Yunnan Baiyao Group Co., Ltd.

Interim Report 2026

August 2026

Section I Important Notes, Contents, and Definitions

The Board of Directors (the "Board"), the directors, and the senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this Interim Report and there are no misrepresentation, misleading statement or material omission from this Interim Report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein.

Mr. 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 Interim Report.

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

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

The profit distribution plan considered and approved by the Board of Directors is as follows: Based on a total of 1,784,262,603 shares, a cash dividend of RMB 10.38 (tax inclusive) for every 10 shares will be paid to all shareholders, with no bonus shares issued (tax inclusive), and no capital reserve to increase the share capital.

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

Contents

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 all the Company's documents and announcements publicly disclosed on the *Securities Times*, *Shanghai Securities News*, *China Securities Journal*, and www.cninfo.com.cn during the reporting period;

(III) Other related materials.

Definitions

Term	Definitions
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC of Yunnan Province	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government
The Company, Yunnan Baiyao or Yunnan Baiyao Group	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 Pharma	Yunhe Pharmaceutical (Tianjin) Co., Ltd.
NMPA	National Medical Products Administration
FDA	U.S. Food and Drug Administration
Juyaotang	Anguo Juyaotang Pharmaceutical Co., Ltd.
Reporting period	The period from January 1, 2026 to June 30, 2026
RMB, RMB'0,000, RMB'00,000,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi, expressed in hundreds of millions of Renminbi

Section II Company Profile and Key Financial Indicators

I. Company Profile

Stock Abbreviation	Yunnan Baiyao	Stock Code	000538
Stock Abbreviation before Change (if any)	None		
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	云南白药集团股份有限公司		
Company Abbreviation in Chinese (if any)	云南白药		
Company Name in English (if any)	YUNNAN BAIYAO GROUP CO., LTD.		
Company Abbreviation in English (if any)	YUNNAN BAIYAO		
Legal Representative of the Company	Zhang Wenxue		

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
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E-mail	000538dm@ynby.cn	000538@ynby.cn

III. Other Information

1. Contact information of the Company

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

□ Applicable ☑ Not applicable

There was no change in the Company's registered address, office address, postal code, website, or e-mail address during the reporting period. For more information, please refer to the 2025 Annual Report.

2. Information disclosure and location

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

□ Applicable ☑ Not applicable

There was no change in the stock exchange website, media outlets, and their websites where the Company disclosed the Interim Report, or the location where the Interim Report was prepared and placed during the reporting period. For more information, please refer to the 2025 Annual Report.

3. Other information

Whether other information has changed during the reporting period

□ Applicable ☑ Not applicable

IV. Key Accounting Data and Financial Indicators

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

□Yes ☑ No

	The reporting period	The same period of the previous year	Increase/decrease during the reporting period compared with the same period of the previous year
Operating revenue (RMB)	21,884,075,971.15	21,257,102,896.02	2.95%
Net profit attributable to shareholders of the listed company (RMB)	3,701,170,618.67	3,632,911,303.12	1.88%
Net profit attributable to shareholders of the listed company after deducting non-recurring profits and losses (RMB)	3,518,415,542.36	3,460,915,449.48	1.66%
Net cash flows from operating activities (RMB)	4,106,039,368.33	3,961,187,202.77	3.66%
Basic earnings per share (RMB/share)	2.07	2.04	1.47%
Diluted earnings per share (RMB/share)	2.07	2.04	1.47%
Weighted average ROE	9.04%	9.09%	Down 0.05 percentage points
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared with the end of the previous year
Total assets (RMB)	55,145,269,649.47	54,268,581,131.82	1.62%
Net assets attributable to shareholders of the listed company (RMB)	40,973,152,783.10	40,044,058,844.44	2.32%

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 preceding disclosure:

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

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

Preferred share dividend paid	0.00
Perpetual bond interest paid (RMB)	0.00
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	2.0743

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

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

□Applicable ☑Not applicable

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

2. Differences in the net 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.

VI. Non-recurring Profits and Losses and their Amounts

☑Applicable □Not applicable

Unit: RMB

Item	Amount	Remarks
Profits and losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	3,357,305.66	
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)	55,632,035.55	
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	129,325,396.89	
Profits and losses from entrusted investment or asset management	17,162,500.72	
Reversal of impairment provision of accounts receivable subject to individual impairment test	764,946.00	
Non-operating revenue and expenses other than the above	8,365,551.93	
Other profits and losses satisfying the definition of non-recurring profits and losses	2,706,934.78	
Less: Amount affected by the income tax	34,145,671.34	
Amount affected by minority interests (after tax)	413,923.88	
Total	182,755,076.31	

