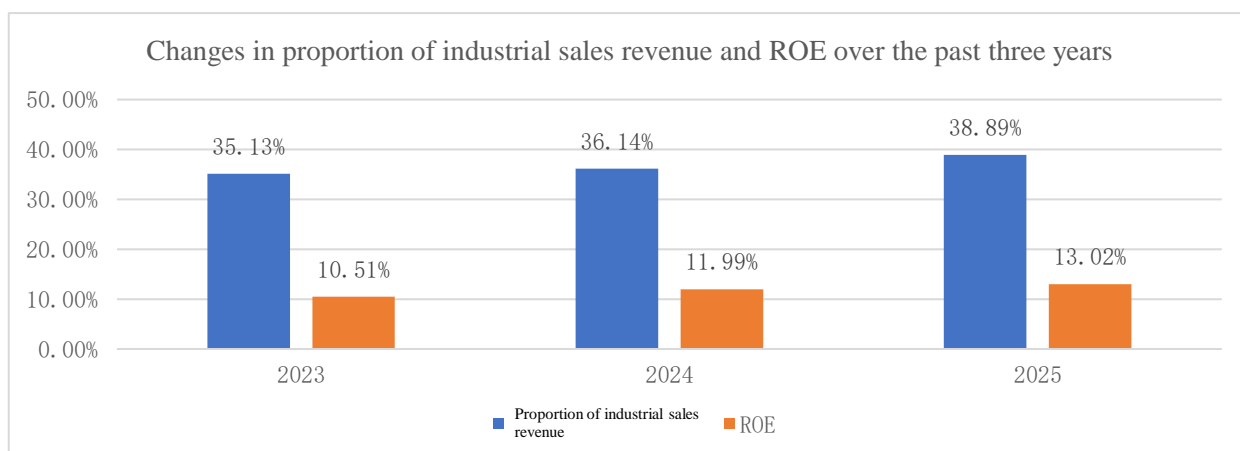
During the reporting period, the Company achieved an operating revenue of RMB 41.187 billion, a 2.88% increase compared to the same period last year; net profit attributable to the parent company was RMB 5.153 billion, an 8.51% year-on-year increase from RMB 4.749 billion; and net profit attributable to the parent company after deducting non-recurring profits and losses was RMB 4.865 billion, a 7.55% increase compared to RMB 4.523 billion last year, setting a new historical high. Basic earnings per share were RMB 2.89, an increase of 8.65% year-on-year. The Company’s business structure continued to optimize. The industrial revenue amounted to RMB 16.016 billion, accounting for 38.89% of the total operating revenue, up 2.75 percentage points year-on-year, with the growth rate of industrial revenue reaching 10.7%. Since 2023, the proportion of industrial revenue to total operating revenue has achieved consecutive growth.

In terms of growth quality, the Company’s net operating cash flow for the reporting period was RMB 4.60 billion, representing a year-on-year increase of 7.04%; the weighted average return on equity was 13.02%, up 1.03 percentage points year-on-year, marking the highest level in the past five years; and administrative expenses decreased by 1.68%. The Company invested RMB 423 million in R&D, representing a significant year-on-year increase of 21.51%. R&D expenditure accounted for 2.64% of industrial revenue, and the Company’s R&D capabilities continued to improve.

The Company continued to maintain a healthy asset structure. At the end of the reporting period, the Company had total assets of RMB 54.269 billion, net assets attributable to the shareholders of the listed company amounted to RMB 40.044 billion, the asset-liability ratio was 26.02%, and the cash and bank balance stood at RMB 9.108 billion.

While pursuing high-quality development, we promoted the co-creation and sharing of value between the Company and its employees, and established an employee-centered incentive system that aligns with business growth. In terms of compensation distribution, we prioritized core technical and key positions, frontline and

challenging roles, as well as high-level and highly skilled talent in critical and in-demand fields, thereby further raising employee compensations and fully stimulating organizational vitality. During the reporting period, the overall compensation for the Company's entry-level employees increased by double digits year-on-year.



## (II) Review of the main work and prospects

### 1. Party building as the driving force behind high-quality development

Under the leadership of the Yunnan Provincial Party Committee of CPC and Provincial Government, as well as the Party Committee of the Provincial State-owned Assets Supervision and Administration Commission, the Company has earnestly studied and implemented the spirit of the 20th National Congress of the Communist Party of China and its subsequent plenary sessions, as well as the spirit of the 11th Provincial Party Congress of Yunnan. We have proactively embraced Yunnan's "3815" strategic development goals, striving to transform our political and organizational strengths into competitive advantages that drive the Company's high-quality development. We have persistently worked to strengthen grassroots Party organizations and promoted the deep integration of Party building with production and operations. During the reporting period, the Communist Party of China Committee ("Party Committee") of Yunnan Baiyao Group elected a new leadership team for both the Party Committee and the Discipline Inspection Commission. Party-building efforts continued to deepen and gain momentum, further strengthening confidence in driving high-quality development.

### 2. Efficient and coordinated governance system

During the reporting period, the Company incorporated Party building into its *Articles of Association*, ensuring that the Party's leadership is effectively integrated throughout the entire corporate governance process. The Board of Directors successfully completed its leadership transition on schedule. With members possessing diverse professional backgrounds and strong complementary skills, the quality of decision-making and the operational efficiency of the specialized committees have been further enhanced, providing robust support for the

implementation of the Company's strategy. We refined the decision-making mechanism for "major decisions, key personnel appointments/dismissals, major project arrangements, and large-sum fund utilization," clarified the boundaries of authority and responsibility among various governance bodies, and further improved corporate governance mechanisms. This will enable the Party Committee to "set the direction, oversee the overall situation, and ensure implementation," the Board of Directors to "formulate strategies, make decisions, and mitigate risks" and the executive management to "plan operations, ensure implementation, and strengthen management," thereby fostering a clearer and more efficient collaborative relationship among the three.

### **3. Effective implementation of strategic plans**

During the reporting period, the Company transitioned from the "strategic design phase" to the "strategic execution and capability realization phase." In terms of endogenous growth, the Company focused on managing the entire industrial chain, value chain, and all production factors, while continuously advancing specialized programs to reduce costs and improve efficiency, thereby steadily enhancing the effectiveness of its management system. Through a series of initiatives including strategic procurement, ensuring a stable supply of TCM materials, warehousing and logistics, lean manufacturing, and production-sales coordination, the Company achieved sustained cost reductions and efficiency gains throughout the year, with labor productivity per employee significantly exceeding the industry average. External mergers and acquisitions have also opened up new opportunities. The Company's acquisition of Anguo Juyatong Pharmaceutical Co., Ltd ("Juyatong") has boosted synergies and efficiency across the TCM materials supply chain, driving resource integration within the province and expanding its national footprint. This has laid a solid foundation for the expansion of its sliced herbal medicine and granulated herbal formula businesses. The Company is now executing its extensive growth strategy, anchoring on deeper industrial synergy and targeted capability enhancement.

### **4. Significant progress achieved in focusing on principal businesses, with business structure continuing to improve**

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

During the reporting period, the Pharmaceutical Business Group achieved an operating revenue of RMB 8.318 billion, representing a year-on-year growth of 12.53%. There were 10 products with sales exceeding RMB 100 million, including 2 products with sales exceeding RMB 1 billion. Total sales revenue for the core product line exceeded RMB 5.5 billion, representing an increase of more than 18% compared to the same period last year. In particular, sales revenue for Yunnan Baiyao Aerosol exceeded RMB 2.5 billion, representing a growth of over 22%; sales revenue for Yunnan Baiyao Plaster exceeded RMB 1.2 billion, representing a growth of over 26%; and Yunnan

Baiyao Capsule, Yunnan Baiyao (Powder), and Yunnan Baiyao Woundplast all achieved significant growth in sales revenue compared to the previous year. Sales revenue for Qixuekang Oral Liquid, a plant-based tonic product, continued to grow rapidly, increasing by approximately 68% year-on-year. Other TCM products from various brands posted impressive growth, with products such as Ginseng and Tuckahoe Spleen and Stomach Strengthening Granule, Pudilan Anti-inflammatory Tablets, and Xuesaitong Capsule generating over RMB 100 million in sales revenue. Among these, sales revenue for Ginseng and Tuckahoe Spleen and Stomach Strengthening Granule rose by more than 53% year-on-year.

In 2025, guided by its strategies, the Pharmaceutical Business Group leveraged its brand strengths and clinical research capabilities, with a focus on developing flagship products as a key breakthrough. By fully tapping into channel potential, the BG maintained substantial growth for its core product series in the orthopedic pain management sector even from a high baseline while continuously expanding its product pipelines in high-potential segments such as cardiovascular, respiratory, gastrointestinal, and urological diseases. Additionally, it continued to build a pipeline of second-tier flagship products. First, guided by clinical value and driven by clinical research, the Company accelerated the redevelopment and post-marketing re-evaluation of key products. Evidence-based research on key products such as Yunnan Baiyao Capsule, Yunnan Baiyao Aerosol, Yunnan Baiyao Ointment, Qixuekang Oral Liquid, Gongxuening Capsule, and Tong Shu Capsule progressed steadily, opening up broader application scenarios for these products and driving significant growth in the Company's core pharmaceutical portfolio. Second, we developed the "Yunding Jingwei" ecosystem cooperation model, establishing a streamlined, flat-structured, data- and intelligence-driven direct-supply model from primary distributors. This enables point-to-point delivery of products from manufacturers to pharmacies, facilitates a more effective "brand + channel + service" integrated ecosystem management model, continuously strengthens traceability management and sales performance monitoring, and advances the "flagship product" strategy, thereby setting a new industry benchmark for channel management in the pharmaceutical sector. Third, we actively expanded our online market presence, precisely targeting the "immediacy" trend in O2O channels, and building a comprehensive "on-platform + off-platform" collaborative matrix to strengthen Yunnan Baiyao's brand recognition and market competitiveness in immediate health consumption scenarios. During the 2025 "618" shopping festival, Yunnan Baiyao's line of over-the-counter medicines saw a significant rise in rankings. During the reporting period, the brand's GMV on pharmaceutical e-commerce platforms reached RMB 500 million, representing a year-on-year increase of 139%. Fourth, with the implementation of a large-scale, systematic "mass campaign" strategy, the Pharmaceutical Business Group pooled its personnel and resources to launch province-wide promotional campaigns under a unified policy, with a total of

27 chain stores participating, which directly drove sales growth. Fifth, we implemented a scenario-based, specialized, and youth-oriented content marketing system. Focusing on scenarios such as “orthopedic pain,” “sports partners,” “nourishing the spleen during the long summer,” “Qi, blood, voice, life, and vitality” and “essential household medicines,” we leveraged various platforms to conduct omnichannel integrated marketing that deeply integrates brand building, effectiveness, and sales, thereby effectively driving sales growth.

Looking ahead, the Pharmaceutical Business Group will follow the “1+4+N” industrial portfolio and development strategy. Focusing on the “1” core area, pain management, we will continuously strengthen our leading position in the hospital market through professional management of our product pipeline, drive steady growth in the non-hospital market through specialized brand management, and identify high-potential, high-quality, and high-value pain management products to expand and refine our product portfolio. Focusing on “4” key areas: cardiovascular, respiratory, digestive, and urological systems, we will target promising products, leverage our strengths in the industrial chain and distribution channels, and consolidate and cultivate flagship TCM products. We will also continue to incubate and monitor multiple (“N”) promising sectors, including oncology, autoimmune diseases, and gynecology. In terms of development path, we will leverage the “Yunding Jingwei” model to further deepen our “flagship product” strategy, driving growth across multiple channels, including clinical, OTC, and O2O, and promoting sustainable business development through a dual-engine approach of endogenous and extensive growth.

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

During the reporting period, the Health Products Business Group generated revenue of RMB 6.745 billion. In the oral care sector, Yunnan Baiyao toothpaste maintained its position as the top-ranked brand in terms of omnichannel market share in China in 2025 (Source: Nielsen Retail Data). At the same time, the Company actively expanded into new areas of oral care and made rapid progress. In the hair loss prevention and care sector, backed by a special cosmetic license for hair growth products and a national invention patent for hair loss prevention and hair growth, Yangyuanqing hair care products generated sales revenue of RMB 460 million, representing a year-on-year increase of nearly 10%. During the 2025 “618” shopping festival, Yangyuanqing retained its position as the top domestic anti-hair loss shampoo brand on Tmall (Source: shangzhizhen.com). While maintaining its competitive edge in offline channels, the Company has expanded its reach across all channels including traditional e-commerce, on-demand retail, and content-driven e-commerce. Through scenario-based marketing, educational content promoting product benefits, and integrated short-video and live-streaming campaigns, the Company drove a significant 27% year-on-year increase in online sales for its health products segment.

In 2025, the Health Products Business Group consolidated its foothold in the offline market while simultaneously advancing the expansion of online channels and the promotion of new products, achieving significant progress. In terms of category development, we focused on deepening our presence in functional segments in the oral care sector; maintained a stable foundation in the gum care segment, as a core functional category, while achieving rapid growth in segments such as sensitivity relief and whitening. Niche functional segments, such as children’s oral care, have seen steady growth, and Yangyuanqing has achieved sustained growth driven by digital retail. The Company continued to strengthen its brand-building efforts and enhance its brand influence through marketing campaigns at key milestones. In terms of R&D, the Company actively explored collaborative R&D and innovation models with academic institutions. We partnered with Peking University School of Stomatology to establish the “Peking University Stomatology–Yunnan Baiyao Joint Laboratory for Oral Health.” Through this platform, both parties are focusing on common oral health issues affecting the public, such as periodontal disease, tooth sensitivity, and dental caries. By integrating cutting-edge research capabilities with strengths in industrial application, we are committed to bridging the “last mile” between scientific discovery and addressing public health challenges, thereby enhancing the technological sophistication and professional efficacy of domestic oral care products. In 2025, Yunnan Baiyao’s Smart Factory was successfully selected for the “Global Manufacturing Lighthouse Factories” list, becoming the first such facility in Yunnan Province and the first in the global TCM health products sector. This achievement signifies international recognition of the Company’s digital and intelligent manufacturing capabilities, laying the foundation for the transformation and upgrading of the TCM health products manufacturing industry and for domestic brands to compete on the global stage.

Looking ahead, the Health Products Business Group will continue to expand its existing customer base and strengthen its product categories to establish a sustainable growth model. To expand the existing customer base, we will fully tap into the potential of our current products and users, using scenario-based operations and product reinvention to boost repeat purchases and customer loyalty. To develop new product categories, we will focus on anti-allergy, skin-brightening, children’s, and hair and body care products to build a technology-driven second growth curve. The Health Products Business Group will focus on its core development priorities, continuously refine its development strategies, fully tap into the potential of its products and markets, foster sustainable growth momentum, and drive high-quality development across the category.

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

During the reporting period, the TCM Resources Business Group achieved export revenue of RMB 1.750 billion. The TCM Resources Business Group earnestly fulfilled its responsibilities as the “chain leader.” It

comprehensively implemented the “Six Unifications” operational model—unified planting planning, unified seed source R&D and supply, unified cultivation standards, unified origin processing, unified procurement and sales, and unified management—to build a TCM material industry cluster and drive coordinated development across the entire supply chain. We have established the Yunyao Enterprise Alliance and the “Digital Intelligence of Yunnan TCM” Platform Testing Alliance, successfully exploring and forming a distinctive Yunnan-style “one product, one chain” development path for the TCM material industry. The TCM Resources Business Group has stabilized its core revenue streams and, through the integrated “Large-Scale Procurement” management platform, has significantly reduced procurement and production costs.

In 2025, the business units within the TCM Resources Business Group worked in concert to achieve significant results. First, developing the seed industry from a high starting point: We implemented a targeted R&D and commercialization model of “1 variety + 1 expert team + 3–5 cooperative bases,” appointed the first batch of 15 experts in seed sources for the “Top Ten Yunnan TCMs” and designated 14 seed source bases, achieving full coverage of the Top Ten Yunnan TCMs and expanding the area under high-quality varieties to over 11,000 mu. We launched the “Yunyao Seed Valley” strategy to establish a modern seed industry system including germplasm evaluation, elite variety selection, standardized propagation, and quality traceability. Second, promoting high-standard crop cultivation: We drove the transition of cultivation management from “experience-based judgment” to “data-driven decision-making,” with the newly added area under GAP-certified cultivation exceeding 14,600 mu. This measure serves as a model to drive the overall upgrading of the provincial TCM material cultivation sector, thereby reinforcing the quality and stable supply of “Yunnan’s premium TCM materials.” Third, advancing high-level processing: We continued to advance the “One Product, One Chain” model, establishing seven standardized origin warehouses in major medicinal material production areas to achieve significant improvements in product standardization and quality consistency. We leveraged the integration of data from the “Digital Intelligence of Yunnan TCM” platform and the warehouse management system to enhance inventory turnover and order fulfillment speed and reduced overall operating costs through energy-efficient equipment, control of processing losses, and the development of a collaborative processing network. Fourth, developing high-end markets: We established the Digital Intelligence of Yunnan TCM, a “1+1+N” one-stop platform for direct sourcing of TCM materials from their places of origin, achieving both “optimal sourcing costs” and “consistent high quality.” We also created the nation’s first tax-exempt compliance system for agricultural product procurement specifically tailored to the TCM materials industry, offering the “Yunnan Solution” for standardizing tax practices within the sector. The platform’s total transaction volume for the year exceeded RMB 2.1 billion, benefiting more than 410,000 farming households and

attracting over 23,000 farmers to register online. Fifth, building the brand from a strategic perspective: We established the “Rapid Testing Stations” and built the “Yunjian Bencao” brand; developed 26 corporate standards, two of which were ranked first on the provincial “Leaders” list; led the revision of pharmacopoeia standards; set up two provincial-level key laboratories; and increased shipment volumes by 31% year-on-year despite market challenges, while continuing to build a quality assurance system and enhance brand credibility. In addition, we have made significant strides in cross-border business, pioneering an innovative “initial processing overseas + further processing domestically” model, which has led to a comprehensive enhancement of our brand influence. Sixth, making steady progress in other business areas: The natural plant extracts business accelerated its transformation; projects such as flavor and fragrance ingredients and co-branded products achieved breakthroughs; the market competitiveness of our core product, andrographolide, significantly improved; and sales of our flavor and fragrance product series increased by 234% year-on-year. In terms of pharmaceutical services, we operate Yunnan’s largest decoction center, serving more than 20 medical institutions during the reporting period and preparing over 9 million bags of decoctions. In terms of internal order fulfillment, by optimizing production lines to boost efficiency, annual production of Qixuekang reached 260 million units, effectively meeting market demand.

Looking to the future, the TCM Resources Business Group will continue to undertake the strategic positioning and responsibility of Yunnan Baiyao Group as the “chain leader” for the high-quality development of the TCM industry in Yunnan Province, and tap into the province’s inherent advantages in TCM resources. In terms of branded herbal medicines, we will leverage Yunnan TCM resources to strengthen the foundation of the Yunnan TCM supply chain. Regarding Digital Intelligence of Yunnan TCM, we will create new business models and build new service platforms. In the natural plant extracts sector, we will adjust our business operations to fully empower our products through a combination of technology and branding. In terms of pharmaceutical services, we will deepen our engagement with the provincial healthcare system, establishing a three-tier service model that integrates “products, medical institutions, and services” and building the Yunnan Baiyao TCM Clinic brand. Through the coordinated advancement of these businesses, we will help transform Yunnan’s natural endowment of TCM materials into a competitive industrial advantage, thereby achieving the strategic goal of supporting “excellent TCM products” by “excellent Yunnan TCM resources,” contributing to the industry’s in-depth development.

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

During the reporting period, Yunnan Pharma realized revenue of RMB 23.804 billion. In terms of products, non-pharmaceutical businesses such as medical devices, cosmeceuticals, and specialized medical foods have begun to yield results, with sales growing 11.7% year-on-year. Under the hospital-adjacent store model, specialized

pharmacies actively capturing prescription outflow from hospitals have seen significant growth in new specialty drug business, with sales increasing 38.5% year-on-year.

In 2025, Yunnan Pharma fully demonstrated the leading role of Party building. It adhered to a development strategy that balances “risk management” with “growth promotion,” consolidating its existing market share and expanding innovative business lines in its operations, while implementing measures to reduce costs and improve efficiency in its management. First, our principal businesses maintained a solid foundation, and our efforts to drive growth yielded results. Yunnan Pharma continued to strengthen its two principal businesses, hospital pharmaceutical distribution and commercial distribution, while focusing on developing growth areas such as medical device distribution and specialty pharmacies. Sales on the “Yun Zhaoyao” platform have seen significant year-on-year growth. Second, we continued to optimize the closed-loop management system for controlled substances, thereby enhancing both supply chain resilience and operational efficiency. Third, digital transformation was accelerated. Using pharmaceutical traceability codes and the Unique Device Identification (UDI) system as data links, we established a traceability system characterized by “end-to-end coverage, multi-stakeholder collaboration, and intelligent monitoring and control.” This empowered downstream medical institutions and enhanced the quality and efficiency of supply chain management. Fourth, risk management capabilities improved significantly. Through a comprehensive approach that includes strict credit controls, data-driven and intelligent monitoring, and collaborative debt collection, we achieved sound management of accounts receivable.

Looking ahead, Yunnan Pharma will adhere to the overall strategy of “consolidating and improving existing operations while innovating to drive new growth.” Leveraging our accumulated strengths in digital and intelligent operations and AI tools, we will consolidate our pharmaceutical sales and chain distribution businesses in the tiered healthcare market. Building on our SPD projects, we will expand our medical device distribution operations and stimulate the growth of our subsidiaries in primary care settings and third-party retail outlets. We aim to achieve steady revenue growth, improve the composition of accounts receivable, and enhance profitability through lean management across the entire value chain.

#### **(5) Central Research Institute**

The Company focuses on TCM and innovative drugs. On the one hand, we uphold inheritance and innovation, and develop the TCM business. We solidified the development of germplasm resources by establishing a seed industry company. Through a combined model of independent and collaborative R&D, we aim to quickly build a “breeding, propagation, and promotion integration” system for seed source development, focusing on breeding research for local medicinal materials such as *Panax notoginseng* and *Paris polyphylla*. We strengthened the

innovation of TCM and conducted research on ethnic medicine, achieving significant progress in TCM R&D. On the other hand, we strive to make differentiated deployment in innovative drugs. Based on the criteria of technology frontier, clinical demand and resource endowment, we seize the initiative to integrate into the national and local biomedical strategies, and deploy and develop innovative drugs with more competitiveness and market prospects. During the reporting period, upholding the innovation-driven strategy, the Company has promoted the transformation of results, continuously improved the development momentum, and promoted scientific planning of short-, medium- and long-term projects in an orderly manner.

For short-term projects, we will dedicate our efforts to the innovative redevelopment of marketed varieties and the development of drugs and medical devices. Eighteen major TCM varieties involving redevelopment are currently under research, and 37 projects are in progress. The progress of several key projects during the reporting period is as follows:

Project Cycle	Project Name	Therapeutic Area	Progress Overview
Short-term	Redevelopment Project for Baiyao Series Products	Orthopedics	The evidence-based medical research project on the use of Yunnan Baiyao Aerosol for the treatment of pain associated with closed rib fractures has had its pilot study and received the statistical analysis report completed; an expert workshop on the formal trial protocol has been held; and the selection of a contract research organization (CRO) and the confirmation of the list of sub-centers have been finalized.
		Orthopedics	The multi-center clinical trial on Yunnan Baiyao Capsules for treating limb swelling in patients with ankle fractures has had 36 subjects enrolled.
		Orthopedics, Rheumatology	The Yunnan Baiyao Ointment project, or specifically the new rubber patch project, has had the validation of the finished product quality analysis methods, pre-validation of the manufacturing process, and safety evaluations regarding skin irritation and allergic reactions completed. The evidence-based medical research project on the treatment of joint pain caused by rheumatoid arthritis has had the selection of a contract research organization (CRO), the preparation of investigational drugs, and the blinding process completed, and has obtained more than 10 ethics approvals from the lead hospital and sub-centers.
	Qixuekang project	Cardiovascular	A clinical research paper titled <i>Effectiveness and Safety of Qixuekang Oral Liquid on Vascular Health</i> has been published in the <i>Journal of Translational Internal Medicine</i> .
			The redevelopment and research project for Qixuekang Oral Liquid under the major TCM varieties has been successfully approved as a major provincial science and technology program by the Yunnan Provincial Department of Science and Technology.
	Redevelopment project of Gongxuening	Gynecology	A paper on post-abortion bleeding has been published in a core journal; a clinical trial summary report on the treatment of abnormal uterine bleeding has been completed; a clinical trial summary report on reducing vaginal bleeding after medical abortion has been completed; a pharmacoeconomic study on post-abortion bleeding has been completed; and a network pharmacology trial has been completed.
	Post-marketing Evaluation of Shulie'an Capsules	Urology	The clinical trial summary report has been received.

For medium-term projects, we have made every effort to promote the development of innovative TCMs and continued to build star products of Yunnan Baiyao transdermal preparations. The progress of several key projects during the reporting period is as follows:

Project Cycle	Project Name	Therapeutic Area	Progress Overview
Medium-term	Pan-Panax notoginseng Tablet project	Cardiovascular	Data collection for 704 cases in the Phase II clinical trial has been completed, generating a summary report. Pharmaceutical-related research has been completed, with the production process finalized.
	Fuqi Guben Ointment project	Urology	Phase III clinical trials have been initiated at 17 research centers, with 486 participants enrolled.
	Ancient classical famous prescription project	Urology, respirology, gastroenterology	Production validation for Qingxin Lotus Seed Granules has been completed; pre-NDA communication materials have been submitted and feedback received, and the NDA dossier is currently being drafted; process research for commercial-scale production of Ophiopogon Decoction Granules is currently underway.
	Plaster project	Orthopedics	The process validation for the Flurbiprofen Cataplasms project has been completed, and PK-BE studies are currently underway.
			The Loxoprofen Sodium Cataplasms project has obtained approval for clinical trials, and process validation is currently underway.
		The Yunnan Baiyao Gel Plaster project has had the preparation of pilot-scale samples and the quality evaluation of small-scale samples with different formulations completed.	
		The Yunnan Baiyao Hot Melt Adhesive Plaster project has had small-scale studies completed.	

For the long-term projects, especially the innovative drug projects, we will center on radiopharmaceuticals development, aligning social needs with technological advancement to advance a pipeline of innovative drugs that will fuel the Company's sustainable growth. The progress of several key projects during the reporting period is as follows:

Project Cycle	Project Name	Progress Overview
Long-term	INR101 diagnostic radiopharmaceuticals project	Phase III clinical trials have been initiated at 29 of the 32 designated research centers, with 239 subjects enrolled.
	INR102 therapy radiopharmaceutical project	Three subjects in the low-dose group and one subject in the medium-dose group have been enrolled and dosed in the Phase I/IIa clinical trial, and two subjects have completed screening for INR101.
	INB301 monoclonal antibody project for the treatment of cancer cachexia	Preclinical studies in pharmacology, toxicology, and pharmacokinetics have been completed, the Investigational New Drug (IND) application has now been officially accepted by the Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) and has been included in the fast-track review and approval process for innovative drugs.

In 2026, the Company will focus on establishing a collaborative, open, and efficient innovation system, and promote the formation of a dual-helix synergistic mechanism between the industrial chain and the innovation chain. First, we will strengthen the development of innovation platforms, enhance our capacity for scientific and technological innovation, and focus on achieving breakthroughs in core technologies related to the strategic industrial layout. Second, we will enhance our capacity for innovative development, establish a

proactive business portfolio management system, and promote effective synergy between our principal businesses and emerging growth businesses. Third, we will accelerate the development of new-quality productive forces, actively coordinate the planning of key industries and infrastructure projects, fully leverage the benchmarking advantages of our “Lighthouse Factories,” and promote the expansion and enhancement of digital and intelligent manufacturing. Fourth, we will strategically target high-potential sectors and accelerate the development of new sectors, new pathways, and new business models that align with our operational and developmental needs. Fifth, we will actively foster a positive environment that encourages innovation, firmly establish the mindset of “revitalizing the enterprise through technology, and strengthening the enterprise through talent,” and effectively build a team of scientific and technological innovation talent, so that a culture of “wanting to innovate, daring to innovate, and being able to innovate” becomes the norm within the enterprise.

## 2. Revenue and cost

### (1) Operating revenue structure

Unit: RMB

	2025		2024		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	41,186,999,090.31	100%	40,033,300,814.72	100%	2.88%
By industries					
Industry sales income	16,016,322,668.77	38.89%	14,468,250,214.38	36.14%	10.70%
Commercial sales income	25,083,383,908.90	60.90%	25,472,886,013.94	63.63%	-1.53%
Technical services	23,610,417.29	0.06%	26,297,797.46	0.07%	-10.22%
Hospitality industry	12,992,942.53	0.03%	14,108,732.07	0.04%	-7.91%
Income from plantation sales	14,368.26	0.00%	2,393,337.40	0.01%	-99.40%
Income from other businesses	50,674,784.56	0.12%	49,364,719.47	0.12%	2.65%
By products					
Industrial products (Self-made)	16,016,322,668.77	38.89%	14,468,250,214.38	36.14%	10.70%
Wholesale and retail	25,083,383,908.90	60.90%	25,472,886,013.94	63.63%	-1.53%
Agricultural products	14,368.26	0.00%	2,393,337.40	0.01%	-99.40%
Other services	36,603,359.82	0.09%	40,406,529.53	0.10%	-9.41%

Others	50,674,784.56	0.12%	49,364,719.47	0.12%	2.65%
By region					
Domestic	41,077,877,616.54	99.74%	39,674,627,530.94	99.10%	3.54%
Overseas	109,121,473.77	0.26%	358,673,283.78	0.90%	-69.58%
By sales model					
Industrial model	16,016,322,668.77	38.89%	14,468,250,214.38	36.14%	10.70%
Commercial model	25,083,383,908.90	60.90%	25,472,886,013.94	63.63%	-1.53%
Others	87,292,512.64	0.21%	92,164,586.40	0.23%	-5.29%

**(2) 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 in operating revenue as compared with the same period of the previous year	Increase/Decrease in operating cost as compared with the same period of the previous year	Increase/Decrease in gross margin as compared with the same period of the previous year
By industries						
Industry sales income	16,016,322,668.77	5,574,744,305.51	65.19%	10.70%	13.09%	-0.74%
Commercial sales income	25,083,383,908.90	23,406,298,006.60	6.69%	-1.53%	-2.03%	0.48%
By products						
Industrial products (Self-made)	16,016,322,668.77	5,574,744,305.51	65.19%	10.70%	13.09%	-0.74%
Wholesale and retail	25,083,383,908.90	23,406,298,006.60	6.69%	-1.53%	-2.03%	0.48%
By region						
Domestic	41,077,877,616.54	28,937,520,351.50	29.55%	3.54%	1.42%	1.47%
By sales model						
Industrial model	16,016,322,668.77	5,574,744,305.51	65.19%	10.70%	13.09%	-0.74%
Commercial model	25,083,383,908.90	23,406,298,006.60	6.69%	-1.53%	-2.03%	0.48%

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

**(3) Whether the Company's revenue from in-kind sales is greater than its revenue from labor services**

Yes    No

Industry Classification	Item	Unit	2025	2024	Year-on-year increase/decrease
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Industry sales income	Sales	RMB	16,016,322,668.77	14,468,250,214.38	10.70%
Commercial sales income	Sales	RMB	25,083,383,908.90	25,472,886,013.94	-1.53%

**(4) Fulfillment of significant sales contracts and significant purchase contracts entered into by the Company as of the reporting period**

Applicable Not applicable

**(5) Operating cost structure**

Industry Classification

Unit: RMB

Industry Classification	Item	2025		2024		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
Industry sales	Direct materials	4,736,697,896.70	16.31%	4,173,980,104.81	14.46%	13.48%
Industry sales	Direct salary	265,396,298.02	0.91%	202,255,370.65	0.70%	31.22%
Industry sales	Other direct expenses	74,896.36	0.00%	35,793.11	0.00%	109.25%
Industry sales	Manufacturing costs	572,575,214.43	1.97%	553,067,302.27	1.92%	3.53%
Commercial sales	Purchase cost	23,406,298,006.60	80.62%	23,891,275,361.45	82.77%	-2.03%
Technical services	Technology development	22,293,927.42	0.08%	20,496,861.16	0.07%	8.77%
Planting	Planting cost	16,817.30	0.00%	1,150,809.47	0.00%	-98.54%
Others	Others	29,570,138.99	0.10%	22,504,602.18	0.08%	31.40%

Explanations: None.

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

Yes No

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

**(7) Significant change or adjustment of the business, product or service of the Company during the reporting period**

Applicable Not applicable

**(8) Major customers and major suppliers**

Major customers

Total sales amount of top 5 customers (RMB)	8,518,935,149.94
Percentage of total sales amount of top 5 customers in annual total sales amount	20.68%
Among the sales amount of top 5 customers, percentage of the sales to the related parties in the annual sales amount	0.00%

Information of top 5 customers

No.	Customer name	Sales amount (RMB)	Percentage in annual total sales amount
1	Customer A	3,723,323,240.67	9.04%
2	Customer B	1,727,751,080.65	4.19%
3	Customer C	1,414,814,072.72	3.44%
4	Customer D	954,326,542.07	2.32%
5	Customer E	698,720,213.83	1.70%
Total	—	8,518,935,149.94	20.68%

Other information of the major customers

Applicable Not applicable

Major suppliers

Total purchase amount of top 5 Suppliers (RMB)	2,124,275,850.16
Percentage of total purchase amount of top 5 Suppliers in annual total purchase amount	7.20%
Among the purchase amount of top 5 suppliers, percentage of the purchase from the related parties in the annual purchase amount	2.28%

Information of top 5 suppliers

No.	Supplier name	Purchase amount (RMB)	Percentage in annual total purchase amount
1	Supplier A	673,226,493.06	2.28%
2	Supplier B	447,351,330.25	1.52%
3	Supplier C	359,249,313.75	1.22%
4	Supplier D	322,607,069.59	1.09%
5	Supplier E	321,841,643.51	1.09%
Total	—	2,124,275,850.16	7.20%

Other information of major suppliers

Applicable Not applicable

Top five suppliers with whom the trade business accounted for more than 10% of total revenue

Applicable Not applicable

### 3. Expenses

Unit: RMB

	2025	2024	Year-on-year increase/decrease	Explanations on significant changes
Sales expenses	5,619,465,376.89	4,879,502,036.91	15.16%	Primarily due to an increase in online sales expenses and a rise in the proportion of revenue generated online.
Administrative expenses	1,020,080,152.22	1,037,553,483.87	-1.68%	During this period, the Company continued to implement cost-cutting and efficiency-enhancing measures, resulting in a decrease in administrative expenses.

Financial expenses	-46,890,322.70	-155,555,109.85	69.86%	Primarily due to a decrease in interest income for the current period compared to the same period last year.
R&D expenses	350,545,386.25	337,413,301.03	3.89%	R&D investment increased during this period.

#### 4. R&D investment

Applicable      Not applicable

R&D project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Redevelopment Projects for Major TCM Varieties	To conduct in-depth research on existing major products in areas such as pharmacology, preclinical studies, clinical trials, and economics to refine the evaluation systems for efficacy and safety, expand and clarify product indications and target patient populations, guide clinical prescribing practices, and introduce new technologies to improve existing products.	Currently, 18 major TCM varieties are undergoing redevelopment. Key projects include: Qixuekang: A clinical research paper titled <i>Effectiveness and Safety of Qixuekang Oral Liquid on Vascular Health</i> , which examines the effects of Qixuekang Oral Liquid on improving heart and vascular health, has been published in the <i>Journal of Translational Internal Medicine</i> ; Gongxuening Redevelopment Project: A paper on post-abortion bleeding has been published in a core journal; a clinical trial summary report on the treatment of abnormal uterine bleeding has been completed; a clinical trial summary report on reducing vaginal bleeding after medical abortion has been completed; a pharmacoeconomic study on post-abortion bleeding has been completed; and a network pharmacology trial has been completed; Shulie'an: The clinical trial summary report for the Prostatitis Treatment with Shulie'an Capsules has been received.	Taking the three projects as examples: We plan to investigate the therapeutic effects of Qixuekang Oral Liquid in cardiovascular diseases; further elucidate the safety and efficacy of Gongxuening Capsule for gynecological hemostasis and extensively collect clinical evidence; and investigate the safety and efficacy of Shulie'an Capsules in the treatment of prostate conditions.	To expand or refine the clinical applications of a product within a specific disease area, provide guidance on clinical use, identify growth opportunities, and facilitate the inclusion of the product in clinical guidelines, treatment pathways, and consensus documents.
INR101 Project	To develop innovative radiopharmaceuticals for the diagnosis of prostate cancer.	Phase III clinical trials have been initiated at 29 of the 32 designated research centers, with 239 subjects enrolled.	To receive marketing approval from the National Medical Products Administration.	This project is the first innovative diagnostic radiopharmaceutical product of the Company. This project will add a brand-new, innovative radiopharmaceutical product to the Company's portfolio, open up new markets, drive the growth of the Company's innovative drug segment, and strengthen the Company's strategic footprint in cutting-edge technologies.

R&D project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
INR102 Project	To develop innovative radiopharmaceuticals for the treatment of prostate cancer.	Three subjects in the low-dose group and one subject in the medium-dose group have been enrolled and dosed in the Phase I/IIa clinical trial, and two subjects have completed screening for INR101.	To receive marketing approval from the National Medical Products Administration.	This project is the first innovative radiopharmaceutical product of the Company, with the indication of prostate cancer. This project will add a brand-new, innovative radiopharmaceutical product to the Company's portfolio, open up new markets, drive the growth of the Company's innovative drug segment, and strengthen the Company's strategic footprint in cutting-edge technologies.
INB301 Monoclonal Antibody Project for the Treatment of Cancer Cachexia	To develop monoclonal antibody products for the treatment of cancer cachexia	Preclinical studies in pharmacology, toxicology, and pharmacokinetics have been completed, the Investigational New Drug (IND) application has now been officially accepted by the Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) and has been included in the fast-track review and approval process for innovative drugs.	To receive marketing approval from the National Medical Products Administration.	This project is the first innovative biologic drug of the Company, with the indication of cancer cachexia. Through this project, the Company has established a biopharmaceutical R&D team and accumulated extensive technical and project experience, which will help the Company explore new growth opportunities in the field of innovative drugs and enhance its market competitiveness.
Fuqi Guben Ointment	To explore and validate the clinical research methodology and marketing registration pathway for the development of a new TCM for warming the kidneys and consolidating the fundamentals, which is designed to treat the symptoms of frequent nocturnal urination in middle-aged and elderly people due to kidney Yang deficiency, and improve the quality of life of middle-aged and elderly people.	Phase III clinical trials have been initiated at 17 research centers, with 486 participants enrolled.	To complete Phase III clinical study on Fuqi Guben Ointment, clarify its clinical therapeutic characteristics, diagnostic criteria for treatment of disease, effective dosage for treatment, drug administration program and course of treatment, and register and market it as new TCM of Category 1.1.	This project is the first new TCM of the evidence-based class approved for clinical use in China, and this R&D project is a strong proof of the Company's ability to develop and industrialize innovative drugs of the TCM of evidence-based class. In the future, it is expected to add a new TCM drug of evidence-based class in line with the overall healing characteristics of TCM, and enrich the Company's TCM innovative drug product matrix.

R&D project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
<i>Panax notoginseng</i> Tablets (PSQ project)	To tap into the characteristics of <i>Panax notoginseng</i> in disease prevention and treatment, and develop Category 1 innovative TCM for the prevention and treatment of chest tightness, heart pain, palpitation and dizziness in middle-aged and elderly people due to the evidence of stasis in the heart veins, and reducing the incidence of cardiovascular events.	Data collection for 704 cases in the Phase II clinical trial has been completed, generating a summary report. Pharmaceutical-related research has been completed, with the production process finalized.	To comprehensively utilize the resources of the whole <i>Panax notoginseng</i> plant and further explore the synergistic mechanism of saponins, flavonoids, polysaccharides and other components, and market the product as innovative TCM of Category 1.1.	This product is the first innovative drug R&D project for cardiovascular diseases under the Company's "holistic wellness" strategy, which is conducive to the treatment of symptoms related to cardiovascular stasis. In the future, it is expected to add a new TCM drug of evidence class in line with the overall healing characteristics of TCM, and enrich the Company's TCM innovative drug product matrix.
Development of four plasters	To expand the clinical choice of plaster products. It is planned to develop 2 new improved TCM (Yunnan Baiyao Gel Plaster and Yunnan Baiyao Hot Melt Adhesive Plaster) and 2 generic plasters (Flurbiprofen Cataplasms, Loxoprofen Sodium Cataplasms).	The process validation for the Flurbiprofen Cataplasms project has been completed, and PK-BE studies are currently underway; the Loxoprofen Sodium Cataplasms project has obtained approval for clinical trials, and process validation is currently underway; the Yunnan Baiyao Gel Plaster project has had the preparation of pilot-scale samples and the exploration of in vitro release behavior and preliminary evaluation of stability completed; and the Yunnan Baiyao Hot Melt Adhesive Plaster project has had small-scale studies completed.	To obtain the drug registration certificate.	To expand the clinical choice of plaster products, maintain Yunnan Baiyao's industry advantage in the field of topical preparations through formulation deployment, new product selection and dosage form improvement, and help the Company explore new growth drivers.
Development of two Chinese medicinal preparations with classic prescriptions (PZ-018 and PZ-019)	To develop and market two classic famous prescriptions (PZ-018 and PZ-019) with clinical value and market prospect through regulated and standardized research, with the help of modern science and technology.	Production validation for Qingxin Lotus Seed Granules has been completed; pre-NDA communication materials have been submitted and feedback received, and the NDA dossier is currently being drafted; and process research for commercial-scale production of Ophiopogon Decoction Granules is currently underway.	To be marketed according to the registration approval requirements for new TCMs of Category 3.1.	This will practice the Company's strategy of deep cultivation in the field of TCM, contribute to maintaining integrity and promoting innovation in the field of TCM, enrich the Company's TCM product echelon, and help the Company explore new growth drivers, and enhance market competitiveness. In addition, it will accumulate technology and project management experience for the development of new TCMs for the Company, and continuously improve the core competitiveness of TCM in Yunnan Province.

R&D project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Development of Caizhiji's botanical active ingredients and their application in skincare products	To conduct systematic basic and applied research on plants such as <i>Panax notoginseng</i> and <i>Paris polyphylla</i> ; conduct in-depth analyses of various natural plants with anti-aging properties, identify their active ingredients, clarify their mechanisms of action and safety profiles, and optimize their processing steps to ensure the effective application of these natural ingredients in the cosmetics industry; decipher the "genetic-physiological" code of <i>Paris Fargesii</i> , explore new mechanisms of action for <i>Paris Fargesii</i> , and develop skincare products containing <i>Paris Fargesii</i> .	Three SCI papers have been submitted, including one conference paper that has been accepted. The drafting of four patent applications has been completed, which have passed the preliminary examination. The development of three anti-aging products has been completed: Bitter Notoginseng Toner, Triple Extract Formula, and Luxury Nourishing Mask. The development of four products related to <i>Paris Fargesii</i> has been completed.	To conduct in-depth analyses of the anti-aging mechanisms of <i>Panax notoginseng</i> and the genomics and immune regulatory mechanisms of <i>Paris polyphylla</i> , submit multiple SCI papers, and secure a series of patents. In terms of product development, we will drive the formulation development, stability testing, and successful market registration of at least three anti-aging skincare products containing <i>Panax notoginseng</i> . We will complete the commercial registration of <i>Paris polyphylla</i> extract as a cosmetic ingredient and the market registration of related products.	By conducting in-depth, systematic research on distinctive plants such as <i>Panax notoginseng</i> and <i>Paris polyphylla</i> , the Company will establish a core knowledge barrier and a patent moat in the field of natural bioactive compounds, thereby significantly enhancing its technological competitiveness. The successful translation of these achievements into cosmetic ingredients and end products has laid a solid technological and brand foundation for the Company to expand its footprint in the health and wellness industry and achieve sustainable development.
Research on the Anti-Aging Components and Mechanisms of <i>Panax notoginseng</i> and <i>Paris polyphylla</i> , and the Development of the "Yunbai Zhiyao X" System	To develop a world-class AI-driven drug screening system; identify two major active compounds each from <i>Panax notoginseng</i> and <i>Paris polyphylla</i> , and conduct preliminary studies on their mechanisms of action to explore their anti-aging potential, thereby supporting drug development and the formulation of skincare ingredients.	The "Yunbai Zhiyao-X" system has been successfully established. The anti-aging active components of <i>Panax notoginseng</i> and their anti-aging effects have been identified, and the relevant anti-aging mechanisms have been preliminarily elucidated. The anti-aging effects of the active components in <i>Paris polyphylla</i> have been preliminarily identified.	To establish the first AI-driven smart drug prediction system that does not require target information; complete research reports on the anti-aging properties of the active ingredients in <i>Panax notoginseng</i> and <i>Paris polyphylla</i> , publish high-impact academic papers, and file relevant patents.	We can expand the Company's product portfolio by introducing new anti-aging and skin barrier repair products featuring <i>Panax notoginseng</i> and <i>Paris polyphylla</i> as key active ingredients, thereby further enriching the Company's skincare and health supplement offerings. In addition, a drug R&D platform powered by artificial intelligence will significantly reduce R&D costs, improve R&D efficiency, and shorten time-to-market, providing robust technical support for the Company's future drug research and innovation.

R&D project name	Objective of the project	Project progress	Goals to be achieved	Expected impact on the future development of the Company
Nutritional Formula for Special Medical Purposes	To develop 1 medical nutritional support supplement for people with limited eating, digestive and absorption disorders, and metabolic disorders (over 10 years of age).	The Company has passed the on-site inspection conducted by the State Administration for Market Regulation, and the registration certificate is now in the review and approval stage.	To complete the registration of a nutritional formula for special medical purposes and obtain the production permit. To construct a knowledge and technology system and industrial platform for R&D and registration of special medical food.	In line with the Company's strategic objectives, this project is an effective complement to the echelon of Holistic wellness products. It can greatly enrich the Company's product groups, and help the Company explore new growth drivers and enhance market competitiveness.
Productivity Improvement Project (Technology Reform Project)	To carry out product power enhancement studies on the Company's marketed varieties to improve the quality and qualification of the existing varieties.	The approval for the supplemental applications of Xiao Chaihu Granules (sugar-free) and Xiangsha Pingwei Granules (sugar-free) have been granted by the NMPA.	To complete the declaration of supplemental registration of drugs and obtain the approval of supplemental application.	1. This will practice the Company's strategy of focusing on the field of TCM, promote inheritance and innovation in the field of TCM development, and further stabilize and enhance our competitiveness in the target product market. 2. It will help to explore the market of sugar-free granules, provide a new direction to solve the medication limitations of diabetes and other patients with prohibited sugar medication, expand the scope of application of the product to meet the health needs of more patient populations, and enhance the quality and competitiveness of the product.
New wound hemostatic material and arterial hemostatic gel	To develop a series of emergency medical device products for the temporary control of bleeding, aimed at achieving rapid hemostasis, wound dressing, and care.	The Company's domestically developed single-use sterile hemostatic clamp has received a Notice of Acceptance for Class II Medical Devices. In late November 2025, the project successfully passed the on-site verification and performance evaluation of the results of each sub-project conducted by the project team.	To obtain the medical device registration certificate.	Focusing on the innovation of wound hemostatic materials will enrich the Company's medical device product line and meet the demand for efficient hemostatic solutions in medical institutions and emergency settings. This aims to establish a leading platform in China for trauma emergency care in medical devices.

## R&amp;D team member profile

	2025	2024	Change rate
Number of R&D team members (persons)	704	619	13.73%
Percentage of R&D team members in total head counts	7.58%	6.67%	0.91%
Educational background structure of R&D team members			
Below Bachelor	41	44	-6.82%
Bachelor	325	322	0.93%
Master	290	220	31.82%
Above Master	48	33	45.45%
Age structure of R&D team members			
Aged below 30	153	139	10.07%
Aged 30-40	395	354	11.58%
Aged 40 and above	156	126	23.81%

## R&amp;D Investment

	2025	2024	Change rate
R&D investment amount (RMB)	423,334,144.68	348,383,287.59	21.51%
Percentage of R&D investment in operating revenue	1.03%	0.87%	0.16%
Capitalized R&D investment amount (RMB)	72,788,758.43	10,969,986.56	563.53%
Percentage of capitalized R&D investment in total R&D investment	17.19%	3.15%	14.04%

Note: In 2025, the Company's R&D expenditure accounted for 2.64% of its industrial sales revenue.

Reason for the significant change in the composition of R&D team and its impact

Applicable Not applicable

Reason for significant change in percentage of R&D investment in operating revenue as compared with the previous year

Applicable Not applicable

Reason for significant change in capitalization rate of R&D investment and its rationality

Applicable Not applicable

Capitalized projects continued to receive investment during the reporting period. The "Fuqi Guben Ointment" project, a key R&D project for new TCMS, and the "INR101 Project," an innovative radiopharmaceutical R&D project, have entered Phase III clinical trials, providing strategic momentum for the Company's long-term sustainable development.

## 5. Cash flow

Unit: RMB

Item	2025	2024	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	46,289,764,400.58	43,880,006,829.37	5.49%
Subtotal of cash outflows from operating activities	41,690,070,520.14	39,583,003,687.10	5.32%

Net cash flows from operating activities	4,599,693,880.44	4,297,003,142.27	7.04%
Subtotal of cash inflows from investing activities	7,941,923,117.94	8,019,213,440.17	-0.96%
Subtotal of cash outflows from investing activities	9,927,260,178.74	9,218,214,486.64	7.69%
Net cash flows from investing activities	-1,985,337,060.80	-1,199,001,046.47	-65.58%
Sub-total of cash inflows from financing activities	335,611,144.99	1,962,072,461.45	-82.90%
Subtotal of cash outflows from financing activities	4,684,602,943.59	8,939,807,625.33	-47.60%
Net cash flow from financing activities	-4,348,991,798.60	-6,977,735,163.88	37.67%
Net increase in cash and cash equivalents	-1,743,296,887.95	-3,876,235,893.15	55.03%

Explanations on main factors of influence of significant year-on-year changes in related data

Applicable      Not applicable

1. Net cash flow from operating activities increased by 7.04% year-on-year, representing an increase of RMB 303 million. This was primarily due to a year-on-year increase of RMB 2.201 billion in cash received from sales of goods and provision of services; a year-on-year increase of RMB 515 million in taxes paid; and a year-on-year increase of RMB 1.321 billion in other cash payments related to operating activities.

2. Net cash flow from investing activities decreased by 65.58% year-on-year, with a net decrease of RMB 786 million. This was primarily due to a RMB 4.72 billion increase in cash paid for investments compared to the same period last year. This increase was mainly attributable to cash paid for the purchase of relatively safe and liquid bank wealth management products and securities firm wealth management products, with the aim of enhancing returns and capital utilization efficiency while ensuring the continuity of daily operations and capital security. Net cash received from subsidiaries and other business units during the current period increased by RMB 500 million compared with the same period last year; cash paid out for other investing activities during the current period decreased by RMB 4.316 billion compared with the same period last year, primarily due to cash paid for time deposits.

3. Net cash flow from financing activities increased by 37.67% year-on-year, with the net amount rising by RMB 2.629 billion. This was primarily due to a decrease of RMB 1.706 billion in cash received from borrowings compared to the same period last year; a decrease of RMB 2.401 billion in cash paid for debt repayment compared to the same period last year; and a decrease of RMB 1.909 billion in cash paid for dividends, profits, or interest compared to the same period last year.

Explanation on the main factors behind the material difference between the net cash flow from operating activities of the Company during the reporting period and the net profit for the current year

Applicable      Not applicable

## V. Analysis of Non-principal Businesses

Applicable      Not applicable

Unit: RMB

	Amount	Percentage in total profit	Reasons	Sustainable or not
Investment income	1,042,986,305.52	17.26%	It consisted mainly of the gains on investment in Shanghai Pharmaceuticals Holding Co., Ltd (“Shanghai Pharma”) and the investment income from the disposal of financial assets held for trading and other non-current financial assets.	No
Gains (losses) from changes in fair value	110,489,468.71	1.83%	It consisted mainly of changes in the net value of financial assets held for trading and other non-current financial assets held by the Company.	No
Asset impairment	-258,372,158.02	-4.28%	It consisted mainly of provisions for inventory impairment.	No
Non-operating revenue	24,951,555.82	0.41%	It consisted mainly of the income unrelated to the Company’s day-to-day operating activities.	No
Non-operating expenses	20,576,232.96	0.34%	It consisted mainly of the expenses unrelated to the Company’s day-to-day operating activities.	No
Credit impairment losses (loss is indicated with “-”)	58,066,387.77	0.96%	It consisted mainly of the provision for bad debt related to accounts receivable in the commercial sector.	No
Plus: Other income	100,782,693.13	1.67%	It consisted mainly of government subsidies.	No
Gains from disposal of assets (loss is indicated with “-”)	8,167,595.81	0.14%	It consisted mainly of gains from the disposal of non-current assets and gains from the disposal of rights to use assets.	No

Note: Investment income from Shanghai Pharma amounted to RMB 989 million. This investment is part of a strategic partnership between the two parties, which helps leverage their industrial synergies; therefore, this investment income is sustainable.

## VI. Analysis on Assets and Liabilities

### 1. Significant changes in assets composition

Unit: RMB

	End of 2025		Beginning of 2025		Increase/decrease in proportion	Explanations on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	9,107,829,167.98	16.78%	10,887,983,161.30	20.58%	-3.80%	During the reporting period, the Company distributed its 2024 annual dividend and 2025 special dividend, with a total cash dividend payout of RMB 3.933 billion.
Accounts receivable	10,160,059,223.29	18.72%	9,923,361,104.39	18.75%	-0.03%	No significant changes.

Inventories	6,231,383,826.69	11.48%	6,294,368,316.30	11.90%	-0.42%	Improved inventory management efficiency and faster inventory turnover.
Investment property	50,366,578.65	0.09%	49,884,012.15	0.09%	0.00%	No significant changes.
Long-term equity investments	13,227,578,051.91	24.37%	12,561,276,081.35	23.74%	0.63%	Shanghai Pharma continued to generate investment income.
Fixed assets	3,274,340,152.34	6.03%	3,012,878,828.09	5.69%	0.34%	No significant changes.
Construction in progress	807,592,848.36	1.49%	703,439,112.24	1.33%	0.16%	No significant changes.
Right-of-use assets	248,003,380.85	0.46%	291,177,021.52	0.55%	-0.09%	No significant changes.
Short-term borrowings	182,775,753.21	0.34%	423,380,272.64	0.80%	-0.46%	Decrease in credit loans during this period.
Contractual liabilities	1,505,826,938.18	2.77%	1,916,123,387.16	3.62%	-0.85%	Decrease in advances from customers
Long-term borrowings	86,569,400.83	0.16%	2,100,000.00	0.00%	0.16%	Increase in mortgage loans of Juyaotang.
Lease liabilities	141,830,379.18	0.26%	190,656,990.23	0.36%	-0.10%	No significant changes.
Financial assets held for trading	4,192,113,408.43	7.72%	2,547,113,523.40	4.81%	2.91%	The Company has exited all secondary market equity investments. To enhance returns and improve capital efficiency, while ensuring the safety of daily operations and funds, the Company utilized idle proprietary funds during the current period to make wealth management investments, purchasing bank and brokerage wealth management products that offer relatively high safety and liquidity.
Notes receivable	585,366,210.93	1.08%	929,651,911.37	1.76%	-0.68%	Decrease in domestic letters of credit and banker's acceptance bills held at the end of the period.
Advances to suppliers	434,442,949.73	0.80%	303,563,844.07	0.57%	0.23%	Increase in advances to suppliers at the end of the period.
Other receivables	406,517,244.11	0.75%	108,427,198.33	0.20%	0.55%	Changes in other receivables and payables.
Non-current assets due within one year		0.00%	480,295,722.22	0.91%	-0.91%	Decrease in time deposits.

Other current assets	1,234,895,158.04	2.28%	788,108,579.54	1.49%	0.79%	Increase in time deposits and funds awaiting conversion.
Other non-current financial assets	210,855,260.47	0.39%	387,688,897.11	0.73%	-0.34%	Disposal of investments held at the beginning of the period.
Development expenses	98,211,219.56	0.18%	25,422,461.13	0.05%	0.13%	During the reporting period, there were new capitalized projects.
Goodwill	300,805,632.99	0.55%	96,963,241.17	0.18%	0.37%	Goodwill recognized in this period as a result of a business combination has increased.
Other non-current assets	161,560,224.80	0.30%	116,374,395.93	0.22%	0.08%	Increase in prepayments for the purchase of fixed assets and other items at the end of the period.
Advances from customers	190,841.21	0.00%	446,673.78	0.00%	0.00%	Advance rent receivables decreased at the end of this period.
Taxes and duties payable	278,051,492.11	0.51%	466,603,767.14	0.88%	-0.37%	Decrease in income taxes payable at the end of the period.
Long-term payroll payable	1,718,946.33	0.00%	1,296,365.44	0.00%	0.00%	Increase in accrued long-term employee compensation at the end of the period.
Provisions	22,513,696.41	0.04%	12,726,280.09	0.02%	0.02%	The provision for returns payable recognized in this period has increased.
Deferred income tax liabilities	148,417,516.74	0.27%	93,867,331.53	0.18%	0.09%	Increase in deferred income tax liabilities resulting from changes in the income tax rates of subsidiaries.
Minority interests	103,441,983.91	0.19%	34,138,137.76	0.06%	0.13%	The non-wholly-owned subsidiary placed shares with minority shareholders and the non-wholly-owned subsidiary generated a profit.

The proportion of overseas assets is relatively high

Applicable Not applicable

## 2. Assets and liabilities at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profits or losses on changes in fair value during the	Cumulative changes in fair value included in	Impairment accrued during the reporting	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
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	reporting period	equity	period					
<b>Financial assets</b>								
1. Financial assets held for trading (derivative financial assets excluded)	2,547,113,523.40	63,620,485.18			10,070,200,000.00	8,488,820,600.15	4,192,113,408.43	
2. Other equity instrument investments	71,745,000.00						71,745,000.00	
3. Other non-current financial assets	387,688,897.11	46,868,983.53				217,787,880.00	-5,914,740.17	210,855,260.47
Subtotal of financial assets	3,006,547,420.51	110,489,468.71			10,070,200,000.00	8,706,608,480.15	-5,914,740.17	4,474,713,668.90
Total	3,006,547,420.51	110,489,468.71			10,070,200,000.00	8,706,608,480.15	-5,914,740.17	4,474,713,668.90
Financial liabilities	0.00							0.00

Other variations: None

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

Yes  No

### 3. Restrictions on asset rights as of the end of the reporting period

Item	Closing book value	Reason of restriction
Cash and bank balance	14,353,427.82	Guarantee deposits, banker's acceptance deposit, performance bond, etc.
Cash and bank balance	1,489,443.87	Preservative measures. Currently, the plaintiff has withdrawn the lawsuit, and the court has ruled to lift the preservative measures. The lifting will be immediately executed as of the date of the ruling.
Cash and bank balance	2,650,040.09	Specifically designated for the maintenance of housing related to housing reform
Assets of the restructured special account	557,103,568.81	Assets of the restructured special account, specifically used to cover the costs of identity conversion for employees of state-owned enterprises
Accounts receivable	11,914,174.65	Accounts receivable factoring for Anguo Juyatong Pharmaceutical Co., Ltd.
Fixed assets	140,829,049.75	Mortgage loan secured by real estate and buildings of Anguo Juyatong Pharmaceutical Co., Ltd.
Intangible assets	45,520,086.38	Land use right mortgage loan for Anguo Juyatong Pharmaceutical Co., Ltd.
Total	773,859,791.37	--

## VII. 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
9,927,260,178.74	9,218,214,486.64	7.69%

**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 Name	Investment method	Investment in fixed assets or not	Involved industry in investment projects	Amount invested during the reporting period	Total actual investment as of the end of the reporting period	Source of funding	Progress of project	Estimated income	Cumulative gains realized 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	116,323,320.33	993,502,153.44	Self-funded	95.00%			N/A	June 9, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1210206330&amp;orgId=gssz000538&amp;announcementTime=2021-06-09">http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1210206330&amp;orgId=gssz000538&amp;announcementTime=2021-06-09</a>
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	Self-established	Yes	Pharmaceuticals	18,597,610.39	307,072,252.54	Self-funded	56.00%			N/A		
Total	--	--	--	134,920,930.72	1,300,574,405.98	--	--	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 item	Source of funding
Domestic and overseas stocks	HK.02633	Jacobson Pharma	238,699,200.00	Fair value	190,764,240.00	27,023,640.00			217,787,880.00	56,125,669.45	0	Other non-current financial assets	Self-funded
Domestic and overseas stocks	HK.02161	JBM (Healthcare)	25,039,800.00	Fair value	133,544,228.40	-8,167,621.77			125,376,606.63	5,325,060.94	0	Financial assets held for trading	Self-funded

Domestic and overseas stocks	HK.03681	SinoMab BioScience	354,119,828.19	Fair value	45,702,769.70	15,620,237.06			61,323,006.76	52,022,960.46	0	Financial assets held for trading	Self-funded
Total			617,858,828.19	--	370,011,238.10	34,476,255.29	0.00	0.00	404,487,493.39	113,473,690.85	0	--	--

Note: During the reporting period, the Company fully divested its investments in Jacobson Pharma, JBM (Healthcare), and SinoMab BioScience, and their carrying amounts were zero as of the end of the reporting period.

## (2) Investment in derivatives

Applicable Not applicable

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

## VIII. Significant Assets and Equity Sales

### 1. Significant assets sales

Applicable Not applicable

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

### 2. Significant equity sales

Applicable Not applicable

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

Applicable Not applicable

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

Unit: RMB

Company name	Company type	Principal Business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
Yunnan Pharmaceutical, Co., Ltd.	Subsidiary	Wholesale and retail of pharmaceuticals	1,000,000,000.00	15,616,377,584.89	7,242,239,130.04	24,201,786,136.36	1,023,650,998.87	766,554,792.53

Company name	Company type	Principal Business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net Profit
Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	7,656,363,534.04	5,216,027,227.67	6,745,018,316.35	1,359,605,093.46	1,129,670,915.51
YNBY International Limited	Subsidiary	Specialized in trade of finished cooking oil, sugar, personal care products, and cosmetics.		534,377,595.28	323,331,680.67	1,013,333,023.65	8,399,946.82	4,151,212.72
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	233,148,766,767.21	89,787,293,723.60	283,579,600,562.98	9,942,085,632.77	6,973,717,681.49

Note: In accordance with the Company's relevant policies, the Yunnan Baiyao Group Health Products Co., Ltd ("Health Products Company") has recognized brand usage fees payable to the Group's parent company totaling RMB 1.131 billion for the use of the "Yunnan Baiyao" master brand trademark; excluding these brand usage fees, the Health Products Company's profit for 2025 would be RMB 2.091 billion.

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Company name	Method of acquiring and disposing of subsidiaries during the Reporting Period	Impact on overall operations and performance
Anguo Juyaotang Pharmaceutical Co., Ltd.	Acquisition	No material impact.
Beijing Juyaotang Technology Co., Ltd.	Acquisition	No material impact.
Time Travel (Guangzhou) Intelligent Technology Co., Ltd.	Acquisition	No material impact.
Shanghai Yunzhen Outpatient Department	Sale	No material impact.
Yunnan Baiyao Group Shuzhi Technology Co., Ltd.	Establishment	No material impact.
PT YNBY Healthcare Indonesia	Establishment	No material impact.
Yunnan Baiyao Group TCM Development (Weishan) Co., Ltd.	Establishment	No material impact.
CICC Targeted Asset Management-GF-CICC Qirui No. 1	Liquidation	No material impact.
Lieder Industrial Investment Co., Ltd.	Liquidation	No material impact.

Explanation on companies subject to control or share participation of the Company: None

## X. Structured Entities Controlled by the Company

Applicable Not applicable

For details, please refer to “X. Interest in Other Entities” under Section VIII.

## **XI. Outlook of the Company**

In 2026, taking Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding principle, the Company will thoroughly study and implement the spirit of the 20th National Congress of the Communist Party of China and the important speeches and instructions made by General Secretary Xi Jinping during his inspection tour of Yunnan, and actively align with the Yunnan Provincial Party Committee's "3815" strategic development goals. Closely centering on the overarching theme of synergistically advancing "growth, efficiency enhancement, and value creation" and focusing on a development approach that is "profitable, high-quality, and sustainable," we will strive to build a New Baiyao for the new era, which boasts a strong and competitive core business, leading innovation, efficient governance, and vibrant vitality, and develop Yunnan Baiyao into a leading domestic and world-class modern pharmaceutical industrial group with revenue exceeding RMB 100 billion.

### **(I) Key Work Plan for 2026**

1. Keeping to the right direction: Driving high-quality development through high-quality Party building, continuously improving modern corporate governance mechanisms

The Company will take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guiding principle, integrate the Party's leadership and strengthen Party building throughout the entire corporate management process, comprehensively enhance the leading role of Party building in "driving reform, improving governance, uniting the workforce, and promoting development" and advance the deep integration of Party building into the strategic planning, corporate governance, operational management, and reform and development processes, striving to establish a new model of Party building. At the same time, we will integrate the strengthening of the Party's leadership with the improvement of corporate governance, adhere to a market-oriented approach, accelerate the development of modern corporate governance with Chinese characteristics and market-oriented business mechanisms, and continuously stimulate the vitality and innovative drive of the Company.

2. Remain steadfast: Keeping strategic goals firmly in mind to effectively drive the efficient implementation of all tasks

The essence of strategy lies in the methods used to achieve sustained growth in corporate value. First, in terms of strategic direction, the Company will uphold the goal of promote the Centennial Baiyao to elevate from "outstanding" to "excellence" and establishing it as a leading domestic and world-class modern pharmaceutical industrial group as its unwavering direction and objective for the next five years. Building upon the "2+3" strategic plan, we will evolve it into a new "3+2" strategy. We will not only preserve Baiyao's legacy of "outstanding" but also proactively seek change and pursue development, maintaining an entrepreneurial mindset at all times to propel the Company toward "excellence." Second, regarding strategic implementation, in 2026, the Company will fully

focus on upgrading, breaking down, and executing the “3+2” strategy. Each business unit will remain firmly aligned with the Group’s overall strategic direction, deeply understand the strategic intent and core objectives, and systematically break down and decompose these into clear, actionable annual goals, priority tasks, and key initiatives. This will ensure that goals are aligned, approaches are synchronized, and responsibilities are assigned to specific individuals, thereby guaranteeing the precise and efficient implementation of the strategy.

### 3. Precise focus: Optimizing resource allocation and enhancing operational efficiency

In today’s market, competitive advantage comes not from “doing more,” but from “choosing better.” First, we shall focus on our strategic priorities and continuously optimize our industrial portfolio. The Company will establish first-, second-, and third-curve models for customers, regions, and product lifecycles across all business lines, and will further identify growth opportunities around each curve to ensure a more focused allocation of resources. Second, we shall focus on products and drive overall growth with flagship products. We will continue to advance the “flagship product” strategy as a dedicated project, and through sustained investment, systematic management, and long-term commitment, gradually build a product portfolio characterized by “leading flagship products, strong mid-tier support, and a solid foundation.” Third, we shall focus on resources and maintain a goal-oriented approach to ensure effective implementation. The Company will maintain a goal-oriented approach to ensure that resources, including human capital, funds, budgets, and incentives, are effectively aligned with strategic priorities. We will identify the core drivers of business growth and, through a scientific input-output evaluation system, dynamically adjust resource allocation to enhance overall investment efficiency.

### 4. Seeking breakthroughs: Cultivating a second curve to unlock growth potential

While maintaining a stable core business, the Company will accelerate the development of a sustainable “second growth curve” through systematic capacity building. First, to deepen organic growth, the Company will further advance relevant businesses across the board, continuing to coordinate the synergistic advancement of cost reduction, quality improvement, and efficiency enhancement. We will conduct systematic planning from a broader strategic perspective, particularly with a focus on creating customer value; precisely identify and capitalize on the core value points within customers’ genuine needs to continuously generate incremental value. At the same time, the Company will continue to focus on internal operational management, tapping into the potential of key areas such as optimizing production capacity structures, adjusting industrial layouts, streamlining logistics routes, and coordinating warehouse resources, with the aim of continuously improving overall operational efficiency and the effectiveness of resource allocation. Second, to advance external expansion, the Company will continue to pursue strategic investments and mergers and acquisitions, continuously enhancing its ability to professionally evaluate

and screen potential targets. We will prioritize targets that are highly synergistic with Yunnan Baiyao's brand positioning, product portfolio, distribution network, and core competitive advantages, and concentrate our resources to drive breakthroughs in strategic M&A, thereby effectively bolstering the momentum of our business development. Third, to foster new growth drivers within existing industries, the Company will continue to vigorously advance its "flagship product" strategy. By focusing on product portfolios at various scale levels, we will establish clear product advancement pathways to ensure well-defined objectives, clear responsibilities, appropriate resource allocation, and effective performance evaluation mechanisms. The Pharmaceuticals and Health Products segment is rapidly driving the replication and promotion of the "flagship product" model, while the TCM Resources segment continues to fulfill its responsibilities as a "chain leader" in the high-quality development of Yunnan's TCM resources. This will drive the quality improvement and upgrading of the TCM material industry. By expanding export markets, the segment is creating a "dual-engine model driven by both social and economic benefits." Leveraging Yunnan's resource advantages, it supports the development of industrial strengths and product clusters, while simultaneously using these industrial strengths to drive the appreciation of resource value, thereby forming a development pattern characterized by two-way synergy between resources and industry. The pharmaceutical commercial segment is focused on the core objectives of "stabilizing growth, managing risks, restructuring, and improving efficiency," driving systemic management reforms and continuously strengthening lean operational management capabilities. Emerging business segments such as health supplements, medical devices, and skincare are concentrating resources to develop "flagship products" in their respective niche markets. Our international business is grounded in effectively implementing national and Yunnan provincial strategies. By leveraging the strategic advantages of the Mohan-Moding border hub and policies supporting cross-border economic cooperation, as well as Hong Kong's open economic system and geographical advantages, we are deepening our engagement with key markets and clients to rapidly drive growth in overseas sales of our products.

5. Strengthening empowerment: Improving the management and control system to enhance business competitiveness

A robust closed-loop management and control system and a strong set of management and control capabilities are prerequisites for a company to achieve strategic leadership and implement its strategies. The Company is committed to building a management and control system and organizational capabilities that align with its strategic objectives. First, we will strengthen the Group's management and control system. The headquarters will establish a "strategy + finance" management model to solidify its four core functions: "leadership, service, oversight, and capability." Under the Group's unified strategic guidance, each business unit will operate as a subsidiary, enhancing

its professional and market-oriented operational capabilities, rapidly improving the development of sector-specific functions, strengthening foundational financial management, and truly fulfilling its role as an operational and profit center. Second, we will deepen comprehensive budget management, promote the seamless integration of “comprehensive budgeting—business analysis—performance evaluation and incentives”, implement categorized budgeting, performance evaluation, and accounting, strengthen the rigidity of budget constraints and process corrections, and enhance the depth of financial data support for business decision-making, in order to ensure that major decisions are backed by data, projections, and sound rationale. Third, we will strengthen and solidify our central platform capabilities. Focusing on our strategic objectives, we will systematically advance the development of five core capability platforms: Building a “comprehensive R&D” platform, establishing an R&D system that efficiently aligns with market needs and an innovation organizational model centered on “major projects + key teams + industrial transformation,” refining the co-investment and incentive mechanisms for R&D teams and effectively integrating cutting-edge innovation with market demands; Building a “comprehensive manufacturing” platform to integrate production and sales, optimize production capacity allocation, and strengthen outsourcing management and brand protection; Establishing a “comprehensive marketing” platform to coordinate online and offline channels, align differentiated products, and enhance control over the investment-to-output ratio and the timing of resource allocation; Building a “comprehensive supply chain” platform to implement measures such as strategic stockpiling, production-sales coordination, and optimization of warehousing and logistics, thereby mitigating market risks and improving operational efficiency; Enhancing the “comprehensive oversight” platform by integrating oversight resources from disciplinary inspection, inspection tours, auditing, compliance, and finance, pooling oversight efforts to ensure the implementation of key measures. Fourth, we will enhance the impact of digital and intelligent transformation and brand building, and systematically implement connotations and application scenarios of “use cases” such as the “Lighthouse Factory” program, creating high-quality intellectual property to better drive business growth.

#### 6. Deepening sharing: Co-creating value and sharing the results to build a win-win framework

Sharing is the key to uniting people and fostering vitality, and it is also the cornerstone of a company’s sustainable development. Internally, the Company will establish sound market-oriented incentive mechanisms to fully energize the organization; externally, it will enable shareholders to share in investment returns through outstanding performance and allow society to share in the Company’s value through a sense of responsibility. First, we will improve incentive and accountability mechanisms to foster mutual growth between employees and the Company. Through contract-based management, we will align employees’ short-term tasks with the Company’s

long-term strategic goals to create an agile incentive system that supports business growth. Second, we will strengthen our Market Value Management and continue to deliver returns to shareholders and society. Market Value Management stems from value management; value, in turn, derives from the certainty, growth potential, and sustainability of a company's strategy, and serves as a comprehensive reflection of its corporate governance standards, management capabilities, and quality of development. The Company will actively respond to regulatory requirements regarding Market Value Management for listed companies. We will maintain strategic willpower, strengthen our business focus, pursue systemic breakthroughs, and excel in operational management to foster a win-win environment. Our goal is to build the Company into a benchmark enterprise that leads industry trends, possesses strong competitiveness, and delivers high returns, continuously creating value for shareholders and contributing to society.

The year 2026 marks a watershed moment for Yunnan Baiyao. It marks the launch of Phase II of the Group's "2+3" strategy, the inauguration of its new "3+2" strategy, and the commencement of the 15th Five-Year Plan, a convergence of milestones that elevates this year to critical importance in Baiyao's ascent to the next tier of development. United in purpose, clear in vision, and resolute in commitment, Yunnan Baiyao stands ready to propel this century-old enterprise from "outstanding" to "excellence" as it opens this new chapter.

## **(II) Risks and Countermeasures**

### **1. Risk of policy changes**

In recent years, the government has continuously introduced supportive policies for the pharmaceutical industry, providing pharmaceutical companies with excellent opportunities for growth. At the same time, medical insurance reforms will be further deepened, with regular centralized volume-based procurement covering a wider range of drugs, and laws and regulations governing drug supervision will be comprehensively revised and updated, placing higher demands on the healthy development of the pharmaceutical industry. The Company will closely monitor national pharmaceutical policy trends, strengthen its tracking, analysis, and interpretation of key industry developments, and remain steadfast in upholding pharmaceutical compliance standards. Guided by clinical value, we will drive the establishment and optimization of our innovation and R&D system as well as our efficacy evaluation system, thereby fostering the Company's sustained and stable growth.

### **2. Market uncertainty risk**

Due to factors such as fluctuations in raw material prices, price controls on pharmaceutical products, and intensifying competition at the retail level, the pharmaceutical industry is facing significant operational pressures. Meanwhile, the health sector is grappling with challenges such as wavering consumer confidence, which is posing

obstacles to business growth. As we navigate these challenging times, the Company will continue to build upon its competitive strengths across the entire industrial chain and leverage innovation as a driving force. By continuously strengthening our supply chain infrastructure, improving operational efficiency, and implementing more refined management of our distribution channels and retail outlets, we will further solidify our advantages in innovation, cost efficiency, and distribution channels. This will enable the Company to weather economic cycles and achieve sustainable, high-quality growth in the face of market competition.

### 3. Risks related to transformation of innovative R&D outcomes

To build a technological edge and enhance its core competitiveness, the Company has been steadily increasing its investment in drug R&D in recent years. New drug development is generally characterized by high capital investment, long development cycles, lower-than-expected commercialization rates, and market uncertainty following future commercialization. Should relevant policies or market demand change, this could affect the commercial value of new products under development. Once R&D is completed, the ability to successfully commercialize the new drug is also a key factor affecting the return on R&D investment. The Company will carefully evaluate new drug R&D projects in line with its strategic objectives, concentrate resources on key projects, enhance risk management capabilities throughout the R&D process, strengthen collaboration between industry, academia, and research institutions, improve the ability to commercialize research outcomes, and reduce uncertainty in R&D investments.

### 4. Risks associated with extensive growth

The Company is actively advancing toward its strategic goals by pursuing an industrial development strategy that combines both endogenous and extensive growth, striving to inject new momentum into its sustainable development. As the Company pursues its strategy of extensive growth, a key challenge it faces is how to leverage investment and innovation to introduce new variables, build a new Baiyao platform, integrate more external resources, and establish a comprehensive industrial chain, and ultimately secure a foothold in a highly competitive and rapidly evolving market. The Company will remain strategy-driven and customer-centric, continuously enhancing its market insights to build a healthy and sustainable portfolio of businesses.

## **XII. Survey, communication, interviews and other activities received during the reporting period**

Applicable      Not applicable

Time of reception	Place of reception	Mode of reception	Type of guests	Guests	Discussions and information provided	Basic information index of the survey
January 7, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from FSSA	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222284924&amp;orgId=gssz0000538&amp;announcementTime=2025-01-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222284924&amp;orgId=gssz0000538&amp;announcementTime=2025-01-09</a>
January 8, 2025	Office building at the headquarters	Telephone communication	Institution	3 persons from China Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222284922&amp;orgId=gssz0000538&amp;announcementTime=2025-01-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222284922&amp;orgId=gssz0000538&amp;announcementTime=2025-01-09</a>
January 10, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from ABC-CA Fund Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222320877&amp;orgId=gssz0000538&amp;announcementTime=2025-01-13">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222320877&amp;orgId=gssz0000538&amp;announcementTime=2025-01-13</a>
January 13, 2025	Office building at the headquarters	Field research	Institution	2 persons from CICC, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222342453&amp;orgId=gssz0000538&amp;announcementTime=2025-01-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222342453&amp;orgId=gssz0000538&amp;announcementTime=2025-01-15</a>
January 14, 2025	Office building at the headquarters	Field research	Institution	6 persons from Dacheng Fund	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222342451&amp;orgId=gssz0000538&amp;announcementTime=2025-01-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222342451&amp;orgId=gssz0000538&amp;announcementTime=2025-01-15</a>
January 23, 2025	Office building at the headquarters	Field research	Institution	17 persons from Pacific Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222430012&amp;orgId=gssz0000538&amp;announcementTime=2025-01-24">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1222430012&amp;orgId=gssz0000538&amp;announcementTime=2025-01-24</a>
April 1, 2025	Office building at the headquarters	Telephone communication	Others	146 persons, including those from institutional investors and individual investors	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223004263&amp;orgId=gssz0000538&amp;announcementTime=2025-04-03">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223004263&amp;orgId=gssz0000538&amp;announcementTime=2025-04-03</a>
April 3, 2025	Office building at the headquarters	Telephone communication	Institution	3 persons from Orient Securities Asset Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223019906&amp;orgId=gssz0000538&amp;announcementTime=2025-04-07">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223019906&amp;orgId=gssz0000538&amp;announcementTime=2025-04-07</a>
April 7, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from E-Fund Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042367&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042367&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09</a>
April 7, 2025	Office building at the headquarters	Telephone communication	Institution	3 persons from Taiping Asset Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042374&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042374&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09</a>

Time of reception	Place of reception	Mode of reception	Type of guests	Guests	Discussions and information provided	Basic information index of the survey
April 8, 2025	Office building at the headquarters	Telephone communication	Institution	4 persons from Penghua Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042376&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042376&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09</a>
April 8, 2025	Office building at the headquarters	Telephone communication	Institution	5 persons from China Merchants Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042378&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223042378&amp;orgId=gssz0000538&amp;announcementTime=2025-04-09</a>
April 9, 2025	Office building at the headquarters	Telephone communication	Institution	4 persons from BOCOM Schroders, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068757&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068757&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11</a>
April 10, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from Caitong Fund Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068762&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068762&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11</a>
April 10, 2025	Office building at the headquarters	Telephone communication	Institution	5 persons from China Life Asset Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068767&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223068767&amp;orgId=gssz0000538&amp;announcementTime=2025-04-11</a>
April 11, 2025	Office building at the headquarters	Telephone communication	Institution	6 persons from Huaxia Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098755&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098755&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15</a>
April 11, 2025	Office building at the headquarters	Telephone communication	Institution	3 persons from PICC Pension, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098757&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098757&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15</a>
April 14, 2025	Office building at the headquarters	Field research	Institution	6 persons from CLSA, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098789&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223098789&amp;orgId=gssz0000538&amp;announcementTime=2025-04-15</a>
April 16, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from China Post Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223146070&amp;orgId=gssz0000538&amp;announcementTime=2025-04-18">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223146070&amp;orgId=gssz0000538&amp;announcementTime=2025-04-18</a>
April 17, 2025	Office building at the headquarters	Telephone communication	Institution	5 persons from Changsheng Fund Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223146095&amp;orgId=gssz0000538&amp;announcementTime=2025-04-18">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223146095&amp;orgId=gssz0000538&amp;announcementTime=2025-04-18</a>

Time of reception	Place of reception	Mode of reception	Type of guests	Guests	Discussions and information provided	Basic information index of the survey
April 21, 2025	Office building at the headquarters	Field research	Institution	15 persons from CITIC Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223236234&amp;orgId=gssz0000538&amp;announcementTime=2025-04-23">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223236234&amp;orgId=gssz0000538&amp;announcementTime=2025-04-23</a>
May 15, 2025	Office building at the headquarters	Telephone communication	Institution	1 person from Allianz Global Investors	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587747&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587747&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19</a>
May 15, 2025	Office building at the headquarters	Telephone communication	Institution	6 persons from KS Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587795&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587795&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19</a>
May 15, 2025	Office building at the headquarters	Telephone communication	Institution	1 person from Citi PWM	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587827&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587827&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19</a>
May 16, 2025	Panorama Network	Online communication on network platform	Others	Panorama Network hosted an online earnings conference call	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587829&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223587829&amp;orgId=gssz0000538&amp;announcementTime=2025-05-19</a>
May 19, 2025	Office building at the headquarters	Telephone communication	Institution	1 person from Matthews International Capital Management LLC	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223626004&amp;orgId=gssz0000538&amp;announcementTime=2025-05-21">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223626004&amp;orgId=gssz0000538&amp;announcementTime=2025-05-21</a>
May 19, 2025	Office building at the headquarters	Telephone communication	Institution	2 persons from Orient Securities Company Limited	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223626008&amp;orgId=gssz0000538&amp;announcementTime=2025-05-21">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223626008&amp;orgId=gssz0000538&amp;announcementTime=2025-05-21</a>
June 4, 2025	Office building at the headquarters	Field research	Institution	3 persons from Soochow Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223802881&amp;orgId=gssz0000538&amp;announcementTime=2025-06-06">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223802881&amp;orgId=gssz0000538&amp;announcementTime=2025-06-06</a>
June 5, 2025	Office building at the headquarters	Field research	Institution	7 persons from Zhongtai Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223802982&amp;orgId=gssz0000538&amp;announcementTime=2025-06-06">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223802982&amp;orgId=gssz0000538&amp;announcementTime=2025-06-06</a>
June 19, 2025	Office building at the headquarters	Field research	Institution	5 persons from CITIC Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223955911&amp;orgId=gssz0000538&amp;announcementTime=2025-06-23">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223955911&amp;orgId=gssz0000538&amp;announcementTime=2025-06-23</a>

Time of reception	Place of reception	Mode of reception	Type of guests	Guests	Discussions and information provided	Basic information index of the survey
June 20, 2025	Tianjin Yunhe Pharmaceutical	Field research	Institution	8 persons from Changjiang Securities, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223973328&amp;orgId=gssz000538&amp;announcementTime=2025-06-24">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1223973328&amp;orgId=gssz000538&amp;announcementTime=2025-06-24</a>
July 8, 2025	Office building at the headquarters	Field research	Institution	3 persons from Huaxia Fund, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224130077&amp;orgId=gssz000538&amp;announcementTime=2025-07-10">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224130077&amp;orgId=gssz000538&amp;announcementTime=2025-07-10</a>
July 9, 2025	Office building at the headquarters	Field research	Institution	4 persons from Ping An Fund Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224130086&amp;orgId=gssz000538&amp;announcementTime=2025-07-10">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224130086&amp;orgId=gssz000538&amp;announcementTime=2025-07-10</a>
September 1, 2025	Office building at the headquarters	Telephone communication	Others	125 persons, including those from institutional investors and individual investors	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224636174&amp;orgId=gssz000538&amp;announcementTime=2025-09-03">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224636174&amp;orgId=gssz000538&amp;announcementTime=2025-09-03</a>
September 19, 2025	Office building at the headquarters	Field research	Institution	10 persons from Shenzhen Caifeng Investment Co., Ltd, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224676694&amp;orgId=gssz000538&amp;announcementTime=2025-09-23">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224676694&amp;orgId=gssz000538&amp;announcementTime=2025-09-23</a>
November 21, 2025	Office building at the headquarters	Field research	Institution	4 persons from CITIC-Prudential, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224822924&amp;orgId=gssz000538&amp;announcementTime=2025-11-24">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224822924&amp;orgId=gssz000538&amp;announcementTime=2025-11-24</a>
December 10, 2025	Office building at the headquarters	Field research	Individual	5 individual investors	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874220&amp;orgId=gssz000538&amp;announcementTime=2025-12-12">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874220&amp;orgId=gssz000538&amp;announcementTime=2025-12-12</a>
December 10, 2025	Office building at the headquarters	Field research	Institution	10 persons from Black Tiger Investment Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874291&amp;orgId=gssz000538&amp;announcementTime=2025-12-12">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874291&amp;orgId=gssz000538&amp;announcementTime=2025-12-12</a>
December 11, 2025	Office building at the headquarters	Field research	Institution	15 persons from Jiangxi Zhifeng Consulting, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874322&amp;orgId=gssz000538&amp;announcementTime=2025-12-12">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224874322&amp;orgId=gssz000538&amp;announcementTime=2025-12-12</a>
December 12, 2025	Office building at the headquarters	Field research	Institution	13 persons from Shenzhen Super Quantum, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224879060&amp;orgId=gssz000538&amp;announcementTime=2025-12-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224879060&amp;orgId=gssz000538&amp;announcementTime=2025-12-15</a>

Time of reception	Place of reception	Mode of reception	Type of guests	Guests	Discussions and information provided	Basic information index of the survey
December 12, 2025	Office building at the headquarters	Field research	Institution	32 persons from Hongsike Asset Management, etc.	To understand the business situation of the Company and other related issues.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224879078&amp;orgId=gssz0000538&amp;announcementTime=2025-12-15">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224879078&amp;orgId=gssz0000538&amp;announcementTime=2025-12-15</a>

### XIII. Development and implementation of market value management system and valuation enhancement plan

Whether the Company has a market value management system in place.

Yes No

Whether the Company has disclosed plans for valuation enhancement.

Yes No

In response to the *State Council's Opinions on Strengthening Supervision and Risk Prevention and Promoting High-Quality Development of the Capital Market*, which encourage listed companies to establish a market value management system, we held the first session of the Tenth Board of Directors for 2025 on March 31, 2025 to consider and approve the *Market Value Management System of Yunnan Baiyao Group*, in a bid to effectively enhance the Company's investment value, standardize market value management behaviors, ensure the compliance, scientific rigor and effectiveness of the Company's market value management activities, and maximize the Company's value and shareholders' interests. For details, please refer to the system disclosed by the Company at [www.cninfo.com.cn](http://www.cninfo.com.cn) on the same day.

### XIV. Implementation of the "Enhancement of Quality and Returns" Initiative

Whether the Company disclosed the "Enhancement of Quality and Returns" Initiative

Yes No

The Company disclosed the *Announcement on "Enhancement of Quality and Returns" Initiative* on March 9, 2024 (Announcement No.: 2024-12).

With established awareness of returning value to shareholders, focusing on its principal businesses, and ensuring prudent operations, the Company continues to drive high-quality development while enhancing shareholder returns. In April 2025, in active response to the call in the *State Council's Several Opinions on Strengthening Supervision, Preventing Risks, and Promoting High-Quality Development of the Capital Market* to encourage listed companies to establish Market Value Management systems, the Company formulated the *Market Value Management System of Yunnan Baiyao Group* in accordance with the *Company Law of the People's Republic*

of China, the Securities Law of the People's Republic of China, the Listing Rules of Shenzhen Stock Exchange, the Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standardized Operation of Listed Companies on the Main Board, the Guideline No. 10 on Supervision of Listed Companies - Market Value Management and the Articles of Association of Yunnan Baiyao Group Co., Ltd.

### **(I) Constantly improving the quality and efficiency of production and operation**

In 2025, the Company remained firmly committed to its strategic plan, continued to refine its core business, and leveraged its ever-improving operational management capabilities to navigate external market uncertainties. As a result, its operating performance grew against the trend, achieving the established goals of “growth, efficiency enhancement, and value creation.”

During the reporting period, the Company achieved an operating revenue of RMB 41.187 billion, a 2.88% increase compared to the same period last year; net profit attributable to the parent company was RMB 5.153 billion, an 8.51% year-on-year increase from RMB 4.749 billion; and net profit attributable to the parent company after deducting non-recurring profits and losses was RMB 4.865 billion, a 7.55% increase compared to RMB 4.523 billion last year, setting a new historical high. Basic earnings per share were RMB 2.89, an increase of 8.65% year-on-year. The Company's business structure continued to optimize. The industrial revenue amounted to RMB 16.016 billion, accounting for 38.89% of the total operating revenue, up 2.75 percentage points year-on-year, with the growth rate of industrial revenue reaching 10.7%. Since 2023, the proportion of industrial revenue to total operating revenue has achieved consecutive growth.

In terms of growth quality, the Company's net operating cash flow for the reporting period was RMB 4.60 billion, representing a year-on-year increase of 7.04%; the weighted average return on equity was 13.02%, up 1.03 percentage points year-on-year, marking the highest level in the past five years; and administrative expenses decreased by 1.68%. The Company invested RMB 423 million in R&D, representing a significant year-on-year increase of 21.51%. R&D expenditure accounted for 2.64% of industrial revenue, and the Company's R&D capabilities continued to improve.

The Company continued to maintain a healthy asset structure. At the end of the reporting period, the Company had total assets of RMB 54.269 billion, net assets attributable to the shareholders of the listed company amounted to RMB 40.044 billion, the asset-liability ratio was 26.02%, and the cash and bank balance stood at RMB 9.108 billion.

While pursuing high-quality development, we promoted the co-creation and sharing of value between the Company and its employees, and established an employee-centered incentive system that aligns with business

growth. In terms of compensation distribution, we prioritized core technical and key positions, frontline and challenging roles, as well as high-level and highly skilled talent in critical and in-demand fields, thereby further raising employee compensations and fully stimulating organizational vitality. During the reporting period, the overall compensation for the Company's entry-level employees increased by double digits year-on-year.

### **(II) Enhancing shareholder returns in multiple dimensions**

The Company takes a multi-pronged approach to enhance shareholder satisfaction, including cash dividends and increasing the frequency of dividend payments.

During the reporting period, the Company completed the distribution of its 2025 special dividend in September 2025, paying a cash dividend of RMB 10.19 (tax inclusive) per 10 shares, for a total cash dividend amount of RMB 1,818,163,592.46 (tax inclusive). On March 31, 2026, the Company's second session of the 11th Board of Directors considered and approved the 2025 dividend plan. Based on the Company's total issued share capital of 1,784,262,603 shares as of the end of 2025, the plan proposed to distribute a cash dividend of RMB 15.84 (tax inclusive) per 10 shares to all shareholders, with no bonus shares (tax inclusive). The total amount of this cash dividend would be RMB 2,826,271,963.15 (tax inclusive). When combined with the special dividend already distributed in 2025, the proposed cash dividend will be calculated based on the Company's total issued share capital of 1,784,262,603 shares as of the end of 2025, resulting in a cumulative cash distribution of RMB 26.02 (tax inclusive) per 10 shares for 2025. The total cumulative cash dividend amounts to RMB 4,642,651,293.01 (tax inclusive), representing 90.09% of the Company's net profit attributable to shareholders of the listed company for 2025.

### **(III) Continuously improving the information disclosure quality**

The Company consistently adheres to the principles of truthfulness, accuracy, completeness, timeliness, and fairness in information disclosure, strictly following applicable laws, regulations, and corporate policies. Actively engaging with investors, the Company carefully considers their needs and suggestions regarding periodic reports. The Company discloses annual report data across multiple dimensions, including segments and channels, ensuring compliance while offering a comprehensive view of its operations and development. Meanwhile, the Company practically engages in voluntary information disclosure, proactively sharing information that aids investors in value assessment and decision-making, thereby enhancing the relevance and transparency of disclosures. In addition, the Company employs various methods to present and interpret periodic reports, including graphics, videos, and PowerPoint presentations, to communicate information in a clear, engaging, and easy-to-understand manner. As of the end of the reporting period, Yunnan Baiyao has been awarded the Class A rating in the information disclosure assessment by the Shenzhen Stock Exchange ("SZSE") for the 18th time.

**(IV) Fully protecting the rights and interests of investors and ensuring smooth communication channels**

The Company has established smooth investor communication channels to effectively safeguard the rights and interests of investors and continuously improves the effectiveness of positive interaction with investors. During the reporting period, the Company held a total of two performance briefings, setting a record high in investor participation. We received investors for a total of 41 times (online and offline), involving more than 200 organizations and more than 500 investors, and survey records were released in a timely manner in accordance with information disclosure requirements. We responded to 105 inquiries at [irm.cninfo.com.cn](http://irm.cninfo.com.cn). Specialized personnel were assigned to answer investor relations hotline calls in earnest, ensuring the effective operation of the investor relations hotline. In addition, the Company has scientifically built a professional financial media matrix through text, video and other forms, and actively engages in multi-channel information dissemination, thus building and maintaining the Company's multi-dimensional value in the capital market.

**(V) Exploring and practicing the path of high-quality development**

The Company has a clear strategic plan. For intensive growth, we will focus on the foundational development of the three key segments, that is pharmaceutical, health and distribution, and systematically explore potential and enhance efficiency across the industrial chain, value chain, and production factors. For extensive growth, we will, in line with the overall strategic requirements and orientation, actively explore ways to complement and strengthen existing industrial segments through strategic mergers and acquisitions, strategic partnerships, and other approaches, enabling us to rapidly overcome current growth bottlenecks and achieve sustained growth. During the 15th Five-Year Plan period, the Company will upgrade its “2+3” strategy to a new “3+2” strategy, which will drive the century-old Baiyao toward becoming a Chinese leading and world-class modern pharmaceutical industry group, achieving synergistic growth in scale, quality, and structure.

Creating value, managing value, and realizing value are essential steps in the value enhancement journey for listed companies. The Company will strictly remain committed to fulfilling its responsibilities and obligations as a listed company. Through focusing on our principal businesses, continuous innovation, and operational improvements to enhance our intrinsic value, we aim to promote the healthy and sustainable development of the Company by continuously exploring and practicing the methodology of high-quality development. We will adhere to the “investor-oriented” principle, striving to safeguard investors' rights and interests through various means, enhance investment returns and bolster investors' sense of achievement. By effectively implementing the “Enhancement of Quality and Returns” initiative, we seek to boost market confidence and contribute to the positive and healthy development of the capital market.

## Section IV      Corporate Governance, Environmental, and Social Responsibility

### I. Basic Information of Corporate Governance

In strict accordance with the requirements of the *Company Law*, the *Securities Law*, the *Code of Governance for Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, the *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standardized Operation of Listed Companies on the Main Board*, and other laws and regulations, as well as internal rules and regulations, such as the *Articles of Association*, the Company keeps improving corporate governance and strengthening the awareness of compliant operation, and optimizing internal control. By constantly strengthening the learning of the relevant laws and regulations of listed companies by all directors, senior management, and relevant responsible personnel and continuously improving their ability to perform their duties, we have continuously improved our governance capacity, management efficiency and standardized operation, and promoted the high-quality and sustainable development of the Company. The basic information of the Company's corporate governance during the reporting period is as follows:

#### 1. Shareholders and Shareholders' Meetings

The Company protects the rights of shareholders in accordance with the law, paying special attention to protecting the legitimate rights and interests of minority shareholders, and protects the rights of shareholders to know and participate in decision-making and supervision of significant events of the Company. The Company held its 2024 Annual General Meeting on April 21, 2025, its First Extraordinary General Meeting for 2025 on September 15, 2025, and its Second Extraordinary General Meeting for 2025 on November 10, 2025. The convening of the meetings, the convening procedures, the qualifications of the participants, the qualifications of the convenor, the voting procedures and the voting results of the meetings complied with the provisions of laws and regulations and the *Articles of Association* of the Company, and all the motions were voted on and approved.

#### 2. Directors and Board of Directors

On November 10, 2025, the Company convened its second extraordinary general meeting for 2025 to consider and approve resolutions regarding the election of the new Board of Directors. The following members were elected to the Company's 11th Board of Directors: Non-independent Directors: Mr. Zhang Wenxue, Mr. Dong Ming, Mr. Guo Xin, Mr. You Guanghui, Mr. Xie Yunshan, Mr. Shangguan Changchuan, and Mr. Li Ke; Independent Directors:

Mr. Liu Guo'en, Mr. Na Chaohong, Mr. Hu Mingxing, and Mr. Cao Yangfeng. Following consideration and approval by the Company's Fifth Session of the Fifth Employee Representative Assembly, Ms. Yang Fan was elected as an employee director of the Company's Board of Directors.

The number and composition of the Board of Directors of the Company are in compliance with the requirements of laws and regulations, the professional structure is reasonable, and the directors are fully equipped with the necessary time and energy, knowledge reserves, professional skills and comprehensive qualities to perform their duties. The directors abide by the relevant laws and regulations and the *Articles of Association*, and perform their duties faithfully, diligently and prudently. The independent directors independently perform their duties according to laws, fully understand the Company's operation and the contents of Board meetings, and safeguard the interests of the Company and all shareholders, paying particular attention to the protection of the legitimate rights and interests of minority shareholders.

The Board of Directors earnestly performs the duties prescribed by the relevant laws and regulations and the *Articles of Association*, and operates in strict accordance with the *Rules of Procedure for the Board of Directors* to ensure the standardized and efficient operation of the Board and prudent and scientific decision-making. The Board of Directors consists of four special committees on audit, strategy, nomination, remuneration and appraisal, which are responsible to the Board of Directors and perform their duties in accordance with the *Articles of Association* and the working rules of the special committees. During the reporting period, the tenth Board of Directors of the Company held a total of 7 sessions, the eleventh Board of Directors held 2 sessions, and all the motions were voted on and approved. All the sessions were convened and held in strict accordance with the *Rules of Procedure for the Board of Directors*, all the directors were notified in advance as required, and sufficient meeting materials were provided. The meeting minutes were true, accurate and complete.

### **3. Senior management and operation team**

On February 10, 2026, the Company convened the first session of the 11th Board of Directors in 2026. At this session, the 11th Board of Directors appointed Mr. Dong Ming as President, and Mr. Li Hongshen, Mr. Li Shengli, Mr. He Tao, and Mr. Shen Shi as Senior Vice Presidents; Mr. Ma Jia as Chief Financial Officer; and Mr. Qian Yinghui as Board Secretary. The Company appointed senior management in strict accordance with the relevant laws and regulations and the *Articles of Association*, performed legal procedures and made timely disclosure.

The management team has clear responsibilities and strictly implements the resolutions of the general meeting of shareholders, resolutions of the Board of Directors and other relevant resolutions. The senior management

members abide by the relevant laws and regulations and the *Articles of Association*, and perform their duties faithfully, diligently and prudently.

#### **4. Revision of corporate governance related systems**

During the reporting period, in accordance with the latest provisions of the *Securities Law of the People's Republic of China*, the *Measures for the Administration of Independent Directors of Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, the *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standardized Operation of Listed Companies on the Main Board*, the *Guidelines on Investor Relations Management for Listed Companies*, the *Rules on the Management of the Shares Held by Directors and Senior Management of Listed Companies and Their Changes* and other laws and regulations and normative documents, and based on the actual situations of the Company, the Company systematically revised the *Articles of Association*, the *Rules of Procedure for Shareholders' Meetings*, the *Rules of Procedure for Board of Directors Meetings*, the *Rules of Procedure for Executive Committee Meetings*, the *Operating Procedures for the Strategy Committee*, the *Operating Procedures for the Nomination Committee*, the *Operating Procedures for the Remuneration and Appraisal Committee*, and the *Operating Procedures for the Audit Committee*, to further improve the governance structure of the Board of Directors of the Company. The Company also established the *Market Value Management System*, further enhancing its corporate governance standards.