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) Overview

1. Industry landscape and development trends

(1) Steady growth in health-related demand: synergy between population aging and health-consumption upgrade

In recent years, population aging progression, upgraded health awareness and lifestyle shifts constitute the key drivers of sustained demand growth in the pharmaceutical and healthcare sector. First, accelerated population aging unlocks rigid health-related demand. In 2026, the share of China's population aged 60 and above in the total population maintains its upward trend. The elderly group sees rigid growth in demand for chronic-disease management and health-preserving wellness services. Second, the concept of proactive health is reshaping consumption patterns. As of 2025, 69.1% of the residents aged 7 and above in China exercised at least once a week (Source: *Bulletin on National Fitness Activity Survey*). As of early April 2025, the number of people participating in outdoor sports in China had surpassed 400 million (Source: *The China Outdoor Sports Industry Development Report (2024-2025)*). The growing demand for sports has also driven up demand for related pharmaceutical and healthcare products, such as sports injury prevention and rehabilitation, and pain management. Collectively, these factors have expanded market potential and created favorable conditions for the traditional Chinese medicine (TCM) industry to leverage its inherent strengths.

(2) New cycle of TCM high-quality development: TCM industry restructuring amid closed-loop policies

In 2026, driven by policies, the TCM industry continues to deepen its transition toward high-quality development. Nevertheless, an adjustment cycle marked by intertwined multiple pressures is still underway.

On the one hand, top-level policies have formed a closed-loop system for high-quality development. On January 16, 2026, the State Council promulgated the revised the *Implementation Regulations of the Drug Administration Law*. As for the administrative regulations, it formally establishes four accelerated review-and-approval pathways for innovative drugs: breakthrough therapy procedure, conditional approval, priority review and approval, and special approval procedure, which comprehensively removes institutional bottlenecks hindering new drugs from clinical trials to marketing launch. On March 1, 2026, the *Special Provisions for the Supervision and Administration of TCM Manufacturing* officially took effect. These provisions place strong emphasis on quality control across the supply chain, at every stage, and throughout the production process of TCM materials; encourage the acceleration of modernization and upgrading in TCM production; and promote digital and intelligent transformation to ensure the quality and safety of TCM from the source. On July 10, 2026, the State Council approved the *15th Five-Year Plan for the Revitalization and Development of TCM*, which serves as the overarching blueprint for the development, healthcare application, scientific research, and internationalization of TCM industry over the next five years. It calls for multi-departmental collaboration to establish supporting policies to ensure implementation, charting a new course for the TCM industry chain, including TCM materials, Chinese patent medicine, TCM services, and TCM innovation.

On the other hand, under the combined influence of multiple policies, the TCM industry is shifting away from the traditional path of scale-driven expansion toward a new stage of high-quality development centered on "quality-oriented and efficacy-driven." Amid an adjustment cycle for the transformation of growth drivers, the industry faces mounting pressure on revenue growth and profit realization, leading to an overall slowdown in growth rates. Meanwhile, the industry is transitioning from fragmented competition toward centralized collaboration. Approvals and production capacities characterized by weak clinical evidence, untraceable quality and low-level duplication will be phased out at an accelerated pace, and the trend of structural optimization and adjustment will continue to deepen.

(3) The consumer market is characterized by "aggregate-volume pressure, structural differentiation and a return to rationality"

In the consumer goods market, total retail sales of consumer goods reached RMB 24.87 trillion in the first half of 2026, up 1.3% year on year. The growth rate retreated from that for the full-year 2025. Household consumption willingness remains subdued, and the consumer confidence index is yet to improve. (Sources: The National Bureau of Statistics)