#### **5. Largest shareholder and listed company**

As of the end of the reporting period, Yunnan State-owned Equity Operation Management Co., Ltd (“State-owned Equity Management Company”) was the single largest shareholder of the Company, and the Company has no de facto controller and no controlling shareholders. The above-mentioned largest shareholder shall exercise its rights as shareholders in accordance with law, fulfill its obligations as shareholders, and earnestly fulfill its commitments. The largest shareholder of the Company is independent from the Company in terms of personnel, assets and finance, and has independent institutions and businesses. There are no cases in which the Company's funds have been appropriated by the largest shareholder and its subsidiaries or through other means, or the Company has provided guarantees for the largest shareholder and its subsidiaries in violation of the law. During the reporting period, the decision-making procedures and information disclosure obligations were strictly fulfilled for the related party transactions between the Company and the related parties in accordance with relevant regulations, and the related party transactions had commercial substance and fair pricing.

#### **6. Information disclosure and transparency**

During the reporting period, the Company and other information disclosure obligators disclosed information in a true, accurate, complete, timely and fair manner in strict accordance with laws and regulations, self-regulatory rules and the *Articles of Association* of the Company, and the disclosures were concise, clear and easy to understand. The Company's designated information disclosure media are *China Securities Journal*, *Shanghai Securities News*, *Securities Times* and <http://www.cninfo.com.cn>, so that users can quickly and conveniently obtain information of the Company. Attaching importance to the management of insider information, the Company strictly controls the scope of persons with knowledge of insider information, registers the information of persons with knowledge of insider information truthfully, accurately and completely, and reports to the Exchange in a timely manner.

### **7. Internal control and regulation system**

The Company has established a sound internal control system. With the form and content in line with the requirements of the *Basic Standard for Enterprise Internal Control*, its supplementary guidelines, and other relevant laws, regulations and normative documents, the internal control self-evaluation can truly and accurately reflect the implementation status of the Company's internal controls.

The Company has, according to the actual situation and management needs, established and improved internal control to reasonably ensure the legal compliance of operation and management, asset safety, the truth and integrity of financial reports and related information, improve the operation efficiency and effect, promote the realization of development strategies, and meet the objectives of internal control. The Company has established a series of internal control systems for the business and matters included in the scope of internal control evaluation, which have been implemented in the operation and management activities, effectively preventing and controlling the Company's internal business risks in major aspects, and ensuring the safety and integrity of the Company's assets and the orderly development of operation and management activities. The internal control systems are reasonable, complete and effective, and conducive to achieving the strategic objectives of operation and development of the Company. The Company will constantly improve the internal control system and standardize the implementation of the internal control system according to the changes of internal and external environment and management requirements, and based on the guidelines of comprehensive risk management. Through the operation, analysis and evaluation of the internal control system, we will provide guarantee for the Company's legal and compliant operation and asset safety, effectively prevent risks in operation and management, and promote the steady implementation of the Company's strategy.

### **8. Stakeholders and social responsibilities**

The Company fully respects and safeguards the legitimate rights and interests of stakeholders, with an aim to realize the coordination and balance of the interests of society, shareholders, the Company, employees and other parties. Yunnan Baiyao actively fulfills its social responsibilities in terms of environmental protection, disaster relief and relief assistance, and public welfare, while maintaining the Company's sustainable development, improving its operating results and protecting the interests of its shareholders. In 2025, Yunnan Baiyao was again awarded an A rating in the MSCI-ESG rating for the 5th consecutive year. Based on the corporate attributes of inheritance and innovation, excellent quality, technology empowerment, co-construction and sharing, social responsibility and sustainable development, the Company will continue to optimize the governance system and governance level, constantly upgrade the industrial deployment, adhere to the environmentally friendly development path, and create long-term sustainable value for the society, the environment and various stakeholders.

We firmly believe that good corporate governance is the cornerstone and guarantee for the sustainable and healthy development of enterprises, and standardized operation is the basic requirement for the sustainable and healthy development of the Company. Insisting on standardized operation in accordance with laws and regulations and the requirements of the corporate governance system, the Company has continuously improved its governance capacity and management effectiveness. Thanks to scientific decision-making and sound operation, we effectively safeguard the interests of the Company and the general investors, and achieve the Company's high-quality and sustainable development.

Whether there were any significant differences between the Company's actual governance status and laws, administrative regulations and the rules issued by China Securities Regulatory Commission ("CSRC") on listed company governance?

Yes  No

There was no significant difference between the Company's actual governance status and laws, administrative regulations and the rules issued by CSRC on listed company governance.

## **II. Details Regarding the Company's Separation from the Controlling Shareholder and De Facto Controller across Assets, Personnel, Finance, Institutions, and Business Operations**

State-owned Equity Management Company is the largest shareholder of the Company, and the Company has no de facto controller and no controlling shareholders. In strict accordance with the requirements of the *Company Law*, the *Articles of Association* and other laws, regulations and rules, the Company and its foregoing largest

shareholder are completely separated in terms of business, personnel, assets, institutions, finance and other aspects. The Company has an independent and complete business system and the ability to operate independently in the market. The Company will continue to ensure the separation between the Company and the aforesaid largest shareholder in terms of personnel, assets, finance, institutions and business operations according to the requirements of the relevant laws and regulations.

1. In terms of personnel: The Company operates completely independently in terms of labor, personnel and wage management system and has developed an independent management system. The directors and senior management of the Company are lawfully selected and employed in accordance with the *Company Law*, the *Articles of Association* and other relevant laws, regulations and provisions. All senior executives of the Company work in the Company and receive remuneration. There is no situation in which senior executives hold dual positions in the Company and the companies of the aforesaid largest shareholder. There is no situation in which finance staff has cross appointments in related organizations.

2. In terms of assets: The Company has a clear division of property rights with its largest shareholder, has the ability to operate independently in the market, and has full control over the production system, supporting facilities, land use rights and other assets, and there is no situation where the aforesaid largest shareholder occupies or dominates the assets.

3. In terms of finance: The Company has established an independent, complete and standardized financial accounting system and financial management system, as well as the corresponding internal control system and internal audit system to independently make financial decisions in accordance with the requirements of the *Accounting Standards for Business Enterprises*.

4. In terms of institutions: The Board of Directors and other internal organs of the Company have sound structure, operate independently, make scientific decisions, and the internal organizations operate independently from the aforesaid largest shareholder. All the institutions of the Company are set according to the requirements of listed companies' norms and the Company's actual business needs and characteristics. The Company and its largest shareholder have independent office addresses, and there is no mixed operation and co-office. The aforesaid largest shareholder exercises its rights and undertakes corresponding obligations according to law.

5. In terms of business: The Company maintains fully independent business operations, deployment capabilities, and market-oriented autonomous management. It possesses independent procurement, production, and sales systems, does not rely on the largest shareholder for profit generation, and has no competitive conflicts of interest with the majority shareholder or its subsidiaries.

### **III. Horizontal Competition**

Applicable Not applicable

## IV. Directors and Senior Management

### 1. Basic information

Name	Gender	Age	Title	Service status	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the period (shares)	Increase in number of shares held in the current period (shares)	Decrease in number of shares held in the current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for changes in shares
Zhang Wenxue	Male	63	Secretary of the Company's Party Committee, Chairman	Incumbent	February 23, 2024	November 10, 2028	0	0	0	0	0	N/A
Dong Ming	Male	50	Deputy Secretary of the Company's Party Committee, Vice Chairman and President	Incumbent	March 3, 2021	November 10, 2028	13,280	0	0	0	13,280	N/A
Guo Xin	Male	55	Director	Incumbent	June 11, 2024	November 10, 2028	0	0	0	0	0	N/A
You Guanghui	Male	55	Director	Incumbent	June 11, 2024	November 10, 2028	0	0	0	0	0	N/A
Xie Yunshan	Male	51	Director	Incumbent	November 7, 2022	November 10, 2028	0	0	0	0	0	N/A
Shangguan Changchuan	Male	59	Director	Incumbent	June 11, 2024	November 10, 2028	0	0	0	0	0	N/A
Li Ke	Male	32	Director	Incumbent	November 10, 2025	November 10, 2028	0	0	0	0	0	N/A
Liu Guo'en	Male	69	Independent director	Incumbent	May 25, 2021	May 25, 2027	0	0	0	0	0	N/A
Na Chaohong	Male	48	Independent director	Incumbent	November 10, 2025	November 10, 2028	0	0	0	0	0	N/A
Hu Mingxing	Male	50	Independent director	Incumbent	November 10, 2025	November 10, 2028	0	0	0	0	0	N/A

Name	Gender	Age	Title	Service status	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the period (shares)	Increase in number of shares held in the current period (shares)	Decrease in number of shares held in the current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for changes in shares
Cao Yangfeng	Male	52	Independent director	Incumbent	November 10, 2025	November 10, 2028	0	0	0	0	0	N/A
Yang Fan	Female	50	Employee director	Incumbent	November 10, 2025	November 10, 2028	11,000	0	0	0	11,000	N/A
Li Hongshen	Male	47	Senior vice president	Incumbent	February 10, 2026	November 10, 2028	0	0	0	0	0	N/A
Li Shengli	Male	53	Senior vice president	Incumbent	October 11, 2024	November 10, 2028	0	0	0	0	0	N/A
He Tao	Male	50	Senior vice president	Incumbent	August 26, 2024	November 10, 2028	0	0	0	0	0	N/A
Shen Shi	Male	45	Senior vice president	Incumbent	August 26, 2024	November 10, 2028	0	0	0	0	0	N/A
Ma Jia	Male	49	CFO	Incumbent	June 1, 2022	November 10, 2028	0	0	0	0	0	N/A
Qian Yinghui	Male	42	Board Secretary	Incumbent	January 17, 2022	November 10, 2028	0	0	0	0	0	N/A
Li Hongshen	Male	47	Former director	Resigned	November 7, 2022	November 10, 2025	0	0	0	0	0	N/A
Dai Yang	Male	57	Former Independent Director	Resigned	August 21, 2019	November 10, 2025	0	0	0	0	0	N/A
Zhang Yongliang	Male	58	Former Independent Director	Resigned	August 21, 2019	November 10, 2025	0	0	0	0	0	N/A
He Yong	Male	56	Former Independent Director	Resigned	November 7, 2022	November 10, 2025	0	0	0	0	0	N/A
Zhu Zhaoyun	Female	72	TCM Strategic Scientist	Resigned	August 21, 2019	February 10, 2026	56,000	0	0	0	56,000	N/A
Zhang Ning	Male	55	Chief Scientist	Resigned	January 24, 2022	February 10, 2026	0	0	0	0	0	N/A
Qin Wanmin	Male	62	Former Chief Innovation Officer,	Resigned	August 21, 2019	January 26, 2025	504,000	0	0	0	504,000	N/A

Name	Gender	Age	Title	Service status	Date of commencement of service term	Date of end of service term	Number of shares held at the beginning of the period (shares)	Increase in number of shares held in the current period (shares)	Decrease in number of shares held in the current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for changes in shares
			Senior Vice President, President of Health Products BG									
Yang Yong	Male	62	Former Chief Compliance Officer, Senior Vice President, Executive Director of Yunnan Pharma	Resigned	August 21, 2019	January 26, 2025	101,024	0	0	0	101,024	N/A
Li Jin	Male	61	Former Secretary of the Commission for Discipline Inspection and Chief Quality and Process Officer	Resigned	August 21, 2019	February 10, 2026	56,000	0	0	0	56,000	N/A
Total	--	--	--	--	--	--	741,304	0	0	0	741,304	--

Note: On November 10, 2025, Mr. Li Hongshen stepped down as a director of the Company following the renewal of the Board of Directors. On February 10, 2026, the Company convened the first session of the 11th Board of Directors in 2026, at which the *Proposal on the Appointment of Senior Management* was considered and approved. The Board of Directors appointed Mr. Li Hongshen as Senior Vice President of the Company.

Whether there was any departure of directors and senior management during the term of office during the reporting period

Yes No

On January 28, 2025, the Company disclosed the *Announcement Regarding the Retirement of Senior Management Due to Reaching Retirement Age* (Announcement No. 2025-06). Mr. Qin Wanmin, the Company's Chief Innovation Officer and Senior Vice President, resigned from his positions as Chief Innovation Officer and Senior Vice President, as well as from all other positions within the Company and its controlled subsidiaries, as he reached the statutory retirement age. Mr. Yang Yong, the Company's Chief Compliance Officer and Senior Vice President, applied to resign from his positions as Chief Compliance Officer and Senior Vice President, as well as from all other positions held at the Company and its controlled subsidiaries, as he reached the statutory retirement age.

On November 10, 2025, the Company convened its second extraordinary general meeting for 2025, at which resolutions regarding the election of new board members were considered and approved. Mr. Li Hongshen, a director of the Company, and independent directors Mr. Dai Yang, Mr. Zhang Yongliang, and Mr. He Yong stepped down upon the expiration of their terms.

On February 10, 2026, the Company convened the first session of the 11th Board of Directors in 2026, at which the *Proposal on the Appointment of Senior Management of the Company* was considered and approved. Mr. Li Jin, having reached the statutory retirement age, no longer served as a member of the Company's senior management or held any position within the Company or its controlled subsidiaries. On the same day, to accelerate the development of the Company's modern R&D system and capabilities, effectively leverage both "TCM" and "innovative drugs," promote the deep integration of TCM with modern technology, and inject strategic momentum into the Company's long-term sustainable development, the Company's Executive Committee considered and approved the appointment of Ms. Zhu Zhaoyun as TCM Strategic Scientist and Mr. Zhang Ning as Chief Scientist.

Changes of directors and senior management of the Company

Applicable Not applicable

Name	Position held	Type	Date	Reason
Li Ke	Director	Elected	November 10, 2025	Change the term of office
Na Chaohong	Independent director	Elected	November 10, 2025	Change the term of office
Hu Mingxing	Independent director	Elected	November 10, 2025	Change the term of office
Cao Yangfeng	Independent director	Elected	November 10, 2025	Change the term of

				office
Yang Fan	Employee director	Elected	November 10, 2025	Change the term of office
Li Hongshen	Senior vice president	Appointed	February 10, 2026	Change the term of office
Dai Yang	Former Independent Director	Stepped down upon completion of term	November 10, 2025	Change the term of office
Zhang Yongliang	Former Independent Director	Stepped down upon completion of term	November 10, 2025	Change the term of office
He Yong	Former Independent Director	Stepped down upon completion of term	November 10, 2025	Change the term of office
Li Hongshen	Former director	Stepped down upon completion of term	November 10, 2025	Change the term of office
Zhu Zhaoyun	TCM Strategic Scientist	Stepped down upon completion of term	February 10, 2026	Job transfer
Zhang Ning	Chief Scientist	Stepped down upon completion of term	February 10, 2026	Job transfer
Qin Wanmin	Former Chief Innovation Officer, Senior Vice President, President of Health Products BG	Resigned	January 26, 2025	Retired
Yang Yong	Former Chief Compliance Officer, Senior Vice President, Executive Director of Yunnan Pharma	Resigned	January 26, 2025	Retired
Li Jin	Former Secretary of the Commission for Discipline Inspection and Chief Quality and Process Officer	Stepped down upon completion of term	February 10, 2026	Retired

## 2. Appointment

Professional background, main working experience and main duties in the Company of current directors, supervisors, and senior management of the Company

### Resume of Members of the Board of Directors:

**Zhang Wenxue**, male, Han nationality, born in June 1963, a native of Shiping, Yunnan, a member of the Communist Party of China, holding an on-the-job master's degree, is a Senior Economist. He was a member of the Tenth Yunnan Provincial Committee of the Communist Party of China and then a member of the 12th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference. He has been recognized as a Model Worker of Yunnan Province (19th Session) and an Outstanding Professional and Technical Talent with

Significant Contributions in Yunnan Province. He is a recipient of the Second Prize of the State Scientific and Technological Progress Award, recipient of the “70th Anniversary of the Founding of the People’s Republic of China” Commemorative Medal and other awards and honorary titles, and was named one of the “Outstanding Entrepreneurs in China (2021–2022).” In 2024, he was selected for the “Manufacturing Talent Support Program – Innovative Entrepreneur List by the Ministry of Industry and Information Technology.” He started to work in July 1984 and served as Deputy General Manager of Yunnan Phosphorus Chemical Industry (Group) Corporation, General Manager and Deputy Secretary of the Party Committee of Yunnan Phosphate Chemical Group Co., Ltd, Secretary of the Party Committee and General Manager of Yunnan Phosphate Chemical Group Co., Ltd, Director, Deputy General Manager and Standing Committee Member of Party Committee of Yuntianhua Group Co., Ltd, General Manager, Deputy Secretary of the Party Committee and Vice Chairman of Yuntianhua Group Co., Ltd, Chairman of Chongqing Polycomp International Corporation, Secretary of the Party Committee and Chairman of Yuntianhua Group Co., Ltd. He is currently Secretary of the Party Committee and Chairman of Yunnan Baiyao.

**Dong Ming**, male, Han nationality, born in October 1976, is a member of the Communist Party of China, and Ph.D. in Management. He served as Vice President of the CIS Regional Department, Director of VIP System Department, General Manager of Beijing Branch, Director of Mobile System Department, and Vice President for China of Huawei Technologies Co., Ltd. He is currently Deputy Secretary of the Party Committee, Vice Chairman, President of Yunnan Baiyao.

**Guo Xin**, male, Han nationality, born in September 1970, is a member of the Communist Party of China, holding a bachelor’s degree, and an on-the-job master’s degree, and a professional technical position as an associate researcher. He served as Manager of Business Development Department of Kunming Zhenhua Pharmaceutical Factory Co., Ltd, Manager of Human Resources Department of Yunnan Pharmaceutical Industry Co., Ltd, Assistant General Manager, and Manager of Business Development Department of Kunming Zhenhua Pharmaceutical Factory Co., Ltd, Manager of Investment Development Department, Assistant General Manager, Manager of Investment Operation Department, and Director of Administration Department of Yunnan Pharmaceutical Industry Co., Ltd, Member of Party Committee, Deputy General Manager, Secretary of the Comprehensive Party Branch and Dean of the Research Institute of Yunnan Plant Pharmaceutical Co., Ltd, General Manager of Biomedical Department of Yunnan Industrial Investment Holding Group Co., Ltd, General Manager of Yunnan Gongtuo TCM Materials and Decoction Pieces Industry Development Co., Ltd, Secretary of the Party Committee and Chairman of Yunnan Bohao Biotechnology Group Co., Ltd, Secretary of the Party Branch and Chairman of Yunnan Ruibao

Biotechnology Co., Ltd. He is currently Full-time Equity Representative of State-owned Equity Management Company and Director of Yunnan Baiyao.

**You Guanghui**, male, Han nationality, born in December 1971, holding a bachelor's degree, is a Certified Management Accountant (CMA), Senior Corporate Culture Manager, and Senior Corporate Compliance Manager. He was Chief Accountant of Fujian Industrial Bank Wuyishan Sub-branch, Chief Accountant and Head of the Finance Section of Fujian New Huadu Engineering Co., Ltd, Supervisor, Deputy Manager and Manager of the Planning and Finance Department of Fujian Wuyishan Travel Development Co., Ltd, Supervisor of Xinjiang Kanas Tourism Development Co., Ltd, Director and Chief Financial Officer of Fujian Wuyishan Travel Development Co., Ltd, Chief Financial Officer of Baiyao Holdings, and Chairman of the Supervisory Committee of Yunnan Baiyao. He is currently Vice President of New Huadu Industrial Group Co., Ltd and Director of Yunnan Baiyao.

**Xie Yunshan**, male, Han nationality, born in September 1975, is a member of the Communist Party of China, a doctor of economics, postdoctoral and Certified Public Accountant. He once worked at the Southwest Management Headquarters of Xiangcai Securities, the First Secretary of the General Office of the Yunnan Provincial Government, the Investment Research Institute of Yunnan University of Finance and Economics, the Finance Research Institute of the People's Bank of China, Zhonghe Zhengxin Accounting Firm, the Investment Banking Department of Hongta Securities Co., Ltd, the Investment Banking Department of Dongguan Securities Co., Ltd, and the Investment Banking Headquarters of Pacific Securities Co., Ltd. He is currently Full-time Equity Representative of State-owned Equity Management Company and Director of Yunnan Baiyao.

**Shangguan Changchuan**, male, Han nationality, born in September 1966, holding an EMBA degree. He taught in Xianghua School District, Anxi County and served as HR Manager, Purchasing Manager and General Manager of New Huadu Department Store, General Manager of Quanzhou New Huadu Supercenter Co., Ltd, Director and Executive Deputy General Manager of New Huadu Supercenter Co., Ltd, and Chairman and General Manager of New Huadu Supercenter Co., Ltd. He is currently Vice President of New Huadu Industrial Group Co., Ltd and Director of Yunnan Baiyao.

**Li Ke**, male, Han nationality, born in November 1993, a member of the Communist Party of China, holds a master's degree in accounting from the School of Economics at Yunnan University, and is a Certified Public Accountant and Senior Auditor. He served as an Audit Specialist and a Financial Responsibility Audit Specialist in the Audit Department of Yunnan Hehe (Group) Co., Ltd, and as Chairman of the Supervisory Committee of Zhuhai Hongta Renheng Packaging Co., Ltd. He is currently Director of Yunnan Baiyao Group and Deputy Director of the Legal Affairs Department at Yunnan Hehe (Group) Co., Ltd. He also serves as a supervisor at Yuxi Tongbo Real

Estate Development Co., Ltd, FAW-HONGTA Yunnan Automobile Co., Ltd, and Yunnan Yuxi Technology Color-printing Co., Ltd, as well as a director at Zhuhai S.E.Z. Chengcheng Printing Co., Ltd.

**Liu Guo'en**, male, Qiang nationality, born in October 1957, a doctor of economics, is a Special Professor of Economics Changjiang Scholar of Ministry of Education. He used to teach at the University of Southern California and the University of North Carolina, and served as President of the “Chinese Economist Society” and President of the “Asia-Pacific Federation of International Society for Pharmacoeconomics and Outcomes Research.” He is currently a Distinguished Professor of Liberal Arts of Peking University, Dean of Global Health Development Institute of Peking University, Member of Faculty of Chinese Academy of Medical Sciences, Chair of the Academic Committee in the Institute of Education Economics of Peking University, Chinese Convener of *China-US Track II Dialogue on Health*, Chairman of Pharmacoeconomics Professional Committee of Chinese Pharmaceutical Association, Independent Director of MicroPort Scientific Corporation, and Independent Director of Yunnan Baiyao.

**Na Chaohong**, male, Hui nationality, born in May 1977, holds an Executive Master of Business Administration (EMBA). He is the Dean of the Graduate School at Yunnan University of Finance and Economics, a professor, a doctoral advisor, and a National Accounting Leading Talent. He previously served as Deputy Director of the MBA Center, Assistant to the Dean of the School of Business, Director of the Institute of Financial Management, and Associate Dean of the School of Accounting at Yunnan University of Finance and Economics. He was an adjunct researcher at the China Europe International Business School and as a visiting scholar at Aarhus University in Denmark, The Chinese University of Hong Kong, and the University of Massachusetts; and he held positions as a broker and investment analyst at a securities firm, general manager of a consulting firm, and served as an external director expert for provincial-level enterprises in Yunnan Province. He currently serves as a member of the Management Accounting Professional Committee of the Accounting Society of China, as well as an independent director of Yunnan Energy Investment Co., Ltd and Yunnan Baiyao Group.

**Hu Mingxing**, male, Han nationality, born in November 1975, holds a Ph.D. and an Entrepreneurial MBA from London Business School. He previously oversaw the healthcare partnerships of University College London (UCL) with China, served as a healthcare advisor to the Development Research Center of the State Council of China, and acted as a senior advisor to the UK Foreign and Commonwealth Office and the Department of Health and Social Care. He currently serves as Deputy Dean of the School of Bioengineering at UCL, Head of Academic Partnerships (Healthcare) for UCL in China, Co-founder and Head of Southeast Asia and Greater China at Academic Health Solutions, a leading UK healthcare consultancy, as well as an international medical expert at the Shenzhen Hospital

of the Cancer Hospital of the Chinese Academy of Medical Sciences, an international medical expert at CGN Medical Technology Co., Ltd, and an independent director of Yunnan Baiyao Group.

**Cao Yangfeng**, male, Han nationality, born in May 1973, holds a Ph.D. from Copenhagen Business School and a Ph.D. from Renmin University of China. He completed a postdoctoral fellowship in Business Administration at the Guanghua School of Management, Peking University; and served as a visiting scholar at Stanford University. He previously served as an independent director of Kingdee International Software Group Co., Ltd and an independent director and chairman of the Remuneration Committee of Wens Food Group Co., Ltd. He currently serves as Professor of Management Practice at the Guanghua School of Management, Peking University; Dean of the Hong Kong Institute of Business Model Innovation; Distinguished Professor at the School of Business, City University of Hong Kong; Director, Chair of the Strategy and Sustainable Development Committee of JA Solar Technology Co., Ltd; and Independent Director of Yunnan Baiyao Group.

**Yang Fan**, female, born in March 1975, a member of the Communist Party of China, graduated with a Master of Business Administration (MBA) from the Department of Business Administration at Shanghai University of Finance and Economics, and began her career in September 1999. She currently serves as an employee director, a member of the Discipline Inspection Commission, and the Director of the Administrative Office at Yunnan Baiyao Group.

#### **Senior management:**

**Li Hongshen**, male, Han nationality, born in August 1978, a native of Kunming, Yunnan, a member of the Communist Party of China, a doctor of economics, and an engineer. He was a delegate to the 12th Yunnan Provincial People's Congress and served as Foreign Exchange Trader at Kunming Branch; Assistant Branch Manager at Renmin Middle Road Branch, Vice President (presiding over work) of Chuncheng Road Sub-branch, and General Manager of International Business Department of Kunming Branch of China Merchants Bank, Factory Director Assistant, Deputy Factory Director, Member of the Party Committee, Deputy Secretary of the Party Committee and Factory Director of Qujing Cigarette Factory, Vice President, Member of the Party Committee, and Deputy General Manager of Hongyun Honghe Tobacco (Group) Co., Ltd, Member of the Party Committee, Deputy Secretary of the Party Committee and Factory Director of Kunming Cigarette Factory, Director of Hongta Securities Co., Ltd, Director of Yunnan Baiyao Group, Vice Chairman of KPC Pharmaceuticals, Inc, Director of Yunnan Hongta Bank Co., Ltd, Member of the Party Committee, Deputy Secretary of the Party Committee, Director and General Manager of Yunnan Hehe (Group) Co., Ltd, and Director of Zhongwei Capital Holdings Co., Ltd. He is currently Senior Vice President of Yunnan Baiyao.

**Li Shengli**, male, Han nationality, born in January 1973, holding a master's degree. He served as District Manager, Regional Manager, Sales Director, General Manager, Vice President, Senior Vice President, and Co-CEO of Fosun Wanbang (Jiangsu) Pharmaceutical Group Co., Ltd (formerly Jiangsu Wanbang Biochemical Pharmaceutical Co., Ltd), General Manager of Biochemical Oncology Division, President, CEO, and Chairman of Fosun Wanbang (Jiangsu) Health Development Co., Ltd (formerly Jiangsu Wanbang Pharmaceutical Marketing Co., Ltd), Vice President and General Manager of Chinese Marketing Headquarters, Senior Vice President of Shanghai Fosun Pharmaceutical Industry Development Co., Ltd, Co-President, President and Chairman of Fosun Yaohong (Jiangsu) Pharmaceutical Technology Co., Ltd (formerly Jiangsu Fosun Pharmaceutical Sales Co., Ltd), Assistant President, Vice President, Senior Vice President, Executive President and Chief Development Officer of Shanghai Fosun Pharmaceutical (Group) Co., Ltd, and President, CEO and Co-Chairman of Shanghai Fosun Health Technology (Group) Co., Ltd. He is currently Senior Vice President of Yunnan Baiyao.

**He Tao**, male, Han nationality, born in December 1975, holding a master's degree, is a Member of the Communist Party of China, Senior Accountant, Certified Management Accountant (CMA), expert awarded Yunnan Provincial Government Special Allowance, Member of Yunnan Provincial Senior (Deputy Senior) Accountant Professional Title Review Committee, expert in Research-Based Audit Think Tank of Yunnan Provincial Audit Office, Executive Director of the 6th Council of China Federation of Logistics and Purchasing, and Member of the Expert Committee of the Modern Supply Chain Research Institute of China Federation of Logistics and Purchasing. He served as Deputy General Manager of Finance Department (presiding over the work) and General Manager of Marketing Department of China Telecom Group Yunnan Branch, Secretary of the Party Committee and General Manager of China Telecom Group Yuxi Branch, Director and Deputy General Manager of Yunnan Yuntianhua Co., Ltd, and Secretary of the Party Committee and General Manager of Yunnan Yuntianhua United Business Co., Ltd. He is currently a Member of the Party Committee and Senior Vice President of Yunnan Baiyao.

**Shen Shi**, male, Han nationality, born in December 1980, holding a master's degree. He served as an automation engineer of Liaoyang Spring Factory, a subsidiary of China's FAW Group Co., Ltd, R&D Engineer and Capacity Expansion Project Manager of Midea Group Co., Ltd, Consulting Manager of Guangzhou Kaipule Enterprise Management Consulting Co., Ltd, Consulting Director of Beijing Zhenglue Junce Consulting Group Co., Ltd, Consulting Manager of Mercer, Consulting Director of Aon Hewitt Consulting Co., Ltd, Human Resources Expert of Huawei Technologies Co., Ltd, Head of Organizational Development at Midea Group Co., Ltd, and Director of Management Department at Servotronics Motion Control Company, a subsidiary of Midea Group Co., Ltd. He is currently Senior Vice President of Yunnan Baiyao.

**Ma Jia**, male, Han nationality, born in March 1977, holding a master's degree, a member of the Communist Party of China. He served as Director of Financial Management Department of Beijing Panasonic Lighting Co., Ltd, Financial Director of CIS Regional subsidiary of Huawei Technologies, IFS Transformation Project Manager (China), CFO of Shandong Representative Office, CFO of China Operator BG, CFO of China Region, responsible for Huawei's ICT operation management, risk control, sales and financing, taxation, subsidiaries and other financial businesses, as well as financial organization construction in China. He is currently CFO of Yunnan Baiyao.

**Qian Yinghui**, male, Han nationality, born in September 1983, is a master of law and a member of the Communist Party of China. He served as Project Manager of the Strategy Committee Office of Yunnan Baiyao and Project Director of the Strategy Development Center of Yunnan Baiyao, Director of the Board Office and General Manager of the Board and Administrative Office at Yunnan Baiyao Group. He is currently Secretary of the Board of Directors of Yunnan Baiyao.

Cases where the controlling shareholder and actual controller simultaneously serve as the chairman and general manager of the listed company

Applicable Not applicable

Engagement in shareholding companies

Applicable Not applicable

Name of person	Name of shareholding company	Position held in shareholding company	Date of commencement of service term	Date of end of service term	Whether to receive remuneration and allowances from the shareholding company
Guo Xin	Yunnan State-owned Equity Operation Management Co., Ltd.	Full-time Equity Representative			Yes
Xie Yunshan	Yunnan State-owned Equity Operation Management Co., Ltd.	Full-time Equity Representative			Yes
You Guanghui	New Huadu Industrial Group Co., Ltd.	Vice President	October 20, 2025		Yes
Shangguan Changchuan	New Huadu Industrial Group Co., Ltd.	Vice President	October 1, 2019		Yes
Li Ke	Yunnan Hehe (Group) Co., Ltd.	Deputy Director of the Legal Affairs Department	February 1, 2024		Yes

Position at other entities

Applicable Not applicable

Name of person	Name of other entity	Position held in other entity	Date of commencement of service term	Date of end of service term	Whether to receive remuneration and allowances from the other entity
Zhang Wenxue	Shanghai Pharmaceuticals Holding Co., Ltd.	Non-executive Director	June 28, 2024		No
Dong Ming	Shanghai Pharmaceuticals Holding Co., Ltd.	Executive Director	June 29, 2023		No
Liu Guo'en	Peking University	Professor	January 1, 2006		Yes
Liu Guo'en	MicroPort Scientific Corporation	Independent Director	September 3, 2010		Yes

Na Chaohong	Yunnan University of Finance and Economics	Dean	July 1, 2009		Yes
Na Chaohong	Yunnan Energy Investment Co., Ltd.	Independent Director	December 15, 2020		Yes
Hu Mingxing	University College London (UCL)	Deputy Dean of the School of Bioengineering at UCL, Head of Academic Partnerships (Healthcare) for UCL in China	December 1, 2012		Yes
Hu Mingxing	Academic Health Solutions (AHS)	Co-founder and Head of Southeast Asia and Greater China	June 1, 2016		Yes
Hu Mingxing	Shenzhen Hospital of the Cancer Hospital of the Chinese Academy of Medical Sciences	International medical expert	August 1, 2018		Yes
Hu Mingxing	CGN Medical Technology Co., Ltd.	International medical expert	October 1, 2020		Yes
Cao Yangfeng	Hong Kong Institute of Business Model Innovation	Dean	January 1, 2024		Yes
Cao Yangfeng	JA Solar Technology Co., Ltd	Director, Chair of the Strategy and Sustainable Development Committee	December 5, 2019		Yes
Ma Jia	Shanghai Pharmaceuticals Holding Co., Ltd.	Supervisor	June 29, 2023	December 9, 2025	No
Explanation on positions at other entities		None.			

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

Applicable Not applicable

### 3. Remuneration of Directors and Senior Management

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

Decision-making procedures of remuneration of directors and senior management	The Remuneration Management Committee shall submit the proposal to the board of directors and shareholders' meeting for consideration and approval prior to implementation.
Basis for determination of the remuneration of directors and senior management	Remuneration shall be determined based on operating conditions, industry standard, responsibilities assumed, and other relevant factors.
Actual payment of remuneration of directors and senior management	Allowances for directors will be paid monthly, while those for senior management will be paid based on established assessment standards.
Composition of remuneration of directors and senior management	The remuneration received by directors and senior management of the Company in 2025 includes a basic salary, performance bonus, allowances, and other cash income.

Remuneration for directors and senior management during the reporting period

Unit: RMB0'000

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

Zhang Wenxue	Male	63	Secretary of the Company's Party Committee, Chairman	Incumbent	0	Yes
Dong Ming	Male	50	Deputy Secretary of the Company's Party Committee, Vice Chairman and President	Incumbent	425.34	No
Guo Xin	Male	55	Director	Incumbent	3.52	Yes
You Guanghui	Male	55	Director	Incumbent	116.34	Yes
Xie Yunshan	Male	51	Director	Incumbent	3.52	Yes
Shangguan Changchuan	Male	59	Director	Incumbent	113.34	Yes
Li Ke	Male	32	Director	Incumbent	0	Yes
Yang Fan	Female	50	Employee director	Incumbent	18.49	No
Liu Guo'en	Male	69	Independent director	Incumbent	25.71	No
Na Chaohong	Male	48	Independent director	Incumbent	4.29	No
Hu Mingxing	Male	50	Independent director	Incumbent	4.29	No
Cao Yangfeng	Male	52	Independent director	Incumbent	4.29	No
Li Shengli	Male	53	Senior vice president	Incumbent	364	No
He Tao	Male	50	Senior vice president	Incumbent	184	No
Shen Shi	Male	45	Senior vice president	Incumbent	184	No
Ma Jia	Male	49	CFO	Incumbent	184	No
Qian Yinghui	Male	42	Board Secretary	Incumbent	112.09	No
Dai Yang	Male	57	Former Independent Director	Resigned	21.43	No
Zhang Yongliang	Male	58	Former Independent Director	Resigned	21.43	No
He Yong	Male	56	Former Independent Director	Resigned	21.43	No
Li Hongshen	Male	47	Former director	Resigned	0	Yes
Zhu Zhaoyun	Female	72	TCM Strategic Scientist	Resigned	180.97	No
Zhang Ning	Male	55	Chief Scientist	Resigned	360.91	No
Qin Wanmin	Male	62	Former Chief Innovation Officer, Senior Vice President, President of Health Products BG	Resigned	0	No
Yang Yong	Male	62	Former Chief Compliance Officer, Former Senior Vice President	Resigned	30.31	No
Li Jin	Male	61	Chief Quality and Process Officer	Resigned	113.69	No
Total	--	--	--	--	2,497.39	--

Note: In accordance with the Shenzhen Stock Exchange's guidelines for preparing annual reports, the disclosure of annual compensation amounts refers to the annual cash compensation attributable to the current reporting period on an accrual basis. During the reporting period, the total pre-tax compensation received by directors and senior management from the Company consisted of base

pay for fiscal year 2025, including base salary, position allowances, and other subsidies. In accordance with the Company's relevant policies, the 2025 short-term incentive allocation plan will be implemented after the annual report is disclosed, the annual performance evaluation is completed, and the necessary procedures are fulfilled.

Basis for evaluating the actual compensation received by all directors and senior management at the end of the reporting period	In accordance with the relevant provisions of the <i>Management Measures for the Compensation and Performance Evaluation of Key Personnel, Including Directors and Supervisors</i> , the <i>Management Measures for the Allowances of Independent Directors of Yunnan Baiyao Group Co., Ltd.</i> , and the <i>Management Measures for the Compensation and Performance Evaluation of Senior Management</i> , short-term incentives are directly linked to annual operating performance and the achievement of individual annual target responsibility agreements.
Status of performance evaluation for all directors and senior management regarding actual compensation received as at the end of the reporting period	In accordance with the Company's performance evaluation policies and taking into account its operating conditions, the annual performance evaluation will be completed in accordance with the annual evaluation plan following the disclosure of the annual report.
Deferred payment arrangements for the actual compensation received by all directors and senior management at the end of the reporting period	In accordance with the <i>Compensation Management System for Directors and Senior Management of Yunnan Baiyao Group Co., Ltd.</i> , the Company has established a deferred compensation mechanism for performance-based pay. The specific deferral percentage and period are determined by the Board's Remuneration and Appraisal Committee and implemented after approval by the relevant decision-making bodies.
Status of the suspension and recourse for actual compensation received by all directors and senior management as at the end of the reporting period	In accordance with the provisions of Chapter 5 of the <i>Compensation Management System for Directors and Senior Management of Yunnan Baiyao Group Co., Ltd.</i> , the Company has established a mechanism for the suspension and recourse of compensation.

Other explanations

Applicable Not applicable

## V. Duty Performance of Directors during the Reporting Period

### 1. Directors' Attendance at Board Meetings and Shareholders' Meetings

Directors' Attendance at Board Meetings and Shareholders' Meetings							
Name of director	Number of Board meetings that should be attended during the Reporting Period	Number of Board meetings attended on site	Number of Board meetings attended via teleconference	Number of Board meetings attended by proxy	Number of Board meetings missed	Failed to attend two consecutive Board meetings in person?	Number of shareholders' meetings attended
Zhang Wenxue	9	4	5	0	0	No	3
Dong Ming	9	4	5	0	0	No	3
Guo Xin	9	4	5	0	0	No	3
You Guanghui	9	4	5	0	0	No	3
Xie Yunshan	9	4	5	0	0	No	3
Shangguan Changchuan	9	4	5	0	0	No	3
Li Ke	2	1	1	0	0	No	1

Liu Guo'en	9	3	6	0	0	No	3
Na Chaozhong	2	1	1	0	0	No	1
Hu Mingxing	2	1	1	0	0	No	1
Cao Yangfeng	2	1	1	0	0	No	1
Yang Fan	1	0	1	0	0	No	1
Li Hongshen	7	2	5	0	0	No	2
Dai Yang	7	2	5	0	0	No	2
Zhang Yongliang	7	1	6	0	0	No	2
He Yong	7	2	5	0	0	No	2

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

## 2. Objections raised by directors to relevant matters of the Company

Did directors object to relevant matters of the Company?

Yes  No

During the reporting period, the directors raised no objections to any matters concerning the Company.

## 3. Other circumstances in the performance of duties by directors

Was advice to the Company from directors adopted?

Yes  No

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

During the reporting period, in strict accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies*, the *Several Provisions on Strengthening the Protection of the Rights and Interests of Shareholders of Public Shares* and other laws, regulations and normative documents, as well as the *Articles of Association*, the *Rules of Procedure for the Board of Directors* and other relevant requirements, all the members of the 10th Board of Directors of the Company, honoring the principles of integrity, faithfulness and diligence, and abiding by the code of conduct for the performance of duties as a director, attended the Board meetings and the general meetings of shareholders in earnest, actively understanding the operation of the Company and fully expressing our opinions, and carefully, independently and objectively considering 45 motions, including the revision of the Company's corporate governance documents, organizational structure, related party transactions, and misappropriation of funds. They carefully understood the contents for consideration during the Board meetings and expressed corresponding opinions and suggestions, which have played a positive role in promoting the Board of Directors to make strategic decisions that are more in line with the development of the Company and more scientific and reasonable, and have effectively safeguarded the legitimate rights and interests of the Company and all the shareholders, in particular the minority shareholders. All members of the 11th Board of Directors conducted

a thorough, independent, and objective review of five resolutions, including the election of the Company's Chairman and Vice Chairman, the election of members to specialized committees, related-party transactions, and investment and wealth management. During the Board meeting, they carefully examined the matters under review and offered corresponding opinions and recommendations. Their efforts played a positive role in enabling the Board of Directors to make strategic decisions that are more aligned with the Company's development and more scientifically sound and reasonable, thereby effectively safeguarding the legitimate rights and interests of the Company and all shareholders, particularly minority shareholders.

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

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	March 28, 2025	(I) The first meeting of Strategy Committee of the Tenth Board of Directors for 2025 1. Proposal on the Authorized Decision-Making Plan of the Board in 2025 2. Proposal on Formulation of <i>Market Value Management System of Yunnan Baiyao</i> 3. Proposal on Establishing a Wholly-Owned Subsidiary 4. Proposal on the TCM Industrial and Cultural Park Project of Yunnan Baiyao Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	June 25, 2025	(II) The second meeting of Strategy Committee of the Tenth Board of Directors for 2025 1. Proposal on the Construction Project for the Decoction Pieces Production Center in the Qidian Industrial Zone 2. Proposal on Adjusting the Product Mix Within the Investment and Wealth Management Budget of the Company for 2025 Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	August 15, 2025	(III) The third meeting of Strategy Committee of the Tenth Board of Directors for 2025 1. Proposal on Capital Increases for Pu'er Liangbao Biotechnology Co., Ltd and Pu'er Liangpin Yikang Pharmaceutical Co., Ltd. 2. Proposal on the Wholly-Owned Acquisition of Anguo Juyatong Pharmaceutical Co., Ltd. Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Hongshen, Liu Guo'en	6	August 27, 2025	(IV) The fourth meeting of Strategy Committee of the Tenth Board of Directors for 2025 1. Proposal on the Second Phase of the Public-Private Partnership Project at the Lijiang Eco-Technology Industrial Park (Phase II) and the Supporting Project for the Relocation of Lijiang Company's Food and Health Products Operations Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Ke, Hu Mingxing	6	November 10, 2025	(V) The first meeting of Strategy Committee of the Eleventh Board of Directors for 2025 1. Proposal on the Election of the Chairperson of the Strategy Committee of the eleventh Board of Directors Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Strategy Committee	Zhang Wenxue, Dong Ming, Guo Xin, You Guanghui, Li Ke, Hu Mingxing	6	December 29, 2025	(VI) The second meeting of Strategy Committee of the Eleventh Board of Directors for 2025 1. Proposal on Utilizing Self-owned Idle Funds for Investment and Wealth Management in 2026 Result: 6 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Dai Yang, Zhang Wenxue, Zhang Yongliang	3	October 23, 2025	(I) The first meeting of Nomination Committee of the Tenth Board of Directors for 2025 1. Proposal on the Election of Non-Independent Directors to the Eleventh Board of Directors 2. Proposal on the Election of Independent Directors to the Eleventh Board of Directors Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Liu Guoen, Zhang Wenxue, Xie Yunsan, Na Chaohong, Hu Mingxing	3	November 10, 2025	(II) The first meeting of Nomination Committee of the Eleventh Board of Directors for 2025 1. Proposal on the Election of the Chairperson of the Nomination Committee of the eleventh Board of Directors Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Nomination Committee	Liu Guoen, Zhang Wenxue, Xie Yunsan, Na Chaohong, Hu Mingxing	3	December 26, 2025	(II) The second meeting of Nomination Committee of the Eleventh Board of Directors for 2025 1. Proposal on Appointment of Senior Management Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Shangguan Changchuan	3	March 28, 2025	(I) The first meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2025 1. Proposals on 2024 Short-term Incentive and Provision for Incentive Fund 2. Proposal on Confirming the 2024 Compensation Packages for Directors and Supervisors of Yunnan Baiyao Group Co., Ltd. 3. Proposal on Confirming the 2024 Compensation Packages for Senior Management of Yunnan Baiyao Group Co., Ltd. Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Zhang Yongliang, Dai Yang, Shangguan Changchuan	3	July 25, 2025	(II) The second meeting of Remuneration and Appraisal Committee of the Tenth Board of Directors for 2025 1. Proposal on the Implementation of Short-Term Incentive Distribution for Directors, Supervisors in 2024 2. Proposal on the Implementation of Short-Term Incentive Distribution for Senior Management in 2024 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Remuneration and Appraisal Committee	Cao Yangfeng, Guo Xin, Shangguan Changchuan, Liu Guoen, Hu Mingxing	3	November 10, 2025	(III) The first meeting of Remuneration and Appraisal Committee of the Eleventh Board of Directors for 2025 1. Proposal on the Election of the Chairperson of the Remuneration and Appraisal Committee of the Eleventh Board of Directors Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	March 14, 2025	(I) The first meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Summary of the 2024 Internal Audit Work and 2025 Internal Audit Work Plan of the Company 2. Preliminary audit opinion on the 2024 annual report issued by a certified public accountant Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	March 28, 2025	(II) The second meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Proposal on 2024 Annual Report and its summary 2. Proposal on Annual Final Account Report for 2024 3. Proposal on the special audit report of the accounting firm on the summary of the non-operational funds occupied by the related parties and the transactions of other related funds 4. Proposal on 2024 Profit Distribution Plan 5. Proposal on Estimation of the Daily Related Party Transactions in 2025 6. Proposal on Report on the Company's Financial Budget for 2025 7. Proposal on Self-Evaluation Report on the Company's Internal Control for 2024 8. Proposal on paying the audit fees (including internal control audit) of Mazars Certified Public Accountants LLP in 2024 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	April 25, 2025	(III) The third meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Proposal on the Report of the First Quarter in 2025 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	July 11, 2025	(IV) The fourth meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Implementation Plan for the Selection of an Audit Firm for the Annual Report of Yunnan Baiyao Group Co., Ltd. Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	August 8, 2025	(V) The fifth meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Proposal on Changing the Company's Audit Firm for Fiscal Year 2025 (Including Internal Control Audit) Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	August 26, 2025	(VI) The sixth meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Proposal on 2025 Interim Report and its summary 2. Proposal on the 2025 Special Dividend Plan Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	He Yong, Xie Yunshan, Zhang Yongliang	10	October 29, 2025	(VII) The seventh meeting of Audit Committee of the Tenth Board of Directors for 2025 1. Proposal on the Report of the Third Quarter in 2025 Result: 3 voted in favor, 0 voted against, 0 abstained	None	None	None

Name of Committee	Members	Number of Meetings	Date of convention	Agenda of meeting	Important opinions and recommendations proposed	Other circumstances in the performance of duties	Particulars of objections (if any)
Audit Committee	Na Chaohong, You Guanghui, Xie Yunsan, Liu Guo'en, Cao Yangfeng	10	November 10, 2025	(VIII) The first meeting of Audit Committee of the Eleventh Board of Directors for 2025 1. Proposal on the Election of the Chairperson of the Audit Committee of the Eleventh Board of Directors Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	Na Chaohong, You Guanghui, Xie Yunsan, Liu Guo'en, Cao Yangfeng	10	November 24, 2025	(IX) The second meeting of Audit Committee of the Eleventh Board of Directors for 2025 1. Proposal on the 2025 Annual Report Audit Plan Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None
Audit Committee	Na Chaohong, You Guanghui, Xie Yunsan, Liu Guo'en, Cao Yangfeng	10	December 29, 2025	(X) The third meeting of Audit Committee of the Eleventh Board of Directors for 2025 1. Proposal on Estimation of the Daily Related Party Transactions in 2026 Result: 5 voted in favor, 0 voted against, 0 abstained	None	None	None

## VII. Work of the Audit Committee

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

Yes  No

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

## VIII. Employees of the Company

### 1. Number of employees, professional composition, and education

Number of in-service employees of the parent company at the end of the reporting period (person)	4,306
Number of in-service employees of major subsidiaries at the end of the reporting period (person)	4,980
Total number of in-service employees at the end of the reporting period (person)	9,286
Total number of salaried employees in the current period (person)	9,286
Number of retired pensioners whose expenses shall be borne by the parent company and its main subsidiaries (person)	1,979
<b>Professional Composition</b>	
Category of Professional Composition	Number of Professional Composition (Person)
Production staff	1,640
Sales staff	5,467
Technical staff	1,351
Financial staff	271
Administrative staff	557
Total	9,286
<b>Education</b>	
Category of Education	Number (person)
Doctor	60
Master	706
Undergraduate	4,647
College	2,906
Technical secondary school and below	967
Total	9,286

### 2. Remuneration policy

During the reporting period, in line with its overall development strategy, the Company continued to deepen its management philosophy of positive incentives and shared creation and benefits. It continuously refined its incentive system which combines value-oriented medium- and long-term incentives with short-term incentives to promote shared interests, shared risk-bearing, and aligned development goals among employees and the Company. This effectively consolidated the collective momentum for development, continuously enhanced organizational

effectiveness, and strengthened the stability and innovative vitality of the core talent pool, thereby providing a solid talent foundation and endogenous driving force for the Company's business innovation and high-quality sustainable development.

In terms of HR management, the Company adhered to the principle of maximizing the value of human capital, strengthened the management and control of labor cost efficiency, continuously optimized human resources budgeting and staffing mechanisms, and promoted the targeted allocation of human capital to core businesses, key technologies, and high-value areas, thereby comprehensively enhancing the efficiency of human resources allocation and the return on investment. Focusing on improving quality and enhancing efficiency, the Company refined a compensation system that links performance to value contribution, encouraged employees to actively participate in sharing in the Company's success, and strengthened cross-departmental collaboration and team execution, in order to achieve mutual empowerment through both the Company's sustainable development and employees' personal growth.

The Company strictly complied with all relevant labor laws and regulations, placing equal emphasis on legal compliance and employee welfare, and continuously improving its system for protecting employee rights and providing benefits. During the reporting period, the Company strictly complied with relevant national and local regulations by making full contributions on behalf of all employees for basic pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund. It also continued to implement its corporate pension plan in a standardized manner, thereby effectively safeguarding the legitimate rights and interests of its employees. At the same time, the Company continued to optimize employee benefits, further expanding the coverage of supplemental commercial insurance to enhance employees' ability to mitigate accident risks and improve their health protection. These efforts aim to strengthen employees' sense of job security and belonging, actively fulfill corporate social responsibilities, and demonstrate the Company's commitment to caring for its employees and taking on social responsibilities.

### **3. Training program**

Yunnan Baiyao adheres to the concept of "People-first, Talent-integrated" and mainly keeps training talents internally, and introduces external talents as a supplement, committed to building a diverse knowledge system and a team of multidisciplinary professionals. During the reporting period, the Company closely adhered to its "2+3"

two-step development strategy and the “1346” overall approach to Party building. Guided by the goal of establishing a strategic HR management system, the Company continued to upgrade its talent development framework and enhance organizational capabilities, thereby providing a solid talent foundation for the implementation of its strategies. First, in terms of system design, the Company adhered to a dual-drive approach of “political guidance and professional empowerment.” Taking Yunnan Baiyao Party School as its core platform to strengthen political education and the Baiyao Academy as its practical platform to focus on professional development, the Company integrated training programs across leadership, professional, and skills series. By developing a scientifically designed talent strategy and establishing a comprehensive talent development system, we conducted dynamic assessments based on competency models, job qualifications, and talent evaluations, focusing on identifying and developing key talent to build a team of ambitious and capable managers and a well-structured talent pipeline. Second, in terms of project implementation, the Company focused on “people” and “expertise,” aligning efforts across all levels of the organization from top to bottom, side to side, and short-term to long-term to provide customized training programs. For management personnel, we continued to deepen tiered leadership development programs and leverage high-level platforms to enhance strategic vision and transformational leadership; for technical professionals, we implemented targeted training tailored to specific professional groups, such as R&D, manufacturing, supply chain, marketing, and finance, to help them refine their professional skills; and for skilled workers, we launched specialized training camps and modern apprenticeship programs to strengthen their foundational skills on the front lines. At the same time, the Company closely integrated classroom learning with hands-on project experience, using major breakthrough programs and real-world projects as platforms to shift training from “knowledge acquisition” to “competency certification,” thereby enhancing managers’ ability to tackle complex issues and drive organizational change. Third, regarding the development of talent pipelines, the Company, based on the criteria for exemplary cadres, integrity, competence, diligence, performance, and probity, established a closed-loop management system for reserve cadres that includes selection, cultivation, management, and deployment. We implemented talent development and assessment programs for reserve cadres, fostering a deep and robust talent pool through strict admission and exit standards, thereby accelerating the growth of young cadres. By intensifying job rotation and exchange programs, we fostered the growth of outstanding young cadres through challenging and critical assignments, continuously optimized the structure of our workforce and enhance its quality, and built a reserve of key talent to support the Group’s high-quality development. Fourth, regarding the

establishment of long-term mechanisms, the Company adhered to the principle of “putting hardworking individuals first,” building a scientific, standardized, and effective talent development system. We reinforced a management approach characterized by “ambitious goals, strong incentives, and strict accountability” and established a clear personnel selection philosophy that prioritizes “integrity, performance, responsibility, and public consensus,” thereby fostering a thriving ecosystem for entrepreneurship and innovation. Through a comprehensive and targeted talent support system and the cultivation of a strong corporate culture, we aimed to energize our internal workforce, strengthen our confidence in growth, and foster a mutually beneficial relationship between employees and the Company.

#### 4. Labor outsourcing

Applicable      Not applicable

Total man-hours of outsourced labor (hour)	2,462,144
Total compensation paid for labor outsourcing (RMB)	59,614,635.32

Note: This outsourcing involves staffing rather than business operations; and the outsourced workforce is relatively stable, with 1,241 employees on the payroll as at the end of 2025.

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

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

Applicable      Not applicable

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

The Company’s annual equity distribution plan for 2024 is as follows: Based on the total share capital of the Company of 1,784,262,603 shares as at the end of 2024, a cash dividend of RMB 11.85 (tax inclusive) for every 10 shares would be paid to all shareholders, 0 bonus shares (tax inclusive) would be distributed, and no share capital

would be converted from capital reserve. The Company completed the distribution of its 2024 special dividend in November 2024, paying a cash dividend of RMB 12.13 (tax inclusive) per 10 shares, for a total cash dividend amount of RMB 2,164,310,537.44 (tax inclusive). When combined with the special dividend already distributed in 2024, the proposed cash dividend will be calculated based on the Company's total issued share capital of 1,784,262,603 shares as at the end of 2024, resulting in a cumulative cash distribution of RMB 23.98 (tax inclusive) per 10 shares for 2024. The total cumulative cash dividend amounts to RMB 4,278,661,722.00 (tax inclusive), representing 90.09% of the Company's net profit attributable to shareholders of the listed company for 2024.

The Company's special dividend plan for 2025 is as follows: Based on a total of 1,784,262,603 shares, a cash dividend of RMB 10.19 (tax inclusive) for every 10 shares will be paid to all shareholders, 0 bonus shares (tax inclusive) will be distributed, and no share capital will be converted from capital reserve. In accordance with the distribution proportion of this plan, the total amount of distribution was finally determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan was implemented in the future. The remaining undistributed profits were reserved for distribution in subsequent years. On September 24, 2025, the Company completed the implementation of special dividend distribution for 2025, with a total cash dividend of RMB 1,818,163,592.46 distributed.

Special Description of Cash Dividend Policy	
Whether it complies with the provisions of the Articles of Association or the requirements of resolutions of shareholders' meeting:	Yes
Whether the standards and ratios for dividend distribution are clearly defined:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors perform their duties and play their due role:	Yes
If the Company does not pay cash dividends, it shall disclose the specific reasons and the next steps to be taken to enhance the return of investors:	Yes
Whether minority shareholders have sufficient opportunities to express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
Whether the conditions and procedures for adjusting or changing the cash dividend policies are compliant and transparent:	Yes

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

Applicable      Not applicable

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

Applicable      Not applicable

Number of bonus shares for every 10 shares (share)	0
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Amount of dividend for every 10 shares (RMB) dividend plan for 2025 is as follows: Based on a total of 1,784,262,603 shares, a cash dividend of (tax inclusive)	15.83
Base of share capital of the distribution plan (share)	1,784,262,603
Cash dividend amount (RMB) dividend plan for 2025 is as follows: Based on a total of 1,784,262,603 shares, a cash dividend of (tax inclusive)	2,824,487,700.55
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	0.00
Total cash dividend (including other methods) (RMB)	2,824,487,700.55
Distributable profits (RMB)	3,154,933,345.92
Proportion of total cash dividends (including other methods) to total profit distribution	100%
<b>This Cash Dividend</b>	
If the Company is in the mature phase and there is no significant capital expenditure arrangement, the cash dividend shall account for at least 80% of the profit distribution when profit distribution is made.	
<b>Details of Plan on Profit Distribution and Conversion of Capital Reserve into Share Capital</b>	
<p>The profit distribution plan of the Company considered and approved by the Board of Directors is as follows: Based on the total share capital of the Company of 1,784,262,603 shares as at the end of 2025, the Company proposes to distribute cash dividends of RMB 15.83 per 10 shares (tax inclusive) to all shareholders, with no bonus shares issued and no capital reserve to increase the share capital. At the same time, the Company completed the distribution of the 2025 special dividend profits in September 2025, distributing cash of RMB 10.19 per 10 shares (tax inclusive), with total cash dividends amounting to RMB 1,818,163,592.46 (tax inclusive). When combined with the special dividend already distributed in 2025, the proposed cash dividend will be calculated based on the Company's total issued share capital of 1,784,262,603 shares as at the end of 2025, resulting in a cumulative cash distribution of RMB 26.02 (tax inclusive) per 10 shares for 2025. The total cumulative cash dividend amounts to RMB 4,642,651,293.01 (tax inclusive), representing 90.09% of the Company's net profit attributable to shareholders of the listed company for 2025.</p>	

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

Applicable Not applicable

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

## **XI. Establishment and Implementation of Internal Control System during the Reporting Period**

### **1. Establishment and implementation of internal control**

The Company, in accordance with the *Company Law*, the *Basic Standard for Enterprise Internal Control* and its related guidelines and other related laws and regulations, and by reference to the industry characteristics and the

practice of the Company, has continuously improved its internal control system and promoted risk management of key business areas to improve its overall risk defense capability.

In 2025, the Company had an improved internal control system, which had been effectively implemented and helped the Company disclose information timely and accurately and prepare financial reports truly and reliably, ensuring the legal and compliant operation of the Company and the safety and integrity of assets, achieving the expected objectives of internal control and safeguarding the interests of the Company and all shareholders.

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

Yes  No

## XII. Management Control of Subsidiaries during the Reporting Period

Company name	Integration plan	Integration progress	Problems encountered in integration	Solutions taken	Solution progress	Follow-up resolution plan
Anguo Juyaotang Pharmaceutical Co., Ltd.	Yunnan Baiyao's wholly-owned subsidiary, Yunnan Baiyao Group TCM Resources Co., Ltd ("TCM Resources Company"), will acquire 100% of the equity in Juyaotang through a cash transaction. The total consideration for the equity transfer is RMB 660 million. Upon completion of the transaction, TCM Resources Company will hold 100% of the equity in Juyaotang.	The change in ownership of Juyaotang has been completed, and it has become a wholly-owned subsidiary of Yunnan Baiyao.	None	None	None	None

Abnormalities in management and control of subsidiaries

Yes  No

## XIII. Internal Control Evaluation Report or Internal Control Audit Report

### 1. Internal Control Evaluation Report

Full-text disclosure date of Internal Control Evaluation Report	April 1, 2026
Full-text disclosure index of Internal Control Evaluation Report	<a href="http://www.cninfo.com.cn/new/index">http://www.cninfo.com.cn/new/index</a>
Total assets of units included in the evaluation scope as a percentage of total assets of the Company's consolidated financial statements	97.71%
Operating income of units included in the scope of evaluation as a percentage	98.88%

of operating income of the Company's consolidated financial statements		
<b>Defect Identification Criteria</b>		
Category	Financial Report	Non-Financial Report
Qualitative Criteria	<p>1. Major defects: Frauds among directors, supervisors, and senior managers of the Company are discovered; Significant internal control deficiencies identified and reported to management are not corrected after a reasonable time; Control environment is ineffective; The oversight of internal controls by Audit Committee and internal audit bodies is ineffective; There are defects affecting earnings trends; Material misstatements detected by external audit are not first detected by the Company; The Company corrects published financial statements.</p> <p>2. Important defects: Accounting policies fail to be selected and applied by GAAP; Controls or compensatory measures for non-conventional or special transaction accounting treatment fail to be established or implemented.</p> <p>3. General defects: Defects other than major defects and important defects are classified as general defects.</p>	<p>1. Major defects: Those defects that have been formally disclosed and have a negative impact on the Company's periodic reporting disclosure; and have violated national laws and regulations, causing heavy losses to the Company.</p> <p>2. Important defects: Those defects that are punished by national government authorities but have not had a negative impact on the Company's periodic report disclosures.</p> <p>3. General defects: Those defects are punished by provincial (including provincial) and below government departments but do not have a negative impact on the disclosure of the Company's periodic reports.</p>
Quantitative Criteria	<p>Internal control defects with financial misstatement amount less than 3% of total profit shall be identified as general defects; Internal control defects with an absolute amount greater than or equal to 3% but less than 5% of total profit shall be identified as important defects; Internal control defects with an absolute amount greater than or equal to 5% of total profit shall be identified as major defects.</p>	<p>By reference to the identification criteria for internal control defects in financial reports, internal control defects that may cause direct property losses with an absolute amount less than 3% of total profits are identified as general defects; Internal control defects with an absolute amount greater than or equal to 3% but less than 5% of total profit shall be identified as important defects; Internal control defects with an absolute amount greater than or equal to 5% of total profit shall be identified as major defects.</p>
Number of Major Defects in Financial Reports (Item)		0
Number of Major Defects in Non-Financial Reports (Item)		0
Number of Important Defects in Financial Reports (Item)		0
Number of Important Defects in Non-Financial Reports (Item)		0

## 2. Internal Control Audit Report

Applicable      Not applicable

Considerations about Internal Control Audit Report

The Company has maintained effective internal controls over financial reporting in all material respects in accordance with the requirements of the internal control framework and relevant regulations.	
Disclosure of Internal Control Audit Report	Disclosed
Full-text disclosure date of Internal Control Audit Report	April 1, 2026
Full-text disclosure index of Internal Control Audit Report	<a href="http://www.cninfo.com.cn/new/index">http://www.cninfo.com.cn/new/index</a>
Opinion type of Internal Control Audit Report	Unqualified opinion
Whether there are major defects in non-financial reports	No

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

Yes  No

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

Yes  No

Was a non-standard audit opinion on internal controls issued for the reporting period or the prior year?

Yes  No

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

Not applicable.

#### XV. Environmental Information Disclosure

Are the listed company and its major subsidiaries included in the list of companies required to disclose environmental information in accordance with the law?

Yes  No

Number of companies included in the list of enterprises required to disclose environmental information in accordance with the law (number of companies)		4
No.	Enterprise name	Index for Querying Reports on the Disclosure of Environmental Information in Accordance with the Law
1	Yunnan Baiyao Group Co., Ltd.	<a href="http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=a0f410dc-2d86-4b05-bcb2-6c087ea96410&amp;XH=1676796182864043921408&amp;year=2025">http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=a0f410dc-2d86-4b05-bcb2-6c087ea96410&amp;XH=1676796182864043921408&amp;year=2025</a>
2	Yunnan Baiyao Group TCM Resources Co., Ltd.	<a href="http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=b18de973-4492-4d18-9e83-69981a37ac71&amp;XH=1676796185788043921408&amp;year=2025">http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=b18de973-4492-4d18-9e83-69981a37ac71&amp;XH=1676796185788043921408&amp;year=2025</a>
3	Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	<a href="http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=4b16aa84-7e69-418f-a8b9-8ce6e4d8bf56&amp;XH=1676796204034043921408&amp;year=2025">http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=4b16aa84-7e69-418f-a8b9-8ce6e4d8bf56&amp;XH=1676796204034043921408&amp;year=2025</a>
4	Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	<a href="http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=31de9536-0920-46ec-9d52-1dfbac1dde08&amp;XH=1682673698668045334528&amp;year=2025">http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=31de9536-0920-46ec-9d52-1dfbac1dde08&amp;XH=1682673698668045334528&amp;year=2025</a>

#### XVI. Social Responsibility

For details, please refer to the *2025 Sustainability Report* disclosed by the Company on the same day at [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **XVII. Consolidated and Expanded Achievements in Poverty Alleviation and Rural Revitalization**

In 2025, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Yunnan Baiyao Group thoroughly implemented the spirit of the *Opinions of the Central Committee of the Communist Party of China and the State Council on Further Deepening Rural Reform and Steadily Advancing Comprehensive Rural Revitalization* as well as the policy decisions and arrangements of the Central Committee, the State Council, the Provincial Party Committee, and the Provincial Government regarding rural revitalization. The Group earnestly carried out the requirements outlined in the *Key Points for Targeted Assistance Work in Yunnan Province in 2025* and, by combining the resource endowments of the assisted villages with the Group's strengths, adhered to a rural revitalization model featuring "organizational leadership + integration of Party building + technical guidance + leading the way to prosperity + talent cultivation + consumption-based assistance." The Group continued to intensify its support for Chazhiluo Village and Xinle Village in Pantiang Township, Weixi County, Diqing Prefecture, while constantly exploring and innovating measures and focusing efforts precisely, resulting in positive progress across all areas of work.

**First, we strengthened organizational leadership.** In 2025, the Party Committee of Yunnan Baiyao Group attached great importance to this work, continuously strengthening organizational leadership. We treated designated assistance as a major political task and social responsibility with utmost priority. We coordinated the planning of targeted poverty alleviation efforts, focused on strengthening the village-based work teams, improved management mechanisms, ensured adequate resource allocation, and advanced the assistance work with precision. During the year, the Party Committee of the Group held two meetings to discuss and deploy rural revitalization efforts, hear reports on the progress of these initiatives, stay abreast of developments and identify challenges, and explore solutions. This year, Zhang Wenxue, the Party Secretary and Chairman of the Group, and the Deputy Party Secretary led separate delegations to Weixi County to conduct research and provide guidance on targeted poverty alleviation efforts. They inspected the construction of the GAP-certified base as well as the harvesting and processing of fresh woody clove in Chazhiluo Village and Xinle Village. They also made arrangements for the assistance work and outlined the direction and requirements for the next phase of efforts. A delegation led by the head of the Procurement Department of the Group's TCM Resources Business Group and comprising senior technical and procurement experts traveled to Weixi County to hold discussions with the county's top leaders and key officials from the Rural

Revitalization Bureau. The delegation conducted an on-site inspection of the Weixi County TCM Industrial Park and the interplanting of *Aucklandiae Radix* trees at the cultivation bases in the two assisted villages, and coordinated with farmers in those villages regarding the procurement of *Aucklandiae Radix*.

**Second, we reinforced organizational support.** We continued to ensure precise selection and strengthen the teams stationed in villages. We selected and deployed a core group of personnel with strong political integrity and expertise in relevant fields (pharmacy, Party affairs, and crop cultivation and processing) to serve in the villages on a rotational basis. A total of six village-based work team members have been assigned, including two who serve as First Secretaries. This approach aligns the “needs of the village” with the “capabilities of the enterprise,” and implements a “3-3 system” team configuration with three work team members assigned to each village. We aim to combine strict management with genuine care. On the one hand, leveraging the Company’s OA management system, we have implemented a management mechanism for village-based assistance work that involves “planning at the beginning of the month, evaluation at the end of the month, and monthly summary reports.” We link evaluation results to performance-based compensation, awards, and career development, while ensuring that the spirit of the Central Committee’s Eight-Point Decision is upheld throughout the process. By establishing mechanisms such as family members’ support for integrity and public oversight, we have strengthened our integrity defense and created a closed-loop management system. On the other hand, in strict accordance with the *Detailed Rules for the Management of Expenditures for the Rural Revitalization Work Team of Yunnan Baiyao Group Stationed in Weixi County*, a full allocation of RMB 120,000 was made for the team’s operational expenses to ensure adequate compensation for team members. The labor union organized care and welfare activities for the team to encourage them to devote themselves fully to their work on the front lines. In 2025, the village-based work team fulfilled its duties conscientiously and carried out its work in strict accordance with relevant policy requirements and company regulations. Neither the team nor its members received any public censure or disciplinary action from the state, prefecture, or county authorities for dereliction of duty.

**Third, we continuously consolidated and expanded the achievements in poverty alleviation.** We treated the consolidation and expansion of poverty alleviation achievements as a major political task, strictly implemented the “four no-removal” requirements, and vigorously advanced dynamic monitoring and assistance efforts to prevent relapse into poverty. We have helped six households comprising 24 individuals to permanently eliminate poverty risks, identified six households with 22 individuals at risk of relapsing into poverty due to illness, education

expenses, or accidents, and promptly included them in monitoring and assistance programs, thereby resolutely upholding the bottom line of preventing large-scale relapse into poverty. We vigorously promoted development-oriented assistance, focused on strengthening the local industry, and actively promoted the intercropping of corn and *Aucklandiae Radix* in the designated assistance villages. We established an industrial development fund and provided incentives to farmers, thereby encouraging 96 households that had previously been living in poverty and were under monitoring, as well as 44 general households, to participate in the *Aquilaria* cultivation industry. We organized a procurement delegation to travel deep into Weixi to conduct contract-based purchasing, buying and selling local specialty agricultural products, and helping local medicinal herbs make the transition from the “fields” to the market. In collaboration with Weixi County, we drafted the *Three-Year Action Plan for the High-Quality Development of Traditional Chinese Medicinal Materials in Weixi County (2025–2027)* and promoted demonstration techniques for intercropping “grain and medicinal materials” in multiple villages that had recently been lifted out of poverty, driving a steady expansion of the county’s medicinal materials cultivation area to 107,000 mu, with an estimated output value of RMB 660 million, and providing solid support for the sustainable development of Weixi County’s industries.

**Fourth, we are committed to revitalizing talent resources, fortifying the cornerstone of sustainable rural growth.** Yunnan Baiyao has always upheld the belief that “rural revitalization depends on talent, and to foster talent, education must come first.” The Company continued its “Golden Autumn Scholarship” program this year in Pantiang Township, Weixi County, allocating RMB 164,000 in scholarships to support 92 students from across the township who were admitted to undergraduate and vocational programs. From 2015 to 2025, a total of approximately RMB 810,000 was invested in educational assistance funds, helping 528 students from across the township successfully enroll in college and providing a talent pool to support the long-term development of Pantiang Township. At the same time, the Company revised and improved the *Specialized Technical Solution of Yunnan Baiyao for the Cultivation of *Aucklandia costus** and dispatched senior TCM materials experts to the village to provide technical training and guidance. A total of 10 training sessions were conducted, reaching 182 participants, to help farmers improve their cultivation skills. With such measures, we developed and nurtured 10 leading figures to help local farmers increase their income, with a commitment to cultivating talent for the village’s industrial development.

**Fifth, we promoted the development of distinctive industries that enrich the people, strengthening endogenous growth momentum.** Building on Weixi's unique resources, Yunnan Baiyao Group has actively promoted the "grain-medicine" intercropping model with the support of its village-based work teams. Following the pilot planting in 2024, Yunnan Baiyao Group allocated RMB 101,500 in special funds to Chazhiluo Village and Xinle Village in Pantiange Township in 2025. We provided subsidies to farmers in both villages who practiced intercropping corn with *Aucklandiae Radix*, successfully expanding the "Corn-*Aucklandiae Radix* intercropping" base to 507 mu. It is currently the harvesting season for *Aucklandia costus*, and the two villages are expected to generate a total output value of RMB 1.05 million through *Aucklandia costus*. Among them, Li Xiangrong, a leading figure in local economic development, has increased his household income by RMB 80,000 through this model, demonstrating a significant driving effect. At the same time, the demonstration planting of *Bletilla striata* is progressing steadily. With an investment of RMB 16,000 in seedlings and adopting an approach of "Party-building leadership combined with industrial practice," 10 demonstration plots totaling 4 mu have been established, laying the groundwork for future expansion and promotion. In 2025, the Group's TCM Materials Procurement Department took the initiative to go to the front lines, visiting designated assistance villages to investigate the harvesting and processing quality of fresh *Aucklandiae Radix*, plan procurement strategies, and pledge to purchase all *Aucklandiae Radix* produced by farmers in the assisted villages. In addition, we actively collaborated with village-level collective enterprises and cooperatives to help farmers establish market sales channels. This practice has attracted attention from numerous media outlets, including Yunnan SASAC, Diqing News, Shangri-La News, xuexi.cn and Diqing Learning Platform, and has been covered in depth in an article titled *Cazhiluo Village Overcame Challenges and Boosted Income Through the "Three Ones" Initiative*.

**Sixth, we innovated industrial assistance models to broaden income-generating channels for the masses.** The Company actively participated in the "Golden Autumn Campaign for Consumption-Based Poverty Alleviation" and the "Spring Festival Campaign for Consumption-Based Poverty Alleviation." Through the "832 Platform," we purchased a total of 8,862 units of agricultural and sideline products from Weixi County, amounting to RMB 886,200, thereby helping farmers increase their income and contributing to rural revitalization. In addition, Yunnan Baiyao Group fully leveraged its industrial strengths to procure a total of 16,935 kilograms of medicinal herbs including *Gentiana macrophylla* and *Angelica sinensis* through Shangri-La Hezheng Tibetan Medicine Co., Ltd and Diqing Development Zone Sanjiang Bio-Development Co., Ltd, at a total cost of RMB 1.1512 million. This move has

effectively addressed the difficulties local farmers faced in selling their medicinal herbs and opened up new avenues for them to increase their income and improve their livelihoods.

**Seventh, we promoted cultural revitalization in villages and fostered new trends of rural civilization.**

Building on the RMB 300,000 investment made in 2024, an additional RMB 150,000 was allocated in 2025 to design and renovate the exhibition hall at the Peacock Dance Heritage Site in Chazhiluo Village, produce a promotional video for the Lisu Peacock Dance, preserve and commemorate the ancient well, install informational bulletin boards throughout the village, in order to improve the village's appearance, preserve and promote intangible cultural heritage and the unique local ethnic culture, and build a "Beautiful Rural Village" imbued with ethnic cultural characteristics. To mark the 104th anniversary of the founding of the Communist Party of China through events such as "Celebrating July 1st, Grateful to the Party, Welcoming the National Day, and Writing a New Chapter" as well as activities promoting filial piety and respect for the elderly under the theme "Warmth in the Golden Autumn, Love on the Double Ninth Festival," we organized cultural performances and recreational sports for villagers, and held a "Fulfilling the Dream of Visiting the Capital" photography event for seniors aged 60 and above, presenting them with commemorative prints to enrich rural spiritual and cultural life. An investment of RMB 10,000 was made in Xinle Village to implement a "points-based system" for management, with the aim of encouraging villagers to voluntarily comply with village regulations and actively participate in public affairs, thereby promoting a civilized village atmosphere and fostering harmony and stability.

**Eighth, we put health concepts into practice, enhancing people's sense of health and well-being.**

Leveraging the strengths of Baiyao, we organized and implemented the "Healthy Villages Tour" volunteer activity, distributing daily care products such as toothpaste and shampoo to households that have been lifted out of poverty, while also promoting health education to help villagers develop a greater awareness of health and wellness. In 2025, we organized three "Healthy Village Tour" events, serving more than 100 people, and providing health and daily necessities worth over RMB 80,000. We purchased long-term medications for villagers to address practical issues such as difficulty in obtaining medicine and transportation costs exceeding the cost of the medicine itself. We also distributed and applied pain-relieving plasters to elderly residents suffering from rheumatism and joint pain, bringing care directly to their doorsteps.

## Section V Significant Events

### I. Performance of Commitments

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

Applicable    Not applicable

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

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

			<p>The financial independence of the listed company, that is: (1) The listed company continues to maintain its independent financial department and independent financial accounting system; (2) The listed company opens an independent bank account and does not share a bank account with our company or any other enterprises under our control; (3) The listed company is able to make independent financial decisions, without our company's illegal interference with its asset utilization scheduling; (4) The independence of the listed company's financial personnel who will not work part-time or receive remuneration in any other enterprises under our control; (5) The listed company legally pays taxes independently. 4. The institutional independence of the listed company, that is: (1) The listed company continues to maintain a sound corporate governance structure and has an independent and complete organizational structure; (2) The general meeting, Board of Directors, independent directors, Supervisory Committee, general manager, etc. of the listed company independently exercise their powers in accordance with laws, regulations, and the listed company's articles of association; (3) The listed company has an independent and complete organizational structure, without institutional confusion with any other enterprises under our control. 5. The business independence of the listed company, that is: (1) The listed company has the assets, personnel, qualifications, and capabilities to independently carry out business activities, and also has the capabilities to independently and continuously operate in the market; (2) The listed company has minimized related party transactions between our company and any other enterprises under our control and the listed company as much as possible, and fairly carry out necessary and inevitable related party transactions at fair prices in accordance with market-oriented principles, with transaction procedures and information disclosure obligations fulfilled in accordance with relevant laws, regulations, and normative documents. 6. The listed company maintains independence from our company and any other enterprises under our control in any other</p>			
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Commitments made in the acquisition report or equity change report	Yunnan Investment Group	Commitments regarding related party transactions	<p>aspects.</p> <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 Company Law of the People’s Republic of China, the Articles of Association of Yunnan Baiyao Group, the Rules of Procedure for the General Meetings, and the Decision System for Related Party Transactions of the Listed Company when engaging in inevitable related party transactions with the listed company. We are committed to conducting these transactions in a transparent, fair, and equitable manner. This involves adhering to commercial principles such as “fairness, impartiality, and voluntariness.” We will enter into fair and reasonable transaction contracts with the listed company, ensuring that pricing policies are developed based on market fairness, impartiality, and openness. This approach guarantees the fairness of transaction prices. 5. After the completion of this equity transfer, our company and any other enterprises under our control will not illegally occupy the funds and assets of the listed company, and under no circumstances will the listed company be required to provide any form of guarantees to our company or</p>	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress
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			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 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 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.	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made during asset	State-owned Equity Management Company, New Huadu and its	Commitments regarding related party transactions	1. State-owned Equity Management Company has undertaken the previous commitments of SASAC of Yunnan Province: After the completion of this significant asset restructuring,	October 31, 2018	Remain effective during the period of	In progress

restructuring	acting-in-concert parties		<p>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, 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,</p>		holding the shares of Yunnan Baiyao (directly and indirectly)	
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			regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/me. Our company/I warrant(s) the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/I fail(s) to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/I will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	State-owned Equity Management Company, New Huadu	Commitments to maintain the independence of the listed company	After the completion of this merger and overall listing, our company/institution will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents. We will not, by virtue of the identity as a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and any other shareholders. Instead, we will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company/institution. Our company/institution warrants the effective fulfillment of these commitments, and the listed company has the right to supervise the fulfillment of this commitment letter. If our company/institution fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company/institution will compensate for any and all of such direct or indirect losses so caused to the listed company.	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments	Baiyao Holdings, State-	Commitments	If Yunnan Baiyao and its subsidiaries within the scope of its	December 11,	Remain	In progress

made during asset restructuring	owned Equity Management Company, New Huadu	regarding real estate business	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.	2018	effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	
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, State-owned Equity Management Company, New Huadu	Commitments regarding compensatory measures after dilution of immediate returns	<p>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.</p> <p>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.</p> <p>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</p>	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

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

			<p>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 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</p>			
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			<p>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 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.</p>	June 10, 2021	Remain effective	In progress
Commitments made during asset restructuring	State-owned Equity Management Company	Commitments regarding the authenticity, accuracy, and	<p>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,</p>	June 10, 2021	Remain effective	In progress

		completeness of the information provided	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.			
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 exchange, and ensure that the information and documents to be constantly provided	June 10, 2021	Remain effective	In progress

			still meet the requirements of authenticity, accuracy, completeness, and effectiveness. Our company and our acting-in-concert parties undertake and warrant the information provided or disclosed in this significant asset restructuring is authentic, accurate, complete, and effective, without false records, misleading statements, or material omissions, and are willing to bear any and all of the corresponding individual and joint legal liabilities for that.			
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after diluting immediate returns by this restructuring	1. I undertake not to transfer benefits to any other units or individuals without compensations or under unfair conditions, nor to harm any interest of the listed company in any other way. 2. I undertake to restrain my official consumption. 3. I undertake not to use the assets of the listed company to engage in investment or consumption activities unrelated to my duties. 4. I undertake that the compensation system to be formulated by the Board of Directors or Remuneration Committee in the future will be linked to the implementation of compensatory measures taken by the listed company. 5. If the listed company subsequently introduces equity incentive policies, I undertake that the exercise conditions of the listed company's equity incentives to be announced in the future will be linked to the implementation of the compensatory measures taken by the listed company. 6. If, during the period after the date of 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	State-owned Equity Management Company	Commitments to maintain the independence of	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</i>	June 10, 2021	Remain effective	In progress

restructuring		the listed company, reduce and regulate related party transactions, and avoid horizontal competition	<p><i>Independence of the Listed Company, Commitment Letter of SASAC of Yunnan Province on Reducing and Regulating Related Party Transactions, and Commitment Letter of SASAC of Yunnan Province on Avoiding Horizontal Competition.</i> On April 7, 2020, our company issued the <i>Commitment Letter of State-owned Equity Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province</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 by SASAC of Yunnan Province and continuously effective at the time of this equity transfer as set out in the following list. The list includes the foregoing three commitment letters issued by SASAC of Yunnan Province. 2. As of the date of signing this commitment letter, our company has always strictly fulfilled the commitments to maintain the independence of the listed 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	<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, Commitment Letter on Reducing and Regulating Related Party Transactions, and 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</p>	June 10, 2021	Remain effective	In progress

		<p>competition</p> <p>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 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</p>			
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			company and our acting-in-concert parties fail to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company and our acting-in-concert parties will compensate for any and all of such direct or indirect losses so caused to the listed company.			
Commitments made during asset restructuring	Listed company	Commitments to reduce and regulate related party transactions	During the period when our company is a related party of Shanghai Pharma, our company and any other companies or enterprises under our control will try the best to avoid and reduce related party transactions with Shanghai Pharma and its subsidiaries. For inevitable related party transactions or those occurring for reasonable reasons, our company undertakes to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based 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 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.	June 10, 2021	Remain effective	In progress
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	May 11, 2021	Thirty-six months from the end of the issuance of new shares by Shanghai	Completed

			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.		Pharma	
Whether the commitments are fulfilled as scheduled	Yes					
If any commitment is not fully fulfilled as scheduled, specific cause and action plan should be provided in detail					Not applicable	

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

Applicable Not applicable

**3. Performance commitments that the Company is involved in**

Applicable Not applicable

Background	Made by	Period	Metric	Amount of commitment (RMB'0,000)	Actual amount (RMB'0,000)	Percentage of completion (%)
Full acquisition of Anguo Juyaotang Pharmaceutical Co., Ltd.	Ma Xinhong, Ma Zhanjiang, Zhang Shuang, Shi Yuexin, and Shi Guang	2025	Operating revenue	62,400	65,472.44	104.92%
Full acquisition of Anguo Juyaotang Pharmaceutical Co., Ltd.	Ma Xinhong, Ma Zhanjiang, Zhang Shuang, Shi Yuexin, and Shi Guang	2025	Net income	6,600	7,987.76	121.03%

Changes in the performance commitments

Applicable Not applicable

Commitments made by the Company's shareholders and counterparties regarding operating performance in the reporting year

Applicable Not applicable

**(1) Period for the performance commitments**

The former shareholders of Juyatong (Ma Xinhong, Ma Zhanjiang, Zhang Shuang, Shi Yuexin, and Shi Guang) agreed to make commitments regarding the audited net income and operating revenue that Juyatong will earn during the period from January 1, 2025 to December 31, 2027 (“Period for the Performance Commitments”), and compensate TCM Resources Company if Juyatong fails to achieve the targeted net income and operating revenue amounts. Juyatong shall cooperate with TCM Resources Company to make sure that the financial audit of Juyatong can be completed by April 30 each year, and determine whether the performance commitments are delivered according to the audit results.

The “net income” refers to the one given in the consolidated financial statements of Juyatong, which excludes the non-recurring gains and losses, as well as the provision for credit and impairment losses and corresponding income tax expenses, as confirmed by an accounting firm designated or approved by TCM Resources Company. It may, however, include government subsidies that don’t exceed RMB 5 million.

**(2) Performance targets**

The targeted net income and operating revenue amounts of Juyatong during the period are as follows:

Year	2025	2026	2027	Total
Targeted net income	RMB 66 M	RMB 59.7 M	RMB 63.9 M	RMB 189.6 M
Targeted operating revenue	RMB 624 M	RMB 616 M	RMB 666 M	RMB 1.906 B

Juyatong shall issue an audit report before April 30 each year to facilitate both parties in determining whether the performance targets are met. If Juyatong fails to meet the performance targets, its current shareholders shall compensate TCM Resources Company as agreed in the *Equity Transfer Agreement* within the deadline set out by the latter. At the end of the period for the performance commitments, if TCM Resources Company confirms that Juyatong has fulfilled the performance commitments outlined in the *Equity Transfer Agreement*, it shall pay the remaining 20% to Juyatong within ten work days after issuance of the annual audit report for 2027 (no later than April 30, 2028). If compensation is needed, the current shareholders of Juyatong shall make the payment in accordance with the relevant stipulations of the *Equity Transfer Agreement*.

**(3) Special arrangement regarding dividends**

The current shareholders of Juyatong agree to waive their right to get dividends regarding its accumulated undistributed profits as of the base date and the closing date, and confirm that they no longer have any dividend rights for any profits of Juyatong.

Fulfillment of the performance commitments and its impact on goodwill impairment test

In 2025, Juyatong achieved a net income of RMB 79.8776 million after applying the adjustment mechanism, with an operating revenue of RMB 654.7244 million. It fulfilled the above-mentioned performance commitments for the current period, thus leaving no impact on goodwill impairment test.

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

Applicable Not applicable

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

**III. Non-compliant Provision of External Guarantees**

Applicable Not applicable

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

**IV. Explanation of the Board on the “Modified Audit Report” for the Latest Period**

Applicable Not applicable

**V. Explanations Given by the Board of Directors and Independent Directors (if any) Regarding the Auditor’s “Modified Audit Report” on the Financial Statements of the Reporting Period**

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

For details, please refer to “IX. Changes in the Consolidation Scope” under Section VIII.

**VIII. Appointment and Removal of Accounting Firm**

Currently engaged accounting firm

Name of domestic accounting firm	Pan-China Certified Public Accountants LLP (SGP)
Remuneration for domestic accounting firm (RMB 0'000)	248.80
Number of consecutive years of audit services of the domestic accounting firm	1
Names of certified public accountants of the domestic accounting firm	Huang Yuanxi, and Zhao Li
Number of consecutive years of audit services of certified public accountants of the domestic accounting firm	1

Whether to change the accounting firm in the current period?

Yes No

Was the accounting firm changed during the audit period?

Yes No

Was the approval procedure followed to change the accounting firm?

Yes No

Details about the appointment and change of accounting firm

On August 15, 2025, the Company convened the fourth session of the Tenth Board of Directors for 2025, and on September 15, 2025, it held the first extraordinary general meeting of the same year, at which the *Proposal on Change of the Company’s Auditor for 2025 (Including Internal Control Audit)* was considered and approved. In view of the fact that Mazars Certified Public Accountants (SGP) (hereinafter referred to as “Mazars”) had served the Company for nine years, the Company, through an invitation-based bidding process, changed its accounting firm for 2025 and appointed Pan-China Certified Public Accountants LLP (SGP) (hereinafter referred to as “Pan-China”) as its auditor for 2025 (including internal control audit) in accordance with the relevant provisions of the

*Administrative Measures for the Selection and Engagement of Accounting Firms by State-owned Enterprises and Listed Companies (Cai Kuai (2023) No. 4)* issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, and the China Securities Regulatory Commission, and after comprehensive consideration of its development and management needs.

The Company communicated with Mazars regarding the change of the accounting firm, and Mazars raised no objection to it.

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

Applicable Not applicable

This year, the Company appointed Pan-China Certified Public Accountants LLP (SGP) as its internal control auditor for 2025 in accordance with the relevant provisions of the *Administrative Measures for the Selection and Engagement of Accounting Firms by State-owned Enterprises and Listed Companies (Cai Kuai (2023) No. 4)* issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council, and the China Securities Regulatory Commission, and after comprehensive consideration of its development and management needs, and paid a total of RMB 600,000 for internal control audit during the period.

## IX. Delisting after Disclosure of Annual Report

Applicable Not applicable

## X. Bankruptcy and Reorganization

Applicable Not applicable

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

## XI. Legal Matters

Applicable Not applicable

Basic Information of Litigation (Arbitration)	Amount Involved (RMB'0,000)	Any Estimated Liability Caused or Not	Litigation (Arbitration) Progress	Litigation (Arbitration) Trial Results and Impacts	Enforcement of Litigation (Arbitration) Judgments	Disclosure Date	Disclosure Index
Litigation case of contract dispute between Shanghai Yuanye Industrial Co., Ltd and others v. Yunnan Baiyao Holding Investment Co., Ltd and others	157,531.78	No	The first-instance trial has commenced; during the court proceedings, the plaintiff, Shanghai Yuanye Industrial Co., Ltd, applied to the court for withdrawal of the lawsuit on March 25, 2026, and the court issued a Civil Ruling Paper on March 26, 2026, granting the withdrawal of the lawsuit by the	Not available	Not available	August 30, 2025	<i>Interim Report for 2025</i>

			plaintiff, Shanghai Yuanye Industrial Co., Ltd.				
Summary of events not meeting the disclosure standards for being included in significant litigation (arbitration)	40,021.06	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 are in the process of being fulfilled or are being enforced against the opposing party in litigation		

## XII. Punishments and Rectifications

Applicable Not applicable

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

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

Applicable Not applicable

## XIV. Significant Related Party Transactions

### 1. Connected transactions in relation to daily operations

Applicable Not applicable

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

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

Applicable Not applicable

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

### 3. Related party transactions regarding joint investments in third parties

Applicable Not applicable

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

### 4. Amounts due to and from related parties

Applicable Not applicable

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

### 5. Transactions with related finance companies

Applicable Not applicable

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

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

Applicable Not applicable

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

## 7. Other significant related party transactions

Applicable Not applicable

The Company has made reasonable estimates on various other related party transactions, including purchases and sales of goods, related to its daily operations, based on the needs of its daily operations in 2025. It is expected that the aggregate total amount of daily related party transactions between the Company and Shanghai Pharma and Tibet Jiushi Zhihe Marketing Co., Ltd in 2025 will be RMB 2,250,000,000, accounting for 5.79% of the Company's audited net assets of RMB 38,831,946,400 as at the end of 2024, which need to be reported to the 2024 shareholders' meeting for consideration.

The matter has been considered and approved at the first session of the Tenth Board of Directors of the Company in 2025 and the Shareholders' Meeting for 2024, details of which are set out in the *Announcement on the Estimation of Daily Related Party Transactions for 2025* (Announcement No. 2025-12), the *Announcement on Resolutions of the First Session of the Tenth Board of Directors of the Company for 2025* (Announcement No. 2025-08), and the *Announcement on Resolutions of the Annual General Meeting for 2024* (Announcement No. 2025-15).

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

Name of interim announcement	Date of disclosure of interim announcement	Website on which interim announcement is disclosed
Announcement on the Estimation of Daily Related Party Transactions for 2025	April 1, 2025	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Resolutions of the First Session of the Tenth Board of Directors of the Company for 2025	April 1, 2025	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Resolutions of the Annual General Meeting for 2024	April 21, 2025	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XV. Major Contracts and Their Performance

### 1. Entrustment, contracting and leases

#### (1) Entrustment

Applicable Not applicable

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

#### (2) Contracting

Applicable Not applicable

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

#### (3) Leases

Applicable Not applicable

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

## 2. Major guarantees

Applicable Not applicable

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

## 3. Cash entrusted for wealth management

### (1) Entrusted wealth management

Applicable Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB'0,000

Product category	Risk characteristics	Balance of entrusted financial management during the reporting period	Overdue amount unrecovered
Bank financial products	Self-owned capital	192,000	0
Brokerage financial products	Self-owned capital	225,000	0

Specific situations where the Company, as a single principal, entrusts a financial institution to conduct asset management or invest in high-risk entrusted wealth management products with low security and poor liquidity

Applicable Not applicable

Unit: RMB'0,000

Name of entrusted institution (or trustee)	Type of entrusted institution (or trustee)	Risk characteristics	Product category	Amount	Start date	End date	Fund investment	Actual profit and loss amount during the reporting period	Actual recovery of profit and loss during the reporting period	Overview of the matter and relevant query index (if any)
Shanghai International Trust Corp., Ltd.	Trust	--	Fixed-income fund trust	HKD50,000.00	October 28, 2020	--	Credit assets	-978.45	On February 27, 2026, YNBY International Limited allotted and issued 1,937,984,496 shares of YNBY International to Shanghai International Trust Corp., Ltd, the designated trustee of Yunnan Baiyao, at a conversion price of HKD0.258 per share. After the conversion, the Company will implement the subsequent matters related to the trust products in accordance with the determined plan and operational procedures.	<a href="https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224988569&amp;orgId=gssz0000538&amp;announcementTime=2026-02-28">https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&amp;announcementId=1224988569&amp;orgId=gssz0000538&amp;announcementTime=2026-02-28</a>
Total				HKD50,000.00	--	--	--	-978.45	--	--

### (2) Entrusted loan

Applicable Not applicable

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

## 4. Other Significant Contracts

Applicable Not applicable

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

## XVI. Use of Raised Funds

Applicable Not applicable

There was no use of raised funds of the Company during the reporting period.

## **XVII. Explanation for Other Significant Events**

Applicable Not applicable

### **1. Progress on the establishment of a fund through joint investment with a professional investment institution**

On January 7, 2025, the Company signed the *Supplementary Agreement to the Agreement of Yunnan TCM Big Health Innovation Equity Investment Fund Partnership (Limited Partnership)* with BOC International Capital Limited, which made corresponding supplementary provisions to the previously signed *Agreement of Yunnan TCM Big Health Innovation Equity Investment Fund Partnership (Limited Partnership)*. According to the notification from the fund manager, the partnership has completed its business registration and has gone through the private equity fund filing procedures with the Asset Management Association of China. Details can be found in the *Announcement on the Progress of Joint Investment with a Professional Investment Institution to Establish a Fund* (Announcement No. 2025-01) disclosed by the Company at <http://www.cninfo.com.cn> on January 9, 2025. Currently, the initial paid-in capital contribution (10% of the total subscribed capital contribution) for the partnership has been fully made.

### **2. Expiration and completion of the shareholding increase plan**

On February 7, 2025, the Company disclosed the *Announcement on Expiration and Completion of the Shareholding Increase Plan* (Announcement No. 202507). From August 6, 2024 to February 5, 2025, Yunnan State-owned Equity Operation Management Co., Ltd increased its shareholding in the Company by 17,807,463 shares through the trading system of the Shenzhen Stock Exchange by way of centralized bidding transactions, the number of shares increased accounted for 0.9980% of the total share capital of the Company, and the cumulative amount of the increase in shareholding amounted to RMB 950,379,399.02. As of the date of disclosure of the Announcement, the term of the Shareholding Increase Plan expired and the Shareholding Increase Plan was completed.

### **3. Progress of R&D projects**

On April 9, 2025, the Company disclosed the *Announcement on the Approval of INR102 Injection for Drug Clinical Trial* (Announcement No. 2025-14), and Yunhe Pharmaceutical (Tianjin) Co., Ltd (“Yunhe Pharmaceutical”), a wholly-owned subsidiary of the Company, received the *Notification of Approval for Drug Clinical Trial* (Notification No. 2025LP01012) issued by the National Medical Products Administration (“NMPA”), which stated that according to examination, the clinical trial application of INR102 Injection of Yunhe

Pharmaceutical complied with the relevant requirements for drug registration, and that it was approved for clinical trials in patients with prostate cancer. On June 18, 2025, the Company disclosed the *Announcement on Approval of JZ-14 Capsule for Drug Clinical Trial* (Announcement No. 2025-20), and Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd, a controlled subsidiary of the Company, recently received the *Notification of Approval for Drug Clinical Trial* (Notification No. 2025LP01506, 2025LP01507) issued by the NMPA, which stated that according to examination, the clinical trial application of JZ-14 Capsule of Zhengwu Technology complied with the relevant requirements for drug registration, and that it was approved for clinical trials for ulcerative colitis.

#### **4. Progress of external investments**

##### **(1) Full acquisition of Juyatong**

On August 16, 2025, the Company disclosed the *Announcement on Full Acquisition of Anguo Juyatong Pharmaceutical Co., Ltd* (Announcement No. 2025-25). In response to the call of Yunnan Provincial People's Government for high-quality development of the TCM materials industry in the province, and in alignment with its own strategic development goals, the Company aims to better promote the sales of TCM materials within Yunnan, accelerate the nationwide expansion of Yunnan Baiyao-related businesses, increase the size of operations, and enhance the collaborative efficiency of the TCM material industry chain. In fact, TCM Resources Company, a wholly-owned subsidiary of the Company, has acquired 100% equity of Juyatong in cash. The equity transfer consideration is RMB 660 million. Upon completion of the transaction, TCM Resources Company will hold Juyatong 100%.

So far, the equity change registration of Juyatong has been completed, making Juyatong a wholly-owned subsidiary of TCM Resources Company and part of Yunnan Baiyao as well. Yunnan Baiyao has assigned executive director, financial controller and other officers to engage with the various business lines of Juyatong, for full integration and exertion of their respective strengths.

##### **(2) Termination of the capital increase in Pu'er Liangbao and Liangpin Yikang**

On August 16, 2025, the Company disclosed the *Announcement of the Resolutions of the Fourth Session of the Tenth Board of Directors in 2025* (Announcement No. 2025-23), according to which the Board of Directors agreed that the Company's wholly-owned subsidiary TCM Resources Company should increase its capital contributions to Pu'er Liangbao Biotechnology Co., Ltd (hereinafter referred to as "Pu'er Liangbao") and Pu'er Liangpin Yikang Pharmaceutical Co., Ltd (hereinafter referred to as "Liangpin Yikang") in cash by RMB 56.2044 million and RMB 19.2865 million respectively. After the capital increase, TCM Resources Company would hold 51% of the equity in Pu'er Liangbao and 51% of the equity in Liangpin Yikang. To efficiently drive these transactions and make sure

that they would be implemented in accordance with applicable laws and regulations and in an orderly manner, the Board of Directors authorized the Group Office Meetings to handle matters related to these transactions within the scope of the applicable laws and regulations and within the framework of the transaction agreement.

Whereas Pu'er Liangbao and Liangpin Yikang failed to fulfill the prerequisites for this capital increase as per the signed transaction agreement, and to meet the equity delivery requirements, Yunnan Baiyao decided to terminate its capital increase in Pu'er Liangbao and Liangpin Yikang. Additionally, TCM Resources Company signed an agreement with Pu'er Liangbao, Liangpin Yikang and other relevant parties to terminate the *Capital Increase Agreement* and the *Valuation Adjustment Mechanism Agreement*.