Competition intensifies in the oral-care track, with three major growth drivers in full swing: "rapid online growth, enhanced product efficacy, and channel restructuring." First, online channels register rapid growth. In the first quarter of 2026, sales of oral care products on mainstream e-commerce platforms reached RMB 5.813 billion, representing a year-on-year increase of 13.8%. Second, profound structural differentiation has emerged among online channels. In the first quarter, sales through Douyin accounted for 55% of the total e-commerce sales in the oral care category, with a year-on-year increase of 30.73%, leading the growth rate. Growth in traditional shelf-based e-commerce platforms posted slower growth, with JD.com's sales up 13.76% year-on-year and Tmall's sales down 2.31% year-on-year. (Source: Moojing Market Intelligence) Third, offline channels are undergoing shifts in sales structure. The share of traditional hypermarkets and convenience stores is shrinking, while emerging channels such as warehouse membership stores, snack specialty stores, and discount stores are bucking the trend and growing, becoming new growth engines of offline sales. Fourth, the demand for oral care is shifting toward precision and functionality. Functional demands such as whitening, gum care and anti-sensitivity stand out, while functional-oriented, premium and children's segments have become key drivers of growth.

2. Industry position

The Central Committee of the Communist Party of China ("CPC" or the "Party") and the State Council attach great importance to the development of TCM, positioning the inheritance and innovation of TCM as an important aspect of the socialist cause with Chinese characteristics in the new era. The report to the 20th CPC National Congress has explicitly stated that we should "promote the inheritance and innovation of TCM." The Yunnan Provincial Committee of the CPC and the provincial government place great emphasis on the development of the TCM materials industry, positioning this industry as the key focus for developing agriculture of Yunnan plateau characteristics and an important part of the growth of "resource-driven economy." The *Three-year Action Work Plan for the High-quality Development of the TCM Industry in Yunnan Province (2025-2027)* outlines the goal of building industrial clusters with Yunnan Baiyao Group serving as the "chain leader" to expand and strengthen the TCM materials industry.

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 matrix with 40 categories and 416 varieties. In the pharmaceutical products domain, Yunnan Baiyao holds 567 drug approvals 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 continuously researched, developed and launched other functional oral-care products such as whitening and anti-sensitive items. 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 health supplements. This move enables the Company's evolution from a TCM manufacturing enterprise to a modern, holistic wellness-oriented entity.

Yunnan Baiyao's full-industrial-chain layout, strengths in authentic medicinal materials, investment in technological innovation, and established brand reputation are highly aligned with the policy-guided market trends in the current pharmaceutical and healthcare industry. First, market demand closely matches the Company's product matrix. The demand for chronic-disease treatment and rehabilitation brought by population aging, as well as the rapidly-growing demand in the sports health sector, directly resonates with Yunnan Baiyao's core medicines, branded TCM and tonic products. Rising sports-related demand for injury repair and functional healthcare is highly aligned with the Company's Baiyao Aerosol and sports-protection product lines. Second, we will advance our full-industrial-chain layout, extend upstream into high-quality TCM materials, implement a "flagship product" strategy in the midstream to deepen our focus on the pharmaceutical and health products industries, and expand downstream into retail pharmacies and online sales channels, build an integrated "raw materials–production–sales" system and further enhance the core competitiveness of our principal businesses. Third, we will strengthen 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 the first half of 2026, Yunnan Baiyao continued to maintain its market leadership in multiple business sectors. The Company's core product, Yunnan Baiyao Aerosol, ranked first in retail market share among topical aerosols of Chinese patent medicine used for joint and muscle pain in the musculoskeletal system. Yunnan Baiyao Woundplast ranked first in retail market share in the topical hemostatic category. Yunnan Baiyao (Powder) ranked first in retail market share among the full-body Chinese patent medicines for bone injuries in the musculoskeletal system (Source: Sinohealth CHIS). Yunnan Baiyao Toothpaste continues to maintain the No.1 market share in the Chinese full-channel market in the first half of 2026 (Source: Nielsen Retail Research Data). In 2026, Yunnan Baiyao was listed on the *Fortune China 500 List* published by Fortune China for the 17th year, ranking 366th; and was ranked 33rd in the *List of Top 50 Global Pharmaceutical Companies* by *Pharmaceutical Executive* in US.

3. 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 focuses on the products of Yunnan Baiyao series (for example, Yunnan Baiyao Aerosol, Yunnan Baiyao Plaster, Yunnan Baiyao Woundplast, etc), which are mainly used for hemostasis, pain relief, swelling reduction, and blood stasis elimination. The BG extends its offerings to include other branded TCMs with natural characteristics, covering areas such as tonifying Qi and blood, treating colds and flu, cardiovascular health, gynecology, pediatrics, and more. The BG is also actively involved in the development of Panax notoginseng-based botanical supplements.