#### **5. Completion of non-public issuance of exchangeable corporate bonds by shareholders**

On October 24, 2025, the Company disclosed the *Announcement on Completion of the Non-public Issuance of Exchangeable Corporate Bonds by Shareholders Holding More Than 5% of the Shares* (Announcement No. 2025-35). New Huadu, a shareholder holding more than 5% of the Company's shares, issued non-public exchangeable corporate bonds (hereinafter referred to as "the exchangeable bonds") with part of its A-shares as the underlying, and obtained the *Letter of No Objection Regarding the Compliance of New Huadu Industrial Group Co., Ltd's Non-public Issuance of Exchangeable Corporate Bonds with the Listing Conditions of the Shenzhen Stock Exchange* (SSE Letter [2025] No. 881) from the Shenzhen Stock Exchange, allowing for an issuance size of no more than RMB 2 billion. New Huadu transferred its 56,000,000 unrestricted tradable shares of Yunnan Baiyao to the "New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account" opened at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, with the current bond trustee Guosen Securities Co., Ltd (hereinafter referred to as "Guosen Securities") serving as the nominal holder, and with "New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account" being registered as the securities holder on the Company's securities holder roster, providing guarantees for the exchange of shares and the repayment of principal and interest of the current exchangeable corporate bonds held by the bondholders. The Company received a written notice from New Huadu on October 23, 2025, which stated that the current exchangeable bonds were issued on October 22, 2025, featuring an issuance size of RMB 2 billion, a coupon rate of 0.1%, an initial conversion price of RMB 71.66 per share, and a bond term of 3 years.

#### **6. Implementation of special dividend and equity distribution for 2025**

On September 17, 2025, the Company disclosed the *Announcement on the Implementation of Special Dividend and Equity Distribution for 2025* (Announcement No. 2025-32). Its specific plan for the special dividend and equity distribution for 2025, which had been considered and approved at the shareholders' meeting, was as follows: Based

on the total share capital of the Company of 1,784,262,603 shares, the Company proposes to distribute cash dividends of RMB 10.19 per 10 shares (tax inclusive) to all shareholders, with no bonus shares issued and no capital reserve to increase the share capital. The total amount of cash dividend was RMB 1,818,163,592.46. With the distribution ratio of this plan, the total amount of dividend distribution would be determined based on the number of shares entitled to profit distribution on the equity registration date when the distribution plan is implemented in the future. The remaining undistributed profits will be retained for distribution in future years. The equity registration date for the dividend distribution was September 23, 2025, and the ex-dividend date was September 24, 2025.

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

Applicable Not applicable

### **1. YNBY International completed share placement**

Under the general mandate, YNBY International was authorized to place up to 1,359,982,832 new shares. As the conditions for the new share placement agreement were met, the placement agent successfully placed a total of 800,000,000 placement shares at a new placement price of HKD0.1161 per placement share to no fewer than six places, in accordance with the terms and conditions of the placement agreement. The placement was completed on May 22, 2025.

### **2. YNBY International exercised convertible bonds**

On February 27, 2026, YNBY International allotted and issued 1,937,984,496 shares of YNBY International to Shanghai International Trust Corp., Ltd (hereinafter referred to as "Shanghai Trust," subscribing for and holding convertible bonds on behalf of Yunnan Baiyao), the designated trustee of Yunnan Baiyao, at a conversion price of HKD0.258 per share. This represents approximately 25.50% of the total number of YNBY International shares before the conversion, which stands at 7,599,914,160 shares, and approximately 20.32% of the total number of YNBY International shares after the conversion, which amounts to 9,537,898,656 shares. For details, please refer to the *Announcement on the Progress of Subscribing for Convertible Bonds of YNBY International Limited* (Announcement No. 2026-06) disclosed by the Company on February 27, 2026.

## Section VI Changes in Shareholdings and Particulars about Shareholders

### I. Changes in Shares

#### 1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)					After this change	
	Quantity	Proportion	New shares	Bonds Shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium	11,567,358	0.65%				-238,125	-238,125	11,329,233	0.63%
1. State-owned shares									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic shareholders	11,567,358	0.65%				-238,125	-238,125	11,329,233	0.63%
Of which: shares held by domestic legal persons									
Shares held by domestic natural persons	11,567,358	0.65%				-238,125	-238,125	11,329,233	0.63%
4. Foreign-invested shares									
Of which: shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Shares not subject to trading moratorium	1,772,695,245	99.35%				238,125	238,125	1,772,933,370	99.37%
1. RMB-denominated ordinary shares	1,772,695,245	99.35%				238,125	238,125	1,772,933,370	99.37%
2. Domestic-									

listed foreign shares									
3. Overseas-listed foreign shares									
4. Others									
III. Total number of shares	1,784,262,603	100.00%				0	0	1,784,262,603	100.00%

Reasons for changes in shareholdings

Applicable Not applicable

Approval of changes in shareholdings

Applicable Not applicable

Transfers for changes in shareholdings

Applicable Not applicable

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

Applicable Not applicable

Other disclosures the Company deems necessary or required by securities regulators

Applicable Not applicable

## 2. Changes in shares subject to trading moratorium

Applicable Not applicable

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the reporting period	Increase in shares subject to trading moratorium during the reporting period	Number of shares released from trading moratorium during the reporting period	Number of shares subject to trading moratorium at the end of the reporting period	Reason for moratorium	Date of shares released from trading moratorium
Yu Juan	105,000	5,625	0	110,625	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yin Pinyao	252,000	0	63,000	189,000	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
Yang Fan	0	8,250	0	8,250	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Wang Minghui	756,000	0	189,000	567,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements

						requirements
Wang Jin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Qin Wanmin	378,000	0	0	378,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Li Jin	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Yanhui	133,009	0	0	133,009	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Chen Fashu	9,395,621	0	0	9,395,621	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Dong Ming	9,960	0	0	9,960	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Zhu Zhaoyun	42,000	0	0	42,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Total	11,567,358	13,875	252,000	11,329,233	--	--

## II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

### 3. Existing staff shares

Applicable Not applicable

## III. Particulars about shareholders and de facto controller

### 1. Number of shareholders of the Company and their shareholdings

Unit: share

Total number of ordinary	186,046	The total number of ordinary	170,974	Total number of	0	The total number of	0
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shareholders at the end of the reporting period		shareholders at the end of the preceding month prior to the disclosure date of the annual report		preferred shareholders with resumed voting rights at the end of the reporting period (if any)		preferred shareholders with resumed voting rights at the end of the preceding month prior to the disclosure date of the annual report (if any)		
Shareholdings of shareholders holding more than 5% of the shares or the top 10 shareholders (excluding share lending via securities financing)								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held at the end of the reporting period	Change during the reporting period	Number of shares subject to trading moratorium	Number of shares not subject to trading moratorium	Pledged, marked or frozen	
							Status	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	State-owned legal person	26.20%	467,431,774	321,600	0	467,431,774	Pledged	115,500,000
New Huadu Industrial Group Co., Ltd.	Domestic non state-owned legal person	21.28%	379,742,244	-56,000,000	0	379,742,244	Pledged	92,500,000
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.19%	146,185,851	0	0	146,185,851	Not applicable	0
New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account	Domestic non state-owned legal person	3.14%	56,000,000	56,000,000	0	56,000,000	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.75%	49,148,066	-16,064,663	0	49,148,066	Not applicable	0
China Securities Finance Corporation Limited	Domestic non state-owned legal person	2.09%	37,373,108	0	0	37,373,108	Not applicable	0
China Life Insurance Company Limited - Traditional - General Insurance Products - 005L - CT001 Shanghai	Others	1.41%	25,169,249	18,411,474	0	25,169,249	Not applicable	0
Central Huijin Asset Management Ltd.	State-owned legal person	0.93%	16,617,440	0	0	16,617,440	Not applicable	0
ICBC - Huatai PineBridge CSI 300 Open-ended Index Securities Investment Fund	Others	0.82%	14,668,126	-651,658	0	14,668,126	Not applicable	0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	9,395,621	3,131,874	Not applicable	0
Strategic investors or general legal persons who become the top 10	Not applicable							

shareholders due to rights issue (if any)			
Related or acting-in-concert parties among the shareholders above	Chen Fashu is the de facto controller of New Huadu Industrial Group Co., Ltd It is unclear whether there are any related relationships among other shareholders or whether there is any concerted action as defined by the <i>Administrative Measures for Acquisition 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 (if any)	Not applicable		
Shareholdings of the top 10 shareholders not subject to trading moratorium (excluding share lending via securities financing and lock-up shares for senior management)			
Name of shareholder	Number of shares not subject to trading moratorium held at the end of the reporting period	Type of shares	
		Type	Quantity
Yunnan State-owned Equity Operation Management Co., Ltd.	467,431,774	RMB-denominated ordinary shares	467,431,774
New Huadu Industrial Group Co., Ltd.	379,742,244	RMB-denominated ordinary shares	379,742,244
Yunnan Hehe (Group) Co., Ltd.	146,185,851	RMB-denominated ordinary shares	146,185,851
New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account	56,000,000	RMB-denominated ordinary shares	56,000,000
Hong Kong Securities Clearing Company Limited	49,148,066	RMB-denominated ordinary shares	49,148,066
China Securities Finance Corporation Limited	37,373,108	RMB-denominated ordinary shares	37,373,108
China Life Insurance Company Limited - Traditional - General Insurance Products - 005L - CT001 Shanghai	25,169,249	RMB-denominated ordinary shares	25,169,249
Central Huijin Asset Management Ltd.	16,617,440	RMB-denominated ordinary shares	16,617,440
ICBC - Huatai PineBridge CSI 300 Open-ended Index Securities Investment Fund	14,668,126	RMB-denominated ordinary shares	14,668,126
China Construction Bank - E Fund CSI 300 Health & Medicine Traded Open-ended Index Securities Investment Fund	11,914,346	RMB-denominated ordinary shares	11,914,346
Related or acting-in-concert parties among the top 10 circulating shareholders	It is unclear whether there are any related relationships among the above-mentioned shareholders or whether there is any concerted action as defined by the <i>Administrative Measures for Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies</i> .		

not subject to trading moratorium, and between the top 10 circulating shareholders not subject to trading moratorium and the top 10 shareholders	
Top 10 ordinary shareholders involved in securities margin trading (if any)	Not applicable

Note: On October 22, 2025, New Huadu completed the issuance of exchangeable bonds of RMB 2 billion. On September 29, 2025, New Huadu transferred its 56,000,000 unrestricted tradable shares of Yunnan Baiyao to the “New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account” opened at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, with the current bond trustee Guosen Securities Co., Ltd. serving as the nominal holder, for the purpose of providing guarantees for the exchange of shares and the repayment of principal and interest of the current exchangeable corporate bonds held by the bondholders. The shares involved in the guarantee and trust registration (including the dividends generated during the share trust registration period) will be registered on the Company’s securities holder roster, with the current bond trustee Guosen Securities serving as the nominal holder, and with “New Huadu Group - Guosen Securities - 25 New Huadu EB01 Guarantee and Trust Property Special Account” serving as the securities holder. When exercising the voting rights of the shares involved in the guarantee and trust registration, Guosen Securities will seek the opinions of New Huadu in advance and handle them accordingly, but without prejudice to the interests of the current bondholders.

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

Applicable Not applicable

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

Applicable Not applicable

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

Yes No

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

## 2. Details about the controlling shareholder

Nature of controlling shareholder: No controlling entity

Type of controlling shareholder: Does not exist

Description of no controlling shareholders of the Company

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

On August 7, 2024, the Company disclosed the *Announcement on the Shareholding Increase by Shareholders*

*Holding More Than 5% of the Company's Shares and Subsequent Shareholding Increase Plan* (Announcement No. 2024-40). On August 6, 2024, the State-owned Equity Management Company increased its holdings of the Company's shares by 788,660 shares through the Shenzhen Stock Exchange's trading system via a centralized bidding transaction, representing approximately 0.0442% of the total share capital, with an investment amount of RMB 40.0168 million. The State-owned Equity Management Company plans to continue increasing its shareholding within six months from the initial increase date (August 6, 2024), with a total investment amount (including the already disclosed increase) not less than RMB 500 million and not exceeding RMB 1,000 million. On February 7, 2025, the Company disclosed the *Announcement on Expiration and Completion of the Shareholder's Shareholding Increase Plan* (Announcement No. 2025-07). From August 6, 2024, to February 5, 2025, the State-owned Equity Management Company increased its holdings of the Company's shares by 17,807,463 shares through the Shenzhen Stock Exchange's trading system via a centralized bidding transaction, representing 0.9980% of the total share capital, with a cumulative investment amount of RMB 950,379,399.02. As of the date of this announcement, the shareholding increase plan has been completed within the stipulated period. This shareholding increase does not result in the Company's shareholding distribution failing to meet the listing conditions, nor does it change the Company's situation of having no controlling shareholder or de facto controller, and it will not have a significant impact on the Company's corporate governance structure.

After the merger and overall listing completed in July 2019, Baiyao Holdings no longer had any personnel and has not conducted any actual operations, only retaining its business registration status. Due to objective reasons such as certain land and property not being included in the merger scope and awaiting government designation for the receiving party, Baiyao Holdings had not yet canceled its corporate status by the end of 2024. According to the *Reply on Proposed Transfer of Three Assets for Entrusted Management by Yunnan Baiyao Holdings Co., Ltd* issued by the State-owned Assets Supervision and Administration Commission of Kunming Municipal Government, Yunnan Baiyao Holdings Co., Ltd has transferred the three assets with ownership defects involved in the merger process to Kunming State-owned Assets Management Co., Ltd, which was designated by the government for takeover. In the future, all rights, obligations, benefits, and risks related to these properties will be owned and borne by the receiving party, Kunming State-owned Assets Management Co., Ltd. On March 5, 2025, the Yunnan Administration for Market Regulation issued the *Registration Notice* ((Yun) Deng Zi [2025] No. 120) regarding the cancellation registration of Baiyao Holdings. As of the date of this report, the cancellation registration procedures for Baiyao Holdings have been completed, and the shareholder change registration for the 66.67% equity in Shanghai Xinhou Asset Management Co., Ltd and the 100% equity in Shenzhen Jurong Commercial Factoring Co., Ltd, which were spun off from Baiyao Holdings' wholly-owned subsidiary, Yunnan Baiyao Holdings Investment Co., Ltd before the merger and overall listing, has also been completed.

Changes in controlling shareholders during the reporting period

Applicable Not applicable

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

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

Nature of de facto controllers: No de facto controllers

Type of de facto controllers: Does not exist.

Description of no de facto controllers of the Company

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

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

Yes  No

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

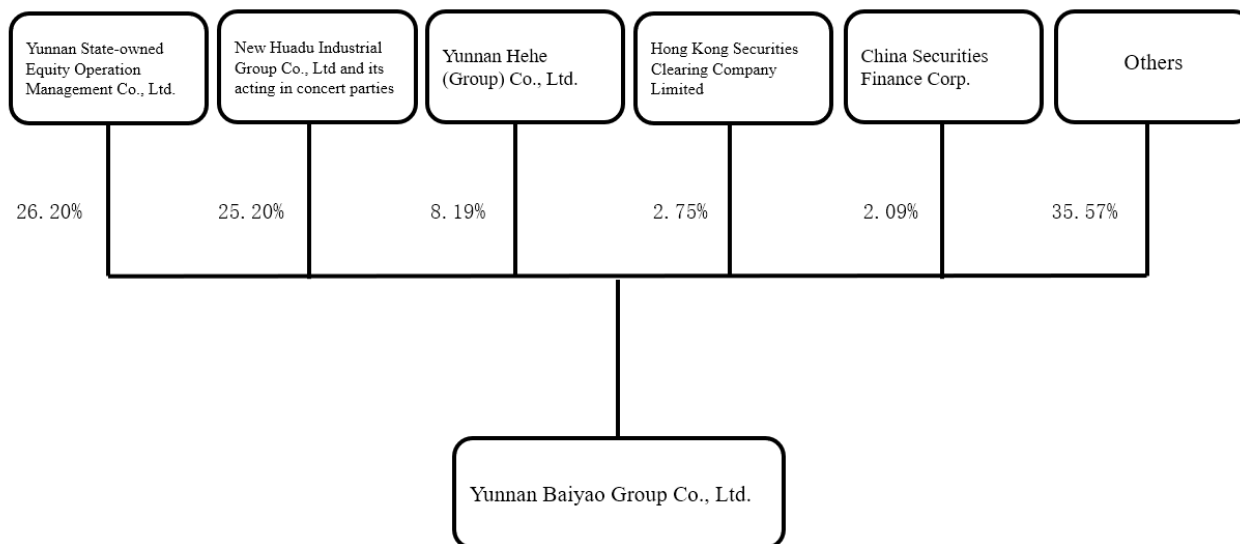
The Company has no de facto controllers.

Change of de facto controllers during the reporting period

Applicable  Not applicable

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

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



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

Applicable  Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Name of corporate shareholder	Legal representative/Head of the organization	Date of establishment	Registered capital	Main business operations or management activities
Yunnan State-owned Equity Operation Management Co., Ltd.	Wang Hongxin	June 21, 2019	RMB 20,977,469,085.95	Holding and managing state-owned equity; Equity (including listed company equity) investment, operation, and transfer; Fundraising; Research and consulting services on the structural layout of state-owned capital and industrial development (Business activities that require approval according to the law may be conducted only after obtaining approval from the relevant departments.)
New Huadu Industrial Group Co., Ltd.	Chen Fashu	May 4, 1996	RMB 139,800,000.00	Wholesale and retail of pre-packaged and bulk food products; Investment, management, and consulting services in the retail industry, interior and exterior decoration, hotel industry, mining industry, hydropower engineering, road and bridge engineering projects, real estate industry, and industrial sector (Business activities that require approval according to the law may be conducted only after obtaining approval from the relevant departments.)

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

Applicable Not applicable

#### **IV. Detailed implementation of share repurchase during the reporting period**

Implementation of share repurchase

Applicable Not applicable

Implementation of reduction in repurchased shares via centralized bidding

Applicable Not applicable

#### **V. Preference Shares**

Applicable  Not applicable

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

## Section VII Bonds

Applicable Not applicable

## Section VIII Financial Statements

### I. Audit Report

Type of Audit Opinion	Unqualified opinion
Signature Date of Audit Report	March 31, 2026
Name of Audit Body	Pan-China Certified Public Accountants LLP (SGP)
Document No. of Audit Report	TJS (2026) No. 4168
Name of Certified Public Accountant	Huang Yuanxi, Zhao Li

Body Text of Audit Report

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

#### I. Audit Opinions

We have audited the financial statements of Yunnan Baiyao Group Co., Ltd (“Yunnan Baiyao”), which comprise the consolidated and parent company balance sheets as of December 31, 2025, as well as the consolidated and parent company income statements, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in owners’ equity for 2025 and notes to the financial statements.

In our opinion, the attached financial statements have been prepared in accordance with the provisions of the *Accounting Standards for Business Enterprises* in all major aspects, and present fairly the consolidated and parent company financial position of Yunnan Baiyao as of December 31, 2025, and the consolidated and parent company results and cash flows in 2025.

#### II. Basis for the Audit Opinion

We conduct our audit in accordance with the PRC Standards on Auditing for Certified Public Accountants. Our responsibilities under these standards are further described in the section on “the Certified Public Accountants’ Responsibilities for the Audit of the Financial Statements” of our audit report. We are independent of Yunnan Baiyao in accordance with the *Chinese Standard on Independence for Certified Public Accountants No. 1 - Requirements for Independence in Financial Statement Audits and Review Engagements* and the PRC Code of Ethics for Certified Public Accountants and have fulfilled our other ethical responsibilities. We have complied with the independence requirements for audits of public interest entities in our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### III. Key Audit Matters

Key audit matters are those, in our professional judgment, of most significance in our audit of the financial statements of the current period. The treatment of these matters is based on an audit of the financial statements as a whole and audit opinions therefrom, and we do not express an opinion on these matters separately.

##### (I) Revenue recognition

##### 1. Matter description

For relevant information disclosure, please refer to Notes III (XXVI) and V (II) 1 to the financial statements.

The operating revenue of Yunnan Baiyao is primarily derived from multiple business segments including pharmaceutical sales, health and personal care products, TCM resources, and pharmaceutical distribution. In 2025, the operating revenue of Yunnan Baiyao amounted to RMB 41.187 billion.

As operating revenue is one of the key performance indicators for Yunnan Baiyao's operations and performance assessment, there is an inherent risk that the Yunnan Baiyao's management (hereinafter referred to as "Management") may recognize revenue inappropriately to achieve specific targets or expectations. Additionally, revenue recognition involves significant management judgment. Therefore, we have identified revenue recognition as a key audit matter.

## 2. Audit procedures performed

For revenue recognition, the audit procedures we performed mainly include:

(1) Understanding the key internal controls related to revenue recognition, evaluating the design of these controls, determining whether they have been implemented, and testing the operating effectiveness of relevant internal controls;

(2) Reviewing sales contracts, understanding key contract terms or conditions, and evaluating whether the revenue recognition methods are appropriate;

(3) Performing analytical procedures on operating revenue and gross profit margin by month, product, and customer to identify any significant or unusual fluctuations and find out the reasons;

(4) Selecting items to examine relevant supporting documents, including sales contracts, orders, sales invoices, outbound delivery orders, shipping orders, transportation documents, customer acceptance receipts, etc.; for service-based businesses, reviewing service contracts, etc.;

(5) Selecting items to confirm sales amounts in conjunction with accounts receivable confirmations;

(6) Performing cut-off tests to verify whether revenue was recognized in the appropriate periods;

(7) Obtaining sales return records after the balance sheet date to check whether there were circumstances where revenue recognition conditions were not met as of the balance sheet date;

(8) Verifying whether information related to operating revenue has been properly presented in the financial statements.

## (II) Provision for bad debts of accounts receivable

### 1. Matter description

For relevant information disclosure, please refer to Notes III (XII) and V (II) 4 to the financial statements.

As of December 31, 2025, the carrying amount of Yunnan Baiyao's accounts receivable was RMB 11.115 billion, with allowance for bad debts of RMB 955 million and carrying value of RMB 10.160 billion.

Yunnan Baiyao's management measures loss provisions based on the credit risk characteristics of individual receivables or portfolios, measured at amounts equivalent to expected credit losses over the duration. Due to the significant amount of accounts receivable and the significant management judgment involved in impairment testing of accounts receivable, we have identified accounts receivable impairment as a key audit matter.

#### 2. Audit procedures performed

For impairment provision of accounts receivable, the audit procedures we performed mainly include:

(1) Understanding the key internal controls related to accounts receivable impairment, evaluating the design of these controls, determining whether they have been implemented, and testing the operating effectiveness of relevant internal controls;

(2) Reviewing the results of management's prior-year estimates of bad debt provisions, or management's subsequent re-estimates thereof;

(3) Reviewing management's relevant considerations and objective evidence for credit risk assessment of accounts receivable, and evaluating whether management has appropriately identified the credit risk characteristics of individual accounts receivable;

(4) For accounts receivable measured for expected credit losses on an individual basis, reviewing management's forecasts of expected cash flows to be collected, and evaluating the appropriateness of significant assumptions used in the forecasts as well as the appropriateness, relevance, and reliability of data;

(5) For accounts receivable measured for expected credit losses on a portfolio basis, evaluating the reasonableness of management's grouping by credit risk characteristics; evaluating the reasonableness of the expected credit loss rates determined by management for accounts receivable, including the appropriateness of significant assumptions used and the appropriateness, relevance, and reliability of data; testing the accuracy of management's calculation of bad debt provisions;

(6) Evaluating the reasonableness of bad debt provisions made by management in conjunction with accounts receivable confirmations and subsequent collection status;

(7) Verifying whether information related to accounts receivable impairment has been properly presented in the financial statements.

#### **IV. Other Information**

The management is responsible for the other information, which includes the information covered in the annual

report, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of verification conclusion thereon.

Given our audit of financial statements, our responsibility is to review other information, and in such process, to judge whether other information is significantly inconsistent with the financial statements or what we learned in the audit process, or that information seems to be significantly misstated.

Where we identify that there is a material misstatement of other information, based on the work we have performed, we will report that fact, but have nothing to report in this regard.

#### **V. The Management and the Governance's Responsibilities for the Financial Statements**

The management is responsible for the preparation of financial statements according to *Accounting Standards for Business Enterprises* in a fair view, and for designing, implementing, and maintaining necessary internal control to be absent from material misstatement in the financial statements, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Yunnan Baiyao's ability to continue as a going concern, disclosing matters related to going concern (as applicable), and applying the going-concern assumption, unless it plans to liquidate, terminate operations, or has no other realistic alternative.

The governance team is responsible for overseeing the financial reporting of Yunnan Baiyao.

#### **VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements**

Our purpose is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report that includes an audit opinion. Our reasonable assurance is of high level, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement. Misstatements can result from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made based on these financial statements.

We exercise professional judgment and maintain professional skepticism in performing the audit in accordance with auditing standards. At the same time, we also conduct the following work:

(I) To identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as the basis for expressing audit opinions. The risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or overriding internal controls.

(II) To understand the internal control related to audit to design appropriate audit procedures.

(III) To evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) A conclusion is made on the appropriateness of the going-concern assumption adopted by the Management. At the same time, based on the audit evidence obtained, a conclusion is reached on whether there is material uncertainty as to the matters or circumstances that may give rise to significant doubt about Yunnan Baiyao's ability to continue as a going concern. Where we conclude that a material uncertainty exists, auditing standards require us to draw the attention of statement users to the related disclosures therein; where the disclosures are

inadequate, no unqualified opinion shall be issued. Our conclusion is based on the information available as of the date of the audit report. However, future events or circumstances may cause Yunnan Baiyao to be unable to continue as a going concern.

(V) To evaluate the overall presentation, structure, and content of the financial statements and whether the financial statements present fairly the underlying transactions and events.

(VI) To obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Yunnan Baiyao to express audit opinions on the financial statements. We are responsible for the direction, supervision, and execution of the Group audits, and we take full responsibility for the audit opinion.

We communicate with the governance team on matters such as planned audit scope, timing, and significant audit findings, including communicating internal control deficiencies of concern identified in our audit.

We also provide a statement to the governance team that we have complied with the ethical requirements related to independence, and communicate with the governance team all relationships and other matters that may reasonably be perceived to affect our independence, as well as related precautions (if applicable).

We determine the matters that are most significant to the audit of the current financial statements in the matters communicated to the governance team and therefore such matters constitute key audit matters. We disclose these matters in our audit report except where public disclosure of the matters is prohibited by law or regulation, or in rare instances, we determine that a matter shall not be disclosed in the audit report if it is reasonably expected that the negative consequences of disclosure of the matter in the report will outweigh the benefits to the public interest.

**Pan-China Certified Public Accountants LLP (SGP)**

**Hangzhou, China**

**Chinese Certified Public Accountants: Huang  
Yuanxi  
(Project Partner)**

**Chinese Certified Public Accountants: Zhao Li**

**March 31, 2026**

## II. Financial Statement

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

### 1. Consolidated balance sheet

Prepared by Yunnan Baiyao Group Co., Ltd.

December 31, 2025

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	9,107,829,167.98	10,887,983,161.30
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets held for trading	4,192,113,408.43	2,547,113,523.40
Derivative financial assets		
Notes receivable	585,366,210.93	929,651,911.37
Accounts receivable	10,160,059,223.29	9,923,361,104.39
Accounts receivable financing	1,681,985,583.93	1,887,789,780.16
Prepayment	434,442,949.73	303,563,844.07
Premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	406,517,244.11	108,427,198.33
Including: Interest receivable		
Dividends receivable	79,875,215.52	10,348,033.98
Financial assets held under resale agreements		
Inventory	6,231,383,826.69	6,294,368,316.30
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		480,295,722.22
Other current assets	1,234,895,158.04	788,108,579.54
Total current assets	34,034,592,773.13	34,150,663,141.08
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investment		

Long-term receivables		
Long-term equity investments	13,227,578,051.91	12,561,276,081.35
Investment in other equity instruments	71,745,000.00	71,745,000.00
Other non-current financial assets	210,855,260.47	387,688,897.11
Investment properties	50,366,578.65	49,884,012.15
Fixed assets	3,274,340,152.34	3,012,878,828.09
Construction in progress	807,592,848.36	703,439,112.24
Productive biological assets	644,624.85	816,524.85
Oil and gas assets		
Right-of-use assets	248,003,380.85	291,177,021.52
Intangible assets	699,193,405.35	561,795,787.78
Including: Data resources		
Development expenses	98,211,219.56	25,422,461.13
Including: Data resources		
Goodwill	300,805,632.99	96,963,241.17
Long-term deferred expenses	108,871,585.00	127,081,811.91
Deferred income tax assets	974,220,393.56	756,975,016.74
Other non-current assets	161,560,224.80	116,374,395.93
Total non-current assets	20,233,988,358.69	18,763,518,191.97
Total assets	54,268,581,131.82	52,914,181,333.05
Current liabilities:		
Short-term loans	182,775,753.21	423,380,272.64
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,846,714,475.61	1,913,702,684.41
Accounts payable	5,523,021,856.86	4,758,352,403.87
Receipts in advance	190,841.21	446,673.78
Contractual liabilities	1,505,826,938.18	1,916,123,387.16
Financial assets sold under repurchase agreements		
Deposits from customers and interbank		
Customer brokerage deposits		
Acting underwriting of securities		
Payroll payable	1,482,601,305.72	1,283,950,828.82
Taxes and duties payable	278,051,492.11	466,603,767.14
Other payables	1,461,459,334.99	1,386,632,676.75

Including: Interest payable		
Dividends payable	1,317,388.73	86,490,742.04
Fees and commissions payable		
Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	76,443,711.53	88,436,075.74
Other current liabilities	533,163,346.13	620,862,624.93
Total current liabilities	12,890,249,055.55	12,858,491,395.24
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	86,569,400.83	2,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	141,830,379.18	190,656,990.23
Long-term payables	556,079,941.48	591,533,288.57
Long-term payroll payable	1,718,946.33	1,296,365.44
Estimated liabilities	22,513,696.41	12,726,280.09
Deferred income	271,769,812.59	295,493,565.32
Deferred income tax liabilities	148,417,516.74	93,867,331.53
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,230,831,247.92	1,189,605,375.54
Total liabilities	14,121,080,303.47	14,048,096,770.78
Owners' equity		
Share capital	1,784,262,603.00	1,784,262,603.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,632,117,190.85	17,637,148,823.48
Less: Treasury stock		
Other comprehensive income	-105,091,380.51	-101,263,356.31
Special reserves		
Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	18,202,311,462.52	16,981,339,385.76
Total owners' equity attributable to parent company	40,044,058,844.44	38,831,946,424.51
Minority interests	103,441,983.91	34,138,137.76
Total owners' equity	40,147,500,828.35	38,866,084,562.27

Total liabilities and owners' equity	54,268,581,131.82	52,914,181,333.05
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Legal representative: Zhang Wenxue

Accounting officer: Ma Jia

Head of accounting center: Xu Jing

## 2. Balance sheet of parent company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	7,898,899,516.62	8,385,552,777.48
Financial assets held for trading	4,187,513,408.43	2,496,810,753.70
Derivative financial assets		
Notes receivable	407,360,145.42	675,593,542.66
Accounts receivable	1,959,868,853.22	1,940,715,863.84
Accounts receivable financing	437,824,968.41	591,699,974.35
Prepayment	1,321,672,589.52	1,351,285,270.04
Other receivables	6,632,088,211.74	6,501,863,512.27
Including: Interest receivable		
Dividends receivable	79,875,215.52	10,348,033.98
Inventory	915,778,341.49	1,160,234,826.84
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		480,295,722.22
Other current assets	526,360,546.17	443,410,111.63
Total current assets	24,287,366,581.02	24,027,462,355.03
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	15,606,066,432.75	14,927,341,039.68
Investment in other equity instruments		
Other non-current financial assets	210,355,260.47	387,188,897.11
Investment properties	486,768,216.63	350,771,014.59
Fixed assets	1,542,652,814.35	1,657,360,463.22
Construction in progress	25,493,467.64	63,945,254.57
Productive biological assets		
Oil and gas assets		
Right-of-use assets	110,808,820.06	195,572,313.66
Intangible assets	249,740,403.29	232,180,054.34
Including: Data resources		
Development expenses	116,497,399.09	25,422,461.13

Including: Data resources		
Goodwill		
Long-term deferred expenses	27,248,415.57	40,087,609.94
Deferred income tax assets	378,492,475.32	387,502,971.84
Other non-current assets	407,180,610.18	404,946,229.16
Total non-current assets	19,161,304,315.35	18,672,318,309.24
Total assets	43,448,670,896.37	42,699,780,664.27
Current liabilities:		
Short-term loans	150,010,000.00	400,133,333.33
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	4,801,338,529.81	4,018,681,496.23
Receipts in advance	83,822.40	355,324.62
Contractual liabilities	1,034,888,677.35	1,534,629,073.69
Payroll payable	1,098,078,735.81	940,019,555.32
Taxes and duties payable	46,701,616.03	207,921,216.70
Other payables	10,214,340,163.01	10,071,969,063.28
Including: Interest payable		
Dividends payable		86,490,742.04
Held-for-sales liabilities		
Non-current liabilities due within one year	4,725,069.53	15,543,095.75
Other current liabilities	25,640,252.72	102,375,999.95
Total current liabilities	17,375,806,866.66	17,291,628,158.87
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	107,226,300.59	184,260,902.19
Long-term payables	554,689,731.33	591,533,288.57
Long-term payroll payable		
Estimated liabilities		
Deferred income	166,140,712.09	198,493,435.95
Deferred income tax liabilities	37,035,887.84	51,548,686.57
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	868,124,186.21	1,028,867,867.64
Total liabilities	18,243,931,052.87	18,320,496,026.51
Owners' equity:		

Share capital	1,784,262,603.00	1,784,262,603.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,797,498,647.03	17,839,540,148.42
Less: Treasury stock		
Other comprehensive income	-61,252,370.53	-61,502,389.01
Special reserves		
Surplus reserves	2,529,297,618.08	2,529,297,618.08
Undisturbed profits	3,154,933,345.92	2,287,686,657.27
Total owners' equity	25,204,739,843.50	24,379,284,637.76
Total liabilities and owners' equity	43,448,670,896.37	42,699,780,664.27

### 3. Consolidated income statement

Unit: RMB

Item	2025	2024
I. Total operating revenue	41,186,999,090.31	40,033,300,814.72
Including: Operating revenue	41,186,999,090.31	40,033,300,814.72
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	36,210,224,002.36	35,206,797,286.50
Including: Operating cost	29,032,923,195.82	28,864,766,205.10
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	234,100,213.88	243,117,369.44
Selling expenses	5,619,465,376.89	4,879,502,036.91
Administrative expenses	1,020,080,152.22	1,037,553,483.87
R&D expenses	350,545,386.25	337,413,301.03
Financial expenses	-46,890,322.70	-155,555,109.85
Including: Interest expenses	24,049,890.09	63,177,001.07
Interest income	90,467,001.34	221,210,259.84
Plus: other income	100,782,693.13	102,009,773.65
Investment income (loss is indicated with "-")	1,042,986,305.52	776,937,495.06

Including: Income from investment in associates and joint ventures	989,141,635.98	774,279,535.69
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 change in fair value (loss is indicated with “-”)	110,489,468.71	136,837,009.94
Credit impairment losses (loss is indicated with “-”)	58,066,387.77	-39,925,926.62
Asset impairment losses (loss is indicated with “-”)	-258,372,158.02	-91,230,709.62
Gains from asset disposal (loss is indicated with “-”)	8,167,595.81	490,651.65
III. Operating profit (loss is indicated with “-”)	6,038,895,380.87	5,711,621,822.28
Plus: Non-operating revenue	24,951,555.82	15,483,338.73
Less: Non-operating expenses	20,576,232.96	42,385,497.02
IV. Total profit (total loss is indicated with “-”)	6,043,270,703.73	5,684,719,663.99
Less: Income tax expenses	853,329,846.75	917,647,303.71
V. Net profit (net loss is indicated with “-”)	5,189,940,856.98	4,767,072,360.28
(I) Classification by operation continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	5,189,940,856.98	4,767,072,360.28
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 “-”)	5,153,486,838.91	4,749,415,499.55
2. Minority interests (net loss to be listed with “-”)	36,454,018.07	17,656,860.73
VI. Other comprehensive income, net of tax	-6,013,856.89	-13,441,329.34
Other comprehensive income attributable to owners of parent company, net of tax	-3,828,024.20	-11,725,184.18
(I) Other comprehensive income that cannot be reclassified into profits or losses	-2,017,048.84	-2,067,513.33
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	-2,017,048.84	-2,067,513.33
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	-1,810,975.36	-9,657,670.85
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	2,267,067.32	-4,787,910.02
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	-4,078,042.68	-4,869,760.83
7. Others		
Other comprehensive income attributable to minority interests, net of tax	-2,185,832.69	-1,716,145.16
VII. Total comprehensive income	5,183,927,000.09	4,753,631,030.94
Total comprehensive income attributable to owners of parent company	5,149,658,814.71	4,737,690,315.37
Total comprehensive income attributable to minority interests	34,268,185.38	15,940,715.57
VIII. Earnings per share		
(I) Basic earnings per share	2.89	2.66
(II) Diluted earnings per share	2.89	2.66

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 0.00.

Legal representative: Zhang Wenxue

Accounting officer: Ma Jia

Head of accounting center: Xu Jing

#### 4. Income statement of parent company

Unit: RMB

Item	2025	2024
I. Operating revenue	9,778,836,364.70	8,867,834,592.37
Less: Operating cost	3,464,526,798.29	3,390,069,517.10
Taxes and surcharges	118,270,410.96	108,199,807.24
Selling expenses	2,884,116,087.45	2,539,960,910.51
Administrative expenses	609,195,490.98	565,692,698.02
R&D expenses	271,893,226.82	306,956,428.26
Financial expenses	-63,406,226.57	-189,731,558.54
Including: Interest expenses	1,747,387.90	22,136,071.12
Interest income	77,437,600.76	210,518,129.74
Plus: Other income	46,212,716.68	33,206,855.90
Investment income (loss is indicated with "-")	2,618,339,748.91	2,695,886,407.92
Including: Income from investment in associates and joint ventures	983,423,862.34	772,732,477.51
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 "-")	94,869,231.65	141,271,168.28
Credit impairment losses (loss is indicated with "-")	-911,713.20	1,435,538.26
Asset impairment losses (loss is indicated with "-")	-63,471,045.24	-93,877,728.93
Gains from asset disposal (loss is indicated with "-")	5,838,067.78	-771,908.75
II. Operating profit (loss is indicated with "-")	5,195,117,583.35	4,923,837,122.46
Plus: Non-operating revenue	13,193,633.03	4,333,688.14

Less: Non-operating expenses	9,131,886.91	29,013,380.31
III. Total profit (total loss is indicated with “-”)	5,199,179,329.47	4,899,157,430.29
Less: Income tax expenses	399,417,878.67	491,752,405.59
IV. Net profit (net loss is indicated with “-”)	4,799,761,450.80	4,407,405,024.70
(I) Net profit from continuing operations (net loss is indicated with “-”)	4,799,761,450.80	4,407,405,024.70
(II) Net profit from discontinued operations (net loss is indicated with “-”)		
V. Other comprehensive income, net of tax	250,018.48	-6,855,667.55
(I) Other comprehensive income that cannot be reclassified into profits or losses	-2,017,048.84	-2,067,513.33
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	-2,017,048.84	-2,067,513.33
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	2,267,067.32	-4,788,154.22
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	2,267,067.32	-4,788,154.22
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	4,800,011,469.28	4,400,549,357.15
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	45,455,037,215.16	43,254,436,486.53
Net increase in customer deposits and placements from financial institutions		
Net increase in borrowings from 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		
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	11,120,849.57	13,465,000.80
Other cash receipts related to operating activities	823,606,335.85	612,105,342.04
Subtotal of cash inflows from operating activities	46,289,764,400.58	43,880,006,829.37
Cash paid for goods purchased and services received	31,295,057,710.69	31,321,052,292.37
Net increase in loans and advances to customers		
Net increase in deposits with 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	3,084,089,638.03	2,787,102,422.47
Payments of all types of taxes	3,005,176,969.94	2,490,279,928.72
Other cash paid relating to operating activities	4,305,746,201.48	2,984,569,043.54
Subtotal of cash outflows from operating activities	41,690,070,520.14	39,583,003,687.10
Net cash flows from operating activities	4,599,693,880.44	4,297,003,142.27
II. Cash flows from investment activities:		
Cash received from disposal of investments	6,651,743,736.65	553,145,988.51
Cash received from returns on investments	321,151,517.75	420,227,984.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,153,813.56	2,832,967.00
Net cash received from disposal of subsidiaries and other business units	1,680,000.00	
Other cash received relating to investment activities	966,194,049.98	7,043,006,500.00
Subtotal of cash inflows from investment activities	7,941,923,117.94	8,019,213,440.17
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	479,661,609.93	675,074,486.64
Cash paid for acquisition of investments	8,120,040,000.00	3,400,000,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units	500,320,758.81	
Other cash paid relating to investment activities	827,237,810.00	5,143,140,000.00
Subtotal of cash outflows from investment activities	9,927,260,178.74	9,218,214,486.64
Net cash flows from investment activities	-1,985,337,060.80	-1,199,001,046.47

III. Cash flows from financing activities:		
Cash received from absorption of investments	84,483,323.35	
Including: Cash received from subsidiaries' absorbing minority shareholder investment	84,483,323.35	
Cash received from borrowings	180,394,185.38	1,886,779,951.02
Other cash received relating to financing activities	70,733,636.26	75,292,510.43
Subtotal of cash inflows from financing activities	335,611,144.99	1,962,072,461.45
Cash payments for settlement of debts	432,074,541.69	2,833,409,772.47
Cash payments for distribution of dividends and profits or repayment of interest	4,042,319,473.77	5,951,560,088.74
Including: Dividends and profits paid to minority shareholders by subsidiaries	10,838,079.03	8,040,928.52
Other cash payments relating to financing activities	210,208,928.13	154,837,764.12
Subtotal of cash outflows from financing activities	4,684,602,943.59	8,939,807,625.33
Net cash flow from financing activities	-4,348,991,798.60	-6,977,735,163.88
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-8,661,908.99	3,497,174.93
V. Net increase in cash and cash equivalents	-1,743,296,887.95	-3,876,235,893.15
Plus: Opening balance of cash and cash equivalents	10,275,529,575.34	14,151,765,468.49
VI. Closing balance of cash and cash equivalents	8,532,232,687.39	10,275,529,575.34

## 6. Cash flow statement of parent company

Unit: RMB

Item	2025	2024
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	10,236,342,793.57	8,301,980,471.69
Receipts from tax refunds		
Other cash receipts related to operating activities	14,573,927,386.68	5,802,561,355.53
Subtotal of cash inflows from operating activities	24,810,270,180.25	14,104,541,827.22
Cash paid for goods purchased and services received	2,368,000,845.50	2,068,505,819.43
Cash paid to and on behalf of employees	1,486,787,999.25	1,289,767,253.56
Payments of all types of taxes	1,468,913,003.99	1,021,449,917.67
Other cash paid relating to operating activities	14,400,408,558.71	7,147,859,678.29
Subtotal of cash outflows from operating activities	19,724,110,407.45	11,527,582,668.95
Net cash flows from operating activities	5,086,159,772.80	2,576,959,158.27
II. Cash flows from investment activities:		
Cash received from disposal of investments	6,505,266,311.15	560,000,000.00
Cash received from returns on investments	309,834,174.10	420,217,009.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,745,268.39

Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	701,476,049.98	7,042,506,500.00
Subtotal of cash inflows from investment activities	7,516,576,535.23	8,025,468,778.05
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	178,715,758.64	272,704,559.21
Cash paid for acquisition of investments	8,130,000,000.00	3,420,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	444,269,110.00	5,142,640,000.00
Subtotal of cash outflows from investment activities	8,752,984,868.64	8,835,344,559.21
Net cash flows from investment activities	-1,236,408,333.41	-809,875,781.16
III. Cash flows from financing activities:		
Cash received from absorption of investments		
Cash received from borrowings	150,000,000.00	1,647,553,068.31
Other cash received relating to financing activities	70,733,636.26	75,292,510.43
Subtotal of cash inflows from financing activities	220,733,636.26	1,722,845,578.74
Cash payments for settlement of debts	400,000,000.00	1,267,153,068.31
Cash payments for distribution of dividends and profits or repayment of interest	4,012,523,754.77	5,891,507,647.80
Other cash payments relating to financing activities	105,639,142.30	77,774,307.15
Subtotal of cash outflows from financing activities	4,518,162,897.07	7,236,435,023.26
Net cash flow from financing activities	-4,297,429,260.81	-5,513,589,444.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,933,237.22	286,219.52
V. Net increase in cash and cash equivalents	-449,611,058.64	-3,746,219,847.89
Plus: Opening balance of cash and cash equivalents	7,795,079,954.83	11,541,299,802.72
VI. Closing balance of cash and cash equivalents	7,345,468,896.19	7,795,079,954.83

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

Amount for the current period

Unit: RMB

Item	2025														
	Owner's equity attributable to parent company												Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undisturbed profits	Others			Subtotal
		Preferred shares	Perpetual bonds	Others											
I. Closing balance of the previous year	1,784,262,603.00				17,637,148,823.48		-101,263,356.31		2,530,458,968.58		16,981,339,385.76		38,831,946,424.51	34,138,137.76	38,866,084,562.27
Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current period	1,784,262,603.00				17,637,148,823.48		-101,263,356.31		2,530,458,968.58		16,981,339,385.76		38,831,946,424.51	34,138,137.76	38,866,084,562.27
III. Increase/decrease for the period (decrease is indicated with "-.")					-5,031,632.63		-3,828,024.20				1,220,972,076.76		1,212,112,419.93	69,303,846.15	1,281,416,266.08
(I) Total comprehensive income							-3,828,024.20				5,153,486,838.91		5,149,658,814.71	34,268,185.38	5,183,927,000.09
(II) Contribution and withdrawal of capital by owners					37,009,868.76								37,009,868.76	47,191,128.53	84,200,997.29
1. Ordinary shares invested by owners														84,200,997.29	84,200,997.29
2. Capital invested by holders of other equity instruments															
3. Amount of share payment credited to owners' equity															
4. Others					37,009,868.76								37,009,868.76	-37,009,868.76	
(III) Profit distribution											-3,932,514,762.15		-3,932,514,762.15	-12,155,467.76	-3,944,670,229.91
1. Withdrawal of surplus reserves															

2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)															
4. Others															
(IV) Internal carry-over of owner's equity															
1. Transfer of capital reserves to capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Covering loss with surplus reserves															
4. Change of defined benefit plan carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves															
1. Provision for the period															
2. Utilization for the period															
(VI) Others															
IV. Closing balance for the period	1,784,262,603.00				17,632,117,190.85		-105,091,380.51		2,530,458,968.58		18,202,311,462.52		40,044,058,844.44	103,441,983.91	40,147,500,828.35

Amount for the previous year

Unit: RMB

Item	2024														
	Owner's equity attributable to parent company												Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Provision for general risk	Undisturbed profits	Others			Subtotal
	Preferred shares	Perpetual bonds	Others												
I. Closing balance of the previous year	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22
Plus: Changes in accounting policies															
Correction of errors in the prior period															
Others															
II. Opening balance of the current period	1,796,862,549.00				18,246,619,742.09	707,428,892.15	-89,538,172.13		2,530,458,968.58		18,102,147,836.12		39,879,122,031.51	26,238,350.71	39,905,360,382.22
III. Increase/decrease for the period (decrease is indicated with "-")	-12,599,946.00				-609,470,918.61	-707,428,892.15	-11,725,184.18				-1,120,808,450.36		-1,047,175,607.00	7,899,787.05	-1,039,275,819.95
(I) Total comprehensive income	-						-11,725,184.18				4,749,415,499.55		4,737,690,315.37	15,940,715.57	4,753,631,030.94
(II) Contribution and withdrawal of capital by owners	-12,599,946.00				-694,828,946.15	-707,428,892.15									
1. Ordinary shares invested by owners															
2. Capital invested by holders of other equity instruments															
3. Amount of share payment credited to owners' equity															
4. Others	-12,599,946.00				-694,828,946.15	-707,428,892.15									
(III) Profit distribution											-5,870,223,949.91		-5,870,223,949.91	-8,040,928.52	-5,878,264,878.43
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-5,870,223,949.91		-5,870,223,949.91	-8,040,928.52	-5,878,264,878.43

4. Others															
(IV) Internal carry-over of owner's equity															
1. Transfer of capital reserves to capital (or share capital)															
2. Transfer of surplus reserves to capital (or share capital)															
3. Covering loss with surplus reserves															
4. Change of defined benefit plan carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(V) Special reserves															
1. Provision for the period															
2. Utilization for the period															
(VI) Others					85,358,027.54							85,358,027.54		85,358,027.54	
IV. Closing balance for the period	1,784,262,603.00				17,637,148,823.48		-101,263,356.31		2,530,458,968.58		16,981,339,385.76		38,831,946,424.51	34,138,137.76	38,866,084,562.27

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

Amount for the current period

Unit: RMB

Item	2025											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undisturbed profits	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of the previous year	1,784,262,603.00				17,839,540,148.42		-61,502,389.01		2,529,297,618.08	2,287,686,657.27		24,379,284,637.76
Plus: Changes in accounting policies												
Correction of errors in the prior period												
Others												
II. Opening balance of the current period	1,784,262,603.00				17,839,540,148.42		-61,502,389.01		2,529,297,618.08	2,287,686,657.27		24,379,284,637.76
III. Increase/decrease for the period (decrease is indicated with "-")					-42,041,501.39		250,018.48			867,246,688.65		825,455,205.74
(I) Total comprehensive income							250,018.48			4,799,761,450.80		4,800,011,469.28
(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										-3,932,514,762.15		-3,932,514,762.15
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-3,932,514,762.15		-3,932,514,762.15
3. Others												

(IV) Internal carry-over of owner's equity												
1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					-42,041,501.39							-42,041,501.39
IV. Closing balance for the period	1,784,262,603.00				17,797,498,647.03		-61,252,370.53	2,529,297,618.08	3,154,933,345.92			25,204,739,843.50

Amount for the previous year

Unit: RMB

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

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

### III. Basic Information of the Company

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

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

#### 2. History of the Company

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

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

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

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

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

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

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

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

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

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

On April 23, 2024, the Company disclosed the *Announcement on Completion of Cancellation of the Repurchased Shares and Changes in Shares* (Announcement No. 2024-21). The Company completed the cancellation of the aforesaid 12,599,946 repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on April 19, 2024. Upon completion of the cancellation of the shares repurchased, the total number of shares of the Company was 1,784,262,603.00. The shares repurchased for cancellation will not have a

material impact on the Company's financial condition and operating results.

As of December 31, 2025, the Company has a total capital of 1,784,262,603 shares, with 0 shares in treasury. The situation that the Company has no de facto controller and no controlling shareholder remain unchanged.

### **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 March 31, 2026.**

As of December 31, 2025, there were 114 subsidiaries and structured entities included in the scope of the Group's consolidated financial statements. For details, please refer to Note X "Interest in Other Entities." The Group had 6 new entities included in its consolidated financial statements compared to the end of the previous year, while 3 entity were excluded.

## **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), 40 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 No.15 for Governing the Disclosure of Information by Companies Issuing Public Securities - General Provisions for Financial Reporting (Revised in 2023)* issued by CSRC.

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 specific 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 31 “Revenue” under this Note V. For the descriptions of significant accounting judgments and estimates made by the management, please refer to Section 36 “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 December 31, 2025 as well as the business results and cash flows of the Company and the Group for 2025. In addition, all significant aspects of the financial statements of the Company and the Group also comply with the disclosure requirements about the financial statements and their notes in the *Rules No.15 for Governing the Disclosure of Information by Companies Issuing Public Securities - General Provisions for Financial Reporting* as amended by the CSRC in 2023.

### 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. Determination method and selection basis of materiality standards

Applicable

Not applicable

Item	Materiality standards
Significant accounts receivable, bad debt provisions to be recovered or reversed	The single provision amount accounts for more than 10% of the total amount of bad debt provision for various types of receivables and the amount is greater than RMB 5 million.
Actual write-off of significant receivables	The value of a single item is greater than RMB 5 million
Significant construction in progress	Projects with budgets exceeding RMB 50 million or deemed to be of significance.

Significant advance receipts	The amount of a single advance receipt with an age of more than 1 year is greater than RMB 5 million
Significant contract liabilities	A single contractual liability with an age of more than 1 year accounts for more than 10% of the total contractual liabilities and the amount is greater than RMB 100 million
Significant accounts payable aged over one year or overdue	The amount of a single account payable is greater than RMB 5 million
Significant other payables aged over one year or overdue	The amount of a single item is greater than RMB 5 million
Significant dividends payable outstanding for over one year	The amount of a single item is greater than RMB 100 million
Receipts and payments of significant cash related to investment activities	The amount of a single item is greater than RMB 100 million
Significant offshore operating entity	The net assets of the economic entity exceed RMB 100 million
Significant structured entity	The net assets of the structured entity exceed RMB 2 million
Significant non-wholly-owned subsidiaries	The net assets of the subsidiary exceed RMB 100 million
Significant capitalized R&D projects	R&D projects with individual investment exceeding 2% of net assets, and other key R&D projects identified by the Company
Significant outsourced project under research	R&D projects with individual investment exceeding 2% of net assets, and other key R&D projects identified by the Company
Significant investment activities	A single investment activity accounts for more than 10% of the total cash inflow or outflow related to the investment activities and the amount is greater than RMB 1 billion
Significant joint ventures or associates	The book value of long-term equity investment in a single investee accounts for more than 5% of the Group's net assets and the amount is greater than RMB 1 billion, or the investment profit and loss under the long-term equity investment method accounts for more than 10% of the Group's consolidated net profit
Significant subsidiaries	The net assets of the subsidiary account for more than 10% of the Group's net assets, or the net profits of subsidiary account for more than 10% of the Group's consolidated profits, and the subsidiaries with significant strategic position

## 6. 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 No.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 17 “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.

## **7. Judgement criteria of control and 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 and 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 when 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 17 "Long-term equity investments" or Section 11 "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 17 "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.

#### **8. 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 17 “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 and 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.

#### **9. 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) which are highly liquid, easily convertible to known amounts of cash, and having minimal risk of changes in value.

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

The method for determining the conversion exchange rate in 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).

### (1) 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 differences 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.

### (2) 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 under the shareholders' equity item in the balance sheet, shall be transferred to the profits and 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 under the shareholders' equity item in the balance sheet, shall be fully transferred to the profits and losses of the disposal period.

When part of the equity investment is disposed of or the proportion of overseas operating interest is reduced for other reasons but the control of overseas operations is not lost, 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 and losses of the disposal period 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 and losses of the disposal period.

## 11. Financial instruments

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

### (1) Classification, recognition 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 and 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 and losses, the related transaction costs are recognized directly in profits and 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 and disposal of

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

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

### ③ Financial assets at fair value through profits and losses

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

#### (2) Classification, recognition and measurement of financial liabilities

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

### ① Financial liabilities at fair value through profits and losses

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

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

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

## ② Other financial liabilities

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

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

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

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

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

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

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

### (4) Derecognition of financial liabilities

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

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

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

#### (5) Offsetting of financial assets and financial liabilities

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

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

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

#### (7) Equity instruments

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

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

## (8) Impairment of financial assets

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

### ① Recognition of provision for impairment losses

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

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

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

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

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

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

### ③ The portfolio-based approach to assessing expected credit risk

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

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

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

#### ④ Accounting treatment of impairment of financial assets

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

#### ⑤ Determination of credit losses of various financial assets

##### a. Notes receivable

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

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

##### b. Accounts receivable and contractual assets

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

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

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

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

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

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

##### c. Accounts receivable financing

Notes and accounts receivable measured at fair value through other comprehensive income are presented as

accounts receivable financing if their maturities are within one year (including one year) from the initial recognition date. The Group measures the loss provision at the amount equivalent to expected credit losses in the entire duration.

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

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

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

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

#### d. Other receivables

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

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

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

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

## 12. Notes receivable

Please refer to “11. Financial instruments.”

## 13. Accounts receivable

Please refer to “11. Financial instruments.”

## 14. Accounts receivable financing

Notes and accounts receivable at fair value through other comprehensive income are presented as accounts receivable financing if their maturities are within one year (including one year) from the initial recognition date. The Notes and accounts receivable with the maturity of more than 1 year since the initial recognition date are

presented as other debt investments. For the relevant accounting policies, please refer to “11. Financial instruments” under this Note.

## 15. Other receivables

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

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

## 16. Inventories

(1) Categories of inventories

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

(2) Pricing of inventories

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

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

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

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

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

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

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

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

## 17. Long-term equity investments

Long-term equity investments in this section refers to any equity investment by which the Group has control, common control or significant influence over the investee. Long-term equity investments by which the Group does

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

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

(1) Determination of investment cost

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

For the long-term equity investments acquired relating to business combination not under common control, the initial investment cost is the cost of combination on the date of acquisition which equals to the aggregate fair value of assets transferred, liabilities incurred or assumed and equity securities issued by the acquirer. Where a business

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

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

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

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

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

##### ① Long-term equity investment accounted for with cost method

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

##### ② Long-term equity investment accounted for with equity method

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

When a long-term equity investment is accounted for with equity method, the investment income and other

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

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

### ③ Acquisition of minority interests

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

### ④ Disposal of long-term equity investments

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

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

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

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

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

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

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

## 18. Investment properties

Measurement model for investment property

Cost model

Depreciation or amortization method

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

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

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

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

When the purpose of an investment property changes to self-use, from the date of the change, the investment property shall be reclassified as a fixed asset or intangible asset. When the purpose of a self-use property changes to earning rental income or capital appreciation, from the date of the change, the fixed asset or intangible asset shall be reclassified as an investment property. Upon reclassification, for investment properties measured using the cost model, the carrying value before reclassification is recognized as the carrying value after reclassification. For

investment properties measured using the fair value model, the fair value on the date of reclassification is recognized as the carrying value after reclassification.

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

## 19. Fixed assets

### (1) Recognition criteria

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

### (2) Depreciation method

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

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

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

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

### (4) Other Information

Subsequent expenditures related to fixed assets that are expected to generate economic benefits and can be reliably measured are capitalized as part of the fixed asset’s cost, and the carrying value of the replaced portion is

derecognized. Other subsequent expenditures are recognized in the current period's income statement upon occurrence.

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

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

## **20. Construction in progress**

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

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

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

## **21. Borrowing costs**

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

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

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

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

Where the acquisition and construction or production activities of an asset eligible for capitalization is

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

## 22. Biological assets

### (1) Consumptive biological assets

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

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

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

### (2) Productive biological assets

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

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

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

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

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

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

## **23. Intangible assets**

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

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

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

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

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

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

The Group's intangible assets include land use rights, software, franchise rights, patent technology, non-patent technology, and trademarks. The amortization periods and conditions for the main intangible assets are as follows:

① Land use rights are amortized over the remaining useful life specified in the land use right certificate, with an average annual amortization period of 30-50 years. When the purchase price of land and buildings cannot be reasonably allocated between land use rights and buildings, the entire amount is treated as fixed assets.

② Software, patent technology, and non-patent technology are amortized over the estimated useful life of 10 years, with an average annual amortization period.

③ Franchise rights are amortized over the estimated useful life of 30 years, with an average annual amortization period.

## **(2) Scope of R&D expenses and related accounting treatment**

The scope of our Company's R&D expenses is primarily determined based on the Company's R&D projects. It includes R&D personnel salaries, direct input costs, depreciation and amortization expenses, design and testing expenses, outsourced R&D expenses, and other expenses.

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

Research refers to the original and planned investigation undertaken to acquire and understand new scientific or technical knowledge. Expenditures incurred during the research phase are recognized in profit or loss when incurred.

Development refers to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, etc., prior to the commencement of commercial production or use. Expenditures incurred during the development phase are capitalized if all of the following conditions are satisfied simultaneously; development expenditures that do not meet these conditions are recognized in profit or loss:

- 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 proven to be useful 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 and losses when incurred.

## **(3) The impairment testing method and provision for impairment of intangible assets**

For the impairment testing method and provision for impairment of intangible assets, please refer to Section 24 of "Impairment of long-term assets" under Note V.

## **24. 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 ready for use 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.

## **25. 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 Group's long-term deferred expenses mainly consist of building renovations and project improvements. These long-term deferred expenses are amortized using the straight-line method over the estimated period of benefit.

## **26. 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.

## **27. 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. The post-employment benefits plan includes the establishment of a defined contribution plan and the establishment of a defined benefit plan. 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.

## **28. 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.

## 29. 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.

When the fair value of equity instruments granted cannot be reliably measured, the intrinsic value of the equity instruments is used to measure their value on the grant date, subsequent balance sheet dates, and settlement dates. Changes in the intrinsic value are recognized in the current period's income statement.

## 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 shareholders or de facto controllers of the Group and Company

Transactions involving share payments between the shareholders or de facto controllers of the Group and 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 enterprises 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.

### **30. Revenue**

Disclose the accounting policies for revenue recognition and measurement by business type

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 obligation 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 fulfills its obligations; 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.

Revenue recognition principles for specific scenarios are as follows:

(1) Domestic sales:

Revenue is recognized when control is transferred to the customer upon delivering the products to the customer's specified location and obtaining customer acknowledgement through a signed confirmation, as stipulated in the sales contract or order.

Revenue is recognized when control is transferred to the customer upon delivering the products to the customer's specified location and completing the customer's inspection based on relevant standards, as stipulated in the sales contract or order.

Revenue is recognized when the services have been provided, and the right to collect service fees is obtained.

(2) International sales:

Revenue is recognized when control is transferred to the customer upon the products being dispatched and customs clearance procedures being completed, as stipulated in the sales contract or order.

Situations where similar businesses adopt different operation models involving different revenue recognition methods and measurement methods: Not applicable.

### **31. Contract cost**

Incremental cost incurred by the Group to acquire contract that is expected to be recovered is taken as the contract acquisition cost 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 cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), cost 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.

When the carrying amount of an asset related to contract costs exceeds the difference between the following two amounts, an impairment provision is recognized for the excess amount, and an asset impairment loss is recognized: (1) The expected remaining consideration to be obtained from transferring the goods related to that asset. (2) The estimated costs necessary to complete the transfer of the related goods. If there is a change in the factors that led to impairment in previous periods, resulting in the difference between (1) minus (2) exceeding the carrying amount of the asset, the previously recognized impairment provision is reversed and recognized in the current period's income statement. However, the carrying amount of the asset after the reversal should not exceed the carrying amount of the asset on the date of the reversal, assuming no impairment provision had been recognized.

### **32. Government subsidy**

Government subsidy refers to the cash and bank balance and non-cash and bank balance 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 cash and bank balance, the subsidy is measured at the amount received or receivable. For a government subsidy in the form of transfer of non-cash and bank balance, 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 in writing, 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; (4) Other relevant conditions that should be met based on the specific circumstances of the Group and the grant in question (if any).

Asset-related government subsidies are recognized as deferred income 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 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.

When confirmed government subsidies need to be returned and there is a related balance of deferred income, the related deferred income balance is offset. Any excess amount is recognized in the current period's income statement or adjusted against the carrying value of the asset (for government subsidies that were initially offset against the carrying value of the asset); in other cases, it is recognized directly in the current profits and losses.

### **33. 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 not 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-off 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.

### 34. Leases

#### (1) Accounting treatment as the lessee

Leasing refers to contracts in which the Group conveys or acquires the right to control the use of one or more identified assets for a specified period in exchange for consideration. At the commencement date of a contract, the Group assesses whether the contract is a lease or contains a lease component.

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 19 "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 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, or the relevant asset costs. Variable lease payments that are not included in the measurement of the lease liability are recognized in current profits and losses, or the relevant asset costs 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 value of a single lease asset, which is a brand-new asset, is lower than either RMB 40,000 or USD 5,000), 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) Accounting treatment as the 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.

### 35. Other significant accounting policies and accounting estimates

#### Share repurchase

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.

### 36. 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 2025 to adjust relevant items in the financial statements at the beginning of the year of first-time implementation**

Applicable  Not applicable

**37. Others: None.**

**VI. Taxation**

**1. Main tax types and tax rates**

Tax type	Taxation basis	Tax rate
Value-added tax	General Taxation Method: the balance of output VAT for the current period after deducting input VAT for the current period. Simplified Taxation Method: sales amount for the current period multiplied by the levy rate.	13%, 9%, 6%, 5%, 3%, 0%
Consumption tax	Price-based collection and compound levy	Price-based collection: 15%, 10%. Compound levy: 20% plus RMB 0.5 per 500g (or 500ml)
Urban maintenance and construction tax	Amount of turnover tax payables	7%, 5%, 1%
Enterprise income tax	Taxable income	25%, 20%, 16.5%, 15%, 8.25%
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.	15.00%
Yunnan Digital Intelligence TCM Development Co., Ltd.	15.00%
Yunnan Baiyao Group Health Products Co., Ltd.	15.00%
Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd.	15.00%
Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	15.00%
Yunnan Baiyao Pharmacy Co., Ltd.	15.00%
Yunnan Baiyao Teayield Co., Ltd.	15.00%
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15.00%
Yunnan Tianzheng Testing Co., Ltd.	15.00%
Yunnan Institute of Materia Medica	15.00%
Yunbaiyao Zhengwu Technology (Shanghai) Co., Ltd.	20.00%
Yunnan Pharmaceutical Xihui Co., Ltd.	20.00%
Beijing Rui'er Testing Technology Co., Ltd.	20.00%
Yunnan Pharmaceutical Jiayuan Co., Ltd.	20.00%
Yunnan Pharmaceutical Tianfu Dahua Co., Ltd.	20.00%
Yunnan Pharmaceutical Diqing Development Co., Ltd.	20.00%
Yunnan Pharmaceutical Pu'er Co., Ltd.	20.00%

Yunnan Pharmaceutical Zhaotong Co., Ltd.	20.00%
Lijiang Yunquan Biological Development Co., Ltd.	20.00%
Yunnan Baiyao Tiancui Business Management Co., Ltd.	20.00%
Beijing Yunzhi Health Management Co., Ltd.	20.00%
Shanghai Wenshu Health Management Co., Ltd.	20.00%
Kunming Yunzhen Medical Technology Co., Ltd.	20.00%
Shanghai Yunyi Medical Technology Co., Ltd.	20.00%
Shanghai Yunpu Medical Technology Co., Ltd.	20.00%
Beijing Yunzhen Medical Aesthetic Clinic Co., Ltd.	20.00%
Shanghai Hanshi Health Consulting Co., Ltd.	20.00%
Shanghai Yunzhenni Medical Aesthetic Outpatient Department Co., Ltd.	20.00%
Yunnan Baiyao Yunzhen International Trade Co., Ltd.	20.00%
Shanghai Yunyao Oral Medical Technology Co., Ltd.	20.00%
Yunnan Fengqing Tea Plant Co., Ltd.	20.00%
Yunnan Baiyao Tianyi Chayuan Lincang Manor Co., Ltd.	20.00%
Tianjin Yunshuda Comprehensive Clinic Co., Ltd.	20.00%
Xingzhong Digital Intelligence TCM Service Co., Ltd of Yunnan Baiyao Group	20.00%
Yunnan Yunyao Nuxiang Co., Ltd.	20.00%
Hangzhou Shanqi Health Industry Co., Ltd.	20.00%
Yunnan Baiyao Group Seed Industry Technology Co., Ltd.	20.00%
Yunnan Baiyao Group (Hainan) Import & Export Trading Co., Ltd.	20.00%
Shaanxi Zhiyun Wenshu Health Services Co., Ltd.	20.00%
Yunnan Baiyao Group Shanghai Co., Ltd.	20.00%
Shanghai Yunzhen Outpatient Department Co., Ltd.	20.00%
Yunnan Pharmaceutical Xiongyi Co., Ltd.	20.00%
Yunnan Baiyao Group Shanghai Technology Co., Ltd.	20.00%
Yunnan Baiyao Group TCM Development (Weishan) Co., Ltd.	20.00%
Yunnan Baiyao Group Digital Intelligence Technology Co., Ltd.	20.00%
YNBY Healthcare (Shenzhen) Limited	20.00%
YNBY Healthcare Technology (Yunnan) Co., Ltd.	20.00%
YNBY International Limited	16.50%
Wan Long Xing Ye Commercial Trading (Hong Kong) Limited	16.50%
BL Healthcare (Hong Kong) Limited	16.50%
Yunbai Coffee Limited	16.50%

Yunbai Health Limited	16.50%
Yunbai Pharmaceutical Limited	16.50%
Yunbai Group Limited	16.50%
Yunbai Beauty Limited	8.25%

## 2. Preferential tax treatment

(1) A total of 9 companies, including Yunnan Baiyao Group Co., Ltd, Yunnan Digital Intelligence TCM Development Co., Ltd, Yunnan Baiyao Group Health Products Co., Ltd, Yunnan Baiyao Group Lijiang Pharmaceutical Co., Ltd, Yunnan Baiyao Group Wenshan Qihua Co., Ltd, Yunnan Baiyao Pharmacy Co., Ltd, Yunnan Baiyao Teayield Co., Ltd, Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd, and Yunnan Tianzheng Testing 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 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, Yunnan Baiyao Group Tai'an Biotechnology Industry Co., Ltd and Anguo Juyatong Pharmaceutical 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) The Hong Kong-based company is subject to the “two-tiered tax rate” policy. This means that for annual taxable profits not exceeding HKD 2 million, a tax rate of 8.25% applies; for profits exceeding HKD 2 million, a tax rate of 16.5% applies.

(5) 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* (Announcement No. 13 [2022] of the Ministry of Finance and the State Taxation Administration), “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* (Announcement No. 6 [2023] of the Ministry of Finance and the State Taxation Administration), “the part of the annual taxable income of small and micro profit enterprises that does not exceed RMB 1 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* (Announcement No. 12 [2023] of the Ministry of Finance and the State Taxation Administration), “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.” Thirty-seven companies, including Yunnan Fengqing Tea Plant Co., Ltd, and Beijing Rui'er Testing 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	125,243.29	124,469.53
Bank deposit	9,042,351,401.06	10,835,027,632.02
Other cash and bank balance	65,352,523.63	52,831,059.75
Total	9,107,829,167.98	10,887,983,161.30
Including: Total amount of money deposited overseas	112,994,332.70	172,825,681.17

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	4,192,113,408.43	2,547,113,523.40
Including:		
Investments in debt instruments		
Investments in equity instruments		179,246,998.10
Others	4,192,113,408.43	2,367,866,525.30
Including:		
Total	4,192,113,408.43	2,547,113,523.40

Other explanations: The Company adheres to the principle of prudent investment, utilizing idle proprietary funds for wealth management and investment activities while ensuring daily operations and capital security, thereby enhancing corporate returns and capital utilization efficiency.

### 3. Notes receivable

#### (1) Notes receivable by type

Unit: RMB

Item	Closing balance	Opening balance
Banker's acceptance bill	239,281,210.93	302,751,911.37
Commercial acceptance bill	85,000.00	
Domestic letter of credit	346,000,000.00	626,900,000.00
Total	585,366,210.93	929,651,911.37

#### (2) Disclosure by provision for bad debts

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	585,366,210.93	100.00%			585,366,210.93	929,651,911.37	100.00%			929,651,911.37
Including:										
Banker's acceptance bill	239,281,210.93	40.88%			239,281,210.93	302,751,911.37	32.57%			302,751,911.37
Commercial acceptance bill	85,000.00	0.01%			85,000.00		0.00%			
Domestic letter of credit	346,000,000.00	59.11%			346,000,000.00	626,900,000.00	67.43%			626,900,000.00
Total	585,366,210.93	100.00%			585,366,210.93	929,651,911.37	100.00%			929,651,911.37

Provision for bad debts by portfolio:

Unit: RMB

Item	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Banker's acceptance bill	239,281,210.93		
Commercial acceptance bill	85,000.00		
Domestic letter of credit	346,000,000.00		
Total	585,366,210.93		

The explanation for determining the basis of this combination: None.

If provision was made for bad debts of notes receivable in accordance with the general expected credit loss model:

Applicable  Not applicable

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

Provision for bad debts accrued during the period: None.

Provision for bad debts recovered or reversed during the period:

Applicable  Not applicable

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

**(5) 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	1,159,164.16	
Domestic letter of credit	368,000,000.00	
Total	369,159,164.16	

**(6) Actual write-off of notes receivable for the period**

**4. Accounts receivable**

**(1) Disclosure by aging**

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	9,956,655,013.57	9,713,443,216.42
1 to 2 years	865,042,333.71	947,991,418.33
2 to 3 years	211,881,274.53	92,799,887.41
Above 3 years	81,486,165.98	49,403,790.60
Total	11,115,064,787.79	10,803,638,312.76

## (2) Disclosure by provision for bad debts

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	5,666,188.00	0.05%	5,666,188.00	100.00%	0.00	5,666,188.00	0.05%	5,666,188.00	100.00%	0.00
Including:										
Accounts receivable with provision for bad debts on individual basis	5,666,188.00	0.05%	5,666,188.00	100.00%	0.00	5,666,188.00	0.05%	5,666,188.00	100.00%	0.00
Accounts receivable with provision for bad debts on portfolio basis	11,109,398,599.79	99.95%	949,339,376.50	8.55%	10,160,059,223.29	10,797,972,124.76	99.95%	874,611,020.37	8.10%	9,923,361,104.39
Including:										
Age-based portfolio	11,109,398,599.79	99.95%	949,339,376.50	8.55%	10,160,059,223.29	10,797,972,124.76	99.95%	874,611,020.37	8.10%	9,923,361,104.39
Total	11,115,064,787.79	100.00%	955,005,564.50	8.59%	10,160,059,223.29	10,803,638,312.76	100.00%	880,277,208.37	8.15%	9,923,361,104.39

Provision for bad debts made on an individual basis:1

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision proportion	Reason for provision
Ningbo Qingbing Biotechnology Co., Ltd.	5,666,188.00	5,666,188.00	5,666,188.00	5,666,188.00	100.00%	Little chance of recovery
Total	5,666,188.00	5,666,188.00	5,666,188.00	5,666,188.00		

Provision for bad debts made on a portfolio basis:1

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Age-based portfolio	11,109,398,599.79	949,339,376.50	8.55%
Total	11,109,398,599.79	949,339,376.50	

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:

 Applicable  Not applicable**(3) Provision for bad debts accrued, recovered or reversed during the reporting period**

Provision for bad debts during the period:

Unit: RMB

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Single account receivable with provision for bad debts	5,666,188.00	0.00	0.00	0.00	0.00	5,666,188.00
Age-based portfolio	874,611,020.37	73,293,557.99	0.00	85,482.85	1,520,280.99	949,339,376.50
Total	880,277,208.37	73,293,557.99	0.00	85,482.85	1,520,280.99	955,005,564.50

Note: The "Others" amount during the period represents the bad debt provision for accounts receivable of Anguo Juyatong Pharmaceutical Co., Ltd as of the merger date.

Significant provision for bad debts recovered or reversed during the period: None.

**(4) Actual write-off of accounts receivable for the period:**

Unit: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	85,482.85

Significant write-off of accounts receivable: None.

Explanation on write-off of accounts receivable: None.

**(5) Top five customers in closing balance of accounts receivable and contractual assets summarized by debtor**

Unit: RMB

Entity name	Closing balance of accounts receivable	Closing balance of contractual assets	Closing balance of accounts receivable and contractual assets	Percentage of total of closing balance of accounts receivable and contractual assets	Closing balance of provision for bad debts of account receivable and provision for impairment of contractual assets
Customer A	574,289,753.02		574,289,753.02	5.17%	125,950,855.88
Customer B	378,661,103.55		378,661,103.55	3.41%	20,197,170.79
Customer C	350,874,960.50		350,874,960.50	3.16%	32,842,342.94
Customer D	307,071,158.55		307,071,158.55	2.76%	15,353,557.93
Customer E	275,727,883.17		275,727,883.17	2.48%	58,403,048.79
Total	1,886,624,858.79		1,886,624,858.79	16.98%	252,746,976.33

**5. Accounts receivable financing**

**(1) Accounts receivable financing by type**

Unit: RMB

Item	Closing balance	Opening balance
Banker's acceptance bill	1,230,423,455.01	1,887,789,780.16
Domestic letter of credit	451,562,128.92	
Total	1,681,985,583.93	1,887,789,780.16

**(2) Classified disclosure according to the method of bad debt provision**

Not applicable.

**(3) The bad debt provisions accrued, recovered, or reversed during the period**

Not applicable.

**(4) Financing of receivable pledged by the Company at the end of the reporting period**

Not applicable.

**(5) Financing of receivable endorsed or discounted by the Company, which was 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	5,736,173,619.99	
Domestic letter of credit	324,457,006.84	

Total	6,060,630,626.83	
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**(6) Financing of receivable pledged by the Company at the end of the period: None.**

**(7) Increase/decrease in the financing of accounts receivable and in their fair values during their financing period: None.**

**(8) Other explanations: None.**

## 6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	79,875,215.52	10,348,033.98
Other receivables	326,642,028.59	98,079,164.35
Total	406,517,244.11	108,427,198.33

### (1) Interests receivable

**1) Dividends receivable by type: None.**

**2) Major overdue interests: None.**

**3) Disclosure by provision for bad debts**

Applicable Not applicable

**4) Withdrawal, recovery and reversal of provision for bad debts during the period: None.**

**5) Actual write-off of dividend receivable during the period: None.**

### (2) Dividends receivable

#### 1) Dividends receivable by type

Unit: RMB

Project (or investee)	Closing balance	Opening balance
Shanghai Pharmaceuticals Holding Co., Ltd.	79,875,215.52	
Jacobson Pharma Co., Ltd.		6,482,280.00
JBM (Healthcare) Co., Ltd.		3,865,753.98
Total	79,875,215.52	10,348,033.98

**2) Major dividends receivable aged over one year: None.**

**3) Disclosure by provision for bad debts**

Applicable Not applicable

4) **Withdrawal, recovery and reversal of provision for bad debts during the period: None.**

5) **Actual write-off of dividend receivable during the period: None.**

**(3) Other receivables**

**1) Other receivables by nature**

Unit: RMB

Nature	Closing balance	Opening balance
Deposits and guarantees	261,910,279.76	282,011,383.75
Borrowings	2,677,211.78	4,877,211.78
Current account and petty cash	106,645,507.97	4,284,813.75
Others	316,089,936.01	298,950,367.29
<b>Total</b>	<b>687,322,935.52</b>	<b>590,123,776.57</b>

**2) Disclosure by aging**

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	336,848,203.09	91,464,527.37
1 to 2 years	17,700,710.11	11,521,428.46
2 to 3 years	6,347,352.58	10,192,068.99
Above 3 years	326,426,669.74	476,945,751.75
<b>Total</b>	<b>687,322,935.52</b>	<b>590,123,776.57</b>

**3) Disclosure by provision for bad debts**

Applicable    Not applicable

Provision was made for bad debts in accordance with the general expected credit loss model:

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, 2025	220,783,937.68		271,260,674.54	492,044,612.22
Balance as of January 1, 2025 in the current period				
——Transferred to Phase 2				0.00
——Transferred to Phase 3				0.00
——Transferred back to Phase 2				0.00

—Transferred back to Phase 1				0.00
Current provision				0.00
Current reversal	131,363,705.29			131,363,705.29
Current transfer				0.00
Current write-off				0.00
Other changes				0.00
Balance as of December 31, 2025	89,420,232.39		271,260,674.54	360,680,906.93

Division base for each phase and proportion of provision for bad debts

Not applicable

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

Applicable  Not applicable

#### 4) Provision for bad debts accrued, recovered or reversed during the current period

Provision for bad debts during the reporting period:

Unit: RMB

Category	Opening balance	Changes in this period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Others	
Other accounts receivable with provision for bad debts by credit risk characteristics portfolio	492,044,612.22		131,363,705.29			360,680,906.93
Total	492,044,612.22		131,363,705.29			360,680,906.93

Recovery or reversal of provision for bad debts with significant amount during the reporting period: None.

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

#### 6) Top five customers in 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	Within 1 year	14.55%	5,000,000.00
Entity B	Security deposit	37,799,431.74	Within 1 year	5.50%	1,889,971.59
Entity C	Security deposit	16,700,000.00	Within 1 year,	2.43%	11,950,000.00

			Above 3 years		
Entity D	Security deposit	16,500,000.00	Within 1 year	2.40%	825,000.00
Entity E	Security deposit	12,000,000.00	Above 3 years	1.75%	12,000,000.00
Total		182,999,431.74		26.62%	31,664,971.59

7) Presentation under other receivables due to centralized fund management: None.

## 7. Prepayments

### (1) Prepayments by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	425,475,454.48	97.94%	292,483,526.83	96.35%
1 to 2 years	4,135,029.82	0.95%	3,670,061.07	1.21%
2 to 3 years	2,124,307.70	0.49%	5,838,379.65	1.92%
Above 3 years	2,708,157.73	0.62%	1,571,876.52	0.52%
Total	434,442,949.73		303,563,844.07	

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

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

Series No.	Company name	Book balance	Percentage of prepayments (%)
1	Supplier A	83,177,021.66	19.15%
2	Supplier B	41,865,167.48	9.64%
3	Supplier C	30,179,393.40	6.95%
4	Supplier D	17,202,373.12	3.96%
5	Supplier E	15,157,354.57	3.49%
Total		187,581,310.23	43.18%

Other explanations: None.

## 8. 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	1,515,887,407.03	139,864,005.50	1,376,023,401.53	1,592,465,699.05	56,078,142.82	1,536,387,556.23
Work in process	246,090,458.23	6,824,914.85	239,265,543.38	285,385,346.89	3,184,218.03	282,201,128.86
Finished goods	4,664,617,530.93	145,683,078.79	4,518,934,452.14	4,424,372,412.33	52,518,059.87	4,371,854,352.46
Consumptive biological assets	36,331,281.28		36,331,281.28	42,544,762.19		42,544,762.19
Materials outsourced for processing				193,030.54		193,030.54
Packaging materials and low value consumables	61,727,408.47	898,260.11	60,829,148.36	61,945,999.53	758,513.51	61,187,486.02
Total	6,524,654,085.94	293,270,259.25	6,231,383,826.69	6,406,907,250.53	112,538,934.23	6,294,368,316.30

(2) Data resources confirmed as inventory: None.

(3) 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	56,078,142.82	93,898,897.76	1,092,311.50	11,205,346.58		139,864,005.50
Unfinished products	3,184,218.03	3,640,696.82				6,824,914.85
Stocks	52,518,059.87	157,149,457.10	2,092,855.86	66,077,294.04		145,683,078.79
Packaging materials and low value consumables	758,513.51	166,694.83		26,948.23		898,260.11
Total	112,538,934.23	254,855,746.51	3,185,167.36	77,309,588.85		293,270,259.25

Provision for inventory impairment by portfolio: None.

(4) Explanation on closing balance of inventories involving capitalized amount of borrowing costs

None.

(5) Explanation on the current amortization amount of contract performance costs

None.

## 9. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Certificate of deposit and interest		480,295,722.22
Total		480,295,722.22

**(1) Debt investments due within one year**

Applicable       Not applicable

**(2) Other debt investments due within one year**

Applicable       Not applicable

**10. Other current assets**

Unit: RMB

Item	Closing balance	Opening balance
Time deposits and other wealth management products	373,132,815.85	109,329,028.37
Input tax to be deducted and certified	364,066,091.69	472,854,544.60
Cost of returned goods receivable	161,604,003.07	156,086,620.09
Prepaid taxes and fees	101,041,664.39	11,082,804.32
Others	235,050,583.04	38,755,582.16
Total	1,234,895,158.04	788,108,579.54

Other explanations: None.

**11. Other equity instrument investments**

Unit: RMB

Item name	Closing balance	Opening balance	Gains included in other comprehensive income during the period	Loss included in other comprehensive income during the period	Accumulated gains included in other comprehensive income at the end of the period	Accumulated loss included in other comprehensive income at the end of the period	Dividend income recognized in the current period	Reason for designating measurement at fair value through other comprehensive income
ImmuneSensor Therapeutics Inc.	71,745,000.00	71,745,000.00						The investment is strategic and is a non-trading equity instrument investment
Total	71,745,000.00	71,745,000.00						

Derecognition during the period: None.

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

Other explanations: None.

**12. Long-term equity investments**

Unit: RMB

Investee	Opening balance (book value)	Opening balance of impairment provision	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.	12,061,376,588.76				981,076,423.38	250,018.48	-42,041,501.39	272,906,986.36			12,727,754,542.87	
Yunnan TCM Big Health Innovation Equity Investment Fund Partnership (Limited)	499,889,683.05				-66,174.01						499,823,509.04	

Partnership)												
Ban Loong Jacobson JBM Pharma Limited	9,809.54			9,809.54								0.00
Lijiang Changengming Trading Co., Ltd.			40,000.00		-40,000.00							0.00
Subtotal	12,561,276,081.35	0.00	40,000.00	9,809.54	980,970,249.37	250,018.48	-42,041,501.39	272,906,986.36	0.00	0.00	13,227,578,051.91	0.00
Total	12,561,276,081.35	0.00	40,000.00	9,809.54	980,970,249.37	250,018.48	-42,041,501.39	272,906,986.36	0.00	0.00	13,227,578,051.91	0.00

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

Applicable  Not applicable

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

Applicable  Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

Other explanations: None.

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

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	210,855,260.47	387,688,897.11
Total	210,855,260.47	387,688,897.11

Other explanations: None.

**14. 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
<b>I. Original book value</b>				
1. Opening balance	63,823,600.25	35,986,907.73		99,810,507.98
2. Increase in the current period	15,033,408.77	608,518.16		15,641,926.93
(1) Outsourcing				0.00
(2) Transfer from inventory\fixed assets\ construction in progress	15,033,408.77	608,518.16		15,641,926.93
(3) Increase in business combination				0.00
3. Decrease in the current period	13,270,545.22	0.00		13,270,545.22
(1) Disposal				0.00
(2) Other transfer out	13,270,545.22			13,270,545.22
4. Closing balance	65,586,463.80	36,595,425.89		102,181,889.69
<b>II. Accumulated depreciation and accumulated amortization</b>				0.00
1. Opening balance	41,440,204.15	6,048,232.33		47,488,436.48
2. Increase in the current period	4,953,074.46	915,661.66		5,868,736.12
(1) Provision or amortization	2,679,471.83	467,571.60		3,147,043.43
(2) Transfer from inventory\fixed assets\ construction in progress	2,273,602.63	448,090.06		2,721,692.69
3. Decrease in the current period	4,317,363.76	0.00		4,317,363.76
(1) Disposal				0.00
(2) Other transfer out	4,317,363.76			4,317,363.76
4. Closing balance	42,075,914.85	6,963,893.99		49,039,808.84
<b>III. Provision for impairment</b>				0.00

1. Opening balance	2,438,059.35			2,438,059.35
2. Increase in the current period	337,442.85	0.00		337,442.85
(1) Provision				0.00
(2) Transfer from inventory\fixed assets\ construction in progress	337,442.85			337,442.85
3. Decrease in the current period				0.00
(1) Disposal				0.00
(2) Other transfer out				0.00
4. Closing balance	2,775,502.20			2,775,502.20
IV. Book value				0.00
1. Closing book value	20,735,046.75	29,631,531.90		50,366,578.65
2. Opening book value	19,945,336.75	29,938,675.40		49,884,012.15

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

Applicable Not applicable

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

Applicable Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

Other explanations: None.

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

Applicable Not applicable

**(3) Conversion to investment properties and adoption of fair value measurement: None.**

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

**15. Fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	3,273,782,844.91	3,012,529,818.52
Liquidation of fixed assets	557,307.43	349,009.57
Total	3,274,340,152.34	3,012,878,828.09

**(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	2,967,355,392.37	1,720,259,929.58	66,771,532.55	179,243,085.40	1,381,365.41	4,935,011,305.31
2. Increase in the current period	312,088,970.28	252,882,699.84	3,101,298.26	37,189,046.66	9,925,971.50	615,187,986.54
(1) Purchase		71,828,374.99	1,003,829.95	22,449,359.53	3,476,718.59	98,758,283.06
(2) Transfer from construction in progress	60,898,153.26	91,971,076.17		9,169,324.55		162,038,553.98
(3) Increase in business combination	237,920,271.80	89,083,248.68	2,097,468.31	5,570,362.58	6,449,252.91	341,120,604.28
(4) Other transfer-in	13,270,545.22					13,270,545.22
3. Decrease in the current period	51,223,567.62	10,127,038.83	24,900.00	3,620,772.45	-	64,996,278.90
(1) Disposal or scrapping	938,699.89	10,127,038.83	24,900.00	3,620,772.45		14,711,411.17
(2) Other transfer-out	50,284,867.73					50,284,867.73
4. Closing balance	3,228,220,795.03	1,963,015,590.59	69,847,930.81	212,811,359.61	11,307,336.91	5,485,203,012.95
II. Accumulated depreciation						0.00
1. Opening balance	610,989,865.93	1,063,060,001.96	37,399,404.38	120,302,270.06	1,101,181.72	1,832,852,724.05
2. Increase in the current period	143,484,201.15	152,406,250.92	4,900,785.55	30,361,296.98	2,523,321.98	333,675,856.58
(1) Provision	75,498,326.30	105,792,339.97	3,703,745.56	26,689,953.85	243,526.50	211,927,892.18
(2) Increase in business combination	63,707,147.80	46,613,910.95	1,197,039.99	3,671,343.13	2,279,795.48	117,469,237.35
(3) Other transfer-in	4,278,727.05					4,278,727.05
3. Decrease in the current period	17,220,690.47	5,758,236.50	23,655.00	3,335,861.51	-	26,338,443.48
(1) Disposal or scrapping	441,407.68	5,758,236.50	23,655.00	3,335,861.51		9,559,160.69
(2) Other transfer-out	16,779,282.79					16,779,282.79
4. Closing balance	737,253,376.61	1,209,708,016.38	42,276,534.93	147,327,705.53	3,624,503.70	2,140,190,137.15
III. Provision for impairment						0.00
1. Opening balance	62,473,662.35	26,103,930.64		1,051,169.75		89,628,762.74
2. Increase in the current period	0.00	2,973,977.33	0.00	2,206,000.21	0.00	5,179,977.54
(1) Provision		2,973,977.33		2,206,000.21		5,179,977.54
3. Decrease in the current period	19,979,307.60	3,599,401.79	0.00	0.00	0.00	23,578,709.39
(1) Disposal or scrapping	329,214.27	3,599,401.79				3,928,616.06
(2) Other transfer-out	19,650,093.33					19,650,093.33
4. Closing balance	42,494,354.75	25,478,506.18	0.00	3,257,169.96	0.00	71,230,030.89
IV. Book value						0.00

1. Closing book value	2,448,473,063.67	727,829,068.03	27,571,395.88	62,226,484.12	7,682,833.21	3,273,782,844.91
2. Opening book value	2,293,891,864.09	631,095,996.98	29,372,128.17	57,889,645.59	280,183.69	3,012,529,818.52

**(2) Temporarily idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Houses and buildings	6,372,682.14	3,462,850.08		2,909,832.06	
Machinery and equipment	41,798,600.60	14,294,305.01	17,640,660.42	9,863,635.17	
Transportation vehicles	117,682.30	37,775.31	0.00	79,906.99	
Electronic equipment	6,850,397.46	6,224,953.02	16,931.17	608,513.27	
Others	81,435.29	79,881.97	0.00	1,553.32	

**(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
No.51 Xiba Road (general workshop)	256,800.64	Historical legacy, currently in process
Yunjian Assets	1,908,792.13	Acquired through judicial auction, with land use certificate but no property certificate
Commercial properties in Xiaguan, Dali	1,435,288.03	The property rights of the resettlement housing to be processed
Buildings in planting base of Yunquan	1,068,365.72	The land is a leased land
Overall relocation project of Wenshan Qihua	15,499,479.36	Partial ownership has been secured, and the remaining is in process
Drug Division of Dali Pharmaceutical Economic Development Zone	31,816,578.90	In process
No. 1 Building of Shanghai Center	105,404,693.86	In process
Kunming Center	270,168,951.56	In process

Other explanations: None.

**(5) Impairment test of fixed assets** Applicable  Not applicable

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

 Applicable  Not applicable

Unit: RMB

Item	Book balance	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameters	Basis for determining key parameters
Machinery and equipment	3,688,753.50	714,776.17	2,973,977.33	Market price	Residual value rate 5%, tax rate	

Electronic equipment	3,472,945.64	1,266,945.43	2,206,000.21	Market price	Residual value rate 5%, tax rate	
Total	7,161,699.14	1,981,721.60	5,179,977.54			

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

Applicable  Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

Other explanations: None.

## (6) Liquidation of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment	495,495.35	302,720.41
Electronic equipment	61,812.08	46,289.16
Total	557,307.43	349,009.57

Other explanations: None.

## 16. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	807,592,848.36	703,439,112.24
Total	807,592,848.36	703,439,112.24

### (1) Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Project of Yunnan Baiyao Shanghai International Center	730,931,829.62		730,931,829.62	614,608,509.29		614,608,509.29
Yunnan Baiyao Group TCM Pharmaceutical Services Kunming Center Project				45,024,278.93		45,024,278.93
Radiopharmaceutical R&D Center (Tianjin) Project				18,464,159.31		18,464,159.31
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	1,250,981.88		1,250,981.88	15,417,106.26		15,417,106.26
Yunnan Baiyao Wenshan Sanqi Smart Technology Park Project				1,873,096.24		1,873,096.24

Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	38,967,429.33		38,967,429.33	99,600.00		99,600.00
Yunnan Baiyao TCM Industry Culture Park Project	22,041,089.96		22,041,089.96	131,702.21		131,702.21
Others	14,401,517.57		14,401,517.57	7,820,660.00		7,820,660.00
<b>Total</b>	<b>807,592,848.36</b>	<b>0.00</b>	<b>807,592,848.36</b>	<b>703,439,112.24</b>	<b>0.00</b>	<b>703,439,112.24</b>

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

Unit: RMB

Item name	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets in the current period	Other decrease in the current period	Closing balance	Proportion of total project investment in budget	Engineering progress	Accumulated amount of interest capitalized	Including: Amount of interest capitalized for the period	Capitalization rate of interest for the period	Source of funds
Project of Yunnan Baiyao Shanghai International Center	1,389,170,500.00	614,608,509.29	116,323,320.33			730,931,829.62	71.26%	95.00%				Self-funded
Yunnan Baiyao Group TCM Pharmaceutical Services Kunming Center Project	68,096,000.00	45,024,278.93	13,047,301.40	58,070,252.90	1,327.43	-0.00	96.54%	100.00%				Self-funded
Radiopharmaceutical R&D Center (Tianjin) Project	101,750,000.00	18,464,159.31	8,615,910.02	25,971,681.41	1,108,387.92	-0.00	82.82%	95.00%				Self-funded
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	921,670,000.00	15,417,106.26	18,597,610.39	29,774,079.73	2,989,655.04	1,250,981.88	32.58%	56.00%				Self-funded
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	146,650,000.00	99,600.00	79,648,604.88	25,387,159.31	15,393,616.24	38,967,429.33	54.38%	63.75%				Self-funded
Yunnan Baiyao TCM Industry Culture Park Project	183,000,000.00	131,702.21	21,909,387.75			22,041,089.96	27.10%	40.00%				Self-funded
<b>Total</b>	<b>2,810,336,500.00</b>	<b>693,745,356.00</b>	<b>258,142,134.77</b>	<b>139,203,173.35</b>	<b>19,492,986.63</b>	<b>793,191,330.79</b>						

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

Other explanations: None.

**(4) Impairment test of construction in progress** Applicable  Not applicable**(5) Project materials: None.****17. Productive biological assets****(1) Adoption of the cost measurement model for productive biological assets** Applicable  Not applicable

Unit: RMB

Item	Planting	Total
	Tea plant	
I. Original book value:		
1. Opening balance	2,578,500.00	2,578,500.00
2. Increase in the current period		
(1) Outsourcing		
(2) Self-cultivation		
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	2,578,500.00	2,578,500.00
II. Accumulated depreciation		
1. Opening balance	1,761,975.15	1,761,975.15
2. Increase in the current period	171,900.00	171,900.00
(1) Provision	171,900.00	171,900.00
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	1,933,875.15	1,933,875.15
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		

3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance		
IV. Book value		
1. Closing book value	644,624.85	644,624.85
2. Opening book value	816,524.85	816,524.85

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

Applicable  Not applicable

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

Applicable  Not applicable

**18. Right-of-use assets****(1) Right-of-use assets**

Unit: RMB

Item	Houses and buildings	Machinery and equipment	Land use rights	Total
I. Original book value				
1. Opening balance	478,008,535.30	4,535,659.59	3,637,250.13	486,181,445.02
2. Increase in the current period	120,457,220.39	55,581.78	11,144,689.27	131,657,491.44
(1) Lease	119,478,980.44		1,062,784.04	120,541,764.48
(2) Others	978,239.95	55,581.78	10,081,905.23	11,115,726.96
3. Decrease in the current period	181,606,069.84	0.00	0.00	181,606,069.84
(1) Lease expiration	64,250,590.30			64,250,590.30
(2) Disposal	101,527,288.75			101,527,288.75
(3) Others	15,828,190.79			15,828,190.79
4. Closing balance	416,859,685.85	4,591,241.37	14,781,939.40	436,232,866.62
II. Accumulated depreciation				0.00
1. Opening balance	194,356,417.39	420,677.98	227,328.13	195,004,423.50
2. Increase in the current period	111,135,848.98	829,284.48	4,201,459.95	116,166,593.41
(1) Provision	111,077,035.22	829,284.48	1,236,193.95	113,142,513.65
(2) Others	58,813.76		2,965,266.00	3,024,079.76
3. Decrease in the current period	122,941,531.14	0.00	0.00	122,941,531.14
(1) Disposal	55,725,674.81			55,725,674.81
(2) Lease expiration	64,250,590.30			64,250,590.30
(3) Others	2,965,266.03			2,965,266.03
4. Closing balance	182,550,735.23	1,249,962.46	4,428,788.08	188,229,485.77
III. Provision for impairment				
1. Opening balance				
2. Increase in the current period				

(1) Provision				
3. Decrease in the current period				
(1) Disposal				
4. Closing balance				
IV. Book value				
1. Closing book value	234,308,950.62	3,341,278.91	10,353,151.32	248,003,380.85
2. Opening book value	283,652,117.91	4,114,981.61	3,409,922.00	291,177,021.52

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

Applicable  Not applicable

Other explanations: None.

**19. Intangible assets****(1) Intangible assets**

Unit: RMB

Item	Land use rights	Patent Right	Non-patent technology	Software	Trademark	Franchise rights	Others	Total
I. Original book value								
1. Opening balance	685,685,538.34	34,492,676.60	2,150,381.86	82,481,936.55	20,000.00	154,081,682.57		958,912,215.92
2. Increase in the current period	58,892,508.47	0.00	79,281,996.02	49,241,689.41	47,297.17	0.00	218,474.55	187,681,965.62
(1) Purchase				49,241,689.41	47,297.17			49,288,986.58
(2) Internal R&D								0.00
(3) Increase in business combination	58,892,508.47		79,281,996.02				218,474.55	138,392,979.04
3. Decrease in the current period	608,518.16	0.00	0.00	188,406.65	0.00	0.00	0.00	796,924.81
(1) Disposal				188,406.65				188,406.65
(2) Other transfer-out	608,518.16							608,518.16
4. Closing balance	743,969,528.65	34,492,676.60	81,432,377.88	131,535,219.31	67,297.17	154,081,682.57	218,474.55	1,145,797,256.73
II. Accumulated amortization								0.00
1. Opening balance	171,214,442.85	29,660,574.56	2,150,381.86	33,289,390.91	5,369.99	17,664,216.34		253,984,376.51
2. Increase in the current period	27,128,864.81	2,230,611.83	7,935,657.54	12,587,487.37	5,258.10	0.00	154,006.65	50,041,886.30
(1) Provision	15,553,142.56	2,230,611.83	3,212,057.54	12,587,487.37	5,258.10		10,744.65	33,599,302.05
(2) Increase in business combinations	11,575,722.25		4,723,600.00				143,262.00	16,442,584.25
3. Decrease in the current period	448,090.06	0.00	0.00	188,406.65	0.00	0.00	0.00	636,496.71
(1) Disposal				188,406.65				188,406.65
(2) Other transfer-out	448,090.06							448,090.06
4. Closing balance	197,895,217.60	31,891,186.39	10,086,039.40	45,688,471.63	10,628.09	17,664,216.34	154,006.65	303,389,766.10

III. Provision for impairment								0.00
1. Opening balance	6,382,453.60			332,131.80		136,417,466.23		143,132,051.63
2. Increase in the current period				82,033.65				82,033.65
(1) Provision				82,033.65				82,033.65
3. Decrease in the current period								0.00
(1) Disposal								0.00
4. Closing balance	6,382,453.60			414,165.45		136,417,466.23		143,214,085.28
IV. Book value								0.00
1. Closing book value	539,691,857.45	2,601,490.21	71,346,338.48	85,432,582.23	56,669.08		64,467.90	699,193,405.35
2. Opening book value	508,088,641.89	4,832,102.04	0.00	48,860,413.84	14,630.01	0.00	0.00	561,795,787.78

The proportion of intangible assets formed through the Company's internal R&D at the end of the period is 0.00% of the total intangible assets balance.