Health Products Business Group, with its core focus on the toothpaste category, relies on its robust brand infrastructure encompassing consumers, products, and scenarios. Embracing a user-centric approach, the BG actively explores new consumer scenarios and introduces innovative product categories, particularly in the realms of oral care and Yangyuanqing anti-hair loss solutions, aiming to become the benchmark of the new concept of Chinese healthy lifestyle.

By making full use of the characteristic medicinal plant resources of Yunnan Province, TCM Resources Business Group, while ensuring high quality, high efficiency and low cost supply of raw materials for TCM, has 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 remains 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, with its channels radiating across major retail chain 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.

4. 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, intensively cultivating its core business segments, 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 pharmaceutical commerce, thus achieving self-driven leapfrog development. In addition, based on the development strategy, the Company will fully leverage the synergy and promotion between Chinese and international markets and resources, focusing on expanding the global footprint of TCM products, creating new growth drivers for health products, and integrating international resources for the development of innovative medicines, so as to continuously drive our high-quality development, 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 from a development model centered on "endogenous growth" to "intensive and extensive growth" in parallel

The Company's primary growth model is to pursue the internal efficiency improvement ("intensive growth") and the external market expansion ("extensive growth") in parallel, continuously optimizing its business portfolio. "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 pharmaceutical commerce 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 establish a sound and resilient industrial portfolio system and to achieve sustainable, high-quality 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 continues to advance its transformation into a digital and intelligent enterprise, using digitalization as the core driver and adopting a customer-centric approach to optimize its business operations, thereby comprehensively enhancing B2B channel services and the B2C consumer experience. The Company leverages digital technologies such as big data, artificial intelligence, and the Internet of Things to empower its core businesses, including TCM R&D, full-industrial-chain management, intelligent manufacturing, and omni-channel marketing, thereby restructuring the end-to-end, scenario-based customer service processes and integrating the end-to-end chain spanning production, sales, and fulfillment. The Company continues to strengthen its unified data foundation and improve data governance to support the implementation of the Leigong TCM Big Model. Leveraging AI and RPA (Robotic Process Automation) digital employees, the Company has established an intelligent decision-making system to digitize operations, quality control, and risk management. A full-chain digital and intelligent framework has now been established. Leveraging the “Digital Intelligence of Yunnan TCM” Platform, the industry’s first TCM lighthouse factory, and a “one product, one code” system, the Company has built a closed-loop system that enables efficient iteration across marketing, R&D, and production.

5. Business data overview

In the first half of 2026, the Company steadily implemented its strategic plan and continued to pursue its development strategy of “growth, efficiency, and value creation.” As a result, its performance maintained steady growth, and its operational resilience and long-term growth potential were further strengthened. Core flagship products in the pharmaceuticals and health products segments continued to generate stable revenue, and new products were launched in an orderly manner. The Company remained committed to innovation and R&D as growth drivers, advancing both major TCM products and innovative drugs in parallel. Significant progress has been made in the industrial chain deployment, releasing the synergies across the supply chain of TCM materials.

During the reporting period, the Company generated operating revenue of RMB 21.884 billion, representing a year-on-year increase of 2.95%; net profit attributable to the parent company was RMB 3.701 billion, up 1.88% year on year; net profit attributable to the parent company after deducting non-recurring profits and losses was RMB 3.518 billion, up 1.66% year on year, reaching a record high for the same period; and basic earnings per share were

RMB 2.07, up 1.47% year on year. The Company's business structure continued to optimize. The industrial revenue amounted to RMB 8.772 billion, accounting for 40.08% of the total operating revenue, up 0.07 percentage points year on year, with the growth rate of industrial revenue reaching 3.15%. Since 2023, the proportion of industrial revenue in total revenue has continued to increase. The Company's investment income from Shanghai Pharma for the current period was affected by fluctuations in one-time extraordinary gains and losses, resulting in a year-on-year decrease of RMB 169 million. Excluding this impact, the Company's net profit attributable to the parent company for the first half of 2026 increased by 8.33% year on year, while net profit attributable to the parent company for the second quarter rose by 13.18% year on year.