**(2) Data resources confirmed as intangible assets**

Applicable      Not applicable

**(3) Land use rights for which the title certificate has not been obtained: None.**

**(4) Impairment test of intangible assets**

Applicable      Not applicable

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

Applicable      Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Determination of fair value and disposal costs	Key parameters	Basis for determining the key parameters
Software	82,033.65		82,033.65	Income method	The expected fair value is 0	Can no longer be used
Total	82,033.65		82,033.65			

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

Applicable      Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None

## 20. 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	
YNBY International Limited	645,635,327.81			645,635,327.81
Anguo Juyatong Pharmaceutical Co., Ltd.		203,842,391.82		203,842,391.82
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	26,904,931.64			26,904,931.64
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
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
<b>Total</b>	<b>709,353,683.54</b>	<b>203,842,391.82</b>	<b>0.00</b>	<b>913,196,075.36</b>

**(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	
YNBY International Limited	561,515,748.26			561,515,748.26
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	26,904,931.64			26,904,931.64
Shanghai Hanshi Health Consulting Co., Ltd.	23,247,992.08			23,247,992.08
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
<b>Total</b>	<b>612,390,442.37</b>			<b>612,390,442.37</b>

**(3) Related information on asset group or combination of asset groups containing goodwill**

Name	Composition and basis of the asset group or portfolio to which it belongs	Business segments and basis	Whether consistent with the previous years
YNBY International Limited	The asset group consists of “working capital, fixed assets, right-of-use assets, long-term deferred expenses and goodwill,” which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management’s approach to managing and monitoring business activities	Yes
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	The asset group consists of “fixed assets, intangible assets, right-of-use assets and goodwill,” which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management’s approach to managing and monitoring business activities	Yes
Anguo Juyatong Pharmaceutical Co., Ltd.	The asset group consists of “fixed assets, intangible assets, long-term deferred expenses and goodwill,” which is the smallest portfolio of assets or the smallest portfolio of asset groups that can generate major cash inflows independently	The management’s approach to managing and	

		monitoring business activities	
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Changes in asset group or combination of asset groups: None.

Other explanations: None.

#### (4) Determination of recoverable amount

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

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impairment amount	Forecast period (years)	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
YNBY International Limited	284,355,273.55	358,578,300.00		2026-2030 (followed by the stable period)	The revenue growth rate ranges from 0.28% to 1.90%, profit margin from 1.56% to 2.76%, and the pre-tax discount rate is 9.43%	The growth rate is 0.00%, the profit margin is 2.76%, and the pre-tax discount rate is 9.43%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	36,055,062.21	68,000,000.00		2026-2030 (followed by the stable period)	The revenue growth rate ranges from -0.05% to 0%, profit margin from 5.23% to 5.41%, and the pre-tax discount rate is 13.40%	The growth rate is 0.00%, the profit margin is 5.39%, and the pre-tax discount rate is 13.40%	The income growth rate for the stable period is 0%, the profit margin and discount rate are for the last year of the forecast period, and the discount rate is a pre-tax discount rate that reflects the risks specific to the relevant asset group or portfolio of asset groups.
Anguo Juyaotang Pharmaceutical Co., Ltd.	540,533,861.41	558,000,000.00		2026-2030 (followed by the stable period)	The revenue growth rate ranges from 0.85% to 4.20%, profit margin from 6.07% to 6.63%, and the pre-tax discount rate is 13.25%	The growth rate is 1.00%, the profit margin is 6.82%, and the pre-tax discount rate is 13.25%	Based on a comprehensive assessment of the macroeconomic environment, industry development trends, and the Company's own operating conditions, the stable operating period growth rate is

							prudently set at 1%.
Total	860,944,197.17	984,578,300.00					

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

### (5) Fulfillment of undertakings and goodwill impairment

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

Applicable  Not applicable

Other explanations: See "Section V 1. Performance of Commitments 3. Performance Commitments Involved by the Company" for details.

## 21. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Building decoration and project renovation	119,989,582.68	42,721,969.46	52,640,601.50	2,865,887.39	107,205,063.25
Nanping Street renovation project of Yunnan Baiyao	2,954,145.20		2,954,145.20		0.00
Others	4,138,084.03	783,159.82	692,821.43	2,561,900.67	1,666,521.75
Total	127,081,811.91	43,505,129.28	56,287,568.13	5,427,788.06	108,871,585.00

Other explanations: None.

## 22. Deferred income tax assets/deferred income tax liabilities

### (1) Deferred tax assets before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Contractual liabilities	1,108,022,102.46	174,861,064.03	1,241,244,032.89	188,564,063.04
Provision for credit impairment	1,007,784,161.87	246,778,896.60	1,074,991,838.10	165,210,239.51
Provision for asset impairment	256,615,532.88	49,817,175.53	98,058,482.77	19,885,869.32
Payroll payable and long-term employee benefits payable	876,439,754.41	138,521,511.70	634,896,697.76	95,426,303.19

Other payables	574,640,684.63	91,924,056.78	577,259,909.29	88,284,205.86
Unrealised profits of intra-group transactions	381,194,243.82	58,116,998.22	264,588,567.67	42,769,190.08
Lease liabilities	232,212,961.75	49,716,850.19	268,875,960.32	39,373,198.50
Deferred income	249,515,197.31	38,583,222.00	236,345,643.60	36,433,668.40
Losses that can be offset	206,673,510.27	47,304,724.31	153,826,415.38	35,665,838.14
Estimated revenue from returns	193,306,921.10	48,198,621.99	177,591,180.68	26,655,057.25
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	35,561,860.54	5,334,279.08	20,779,234.95	3,116,885.24
Others	114,628,658.17	25,062,993.13	89,083,123.75	15,590,498.21
<b>Total</b>	<b>5,236,595,589.21</b>	<b>974,220,393.56</b>	<b>4,837,541,087.16</b>	<b>756,975,016.74</b>

**(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
Right-of-use assets	239,818,175.63	51,042,693.07	281,580,952.55	41,832,184.12
Changes in fair value	125,288,066.60	18,793,209.99	106,362,930.07	15,954,439.51
Fixed assets subject to one-time pre-tax deduction	5,932,346.78	1,483,086.70	21,032,160.78	3,182,909.00
Appreciation of asset valuation	117,186,331.29	29,296,582.81	3,305,149.96	826,287.49
Investment income from business combination not under common control achieved in stages	2,282,373.90	570,593.48	2,282,373.90	570,593.48
Cost of returned goods receivable	182,911,787.55	45,609,995.85	168,184,195.95	25,242,517.92
Others	10,809,032.18	1,621,354.84	41,722,666.75	6,258,400.01
<b>Total</b>	<b>684,228,113.93</b>	<b>148,417,516.74</b>	<b>624,470,429.96</b>	<b>93,867,331.53</b>

**(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		974,220,393.56		756,975,016.74

Deferred income tax liabilities		148,417,516.74		93,867,331.53
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**(4) Details of unrecognized deferred income tax assets**

Unit: RMB

Item	Closing balance	Opening balance
Provision for asset impairment	561,351,160.73	555,344,587.39
Deferred income	22,254,615.28	59,147,921.72
Deductible losses	1,013,209,963.03	808,060,703.41
Others	6,532,431.38	9,908,046.96
Total	1,603,348,170.42	1,432,461,259.48

**(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
2025		11,001,342.99	
2026	125,496,431.94	114,735,981.68	
2027	191,835,644.06	176,920,446.70	
2028	244,229,846.52	269,325,659.53	
2029	230,918,592.53	213,417,423.15	
2030	210,522,367.97	4,028,298.39	
2031	2,135,102.79	12,861,719.12	
2032	1,599,912.28	1,599,912.28	
2033	355,122.11	355,122.11	
2034	2,006,985.93	3,814,797.46	
2035	4,109,956.90		
Total	1,013,209,963.03	808,060,703.41	

Other explanations: None.

**23. Other non-current assets**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Time deposit and interest			0.00	485,794,233.38		485,794,233.38
Stocks of special materials	42,004,661.40		42,004,661.40	42,000,723.80		42,000,723.80
Value-added tax credit refund	52,259,747.67		52,259,747.67	35,013,974.79		35,013,974.79
Advance payment for the purchase of fixed assets, etc.	45,988,031.25		45,988,031.25	21,763,610.34		21,763,610.34

Cost of returned goods receivable	21,307,784.48		21,307,784.48	12,097,575.84		12,097,575.84
Less: the part due within 1 year			0.00	-480,295,722.22		-480,295,722.22
<b>Total</b>	<b>161,560,224.80</b>		<b>161,560,224.80</b>	<b>116,374,395.93</b>		<b>116,374,395.93</b>

Other explanations: None.

## 24. Assets with restricted ownership or use rights

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Type of restriction	Restriction
Fixed assets	165,119,200.00	140,829,049.75	Mortgage loan	Mortgage loans secured by buildings and structures of Anguo Juyatong Pharmaceutical Co., Ltd.				
Intangible assets	57,000,237.75	45,520,086.38	Mortgage loan	Mortgage loans secured by land use rights of Anguo Juyatong Pharmaceutical Co., Ltd.				
Cash and bank balance	14,353,427.82	14,353,427.82	Security deposit	Guarantee deposits, banker's acceptance bill deposits, performance bond deposits, etc.	21,699,196.16	21,699,196.16	Security deposit	Guarantee deposits, banker's acceptance bill deposits, performance bond deposits, etc.
Cash and bank balance	1,489,443.87	1,489,443.87	Property preservation	Litigation preservation. As of the date of issuance of these financial statements, the plaintiff has withdrawn the lawsuit, and the court has ruled to lift the litigation preservation, effective immediately from the date of the ruling.				
Cash and bank balance	2,650,040.09	2,650,040.09	Special use	Special fund for the maintenance of housing in the housing reform housing	2,648,389.00	2,648,389.00	Special use	Special fund for the maintenance of housing in the housing reform housing
Various assets of the restructured special account	557,103,568.81	557,103,568.81	Special use	All assets of the special account for restructuring, the special fund for paying the cost of	588,106,000.80	588,106,000.80	Special use	Special fund for paying the cost of employee

				employee status conversion in state-owned enterprises				status conversion in state-owned enterprises
Long-term equity investments					12,061,376,588.76	12,061,376,588.76	Within the restricted period	Shares shall not be transferred within 36 months from the completion of the private placement
Accounts receivable	12,541,236.47	11,914,174.65	Accounts receivable factoring	Accounts receivable factoring of Anguo Juyatong Pharmaceutical Co., Ltd.				
Total	810,257,154.81	773,859,791.37			12,673,830,174.72	12,673,830,174.72		

Other explanations: None.

## 25. Short-term loans

### (1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	12,541,236.47	
Loan in credit	150,010,000.00	402,133,333.39
Discounted internal bills	20,224,516.74	21,246,939.25
Total	182,775,753.21	423,380,272.64

Explanation on classification of short-term loans: The increase in pledged borrowings for the current period is attributable to the business combination under non-common control of Anguo Juyatong Pharmaceutical Co., Ltd in October 2025.

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

## 26. Notes payable

Unit: RMB

Type	Closing balance	Opening balance
Banker's acceptance bill	1,846,714,475.61	1,913,702,684.41
Total	1,846,714,475.61	1,913,702,684.41

Total notes payable due and unpaid at the end of the period were RMB 0.00.

## 27. Accounts payable

### (1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	5,242,447,200.83	4,504,527,943.71
Payment for engineering equipment and others	280,574,656.03	253,824,460.16

Total	5,523,021,856.86	4,758,352,403.87
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(2) Major accounts payable aged over one year: None.

(3) Whether there are any overdue payments to small and medium-sized enterprises that remain unpaid

Whether it qualifies as a large enterprise

Yes  No

Whether there are any overdue payments to small and medium-sized enterprises that remain unpaid

Yes  No

## 28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	1,317,388.73	86,490,742.04
Other payables	1,460,141,946.26	1,300,141,934.71
Total	1,461,459,334.99	1,386,632,676.75

(1) Interests payable: None.

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Chuxiong Yunzhu Trading Co., Ltd.	743,156.77	
Kunming Nuo'an Enterprise Management Co., Ltd.	574,231.96	
State-owned Assets Supervision and Administration Commission of the People's Government of Yunnan Province, New Huadu Industrial Group Co., Ltd, Jiangsu Yuyue Science & Technology Development Co., Ltd.		86,490,742.04
Total	1,317,388.73	86,490,742.04

Other explanations, including material dividends payable outstanding for more than one year, with disclosure of reasons for non-payment: None.

(3) Other payables

1) Other payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Market maintenance fee	625,164,703.25	673,934,303.55
Deposits and guarantees	377,010,766.64	298,287,462.43
Other current accounts	128,759,561.20	103,612,259.40
Collection and payment	98,268,582.83	140,402,907.16
Hospital management fee payable	52,353,461.90	51,844,605.65
Equity transfer payment	132,000,000.00	
Others	46,584,870.44	32,060,396.52

Total	1,460,141,946.26	1,300,141,934.71
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2) Other important payables aged over 1 year or overdue: None.

## 29. Receipts in advance

### (1) Receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - lease	190,841.21	446,673.78
Total	190,841.21	446,673.78

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

## 30. Contractual liabilities

Unit: RMB

Item	Closing balance	Opening balance
Contract receipts in advance	1,504,554,209.16	1,914,556,130.56
Others	1,272,729.02	1,567,256.60
Total	1,505,826,938.18	1,916,123,387.16

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

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

## 31. Payroll payable

### (1) Payroll payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	1,212,565,480.98	2,899,210,620.42	2,701,360,200.50	1,410,415,900.90
II. Welfare after demission - defined contribution plan	63,375,884.85	299,279,488.87	291,737,553.92	70,917,819.80
III. Dismissal welfare	8,009,462.99	7,855,521.39	14,597,399.36	1,267,585.02
Total	1,283,950,828.82	3,206,345,630.68	3,007,695,153.78	1,482,601,305.72

### (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	545,205,297.02	2,180,979,173.57	2,112,535,423.47	613,649,047.12
2. Staff welfare	23,757,984.38	102,153,148.17	101,308,595.98	24,602,536.57

3. Social insurance contribution	1,109,615.16	131,307,714.18	123,933,915.95	8,483,413.39
Of which: Medical insurance premiums	1,022,522.87	114,625,805.44	107,368,220.08	8,280,108.23
Industrial injury insurance premiums	46,137.70	8,343,412.19	8,321,109.58	68,440.31
Maternity insurance premiums	40,954.59	8,338,496.55	8,244,586.29	134,864.85
4. Housing provident fund	1,342,383.35	148,639,004.96	147,992,255.28	1,989,133.03
5. Union dues and staff training fees	40,977,853.89	47,504,891.89	45,400,388.01	43,082,357.77
6. Short-term paid absence				0.00
7. Short-term profit-sharing plan	582,623,599.84	151,952,528.47	34,211,700.00	700,364,428.31
8. Other short-term compensation	17,548,747.34	136,674,159.18	135,977,921.81	18,244,984.71
Total	1,212,565,480.98	2,899,210,620.42	2,701,360,200.50	1,410,415,900.90

**(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	1,892,951.88	218,726,287.34	217,962,892.94	2,656,346.28
2. Unemployment insurance premiums	71,770.37	9,607,259.46	9,580,249.12	98,780.71
3. Corporate pension payment	61,411,162.60	70,945,942.07	64,194,411.86	68,162,692.81
Total	63,375,884.85	299,279,488.87	291,737,553.92	70,917,819.80

Other explanations: None.

**32. Tax payables**

Unit: RMB

Item	Closing balance	Opening balance
Enterprise Income Tax	127,452,678.42	312,428,903.46
Individual income tax	5,223,796.68	22,714,512.22
Value added tax	90,500,172.56	63,461,639.78
Property tax	12,877,107.87	13,699,166.25
Land use tax	5,382,781.43	5,538,344.78
Stamp duty	5,448,846.28	7,385,564.48
Consumption tax	0.00	2,202,350.70
Resource tax	1,804.00	3,000.00

Education surcharge	3,345,171.01	3,014,717.15
Urban maintenance and construction tax	9,360,180.43	8,407,433.24
Local education surcharge	3,439,910.43	2,005,874.44
Environmental protection tax	4,316.61	3,629.23
Water conservancy fund	28,387.12	56,737.77
Vehicle and vessel usage tax	2,850.00	
Collected and remitted taxes and fees	14,983,489.27	25,681,893.64
<b>Total</b>	<b>278,051,492.11</b>	<b>466,603,767.14</b>

Other explanations: None.

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	400,330.00	
Lease liabilities due within one year	76,043,381.53	88,436,075.74
<b>Total</b>	<b>76,443,711.53</b>	<b>88,436,075.74</b>

Other explanations: None.

### 34. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Transfer to output tax	360,570,121.44	454,197,724.34
Returns payable	170,793,224.69	164,864,900.59
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
<b>Total</b>	<b>533,163,346.13</b>	<b>620,862,624.93</b>

Changes in short-term bonds payable: None.

Other explanations: None.

### 35. Long-term loans

#### (1) Long-term loans by type

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	84,469,400.83	
Loan in credit	2,100,000.00	2,100,000.00
<b>Total</b>	<b>86,569,400.83</b>	<b>2,100,000.00</b>

Explanation on classification of long-term loans: The increase in pledged borrowings for the current period is attributable to the business combination under non-common control of Anguo Juyao Tang Pharmaceutical Co., Ltd in October 2025.

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

### 36. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Buildings and structures	205,042,296.11	272,449,967.85
Machinery and equipment	965,984.38	2,982,837.50
Right of land use	11,865,480.22	3,660,260.62
Less: Non-current liabilities reclassified to liabilities due within one year	-76,043,381.53	-88,436,075.74
Total	141,830,379.18	190,656,990.23

Other explanations: None.

### 37. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	551,241,357.32	586,694,704.41
Special payables	4,838,584.16	4,838,584.16
Total	556,079,941.48	591,533,288.57

#### (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	549,851,147.17	586,694,704.41
Boiler room investment boiler and supporting equipment transfer and operation contract	1,390,210.15	

Other explanations: None.

#### (2) Special payables

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Preliminary funds for major technological transformation projects	888,468.00			888,468.00	Transfer from Baiyao Holdings due to merger by absorption
Fulintang chain operating funds	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption

Funds for Kunming medicine distribution center	500,000.00			500,000.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Sanqi brand registration project	164,272.00			164,272.00	Transfer from Baiyao Holdings due to merger by absorption
Group company management information system project	250,978.00			250,978.00	Transfer from Baiyao Holdings due to merger by absorption
Group company technology center construction expenses	231,265.00			231,265.00	Transfer from Baiyao Holdings due to merger by absorption
Nefuramide oxalate project funding	85,426.00			85,426.00	Transfer from Baiyao Holdings due to merger by absorption
Yunnan Natural Medicine Engineering Center project	998,506.00			998,506.00	Transfer from Baiyao Holdings due to merger by absorption
New drug research project for treatment of back pulp injury	472,062.56			472,062.56	Transfer from Baiyao Holdings due to merger by absorption
Material purchase project research expense	489,575.00			489,575.00	Transfer from Baiyao Holdings due to merger by absorption
R&D of new drugs for treating cardiovascular and cerebrovascular diseases (TCM)	258,031.60			258,031.60	Transfer from Baiyao Holdings due to merger by absorption
<b>Total</b>	<b>4,838,584.16</b>			<b>4,838,584.16</b>	

Other explanations: None.

### 38. Long-term payroll payable

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

Unit: RMB

Item	Closing balance	Opening balance
II. Termination benefits	825,601.53	417,539.44

III. Other long-term benefits	893,344.80	878,826.00
Total	1,718,946.33	1,296,365.44

(2) Change of defined benefit plan: None.

### 39. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reasons
Returns payable	22,513,696.41	12,726,280.09	Returns payable not settled within one year
Total	22,513,696.41	12,726,280.09	

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

### 40. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government subsidies	295,493,565.32	59,054,600.00	82,778,352.73	271,769,812.59	
Including: Government subsidies related to income	133,786,181.20	54,284,600.00	68,556,964.40	119,513,816.80	
Government subsidies related to assets	161,707,384.12	4,770,000.00	14,221,388.33	152,255,995.79	
Total	295,493,565.32	59,054,600.00	82,778,352.73	271,769,812.59	--

Other explanations: None.

### 41. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Housing reform sale proceeds from employees	1,931,554.36	1,931,554.36
Total	1,931,554.36	1,931,554.36

Other explanations: None.

### 42. Share capital

Unit: RMB

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

Other explanations: None.

### 43. Capital reserves

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (equity premium)	17,480,187,335.11			17,480,187,335.11
Other capital reserves	156,961,488.37	37,009,868.76	42,041,501.39	151,929,855.74
Total	17,637,148,823.48	37,009,868.76	42,041,501.39	17,632,117,190.85

Other explanations, including changes and reasons thereof for the period:

(1) On May 22, 2025, YNBY International placed 800,000,000 shares, increasing its total number of issued shares from 6,799,914,160 to 7,599,914,160. The Company holds 5,009,936,360 shares in YNBY International, accounting for 65.92% of its all issued shares. This transaction, which involves a change in the owner's equity share of a subsidiary while still maintaining control over it, is considered an equity transaction, resulting in an increase of capital reserves by RMB 37,009,868.76.

(2) In the current year, other changes in equity in associates and passive dilution of shares due to the exercise of rights to issue new shares were recognized, and a decrease of RMB 42,041,501.39 in capital surplus - other capital surplus was recognized in accordance with the proportion of shares held.

## 44. 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	-1,616,965.82	-2,017,048.84				-2,017,048.84		-3,634,014.66
Other comprehensive income that cannot be transferred to profits or losses under equity method	-1,616,965.82	-2,017,048.84				-2,017,048.84		-3,634,014.66
II. Other comprehensive incomes to be reclassified into profits and losses	-99,646,390.49	-3,996,808.05	0.00	0.00	0.00	-1,810,975.36	-2,185,832.69	-101,457,365.85
Including: Other comprehensive income that can be transferred to profits or losses under equity method	-61,216,791.66	2,267,067.32				2,267,067.32		-58,949,724.34
Other fair value changes in debt investments								0.00
Amount of financial assets reclassified to other comprehensive income								0.00

Other credit impairment provisions for debt investments								0.00
Cash flow hedge reserve								0.00
Exchange differences from translation of financial statements denominated in foreign currencies	-38,429,598.83	-6,263,875.37				-4,078,042.68	-2,185,832.69	-42,507,641.51
Total other comprehensive income	-101,263,356.31	-6,013,856.89				-3,828,024.20	-2,185,832.69	-105,091,380.51

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.

**45. 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.

**46. Undistributed profit**

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	16,981,339,385.76	18,102,147,836.12
Undistributed profit at the beginning of the period after adjustment	16,981,339,385.76	18,102,147,836.12
Plus: Net profits attributable to equity owners the Company's owners in the current period	5,153,486,838.91	4,749,415,499.55
Ordinary share dividends payable	3,932,514,762.15	5,870,223,949.91
Undistributed profit at the end of the period	18,202,311,462.52	16,981,339,385.76

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

- 1) Due to retrospective adjustments in accordance with *Accounting Standards for Business Enterprises* and relevant new provisions, the undistributed profits at the beginning of the period were affected by RMB 0.00.
- 2) Due to changes in accounting policies, the undistributed profits at the beginning of the period were affected by RMB 0.00.
- 3) Due to correction of material accounting errors, the undistributed profits at the beginning of the period were affected by RMB 0.00.
- 4) Due to changes in the consolidation scope under common control, the undistributed profits at the beginning of the period were affected by RMB 0.00.
- 5) Due to other adjustments, the undistributed profits at the beginning of the period were affected by RMB 0.00.

Details about use of capital reserves to cover losses: None.

**47. Operating revenue and operating cost**

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	41,136,324,305.75	29,010,509,127.15	39,983,936,095.25	28,851,334,965.90
Other businesses	50,674,784.56	22,414,068.67	49,364,719.47	13,431,239.20
Total	41,186,999,090.31	29,032,923,195.82	40,033,300,814.72	28,864,766,205.10

The audited total profit, net profit, or net profit after deducting non-recurring gains and losses of the Company during the reporting period, whichever is the lowest, is negative

Yes  No

## Breakdown information of operating revenue and operating cost:

Unit: RMB

Type of contract	Drug sales		Health and daily chemical		TCM resources		Pharmaceutical distribution		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	8,152,695,248.96	2,528,736,489.82	6,820,194,325.71	2,171,837,485.03	2,203,656,020.79	1,885,314,372.48	22,948,312,735.31	21,533,955,902.23	1,062,140,759.54	913,078,946.26	41,186,999,090.31	29,032,923,195.82
Including:												
Industry sales income	8,152,695,248.96	2,528,736,489.82	6,820,194,325.71	2,171,837,485.03	994,610,950.93	838,164,517.49			48,822,143.17	36,005,813.17	16,016,322,668.77	5,574,744,305.51
Commercial sales income					1,204,333,454.32	1,042,720,625.33	22,948,312,735.31	21,533,955,902.23	930,737,719.27	829,621,479.04	25,083,383,908.90	23,406,298,006.60
Technical services					4,697,247.28	4,412,412.36			18,913,170.01	17,881,515.06	23,610,417.29	22,293,927.42
Hotel catering industry						-			12,992,942.53	7,156,070.32	12,992,942.53	7,156,070.32
Planting sales income					14,368.26	16,817.30			0	0	14,368.26	16,817.30
Others									50,674,784.56	22,414,068.67	50,674,784.56	22,414,068.67
By operating areas	8,152,695,248.96	2,528,736,489.82	6,820,194,325.71	2,171,837,485.03	2,203,656,020.79	1,885,314,372.48	22,948,312,735.31	21,533,955,902.23	1,062,140,759.54	913,078,946.26	41,186,999,090.31	29,032,923,195.82
Including:												
In Yunnan province	1,265,947,864.63	59,750,830.17	239,328,862.14	135,374,012.30	1,319,301,784.57	1,064,710,546.44	22,715,865,382.37	21,336,630,115.98	297,834,846.67	174,670,750.79	25,838,278,740.38	22,771,136,255.68
Outside Yunnan province (excluding overseas)	6,874,046,023.61	2,465,526,873.88	6,579,405,771.73	2,035,299,159.20	790,852,428.81	730,959,150.81	232,447,352.94	197,325,786.25	762,847,299.07	737,273,125.68	15,239,598,876.16	6,166,384,095.82
Overseas	12,701,360.72	3,458,785.77	1,459,691.84	1,164,313.53	93,501,807.41	89,644,675.23			1,458,613.80	1,135,069.79	109,121,473.77	95,402,844.32

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

Information related to the transaction price allocated to remaining performance obligations: As of the end of this reporting period, the income corresponding to the performance obligations that have been contracted but not yet fulfilled or completed is RMB 0.00.

Information about variable consideration in the contract: None.

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

Other explanations: None.

#### 48. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	-162,255.15	2,559,522.81
Urban maintenance and construction tax	100,624,649.46	102,075,935.22
Education surcharge	43,248,660.13	43,871,752.93
Resource tax		3,000.00
Property tax	28,123,265.73	25,986,330.94
Land use tax	10,941,460.35	11,067,873.16
Vehicle and vessel use tax	96,701.32	68,462.25
Stamp duty	20,951,517.29	28,025,938.39
Local education surcharge	30,037,839.86	29,246,835.29
Others	238,374.89	211,718.45
Total	234,100,213.88	243,117,369.44

Other explanations: None.

#### 49. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	670,879,724.55	677,420,256.86
Depreciation and amortization	119,860,764.07	100,161,064.67
Technical service fee	22,489,782.54	45,839,677.23
Office expenses	32,668,028.71	34,922,096.07
Agency service fee	27,587,087.14	34,600,043.93
Advertising and promotion expenses	20,894,751.39	2,656,177.04
Travel expenses	17,643,928.96	19,239,105.28
Utilities and property management fee	9,492,082.88	9,266,666.24
Security and cleaning fee	5,733,245.06	7,385,287.50
Business entertainment fee	8,578,202.57	9,996,603.25
Afforestation and pollution discharge fee	3,549,638.84	3,624,510.35
Lease cost	4,927,963.62	3,314,864.30
Others	75,774,951.89	89,127,131.15
Total	1,020,080,152.22	1,037,553,483.87

Other explanations: None.

**50. Selling expenses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	1,654,736,306.88	1,492,204,675.60
Display expenses	912,510,547.06	555,834,987.51
Business promotion expenses	729,760,631.46	831,157,288.16
Advertising expenses	666,804,077.82	460,234,304.23
Marketing service fees	390,347,939.16	294,098,539.30
Promotional staff expenses	209,974,585.69	204,548,340.61
Conference fee	199,638,196.29	59,814,571.90
Travel expenses	148,885,327.10	148,652,306.95
Promotion fees	98,998,405.71	113,293,440.09
Others	607,809,359.72	719,663,582.56
<b>Total</b>	<b>5,619,465,376.89</b>	<b>4,879,502,036.91</b>

Other explanations: Primarily, the increase in online sales expenses drove the rise in the proportion of online revenue.

**51. R&D expenses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	148,267,652.32	176,064,710.71
Materials consumption and inspection fee	79,459,172.96	58,512,136.24
Commissioned R&D cost	43,002,098.56	44,437,281.25
New product design fee	24,194,911.30	18,717,947.75
Depreciation and amortisation	27,309,510.77	12,431,179.87
Test out-sourcing expenses	6,482,555.30	2,971,133.28
Others	21,829,485.04	24,278,911.93
<b>Total</b>	<b>350,545,386.25</b>	<b>337,413,301.03</b>

Other explanations: The proportion of R&D personnel engaged in capitalization projects increased in this period.

**52. Financial expenses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	24,049,890.09	63,177,001.07
Less: interest income	-90,467,001.34	-221,210,259.84
Net loss on foreign exchange	13,320,306.04	-7,646,886.55
Bank charges	6,175,346.00	10,749,449.67
Others	31,136.51	-624,414.20
<b>Total</b>	<b>-46,890,322.70</b>	<b>-155,555,109.85</b>

Other explanations: None.

**53. Other income**

Unit: RMB

Other sources of income	Amount for the current period	Amount for the previous period
-------------------------	-------------------------------	--------------------------------

Government subsidies directly included in current profit and loss during the period	36,891,811.26	42,056,174.39
Amortization of government subsidies related to assets	12,478,832.23	12,768,533.54
Amortization of government subsidies related to income	46,962,820.50	29,379,041.17
Return of individual income tax service charge	3,802,493.92	9,533,408.94
Others	646,735.22	8,272,615.61
Total	100,782,693.13	102,009,773.65

#### 54. 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	63,620,485.18	73,822,492.46
Other non-current financial assets	46,868,983.53	63,014,517.48
Total	110,489,468.71	136,837,009.94

Other explanations: None.

#### 55. 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	989,141,635.98	774,279,535.69
Investment income from disposal of long-term equity investment	-773,539.48	
Investment income on financial assets held for trading during holding period		6,671,289.70
Investment income from disposal of financial assets held for trading	69,107,860.22	-12,988,016.22
Investment income earned during the holding period of other non-current financial assets		20,474,449.39
Gain or loss on disposal of other non-current financial assets	29,102,029.45	
Others	-43,591,680.65	-11,499,763.50
Total	1,042,986,305.52	776,937,495.06

Other explanations: None.

#### 56. Credit impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on accounts receivable	-73,297,317.52	-46,675,411.57
Bad debt losses on other receivables	131,363,705.29	6,749,484.95
Total	58,066,387.77	-39,925,926.62

Other explanations: None.

**57. Asset impairment losses**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
I. Inventory impairment losses and contract performance cost impairment losses	-251,970,176.51	-49,327,607.34
II. Impairment loss of fixed assets	-5,179,977.54	-26,077,160.26
III. Impairment loss of intangible assets	-82,033.65	-332,131.80
IV. Goodwill impairment loss		-7,158,530.50
X. Others	-1,139,970.32	-8,335,279.72
Total	-258,372,158.02	-91,230,709.62

Other explanations: None.

**58. 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	1,068,989.10	-435,663.65
Profit from disposal of right-of-use assets	7,098,606.71	926,315.30
Total	8,167,595.81	490,651.65

**59. 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	780.57	2,313,930.54	780.57
Others	24,950,775.25	13,169,408.19	24,950,775.25
Total	24,951,555.82	15,483,338.73	24,951,555.82

Other explanations: None.

**60. 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
External donations	3,559,921.32	4,588,957.23	3,559,921.32
Losses from destruction and scrapping of non-current assets	195,913.67	276,676.77	195,913.67

Others	16,820,397.97	37,519,863.02	16,820,397.97
Total	20,576,232.96	42,385,497.02	20,576,232.96

Other explanations: None.

## 61. 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	1,040,808,385.05	964,657,851.50
Deferred income tax expenses	-187,478,538.30	-47,010,547.79
Total	853,329,846.75	917,647,303.71

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

Unit: RMB

Item	Amount for the current period
Total profit	6,043,270,703.73
Income tax expense calculated at statutory/applicable tax rate	906,490,605.56
Effect of different tax rates applied to subsidiaries	116,809,018.51
Effect of adjusting income tax for prior periods	113,356,741.92
Effect of non-taxable income	-232,849,226.22
Effect of non-deductible costs, expenses and losses	55,943,100.27
Effect of deductible losses on the use of deferred tax assets not recognized in prior periods	-22,799,899.62
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the current period	47,800,169.79
Change in the balance of deferred income tax assets/liabilities at the beginning of the year due to tax rate adjustments	-102,953,967.48
Extra tax deductions for R&D costs	-39,115,667.95
Others	10,648,971.97
Income tax expenses	853,329,846.75

Other explanations: None.

## 62. Other comprehensive income

For details, please refer to Note 44.

### 63. Cash flow statement

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

Cash received relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest income	90,466,408.88	219,472,052.00
Deposits and guarantees	281,202,587.55	146,845,057.57
Government subsidy	95,946,411.26	151,879,874.90
Current account and petty cash	194,101,167.67	39,444,457.98
Others	161,889,760.49	54,463,899.59
<b>Total</b>	<b>823,606,335.85</b>	<b>612,105,342.04</b>

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

Cash payments relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenses of cost nature	3,693,169,338.71	2,795,371,889.92
Deposits and guarantees	308,304,828.84	166,961,729.93
Current account and petty cash	268,527,909.03	14,551,758.72
Others	35,744,124.90	7,683,664.97
<b>Total</b>	<b>4,305,746,201.48</b>	<b>2,984,569,043.54</b>

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

#### (2) Cash relating to investment activities

Cash received relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Principal and interest of time deposits and other financial products redeemed	910,784,049.98	7,043,006,500.00
Other fund lending	55,410,000.00	
<b>Total</b>	<b>966,194,049.98</b>	<b>7,043,006,500.00</b>

Important cash received relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Redeeming the principal of financial products and more	6,651,743,736.65	553,145,988.51
Redeeming the principal and interest of fixed deposits and more	910,784,049.98	7,043,006,500.00
Collecting financial management income and dividends	321,151,517.75	420,227,984.66
<b>Total</b>	<b>7,883,679,304.38</b>	<b>8,016,380,473.17</b>

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

## Cash payments relating to other investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other banking products	827,237,810.00	5,143,140,000.00
<b>Total</b>	<b>827,237,810.00</b>	<b>5,143,140,000.00</b>

## Important cash paid relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Cash paid to acquire fixed assets, intangible assets and other long-term assets	479,661,609.93	675,074,486.64
Purchasing banking products and other wealth management products	8,120,000,000.00	2,900,000,000.00
Net cash paid to acquire subsidiaries	500,320,758.81	
Deposit products such as fixed deposits	827,237,810.00	5,143,140,000.00
Equity investment funds		500,000,000.00
<b>Total</b>	<b>9,927,220,178.74</b>	<b>9,218,214,486.64</b>

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

**(3) Cash received relating to financing activities**

## Cash received relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Withholding and remittance of individual income tax on dividend distribution	68,733,636.26	73,292,510.43
Refund of dividend distribution guarantee deposit	2,000,000.00	2,000,000.00
<b>Total</b>	<b>70,733,636.26</b>	<b>75,292,510.43</b>

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

## Cash paid relating to other financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment of lease costs	127,682,444.58	90,383,082.47
Handling fee for financing activities	785,482.55	2,381,635.77
Withholding and remittance of individual income tax on dividend distribution	79,741,001.00	60,073,045.88
Dividend distribution guarantee deposit	2,000,000.00	2,000,000.00
<b>Total</b>	<b>210,208,928.13</b>	<b>154,837,764.12</b>

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

## Change of liabilities resulting from financing activities

Applicable   Not applicable

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Cash change	Non-cash change	Cash change	Non-cash change	
Short-term borrowings	423,380,272.64	180,394,185.38	12,631,236.47	432,087,875.08	1,542,066.20	182,775,753.21
Long-term borrowings (including long-term borrowings due within one year)	2,100,000.00		85,069,730.83	200,000.00		86,969,730.83
Lease liabilities (Lease liabilities due within one year)	279,093,065.97		204,950,752.28	91,241,306.17	174,928,751.37	217,873,760.71
Dividend payable	86,490,742.04		3,944,670,229.91	4,029,843,583.22		1,317,388.73
<b>Total</b>	<b>791,064,080.65</b>	<b>180,394,185.38</b>	<b>4,247,321,949.49</b>	<b>4,553,372,764.47</b>	<b>176,470,817.57</b>	<b>488,936,633.48</b>

**(4) Explanation on presentation of cash flow in net amount: None.****(5) Significant activities and financial effects that do not involve current cash receipts and disbursements but affect the enterprise's financial position or may affect the enterprise's cash flows in the future**

None.

**64. 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	5,189,940,856.98	4,767,072,360.28
Plus: Impairment provision for assets	200,305,770.25	131,156,636.24
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	214,601,515.25	203,119,678.85
Depreciation of right-of-use assets	113,142,513.65	83,364,568.49
Amortization of intangible assets	30,458,268.65	25,012,034.21
Amortization of long-term deferred expenses	56,277,022.29	38,404,127.20
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated with "-")	-8,167,595.81	435,663.65
Losses on scrapping of fixed assets (gain is indicated with "-")	195,133.10	-2,037,253.77
Losses on changes in fair value (gain is indicated with "-")	-110,489,468.71	-136,837,009.94

Financial expenses (income is indicated with “-”)	32,955,118.48	62,336,462.09
Investment losses (gain is indicated with “-”)	-1,103,650,478.73	-842,061,414.65
Decrease of deferred income tax assets (increase is indicated with “-”)	-208,859,943.48	-66,105,807.62
Increase of deferred income tax liabilities (decrease is indicated with “-”)	54,550,185.21	19,095,259.83
Decrease in inventories (increase is indicated with “-”)	-72,254,087.27	113,232,804.84
Decrease in operating receivable items (increase is indicated with “-”)	349,815,291.54	-758,018,810.16
Increase in operating payable items (decrease is indicated with “-”)	-139,126,220.96	585,907,421.72
Others		72,926,421.01
Net cash flows from operating activities	4,599,693,880.44	4,297,003,142.27
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	8,532,232,687.39	10,275,529,575.34
Less: Opening balance of cash	10,275,529,575.34	14,151,765,468.49
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,743,296,887.95	-3,876,235,893.15

**(2) Net cash paid for acquisitions of subsidiaries for the period**

Unit: RMB

	Amount
Cash or cash equivalents paid for business mergers that occurred during the period	528,000,000.00
Including:	
Anguo Juyaotang Pharmaceutical Co., Ltd.	528,000,000.00
Less: Cash and cash equivalents held by the subsidiaries on acquisition dates	27,679,241.19
Including:	
Anguo Juyaotang Pharmaceutical Co., Ltd.	27,679,241.19
Including:	
Net cash paid to acquire the subsidiaries	500,320,758.81

Other explanations: None.

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

Unit: RMB

	Amount

Cash or cash equivalents received from disposal of subsidiaries during the period	1,680,000.00
Including:	
Shanghai Yunzhen Outpatient Department	1,680,000.00
Including:	
Including:	
Net cash received from disposal of subsidiaries	1,680,000.00

Other explanations: None.

#### (4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	8,532,232,687.39	10,275,529,575.34
Including: Cash on hand	125,243.29	124,469.53
Bank deposit available for payment at any time	8,482,597,792.16	10,222,574,046.06
Other cash and bank balance available for payment at any time	49,509,651.94	52,831,059.75
III. Cash and cash equivalents at the end of the reporting period	8,532,232,687.39	10,275,529,575.34

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

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

Unit: RMB

Item	Amount in the reporting period	Amount in the previous period	Reasons for not belonging to cash and cash equivalents
Guarantee deposit, banker's acceptance bill deposit, performance deposit, etc	14,353,427.82	21,699,196.16	Cannot be withdrawn at any time
Fund for litigation preservation	1,489,443.87	0	Cannot be withdrawn at any time; litigation preservation: as of the date of issuance of the financial statement, the plaintiff has withdrawn the lawsuit, and the court has ruled to lift the litigation preservation, which shall be immediately executed from the date of the ruling
Cost specially used for housing reform and maintenance	2,650,040.09	2,648,389.00	Cannot be withdrawn at any time
Cost specially used for identity conversion for employees in state-owned enterprises	557,103,568.81	588,106,000.80	Cannot be withdrawn at any time
Total	575,596,480.59	612,453,585.96	

Other explanations: None.

**(7) Explanations on other significant activities: None.****65. Notes to statement of changes in equity**

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

**66. Monetary items denominated in foreign currencies****(1) Monetary items denominated in foreign currencies**

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance converted into RMB
Cash and bank balance			
Including: HKD	158,516,938.22	0.903220	143,175,668.94
USD	20,545,481.87	7.028800	144,410,082.98
Euro	1,834,498.46	8.235500	15,108,012.07
Japanese yen	650,841.00	0.044797	29,155.72
South Korean won	21,324,422.00	0.004860	103,642.39
THB	1,994,317.25	4.494000	8,962,461.72
CAD	1,647.83	5.114200	8,427.33
CHF	20,353.13	8.851000	180,145.54
SGD	39,335.98	5.458600	214,719.38
MYR	120,855.32	0.577390	69,780.65
Accounts receivable			
Including: HKD	293,619,698.28	0.903220	265,203,183.88
SGD	272.50	5.458600	1,487.47
Other receivables			
Including: HKD	2,274,145.21	0.903220	2,054,053.44
THB	20,500.00	4.494000	92,127.00
Other current assets			
Including: HKD	260,000,000.00	0.903220	234,837,200.00
Accounts payable			
Including: HKD	135,755,000.44	0.903220	122,616,631.50
Other payables			
Including: HKD	4,702,086.55	0.903220	4,247,018.62
Japanese yen	860,094.00	0.044797	38,529.63
THB	53,830.00	4.494000	241,912.02
CAD	2,000.00	5.114200	10,228.40
SGD	5,500.00	5.458600	30,022.30
Non-current liabilities due within one year			
Including: HKD	3,448,354.52	0.903220	3,114,622.77

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

**67. Lease**

**(1) The Company as the lessee**

Applicable  Not applicable

Variable lease payments not included in the measurement of lease liabilities

Applicable  Not applicable

Item	Current period	Same period last year
Variable lease payments included in current profit and loss but not included in the measurement of lease liabilities	4,379,127.32	1,853,203.38

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

Applicable  Not applicable

Item	Current period	Same period last year
Short-term leasing fee	28,895,132.74	21,297,315.26
Total	28,895,132.74	21,297,315.26

After-sales leaseback transactions: None.

**(2) The Company as the lessor**

Operating lease where the Company is the lessor

Applicable  Not applicable

Unit: RMB

Item	Receipts from lease	Including: Receipts related to variable lease payments not included in lease receipts
Lease revenue	17,142,377.55	
Total	17,142,377.55	

Finance lease where the Company is the lessor

Applicable  Not applicable

Undiscounted lease receipts for each of the next five years

Applicable  Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases: None.

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

Applicable  Not applicable

**68. Others**

None.

**VIII. R&D Expenditure**

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee benefits	168,561,877.38	176,428,120.44
Materials consumption and inspection fees	82,192,372.19	58,715,281.92
Commissioned R&D cost	56,168,562.33	12,553,292.71
New product design fee	24,313,864.14	13,008,621.76
Depreciation and amortization	31,913,397.11	44,437,281.25
Test outsourcing fee	35,896,061.76	18,717,995.73
Others	24,288,009.77	24,522,693.78
Total	423,334,144.68	348,383,287.59
Including: Expensed R&D expenditure	350,545,386.25	337,413,301.03
Capitalized R&D expenditure	72,788,758.43	10,969,986.56

## 1. R&D projects meeting capitalization conditions

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development costs	Others	Recognized as intangible assets	Transfer to current profits or losses	
P137 Project R&D (IND)	25,422,461.13	513,053.16				25,935,514.29
Fuqi Guben Ointment		15,711,255.23				15,711,255.23
INR101 Project		56,564,450.04				56,564,450.04
Total	25,422,461.13	72,788,758.43		0.00	0.00	98,211,219.56

Important capitalized R&D projects: None.

Impairment provision for R&D expenditure: None.

## 2. Important outsourced project under study: None.

## IX. Changes in the Consolidation Scope

### 1. Business combination not under common control

#### (1) Business combination not under common control in the period

Unit: RMB

Name of the acquiree	Time point of equity acquisition	Cost of equity acquisition	Ratio of equity acquisition	Way of equity acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Cash flow of the acquiree from the acquisition date to the end of the period
Anguo Juyatong Pharmaceutical Co., Ltd.	October 1, 2025	660,000,000.00	100.00%	Cash	October 1, 2025	Gaining substantial control.	226,033,987.82	11,663,167.02	122,764,476.83

Other explanations: None.

## (2) Combination cost and goodwill

Unit: RMB

Combination cost	
--Cash	660,000,000.00
--Fair value of non-cash assets	
--Fair value of debts issued or assumed	
--Fair value of equity securities issued	
--Fair value of contingent consideration	
--Fair value of the equity held prior to the acquisition date on the acquisition date	
--Others	
Total combination cost	660,000,000.00
Less: Fair value share of identifiable net assets acquired	456,157,608.18
Amount that the goodwill/combination cost is less than the fair value share of the identifiable net assets obtained	203,842,391.82

Method for determining the fair value of the combination cost: The fair value of the combination cost is determined based on the *Asset Evaluation Report on the Fair Value of Identifiable Assets and Liabilities Involved in the Merger Consideration Allocation of Yunnan Baiyao Group Co., Ltd to Anguo Juyatong Pharmaceutical Co., Ltd* (PCA [2025] No. 2203) issued by Pan-China Appraisal Co., Ltd.

Explanation of contingent consideration and its changes: None.

Main reason for the formation of significant goodwill is that the acquiree possesses a promising market outlook and strong profitability, with its market value exceeding the fair value of its identifiable net assets.

Other explanations: None.

## (3) Identifiable assets and liabilities of the acquiree on the acquisition date

Unit: RMB

	Anguo Juyatong Pharmaceutical Co., Ltd.	
	Fair value on acquisition date	Book value on acquisition date
Assets:		
Monetary funds		
Accounts receivable	281,634,658.93	281,634,658.93
Inventory	144,567,379.52	116,731,599.63

Fixed assets	223,651,366.93	190,109,492.43
Intangible assets	121,950,394.79	47,390,999.75
Total assets	812,636,270.08	680,020,833.95
Liabilities:		
Borrowings		
Accounts payable	238,261,261.20	238,261,261.20
Total liabilities	356,478,661.90	326,634,426.96
Deferred tax liabilities		
Net assets	456,157,608.18	353,386,406.99
Less: Minority shareholders' equity		
Net assets acquired	456,157,608.18	353,386,406.99

Method for determining the fair value of identifiable assets and liabilities: The fair value of identifiable assets and liabilities of Anguo Juyatong Pharmaceutical Co., Ltd is determined based on the assessed value.

Contingent liabilities assumed from the acquiree in the business combination: None.

Other explanations: None.

**(4) Gains or losses arising from the remeasurement of equity held prior to the acquisition date at fair value**

Is there any transaction that achieves business combination step by step through multiple transactions and allows for control during the reporting period

Yes No

**(5) Relevant explanations for the inability to reasonably determine the merger consideration or the fair value of the identifiable assets and liabilities of the acquiree on the acquisition date or at the end of the period**

None.

**(6) Other explanations**

None.

**2. Business combination under common control**

(1) Business combinations under common control that occurred in the period: None.

(2) Combination cost: None

(3) Book value of assets and liabilities of the acquiree on the combination date: None.

3. Reverse purchase: None.

#### 4. Disposal of subsidiaries

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

Yes No

Unit: RMB

Name of subsidiary	Disposal price at the time of losing control	Disposal proportion at the time of losing control	Disposal method at the time of losing control	Time point when control is lost	Basis for determining the point of losing control	Difference between the disposal price and the share of the subsidiary's net assets corresponding to the disposal investment, as presented on the consolidated financial statements	Proportion of remaining equity on the date of losing control	Book value of the remaining equity on the consolidated financial statements at the date of losing control	Fair value of the remaining equity at the consolidated financial statement level on the date of losing control	Gains or losses arising from the remeasurement of the remaining equity at fair value	Method and main assumptions for determining the fair value of the remaining equity at the consolidated financial statement level on the date of losing control	Amount of other comprehensive income related to equity investments in subsidiaries transferred to investment profit and loss or retained earnings
Shanghai Yunzhen Outpatient Department Co., Ltd.	2,100,000.00	100.00%	Transfer by agreement	November 30, 2025		-773,539.48						

Other explanations: None.

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:

Establishment of new subsidiaries

(1) Yunnan Baiyao Group invested in the establishment of Yunnan Baiyao Group Digital and Intelligent Technology Co., Ltd, with a registered capital of RMB 11,152,469.81 and a 100% ownership. Yunnan Baiyao included Yunnan Baiyao Group Digital and Intelligent Technology Co., Ltd into its consolidation scope from May 2025.