In terms of growth quality, the Company's net operating cash flow for the reporting period was RMB 4.106 billion, representing a year-on-year increase of 3.66%; the weighted average return on equity was 9.04%; selling expenses decreased by 2.62% year on year, and administrative expenses decreased by 9.88% year on year. During the reporting period, R&D investment totaled RMB 217 million, representing a significant year-on-year increase of 27.13%, 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 55.145 billion, net assets attributable to the shareholders of the listed company amounted to RMB 40.973 billion, the asset-liability ratio was 25.56%, and the cash and bank balance stood at RMB 9.57 billion.

(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 Committee of the CPC and the provincial government, as well as the Party Committee of the Provincial State-owned Assets Supervision and Administration Commission, the Company's Party Committee has unwaveringly implemented the requirements of the "Two Consistencies," resolutely and decisively ensuring that the decisions and directives of the Central Committee of the CPC, as well as the requirements of the Provincial Party Committee and the provincial government, are fully and effectively carried out at Baiyao. Actively aligning with the "Healthy China" initiative and Yunnan Province's "3815" strategic development goals, based on the overarching principle of synergistically advancing "growth, efficiency, and value creation," while focusing on a development approach that is "profitable, high-quality, and sustainable," we will deepen Party-building leadership, promote integration and empowerment, and drive innovation to enhance quality, striving to transform our political and organizational strengths into competitive advantages that propel the Company's high-quality development, and continuously improve the quality, efficiency, and core competitiveness of the Company.

2. Promoting improvements in the quality and efficiency of decision-making through scientific governance

During the reporting period, the Company focused on scientific governance to systematically improve the quality and efficiency of decision-making. We completed the appointment of management, clarified the division of responsibilities, and strengthened implementation; optimized the organizational structure, with the Board of Directors reviewing and approving the *2026 Corporate Organizational Structure Plan* to provide organizational support for the implementation of the strategic plan. We systematically refined the decision-making mechanism for "major issues, significant projects, important appointments, and large-scale expenditures," 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. Maintaining strategic resolve to ensure efficient execution

During the reporting period, the Company remained focused on its strategic direction, maintained strategic resolve, closely followed the guidelines of the "15th Five-Year Plan," iteratively updated its "15th Five-Year Plan" strategy, and resolutely advanced the development of the century-old Baiyao to new heights. In addition, the Company was firmly committed to implementing its strategy, with a comprehensive focus on decoding and executing it. Each business unit aligned with the Group's overall direction, systematically broke down objectives, and assigned tasks at every level to ensure the strategy is implemented efficiently. First, we focused on our products, continued to advance the "flagship product" strategy, and built a product system characterized by "flagship products leading the way, mid-range products providing support, and basic products laying a solid foundation." Second, we focused on our distribution channels, strengthening our ability to manage them with precision, and based on the differing customer needs across online and offline channels, carefully designed product matrix tailored to those needs, streamlined distribution channels, and allocated resources efficiently, so as to improve channel operational efficiency. Third, we focused on allocating resources, including human resources, capital, budgets, and incentives, to the Company's strategic direction, key industries, and key products, thereby continuously improving the efficiency of our investments.

4. Focusing on our principal businesses to consolidate our foundations and explore new avenues; achieving breakthroughs across multiple fronts with our “flagship product” matrix; and promoting coordinated development across the industrial chain

(1) Pharmaceutical Business Group

During the reporting period, the Pharmaceutical Business Group generated revenue of RMB 4.93 billion. First, Yunnan Baiyao’s core product lines continued to post steady growth, with sales revenue from Yunnan Baiyao Aerosol exceeding RMB 1.5 billion and sales revenue from Yunnan Baiyao plaster exceeding RMB 700 million. Second, the “flagship products” of the second curve continued to achieve breakthroughs. Sales revenue for the flagship product, Qixuekang Oral Liquid, continued to grow rapidly, reaching RMB 339 million, an increase of approximately 68.1% year on year. Third, other brands of TCM products achieved impressive results. Sales revenue for Pudilan Anti-Inflammatory Tablets exceeded RMB 100 million, representing a year-on-year increase of 27.8%; and sales revenue for Huoxiang Zhengqi Oral Liquid surpassed RMB 50 million, representing a year-on-year increase of 60.2%.