(2) YNBY International Limited (“YNBY International”) invested in the establishment of PT YNBY Healthcare Indonesia, with a total of 10,000 shares issued, each with a par value of 1 million Indonesian rupiah, totaling 10 billion Indonesian rupiah (out of which YNBY International holds 9,900 shares, and

BL Healthcare (Overseas) Limited holds 100 shares (1% equity)). Yunnan Baiyao included PT YNBY Healthcare Indonesia in its consolidation scope from January 2025.

(3) Yunnan Baiyao Group TCM Resources Co., Ltd invested in the establishment of Yunnan Baiyao Group TCM Materials Development (Weishan) Co., Ltd, with a registered capital of RMB 20,000,000 and a 100% ownership. Yunnan Baiyao included Yunnan Baiyao Group TCM Materials Development (Weishan) Co., Ltd into its consolidation scope from May 2025.

Deregistration:

(1) CICC Directional Asset Management - GF-CICC Qirui No. 1 was deregistered in December 2025.

(2) Lieder Industrial Investment Co., Ltd was deregistered in September 2025.

Acquisitions:

Yunnan Baiyao Group TCM Resources Co., Ltd acquired Anguo Juyaotang Pharmaceutical Co., Ltd in 2025 and included it into its consolidation scope. Beijing Juyaotang Technology Co., Ltd and Time Travel (Guangzhou) Intelligent Technology Co., Ltd are wholly-owned subsidiaries of Anguo Juyaotang Pharmaceutical Co., Ltd, so Yunnan Baiyao included Beijing Juyaotang Technology Co., Ltd and Time Travel (Guangzhou) Intelligent Technology Co., Ltd into its consolidation scope in October 2025.

**6. Others: None.**

## X. Interest in Other Entities

### 1. Interest in subsidiaries

#### (1) Composition of the Group

Unit: RMB

Name of subsidiary	Registered capital	Main business location	Place of registration	Business nature	Shareholding proportion		Acquisition method
					Direct	Indirect	
Yunnan Baiyao Group TCM Resources Co., Ltd.	16,400,000.00	Kunming	Kunming	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Digital and Intelligent TCM Material Development Co., Ltd.	30,000,000.00	Kunming	Kunming	Wholesale and retail of daily necessities	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	25,000,000.00	Wuxi	Wuxi	Pharmaceutical	100.00%	0.00%	Set-up or investment

Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	15,515,000.00	Dali	Dali	Pharmaceutical	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health Products Co., Ltd.	84,500,000.00	Kunming	Kunming	Production and sales of health and daily chemicals	100.00%	0.00%	Set-up or investment
Yunnan Pharmaceutical Co., Ltd.	1,000,000,000.00	Kunming	Kunming	Pharmaceutical wholesale and retail	100.00%	0.00%	Set-up or investment
Yunnan Institute of Materia Medica	54,080,000.00	Kunming	Kunming	New Drug R&D	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Holding Investment Co., Ltd.	100,000,000.00	Kunming	Kunming	Investment	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Teayield Co., Ltd.	20,000,000.00	Kunming	Kunming	Tea	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Group (Hainan) Co., Ltd.	15,000,000.00	Hainan	Danya	Import and export agency, technical services, etc.	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Shanghai Co., Ltd.	15,000,000.00	Shanghai	Shanghai	Technical services	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	25,970,800.00	Hefei	Hefei	Medical Device Production and Sales	100.00%	0.00%	Business combination not under the same control
Shanghai Yunzhen Medical Technology Co., Ltd.	900,000.00	Shanghai	Shanghai	Technical development and service	100.00%	0.00%	Set-up or investment
YNBY International Limited		Hong Kong	Hong Kong	Trade	25.11%	40.81%	Business combination not under the same control
Yunnan Baiyao Tiancui Business Management Co., Ltd.	3,000,000.00	Kunming	Kunming	Catering	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Beijing Co., Ltd.	50,000,000.00	Beijing	Beijing	Technology promotion service	100.00%	0.00%	Set-up or investment
Yunhe Pharmaceutical (Tianjin) Co., Ltd	20,000,000.00	Tianjin	Tianjin	Research and experimental development	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health	5,000,000.00	Kunming	Kunming	Health	100.00%	0.00%	Business combination

Pharmacy Co., Ltd.							under the same control
Yunnan Baiyao Group Digital and Intelligent Technology Co., Ltd.	11,152,470.00	Kunming	Kunming	Software and IT services	100.00%	0.00%	Set-up or investment

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

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

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

The structured entities included in the scope of consolidation of the Group include 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 is able to use its power over the investee to influence its variable returns, the Group has control over such structured entities.

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

Other explanations: None.

## (2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Percentage of shares held by minority interests	Profit and loss attributable to non-controlling interests in the current period	Dividends declared to non-controlling interests in the current period	Balance of minority shareholders' equity at the end of the period
YNBY International Limited	34.08%	1,627,714.89		-8,878,289.63

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

Other explanations: On May 22, 2025, YNBY International Limited placed 800,000,000 shares, increasing the shareholding ratio of minority shareholders from 26.02% to 34.08%.

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

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YNBY International Limited	523,888,159.10	10,489,436.18	534,377,595.28	207,416,955.49	3,628,959.12	211,045,914.61	328,272,842.86	12,491,866.59	340,764,709.45	94,092,251.84	5,957,177.35	100,049,429.19

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the previous period			
	Operating revenue	Net Profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net Profit	Total comprehensive income	Cash flows from operating activities
YNBY International Limited	1,013,333,023.65	4,151,212.72	-1,584,596.88	-93,951,609.72	689,091,622.71	16,683,866.18	20,363,500.62	33,115,847.31

Other explanations: None.

**(4) Major restrictions on the use of assets and settlement of debts of the corporate group**

None.

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

None.

Other explanations: None.

**2. Transaction in which the share of owners' equity in the subsidiary changes while control over the subsidiary remains unchanged****(1) Explanations on changes in the share of owners' equity in the subsidiary**

Name of subsidiary	Time of change	Shareholding ratio before change	Shareholding ratio after change
YNBY International Limited	May 2025	73.68%	65.92%

**(2) Impact of the transaction on the minority shareholders' equity and the owners' equity attributable to the parent company**

Unit: RMB

Acquisition cost/disposal consideration	
--Cash	
--Fair value of non-cash assets	
Total of acquisition cost/disposal consideration	
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired/disposed	-37,009,868.76
Balance	37,009,868.76
Including: Adjustment of capital reserves	37,009,868.76
Adjustment of surplus reserve	
Adjustment of undistributed profits	

Other explanations: None.

**3. Interest in joint ventures or associates****(1) Important joint ventures or associates**

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

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

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

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

**(3) Main financial information of important associates**

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Current assets	180,463,695,237.78	171,823,107,421.97
Non-current assets	52,685,071,529.43	49,386,322,726.20
Total assets	233,148,766,767.21	221,209,430,148.17
Current liabilities	135,198,106,270.50	126,038,386,279.10
Non-current liabilities	8,163,366,773.11	11,428,680,148.00
Total liabilities	143,361,473,043.61	137,467,066,427.10
Minority interests	13,895,965,899.43	12,066,743,749.10
Equity attributable to shareholders of the parent company	75,891,327,824.17	71,675,619,971.97
Share of net assets based on percentage of shareholding	13,622,000,050.81	12,866,662,562.66
Adjustment		
- Goodwill	934,312,752.73	934,411,132.40
- Unrealized profit on internal transactions	-7,314,646.14	-7,831,910.38
- Others	-1,821,243,614.53	-1,731,865,195.92
Book value of equity investment in associates	12,727,754,542.87	12,061,376,588.76
Fair value of equity investments in associates for which publicly quoted prices exist	11,888,094,576.56	13,978,162,716.00
Operating revenue	283,579,600,562.98	275,250,934,889.66
Net profits	6,973,717,681.49	5,870,011,314.88
Net profits from discontinued operations		
Other comprehensive income	7,600,140.48	-62,617,948.59
Total comprehensive income	6,981,317,821.97	5,807,393,366.29
Dividends received from associates during the year	193,031,770.84	326,157,130.04

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

Associates:		
Total book value of investments	499,823,509.04	499,899,492.59
Total of the followings based on the percentage of shareholdings		
- Net profit	-106,174.01	-318,336.97
- Other comprehensive income		244.20
- Total comprehensive income		-318,092.77

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: None.**

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

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

**4. Significant joint operation**

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

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

Other explanations: None.

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

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

**6. Others: None.**

**XI. Government Grants**

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

Applicable Not applicable

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

Applicable Not applicable

**2. Liabilities involving government grants**

Applicable Not applicable

Unit: RMB

Accounting item	Opening balance	Amount of new subsidies in the current period	Amount included in non-operating revenue during the period	Amount transferred to other income in the current period	Other changes in the current period	Closing balance	Related to assets/income

Deferred income	133,786,181.20	54,284,600.00		46,962,820.50	21,594,143.90	119,513,816.80	Related to income
Deferred income	161,707,384.12	4,770,000.00		12,478,832.23	1,742,556.10	152,255,995.79	Related to assets

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

Applicable      Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Other income	96,333,463.99	84,203,749.10

Other explanations: None.

## XII. Risks Associated with Financial Instruments

### (I) Risks incurred by financial instruments

The risk management objective of the Company is to get a balance between risk and return, minimize the negative impact of risk on business results of the Company, and maximize the interest of shareholders and other equity investors. Based on this risk management objective, the basic risk management strategy of the Company is to identify and analyze various risks faced by the Company, 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.

The Company faces various risks related to financial instruments in its daily activities, primarily including credit risk, liquidity risk, and market risk. The management has reviewed and approved policies for managing these risks, which are summarized as follows.

#### (i) Credit risk

Credit risk refers to the risk that one party to a financial instrument fails to fulfill its obligations, resulting in financial losses to the other party.

#### 1. Credit risk management practices

##### (1) Evaluation of credit risk

The Company assesses whether the credit risk of relevant financial instruments has significantly increased since initial recognition on each balance sheet date. In whether the credit risk has significantly increased since initial recognition, the Company considers obtaining reasonable and well-founded information without incurring unnecessary additional costs or efforts, including qualitative and quantitative analysis based on historical data, external credit risk ratings, and forward-looking information. The Company compares the risk of default on financial instruments on the balance sheet date with the risk of default on the initial recognition date, based on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics, to determine the changes in default risk over the expected life of the financial instruments.

When one or more of the following quantitative and qualitative criteria are triggered, the Company deems that the credit risk of financial instruments has significantly increased:

1) The primary quantitative criterion is that the probability of default during the remaining duration as of the balance sheet date has increased by more than a certain percentage compared to the initial recognition;

2) The qualitative criteria primarily include significant adverse changes in the debtor's operational or financial status, as well as existing or anticipated shifts in the technological, market, economic, or legal environment that are expected to have a material adverse impact on the debtor's repayment capacity to the Company.

#### (2) Definition of default and credit impaired assets

When a financial instrument meets one or more of the following conditions, the Company defines the financial asset as having defaulted, and its criteria are consistent with the definition of credit impairment:

1) The debtor encounters significant financial difficulties;

2) The debtor violates the restrictive clauses imposed on the debtor in the contract;

3) The debtor is likely to go bankrupt or undergo other financial restructuring; and

4) The creditor, due to economic or contractual considerations related to the debtor's financial difficulties, grants concessions that the debtor would not otherwise make.

#### 2. Measurement of expected credit losses

The key parameters for measuring expected credit losses include probability of default, loss given default, and exposure at default. The Company takes into account quantitative analysis of historical statistical data (such as counterparty ratings, types of guarantees and collateral, repayment methods, etc.) and forward-looking information to establish models for probability of default, loss given default, and exposure at default.

3. For the detailed reconciliation statement of the beginning and ending balances of provisions for losses on financial instruments, please refer to "Section VIII Financial Statements VII. Notes to Consolidated Financial Statement Items 3. Bills Receivable; 4. Accounts Receivable; 5. Receivables Financing; 6. Other Receivables; 9. Non-current Assets Due Within One Year; 10. Other Current Assets; 23. Other Non-current Assets."

#### 4. Credit risk exposure and credit risk concentration

The credit risk of the Company primarily arises from monetary funds and receivables. To mitigate the aforementioned risks, we have implemented the following measures.

##### (1) Monetary funds

The Company deposits its bank deposits and other monetary funds with financial institutions of high credit ratings, thus its credit risk is relatively low.

##### (2) Accounts receivable and contract assets

The Company continuously conducts credit assessments on customers who engage in transactions using credit methods. Based on the results of these assessments, the Company chooses to conduct transactions with approved customers who have good credit, and monitor their accounts receivable balances, to make sure that it does not face significant bad debt risks.

Due to the distribution of the Company's accounts receivable risk points across multiple partners and customers, as of December 31, 2025, 16.98% (December 31, 2024: 21.17%) of its accounts receivable originated from the top five customers by balance. The Company does not have significant credit concentration risk.

The maximum credit risk exposure borne by the Company is the carrying amount of each financial asset in the balance sheet.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will run short of funds to meet its obligations settled by delivering cash or other financial assets. Liquidity risk may arise from the inability to sell financial assets at fair value as soon as possible; or from the counterparty's inability to repay its contractual debts; or from early maturity of debts; or from the inability to generate expected cash flows.

To control this risk, the Company comprehensively utilizes various financing methods such as bill settlement and bank loans, and adopts a method of appropriately combining long-term and short-term financing to optimize the financing structure, maintaining a balance between financing continuity and flexibility. The Company has obtained bank credit lines from multiple commercial banks to meet its working capital needs and capital expenditures.

Financial liabilities classified by their remaining maturity										
Items	Closing balance					Closing balance of the previous year				
	Book value	Undiscounted contract amount	Within one year	1-3 years	More than 3 years	Book value	Undiscounted contract amount	Within one year	1-3 years	More than 3 years
Short-term borrowings	182,775,753.21	186,182,419.88	186,182,419.88			423,380,272.64	423,460,272.64	423,460,272.64		
Notes payable	1,846,714,475.61	1,846,714,475.61	1,846,714,475.61			1,913,702,684.41	1,913,702,684.41	1,913,702,684.41		
Accounts payable	5,523,021,856.86	5,523,021,856.86	5,523,021,856.86			4,758,352,403.87	4,758,352,403.87	4,758,352,403.87		
Other payables	1,461,459,334.99	1,461,459,334.99	1,461,459,334.99			1,386,632,676.75	1,386,632,676.75	1,386,632,676.75		
Lease liabilities (including those maturing within one year)	217,873,760.71	217,873,760.71	76,043,381.53	103,824,679.18	38,005,700.00	279,093,065.97	279,093,065.97	88,436,075.74	112,651,290.23	78,005,700.00
Long-term borrowings (including those maturing within one year)	86,969,730.83	91,623,211.37	3,849,534.79	803,945.75	86,969,730.83	2,100,000.00	2,100,000.00			2,100,000.00
Subtotal	9,318,814,912.21	9,326,875,059.42	9,097,271,003.66	104,628,624.93	124,975,430.83	8,763,261,103.64	8,763,341,103.64	8,570,584,113.41	112,651,290.23	80,105,700.00

**(iii) Market risk**

Market risk refers to the risk that the fair value of a financial instrument or future cash flows fluctuate due to changes in market prices. Market risk primarily includes interest rate risk and foreign exchange risk.

**1. Interest rate risk**

Interest rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in market interest rates. Fixed-rate interest-bearing financial instruments expose the Company to fair value interest rate risk, while floating-rate interest-bearing financial instruments expose the Company to cash flow interest rate risk. The Company determines the proportion of fixed-rate and floating-rate financial instruments based on market conditions and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The cash flow interest rate risk faced by the Company is primarily related to the Company's bank loans with floating interest rates.

As of December 31, 2025, the Company's bank loans with floating interest rates amounted to RMB 234,800,000.00 (as of December 31, 2024: RMB 404,233,333.39). Assuming that other variables remain unchanged, a 50 basis point change in interest rates would not have a significant impact on the Company's total profit and shareholders' equity.

**2. Foreign exchange risk**

Foreign exchange risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations is primarily related to its foreign currency monetary assets and liabilities. The Company primarily operates in mainland China, and its main activities are denominated in Renminbi. Therefore, the Company's exposure to market risk from foreign exchange fluctuations is not significant.

For details of the Company's foreign currency monetary assets and liabilities at the end of the period, please refer to "Section VIII Financial Statements VII. Notes to Consolidated Financial Statements 66. Foreign Currency Monetary Items."

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

Applicable                      Not applicable

**(2) The Company conducted eligible hedging business and applied hedging accounting: None.****(3) The Company carried out hedging business for risk management, which is expected to achieve risk management target, but did not apply hedging accounting**

Applicable                      Not applicable

**3. Financial assets****(1) Classification by type of transfer**

Applicable                      Not applicable

Unit: RMB

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Derecognized or not	Basis for determining derecognition
Bill discount/endorsement	Bills receivable/receivables financing	6,429,789,790.99	Derecognized	All its risks and rewards have been transferred
Accounts receivable factoring	Accounts receivable	458,903,513.09	Derecognized	All its risks and rewards have been transferred
Accounts receivable factoring	Accounts receivable	12,541,236.47	Not derecognized	All its risks and rewards remain
Total		6,901,234,540.55		

**(2) Derecognition of financial assets due to transfer**
Applicable      Not applicable

Unit: RMB

Items	Way of transferring financial assets	Amount of financial assets derecognized	Gains or losses related to derecognition
Receivables financing	Endorsement/discount	6,060,630,626.83	-17,215,991.15
Notes receivable	Endorsement/discount	369,159,164.16	-2,771,706.78
Accounts receivable	Factoring	458,903,513.09	-3,805,049.32
Total		6,888,693,304.08	-23,792,747.25

**(3) Financial assets involved in continued assets transfer**
Applicable      Not applicable

Unit: RMB

Items	Asset transfer method	Amount of assets formed through continued involvement	Amount of liabilities formed through continued involvement
Accounts receivable	Factoring	12,541,236.47	
Short-term borrowings	Factoring		12,541,236.47
Total		12,541,236.47	12,541,236.47

Other explanations: None.

**XIII. Disclosure of Fair Value****1. Final fair value of assets and liabilities measured at fair value**

Unit: RMB

Item	Closing fair value			
	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading		4,187,513,408.43	4,600,000.00	4,192,113,408.43
1. Financial assets measured at fair value		4,187,513,408.43	4,600,000.00	4,192,113,408.43

with changes recognized in current profit and loss				
(I) Others		4,187,513,408.43	4,600,000.00	4,192,113,408.43
(II) Accounts receivable financing			1,230,423,455.01	1,230,423,455.01
(1) Notes receivable			1,230,423,455.01	1,230,423,455.01
(III) Investment in other equity instruments			71,745,000.00	71,745,000.00
(IV) Other non-current financial assets			210,855,260.47	210,855,260.47
(V) Investment in equity instruments			210,855,260.47	210,855,260.47
(VI) Total assets at continuous fair value measurement		4,187,513,408.43	1,517,623,715.48	5,705,137,123.91

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

The trading financial assets held by the Company that are measured at fair value at the first level are stocks traded in the active market. The Company determines their fair value based on the closing price of the open 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 trading financial assets held by the Company, which are measured at fair value at the second level, consist of bank and brokerage financial products. The Company determines their fair value based on the net value of each financial product at the end of the period.

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

The other non-current financial assets held by the Company that are measured at fair value at the third are equity investments in unlisted companies. The Company obtains the annual audit reports of the invested enterprises, considers their operating environment, operational status, and financial condition, and determines the fair value at the end of the period based on the Company's net assets at the end of the period.

## **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 financial liabilities of the Company that are not measured at fair value mainly include: monetary funds, notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables, long-term borrowings, lease liabilities, long-term payables, etc. The difference between their book value and fair value is relatively small.

## 9. Others

None.

## XIV. Related Parties and Related Party Transactions

### 1. Information about the parent company of the Company

Explanations on the parent company of the Company: None.

Ultimate controller of the Company: None.

Other explanations:

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

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

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

On August 8, 2024, the Company disclosed the *Announcement on Increase in Shareholdings of the Company by Shareholders of 5% or More and the Subsequent Shareholding Increase Plan*. The Company's largest

shareholder, the State-owned Equity Management Company, increased its holdings of the Company by 17,485,863 shares through the Shenzhen Stock Exchange's centralized bidding system on August 6, 2024. As of December 31, 2024, the State-owned Equity Management Company held 467,110,174 shares of the Company, accounting for 26.18% of the Company's total shares. The State-owned Equity Management Company remains the largest shareholder, and the Company continues to have no de facto controller and no controlling shareholder.

## 2. Information about subsidiaries of the Company

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

## 3. Information about joint ventures and associates of the Company

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

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

Name of joint ventures or associates	Relationship with the Company
Shanghai Pharmaceuticals Holding Co., Ltd.	Associate
Lijiang Changgengming Trading Co., Ltd.	Associate

Other explanations: None.

## 4. Information about other related parties

Name of other related parties	Relationship between other related parties and the Company
Yunnan State-owned Equity Operation Management Co., Ltd.	Substantial shareholder of the Company
New Huadu Industrial Group Co., Ltd.	Substantial shareholder of the Company
Yunnan Hehe (Group) Co., Ltd.	Substantial shareholder of the Company
State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government	Former substantial shareholder of the Company
Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	Former substantial shareholder of the Company
Yunnan Gongtuo TCM Materials and Decoction Pieces Industry Development Co., Ltd. [Note 1]	Companies where the Company's directors served during the past twelve months
MB Packaging Limited [Note 2]	Sub-subsidiary of former substantial shareholder
Kunming Yusi Pharmaceutical Co., Ltd. [Note 3]	Sub-subsidiary of former substantial shareholder
Shanghai Skynet Brand Management Crop., Ltd.	Equity investment company of the subsidiary of the substantial shareholder
Yunnan Drug Technology Development Operation Co., Ltd.	Investee company of a minority shareholder of the sub-subsidiary
YEIG Property Services Co., Ltd.	Sub-subsidiary of the substantial shareholder
Teh-Ho Canned Food Company and its subsidiaries	Subsidiary of the substantial shareholder
Yunnan Salt Wenshan Co., Ltd.	Sub-subsidiary of the substantial shareholder
Tibet Juliang E-commerce Co., Ltd.	Sub-subsidiary of the substantial shareholder
Sino-Platinum Functional Materials (Yunnan) Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Rixin Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Energy-Saving Technology Development and	Sub-subsidiary of the substantial shareholder

Operation Co., Ltd.	
Yunnan Salt Industry Dianzhong Co., Ltd.	Sub-subsidiary of the substantial shareholder
Tibet Jiushi Zhihe Marketing Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Salt Industry Dianxibei Co., Ltd.	Sub-subsidiary of the substantial shareholder
Tibet Jiujiu E-Commerce Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder
Sino-Platinum Chemical Materials (Yunnan) Co., Ltd.	Sub-subsidiary of the substantial shareholder
Jiukai Zhihe (Beijing) Technology Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Labor Force Center Market Co., Ltd.	Sub-subsidiary of the substantial shareholder
Sino-Platinum Metals New Materials Holding Group Co., Ltd. [Note 4]	Subsidiary of the substantial shareholder
Yunnan Hongta Bank Co., Ltd.	Subsidiary of the substantial shareholder
Kunming Sino-Platinum New Materials Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder
YEIG Power Assembly Park Development Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Kunhua Hospital Investment Management Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Jingxing Pharmaceutical Group 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 Tianma 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
Qiubei County Wanhe Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Baoshan Medicine Co., Ltd. [Note 5]	Former minority shareholder that has significant influence on the subsidiary
Ma Xinhong	Senior management of the sub-subsidiary
Ma Zhanjiang	Senior management of the sub-subsidiary
Shi Guang	Senior management of the sub-subsidiary

Other explanations:

[Note 1] No longer a company where the Company's director served as of June 2024.

[Note 2] Its former controlling shareholder, Yunnan Energy Research Institute Co., Ltd (a subsidiary of Yunnan Investment Holdings Co., Ltd), was reduced to the third largest shareholder on February 14, 2025, and no longer has control over it.

[Note 3] Formerly a wholly-owned subsidiary of Yunnan Ran'er Chemical Co., Ltd. (a subsidiary of Yunnan Investment Holdings Group Co., Ltd), and ceased to be a subsidiary of Yunnan Ran'er Chemical Co., Ltd as of October 18, 2024.

[Note 4] Formerly known as Guiyan Platinum Industry Co., Ltd, renamed to Sino-Platinum Metals New Materials Holding Group Co., Ltd in December 2023.

[Note 5] No longer a minority shareholder with significant influence over the subsidiary as of July 2024.

## 5. Related party transactions

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

Information of commodities purchased/labor services accepted

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Approved transaction limit	Whether exceeding the transaction limit	Amount for the previous period
---------------	---------------------------------------	-------------------------------	----------------------------	---	--------------------------------

Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Purchase of goods and services	673,226,493.06	1,200,000,000.00		728,349,788.25
Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	Purchase of goods				23,819,450.91
Yunnan Gongtong TCM Materials and Decoction Pieces Industry Development Co., Ltd.	Purchase of goods	9,125,038.53			4,004,620.45
Yunnan State-owned Equity Operation Management Co., Ltd.	Purchase of services	6,493,230.45			1,469,355.33
MB Packaging Limited	Purchase of goods	4,159,034.19			4,544,493.47
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Purchase of goods	2,423,517.26			1,098,494.12
Kunming Yusi Pharmaceutical Co., Ltd.	Purchase of goods	1,727,331.60			545,939.23
Shanghai Skynet Brand Management Crop., Ltd.	Purchase of goods	1,091,131.50			498,819.05
Yunnan Drug Technology Development Operation Co., Ltd.	Purchase of goods	797,947.56			200,352.21
YEIG Property Services Co., Ltd.	Purchase of services	733,427.10			1,049,364.96
Teh-Ho Canned Food Company and its subsidiaries	Purchase of goods and services	205,190.98			578,624.26
Yunnan Salt Wenshan Co., Ltd.	Purchase of goods	73,805.31			27,079.65
Tibet Juliang E-Commerce Co., Ltd.	Purchase of goods	68,632.56			
Sino-Platinum Functional Materials (Yunnan) Co., Ltd.	Purchase of goods	52,223.10			
Yunnan Salt Rixin Co., Ltd.	Purchase of goods	47,509.43			-29,996.79
Yunnan Energy-Saving Technology Development and Operation Co., Ltd.	Purchase of services	45,283.02			
Yunnan Salt Industry Dianzhong Co., Ltd.	Purchase of goods	21,000.00			
Tibet Jiushi Zhihe Marketing Co., Ltd.	Purchase of goods	1,716.10			
Yunnan Salt Industry Dianxibei Co., Ltd.	Purchase of goods	1,345.13			
Tibet Jiujia E-Commerce Co., Ltd.	Purchase of goods	1,164.60			

## 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	490,334,797.05	474,122,601.09
Tibet Jiushi Zhihe Marketing Co., Ltd.	Sale of goods	289,280,779.63	267,190,270.17
Yunnan Provincial Pharmaceutical Technology Development and Operation Co., Ltd.	Sale of goods	14,700,193.68	12,013,360.11
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Sale of goods	4,779,772.58	16,068,315.55

Yunnan Gongtuo TCM Materials and Decoction Pieces Industry Development Co., Ltd.	Sale of goods	935,779.82	
Yunnan Baoshan Medicine Co., Ltd.	Sale of goods	717,987.08	582,396.79
Sino-Platinum Chemical Materials (Yunnan) Co., Ltd.	Rendering of services	471,698.11	4,300.00
Tibet Juliang E-Commerce Co., Ltd.	Sale of goods	194,490.79	104,934.51
Yunnan Salt Rixin Co., Ltd.	Sale of goods	73,585.15	52,762.79
Jiukai Zhihe (Beijing) Technology Co., Ltd.	Sale of goods	32,526.55	70,894.16
Yunnan Labor Force Center Market Co., Ltd.	Sale of goods	7,978.76	
YEIG Power Assembly Park Development Co., Ltd.	Sale of goods	242.74	
Sino-Platinum Metals New Materials Holding Group Co., Ltd.	Sale of goods		236.02
Yunnan Hongta Bank Co., Ltd.	Sale of goods		5,852.48
Lijiang Changgengming Trading Co., Ltd.	Sale of goods		257,609.51
Kunming Sino-Platinum New Materials Technology Co., Ltd.	Rendering of services		6,000.00
Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries	Sale of goods		23,805.00

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) Leasing between related parties**

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 Development Co., Ltd.	House					1,518,229.50	1,364,087.62	124,379.33	178,898.07		7,545,479.15
Yunnan Jianshui County Xingda Medicine Co., Ltd.	House					1,711,216.50	1,629,730.00	195,042.53	176,599.56		
Yunnan Baoshan Medicine Co., Ltd.	House, equipment, vehicle						3,758,075.00	33,292.27	73,844.23	1,776,596.76	
Yunnan Tianma Pharmaceutical Co., Ltd.	House					1,587,691.20	1,841,918.53	50,017.40	36,476.85	2,869,398.04	2,857,171.88
Yunnan Jingxing Pharmaceutical Group Co., Ltd.									21,069.80		3,447,933.32
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Equipment and vehicle					496,991.15					

Explanations on leasing between related parties: None.

**(4) Related party guarantees: None.****(5) Borrowings with related parties**

Related Party	Borrowing amount	Commencement date	Due date	Description
Loans				
Ma Zhanjiang	42,410,000.00	January 4, 2025	October 30, 2025	Repaid
Shi Guang	10,000,000.00	January 22, 2025	October 9, 2025	Repaid

Note: The amounts lent out for the current period increased due to business combinations under non-common control in October 2025.

**(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 to key management personnel	24,973,671.43	33,776,976.72

**(8) Other related party transactions: None.****6. Amounts receivable from and payable to related parties****(1) Receivables**

Unit: RMB

Item name	Related Party	Closing balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	15,165,860.65	758,293.03	18,347,243.79	915,508.67
Accounts receivable	Lijiang Changgengming Trading Co., Ltd.	2,849,942.43	2,302,794.52	2,849,942.43	1,291,749.42
Accounts receivable	Yunnan Jingxing Pharmaceutical Group Co., Ltd.	384,707.89	18,877.75	4,827,582.65	241,379.13
Accounts receivable	Yunnan Drug Technology Development Operation Co., Ltd.	100,454.55	5,022.73	3,456,930.86	172,846.54
Accounts receivable	MB Packaging Limited			4,050.00	1,215.00
Accounts receivable	Yunnan Baoshan Medicine Co., Ltd.			8,331.65	416.58
Notes receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	8,377,326.34			
Accounts receivable financing	Tibet Jiushi Zhihe Marketing Co., Ltd.			8,102,835.34	
Dividends receivable	Shanghai Pharmaceuticals Holding Co., Ltd.	79,875,215.52			
Accounts receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	17,046.50		9,757.13	
Accounts receivable	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	28,871.00		4,145.40	
Accounts receivable	Qiubei County Wanhe Pharmaceutical Co., Ltd.	72,206.41		72,206.41	

Accounts receivable	Yunnan Salt Industry Dianzhong Co., Ltd.	3,500.00			
Accounts receivable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries			117,455.24	
Other receivables	Yunnan Kunhua Hospital Investment Management Co., Ltd.	200,000.00	60,000.00	200,000.00	100,000.00

**(2) Payables**

Unit: RMB

Item name	Related Party	Book balance at the end of the period	Book balance at the beginning of the period
Accounts payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	71,609,299.66	86,515,415.13
Accounts payable	MB Packaging Limited	862,711.03	1,731,652.43
Accounts payable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries		530,062.48
Accounts payable	Kunming Yusi Pharmaceutical Co., Ltd.		195,914.10
Accounts payable	Yunnan Drug Technology Development Operation Co., Ltd.	92,915.38	216,491.97
Accounts payable	Yunnan Salt Industry Wenshan Co., Ltd.	23,362.83	
Accounts payable	Yunnan Salt Rixin Co., Ltd.	8,403.60	8,403.60
Accounts payable	Yunnan Jingxing Pharmaceutical Group Co., Ltd.	7,152.62	43,245.62
Accounts payable	Teh-Ho Canned Food Company	5,655.00	46,990.36
Accounts payable	Shanghai Skynet Brand Management Crop., Ltd.	3,300.00	39,911.51
Notes payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	1,101,228.80	1,050,654.60
Notes payable	Jiangsu Yuyue Science & Technology Development Co., Ltd and its subsidiaries		8,977,012.28
Contractual liabilities	Tibet Jiushi Zhihe Marketing Co., Ltd.	17,545,544.65	2,172,816.79
Contractual liabilities	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	11,316,812.74	27,079,192.76
Contractual liabilities	Yunnan Tianma Pharmaceutical Co., Ltd.	13,125.96	
Contractual liabilities	Yunnan Baoshan Medicine Co., Ltd.		548,382.19
Other payables	Yunnan Labor Force Center Market Co., Ltd.	94,981.90	
Other payables	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	317,419.54	
Other payables	Yunnan Salt Rixin Co., Ltd.	5,000.00	
Other payables	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	4,229.99	4,229.99
Other payables	Kunming Yusi Pharmaceutical Co., Ltd.		2,353.18
Other payables	Ma Xinhong	46,200,000.00	
Other payables	Ma Zhanjiang	26,400,000.00	
Other payables	Shi Guang	18,480,000.00	

Lease liabilities	Yunnan Jianshui County Xingda Medicine Co., Ltd.	3,165,586.27	4,657,661.24
Lease liabilities	YEIG Power Assembly Park Development Co., Ltd.		1,382,344.99
Lease liabilities	Yunnan Jingxing Pharmaceutical Group Co., Ltd.		1,148,722.02
Non-current liabilities due within one year	Yunnan Baoshan Medicine Co., Ltd.	3,679,384.19	1,869,495.16
Non-current liabilities due within one year	Yunnan Jingxing Pharmaceutical Group Co., Ltd.		1,652,355.08
Non-current liabilities due within one year	Yunnan Jianshui County Xingda Medicine Co., Ltd.	1,492,074.97	1,434,687.47
Non-current liabilities due within one year	Yunnan Tianma Pharmaceutical Co., Ltd.		1,428,311.30
Non-current liabilities due within one year	YEIG Power Assembly Park Development Co., Ltd.	1,382,344.99	1,321,553.56
Dividends payable	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government, New Huadu Industrial Group Co., Ltd and Jiangsu Yuyue Science & Technology Development Co., Ltd.		86,490,742.04

**7. Related party commitments: None.**

**8. Others: None.**

## XV. 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. Share payments during the period

Applicable Not applicable

### 5. Amendment and termination of share-based payment: None.

### 6. Others: None.

## XVI. Commitment and Contingencies

### 1. Significant commitments

Significant contingencies on the balance sheet date: None.

### 2. Contingencies

#### (1) Significant contingencies on the balance sheet date

Contract dispute case filed by Shanghai Yuanye Industrial Co., Ltd against Yunnan Baiyao Holdings Investment Co., Ltd et al., with a case amount of RMB 1,575,317,800. As of the date of issuance of this financial report, the court has ruled to permit the plaintiff

Shanghai Yuanye Industrial Co., Ltd to withdraw the lawsuit. Meanwhile, the court has also ruled to lift the preservation measures taken in connection with the case and to enforce such ruling immediately.

**(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.**

**XVII. 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**

On February 27, 2026, YNBY International allotted and issued 1,937,984,496 shares to Shanghai International Trust Co., Ltd (acting as trustee for Yunnan Baiyao to subscribe for and hold convertible bonds), the designated trustee of Yunnan Baiyao, at the conversion price of HKD0.258 per share. Following the conversion, the Company's shareholding in YNBY International increased from 65.92% to 72.84%. Upon completion of this exercise and conversion, the Company will implement the relevant matters concerning the trust product in accordance with the determined plan and operational procedures.

**XVIII. Other Significant Events**

**1. Correction of previous accounting errors: None.**

**2. Debt restructuring: None.**

**3. Assets exchange: 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% 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. According to the reply from the Kunming Municipal Bureau of Human Resources and Social Security (Kun Ren She Han [2024] No. 105) to the *Letter from Yunnan Institute of Materia Medica Regarding Adjustment of the Corporate Pension Plan*, the adjustment of the corporate pension plan for Yunnan Institute of Materia Medica has been approved. 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 [2025] No.14), Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a subsidiary of the Company, was approved to amend 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.

**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.**

## **XIX. Notes to Major Items of Financial Statements of the Parent Company**

**1. Accounts receivable****(1) Disclosure by aging**

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	1,244,764,619.52	1,227,895,866.19
1 to 2 years	8,224,921.66	3,872,165.80
2 to 3 years	1,685,144.62	79,324,328.73
Above 3 years	726,736,143.29	650,617,364.49
Total	1,981,410,829.09	1,961,709,725.21

**(2) Disclosure by provision for bad debts**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Account receivables with provision for bad debt on portfolio basis	1,981,410,829.09	100.00%	21,541,975.87	1.09%	1,959,868,853.22	1,961,709,725.21	100.00%	20,993,861.37	1.07%	1,940,715,863.84
Including:										
Age-based portfolio	98,593,016.20	4.98%	21,541,975.87	21.85%	77,051,040.33	67,854,948.56	3.46%	20,993,861.37	30.94%	46,861,087.19
Related party portfolio	1,882,817,812.89	95.02%		0.00%	1,882,817,812.89	1,893,854,776.65	96.54%		0.00%	1,893,854,776.65
Total	1,981,410,829.09	100.00%	21,541,975.87	1.09%	1,959,868,853.22	1,961,709,725.21	100.00%	20,993,861.37	1.07%	1,940,715,863.84

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Age-based portfolio	98,593,016.20	21,541,975.87	21.85%
Related party portfolio	1,882,817,812.89		
<b>Total</b>	<b>1,981,410,829.09</b>	<b>21,541,975.87</b>	

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:

Applicable Not applicable

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

**(4) Actual write-off of accounts receivable for the period: None.**

**(5) Top five customers in closing balance of accounts receivable and contractual assets summarized by debtor**

Unit: RMB

Customer name	Closing balance of accounts receivable	Closing balance of contractual assets	Closing balance of accounts receivable and contractual assets	Percentage of total of closing balance of accounts receivable and contractual assets	Closing balance of provision for bad debts of accounts receivable and provision for impairment of contractual assets
Customer A	836,658,958.62		836,658,958.62	42.23%	
Customer B	609,940,399.20		609,940,399.20	30.78%	
Customer C	241,037,751.21		241,037,751.21	12.16%	
Customer D	140,065,678.83		140,065,678.83	7.07%	
Customer E	24,714,231.13		24,714,231.13	1.25%	
<b>Total</b>	<b>1,852,417,018.99</b>		<b>1,852,417,018.99</b>	<b>93.49%</b>	

## 2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	79,875,215.52	10,348,033.98
Other receivables	6,552,212,996.22	6,491,515,478.29
<b>Total</b>	<b>6,632,088,211.74</b>	<b>6,501,863,512.27</b>

**(1) Interest receivable****1) Category of interest receivable: None.****2) Significant overdue interest: None.****3) Disclosure by provision for bad debts**Applicable    Not applicable**4) Provision for bad debts accrued, recovered or reversed during the period: None.****5) Actual write-off of dividends receivable during this reporting period: None.****(2) Dividends receivable****1) Category of dividends receivable**

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Shanghai Pharmaceuticals Holding Co., Ltd.	79,875,215.52	
Jacobson Pharma Co., Ltd.		6,482,280.00
JBM (Healthcare) Co., Ltd.		3,865,753.98
<b>Total</b>	<b>79,875,215.52</b>	<b>10,348,033.98</b>

**2) Significant dividends receivable aged above 1 year: None.****3) Disclosure by provision for bad debts**Applicable    Not applicable**4) Provision for bad debts accrued, recovered or reversed during the period: None.****5) Actual write-off of dividends receivable during this reporting period: None.****(3) Other receivables****1) Other receivables by nature**

Unit: RMB

Nature	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Amounts from related parties within the scope of consolidation	6,686,598,659.88	6,622,159,259.62
Deposits and guarantees	4,639,663.00	7,874,816.28

Petty cash and others	12,713,170.32	12,856,300.67
<b>Total</b>	<b>6,703,951,493.20</b>	<b>6,642,890,376.57</b>

**2) Disclosure by aging**

Unit: RMB

Aging	Book balance at the end of the period	Opening balance at the end of the period
Within 1 year (inclusive of 1 year)	2,754,961,521.16	2,829,671,131.53
1 to 2 years	801,370,373.68	1,704,148,058.85
2 to 3 years	1,596,345,756.81	841,712,325.56
Above 3 years	1,551,273,841.55	1,267,358,860.63
<b>Total</b>	<b>6,703,951,493.20</b>	<b>6,642,890,376.57</b>

**3) Disclosure by provision for bad debts**

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:										
Provision for bad debts by portfolio	6,703,951,493.20	100.00%	151,738,496.98	2.26%	6,552,212,996.22	6,642,890,376.57	100.00%	151,374,898.28	2.28%	6,491,515,478.29
Including:										
Age-based portfolio	17,352,833.32	0.26%	5,763,827.44	33.22%	11,589,005.88	20,731,116.95	0.31%	5,400,228.74	26.05%	15,330,888.21
Related party portfolio	6,686,598,659.88	99.74%	145,974,669.54	2.18%	6,540,623,990.34	6,622,159,259.62	99.69%	145,974,669.54	2.20%	6,476,184,590.08
<b>Total</b>	<b>6,703,951,493.20</b>	<b>100.00%</b>	<b>151,738,496.98</b>	<b>2.26%</b>	<b>6,552,212,996.22</b>	<b>6,642,890,376.57</b>	<b>100.00%</b>	<b>151,374,898.28</b>	<b>2.28%</b>	<b>6,491,515,478.29</b>

Provision for bad debts made on a portfolio basis:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Related party portfolio	17,352,833.32	5,763,827.44	33.22%
Age-based portfolio	6,686,598,659.88	145,974,669.54	2.18%
<b>Total</b>	<b>6,703,951,493.20</b>	<b>151,738,496.98</b>	

Explanation on the basis for determining the portfolio: None.

Provision for bad debts in accordance with the general expected credit loss model:

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, 2025	151,374,898.28			151,374,898.28
Balance as of January 1, 2025 in the current period				
Current provision	363,598.70			363,598.70
Balance as of December 31, 2025	151,738,496.98			151,738,496.98

Division base for each phase and proportion of provision for bad debts: None.

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

Applicable Not applicable

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

Provision for bad debts during the period:

Unit: RMB

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other changes	
Age-based portfolio	5,400,228.74	363,598.70				5,763,827.44
Related party portfolio	145,974,669.54					145,974,669.54
Total	151,374,898.28	363,598.70				151,738,496.98

Provision for bad debt with important amount of recovery or reversal during the period: None.

#### 5) Actual write-off of other receivables during this reporting period: None.

#### 6) Top five customers in closing balance of other receivables summarized by debtor

Unit: RMB

Entity name	Nature	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of provision for bad debts
Entity A	Current accounts of related parties within the scope of consolidation	1,877,311,464.00	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	28.00%	
Entity B	Current accounts of related parties within the scope of consolidation	969,585,683.33	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	14.46%	
Entity C	Current accounts of related parties within the scope of consolidation	896,890,920.63	Within 1 year, 1 to 2 years	13.38%	
Entity D	Current accounts of	823,745,699.09	1 to 2 years, 2 to 3 years, above 3 years	12.29%	

	related parties within the scope of consolidation				
Entity E	Current accounts of related parties within the scope of consolidation	480,074,188.78	Within 1 year, 1 to 2 years, 2 to 3 years, above 3 years	7.16%	
Total		5,047,607,955.83		75.29%	

7) Reported as other receivables due to centralized fund management: None.

### 3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	2,603,195,450.92	244,474,941.95	2,358,720,508.97	2,593,195,450.92	244,474,941.95	2,348,720,508.97
Investments in associates and joint ventures	13,247,345,923.78		13,247,345,923.78	12,578,620,530.71		12,578,620,530.71
Total	15,850,541,374.70	244,474,941.95	15,606,066,432.75	15,171,815,981.63	244,474,941.95	14,927,341,039.68

#### (1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Closing balance of impairment provision	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 Pharmaceutical Co., Ltd.	765,533,647.30						765,533,647.30	
Yunnan Baiyao Group Health Products Co., Ltd.	168,297,661.03						168,297,661.03	
Yunnan Baiyao Group TCM Resources Co., Ltd.	130,894,518.14						130,894,518.14	
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 (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 Digital-Intelligent TCM Materials Development Co., Ltd.	56,059,850.00						56,059,850.00	
Yunnan Baiyao Teayield Co., Ltd.	3,701,960.00	20,000,000.00					3,701,960.00	20,000,000.00

Shanghai Yunzhen Medical Technology Co., Ltd.	200,572,858.37						200,572,858.37	
Yunnan Baiyao Holding Investment Co., Ltd.	193,992,837.67						193,992,837.67	
Yunnan Institute of Materia Medica	101,075,329.94						101,075,329.94	
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	85,700,000.00						85,700,000.00	
YNBY International Limited	98,226,954.53	224,474,941.95					98,226,954.53	224,474,941.95
Yunhe Pharmaceutical (Tianjin) Co., Ltd.	20,000,000.00						20,000,000.00	
Yunnan Baiyao Group Digital-Intelligent Technology Co., Ltd.			10,000,000.00				10,000,000.00	
<b>Total</b>	<b>2,348,720,508.97</b>	<b>244,474,941.95</b>	<b>10,000,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,358,720,508.97</b>	<b>244,474,941.95</b>

**(2) Investments in associates and joint ventures**

Unit: RMB

Investee	Opening balance (book value)	Closing balance of impairment provision	Increase and decrease in the current period								Closing balance (book value)	Closing balance of impairment provision
			Additional investment	Decreased investment	Profit and loss 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.	12,062,250,480.82				981,515,716.67	250,018.48	-42,041,501.39	272,906,986.36			12,729,067,728.22	
Yunnan TCM Big Health Innovation Equity Investment Fund Partnership (Limited Partnership)	499,889,683.05				-66,174.01						499,823,509.04	
Yunnan Tianzheng Testing Co., Ltd.	16,480,366.84				1,974,319.68						18,454,686.52	
Subtotal	12,578,620,530.71	-	-	-	983,423,862.34	250,018.48	-42,041,501.39	272,906,986.36	-	-	13,247,345,923.78	
Total	12,578,620,530.71	-	-	-	983,423,862.34	250,018.48	-42,041,501.39	272,906,986.36	-	-	13,247,345,923.78	

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

Applicable    Not applicable

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

Applicable    Not applicable

Reasons for significant differences between the foregoing information and information used for impairment testing in previous years or external information: None.

Reasons for significant differences between the information used in the Company's impairment tests in previous years and the actual situation in the corresponding year: None.

**(3) Other explanations: None.**

#### **4. Operating revenue and operating cost**

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main business	8,483,895,232.32	3,345,012,597.22	7,594,049,549.16	3,288,033,537.43
Other business	1,294,941,132.38	119,514,201.07	1,273,785,043.21	102,035,979.67
Total	9,778,836,364.70	3,464,526,798.29	8,867,834,592.37	3,390,069,517.10

Breakdown information of operating revenue and operating cost:

Unit: RMB

Contract classification	Drug sales		TCM resources		Others		Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type	8,283,954,138.31	3,182,255,343.90	199,688,874.41	162,565,334.16	1,295,193,351.98	119,706,120.23	9,778,836,364.70	3,464,526,798.29
Including:								
Industry sales income	8,283,954,138.31	3,182,255,343.90					8,283,954,138.31	3,182,255,343.90
Commercial sales income			199,688,874.41	162,565,334.16			199,688,874.41	162,565,334.16
Technical services income					252,219.60	191,919.16	252,219.60	191,919.16
Others					1,294,941,132.38	119,514,201.07	1,294,941,132.38	119,514,201.07
By operating areas	8,283,954,138.31	3,182,255,343.90	199,688,874.41	162,565,334.16	1,295,193,351.98	119,706,120.23	9,778,836,364.70	3,464,526,798.29
Including:								
In Yunnan province	964,856,008.56	314,091,262.40	199,688,874.41	162,565,334.16	1,295,193,351.98	119,706,120.23	2,459,738,234.95	596,362,716.79
Outside Yunnan province (excluding overseas)	7,319,098,129.75	2,868,164,081.50					7,319,098,129.75	2,868,164,081.50
Overseas								

Information about performance obligations: None.

Other explanations: None.

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

At the end of this reporting period, the Company recorded an amount of revenue of RMB 0.00 from its performance of obligations set out in the signed contracts to be fulfilled or fully fulfilled.

Significant contractual changes or significant transaction price adjustments: None.

Other explanations: None.

## 5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Long-term equity investment incomes accounted by the cost method	1,800,000,000.00	1,900,000,000.00
Long-term equity investment incomes accounted by the equity method	983,423,862.34	772,732,477.51
Investment income on financial assets held for trading during holding period		6,671,289.70
Investment income from disposal of financial assets held for trading	32,705,136.82	
Investment income from other non-current financial assets during the holding period		20,474,449.39
Profits or losses from disposal of other non-current financial assets	29,102,029.45	
Others	-226,891,279.70	-3,991,808.68
Total	2,618,339,748.91	2,695,886,407.92

## 6. Others: None.

## XX. Supplementary Information

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

Applicable

Not applicable

Unit: RMB

Item	Amount	Description
Profits and losses from disposal of non-current assets	7,198,923.23	
Government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company in line with national policies and received by a determined standard, with a continuous impact on the Company's profits and losses)	96,333,463.99	
Profits and losses from changes in fair value of financial assets and liabilities held for trading by non-financial enterprises, and from disposal of such financial assets and liabilities, except for effective hedging operations related to regular businesses of the Company	189,486,904.27	

Profits and losses from entrusted investment or asset management	19,212,454.11	
Non-operating revenue and expenses other than the above	4,570,455.96	
Other profits and losses satisfying the definition of non-recurring profits and losses	17,162,242.56	
Less: Amount affected by the income tax	44,955,132.44	
Amount affected by minority interests (after tax)	90,875.93	
Total	288,918,435.75	--

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

Applicable      Not applicable

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

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

Applicable      Not applicable

## 2. Return on equity and earnings per share

Profits during the reporting period	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to ordinary shareholders of the Company	13.02%	2.89	2.89
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	12.29%	2.73	2.73

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

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

Applicable      Not applicable

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

Applicable      Not applicable

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

**4. Others: None.**

Yunnan Baiyao Group Co., Ltd.

Board of Directors

March 31, 2026