In the first half of 2026, the Pharmaceutical Business Group, guided by its strategy, remained committed to driving performance growth through flagship products by strengthening its brand presence and enhancing products through clinical research. We continued to upgrade the “Yunding Jingwei” ecosystem collaboration model to foster mutual progress with partners at all levels, achieving sustained growth for products in the traumatology pain management field despite a high baseline. Meanwhile, the Pharmaceutical Business Group continued to expand the promotion of key products in high-potential therapeutic areas, including cardiovascular and cerebrovascular, respiratory, gastrointestinal, and urological, thereby increasing the market share of its second-tier flagship products. First, we continued to focus on the clinical value of our products, actively conducting clinical research and post-marketing re-evaluation studies to strengthen the medical foundation for key products such as Yunnan Baiyao Capsules, Yunnan Baiyao Aerosol, Yunnan Baiyao Plaster, Qixuekang Oral Liquid, Gongxuening Capsules, and Tongshu Capsules. We have expanded indication studies, opening up broader application scenarios, and maintaining growth in our “fundamental base” of the pharmaceutical business. Second, we continued to upgrade the “Yunding Jingwei” ecosystem cooperation model. By leveraging the direct data connection system, we established a streamlined, efficient direct-supply model through tier-one distributors, enabling point-to-point delivery of products from production to the point of sale. This will allow for more effective management of the “brand+channel+service” trinity within the ecosystem, while simultaneously strengthening traceability management and sales promotion services to set a benchmark for channel management in the pharmaceutical industry. Third, we actively expanded our online market and used online platforms as channels for brand and content promotion, building a comprehensive, coordinated marketing matrix that integrates both on-site and off-site efforts. This will not only drive sales growth but also strengthen Yunnan Baiyao's brand awareness and market competitiveness in the on-demand health consumption sector. Fourth, we fully leveraged the strengths of our field sales teams to organize and implement large-scale, systematic "mass mobilization" campaigns tailored to project needs, coordinating personnel across provinces and regions, and directly driving sales growth. Fifth, we implemented a scenario-based, specialized, and youth-oriented content marketing system. Focusing on scenarios such as "traumatology pain," "workout partners," "nourishing the spleen during the long summer" and "Qi and blood health," we leveraged major IP projects and utilized various platforms to conduct matrix-style content promotion. Through omni-channel integrated marketing that deeply integrates brand building, effectiveness, and sales, we have driven sales growth and rejuvenated the brand image.

Looking ahead, the Pharmaceutical Business Group will continue to implement the "1+4+N" industry portfolio and development strategy. Centered on the "1" core area - pain management, we will continuously enhance the clinical value of our products and expand our market share in the healthcare channel through specialized research initiatives, while driving steady growth in the retail channel through professional brand management. At the same time, we will identify high-potential, high-quality, and high-value products in the pain management sector to supplement our portfolio and refine our product matrix. Focusing on the "4" key breeding areas - cardiovascular and cerebrovascular, respiratory, gastrointestinal, and urological, we will concentrate on promising products and leverage our supply chain and channel strengths to cultivate a series of flagship products that will form a second growth curve. We will also continue to incubate and explore multiple ("N") promising therapeutic areas, such as oncology, autoimmune diseases, and gynecology, to meet future consumer demand and drive sustained, healthy business growth.

(2) Health Products Business Group

During the reporting period, the Health Products Business Group generated revenue of RMB 3.454 billion. In the oral care sector, Yunnan Baiyao toothpaste maintained its position as the top-ranked brand in terms of omni-channel market share in China during the first half of 2026 (Source: Nielsen Retail Research Data). While continuing to consolidate the competitive edge of Yunnan Baiyao Toothpaste, the Company has actively expanded into new market segments with remarkable results. In the first half of 2026, sales of sensitivity-relief toothpaste reached RMB 242 million, and sales of whitening toothpaste reached RMB 208 million. Sales of these two new toothpaste categories have already significantly exceeded the total sales for the previous year. In the hair loss prevention and care sector, backed by a special cosmetic license and a national invention patent, Yangyuanqing hair care products generated sales revenue of RMB 254 million, representing a year-on-year increase of nearly 17%. During the 2026 "618" shopping festival, Yangyuanqing retained its position as the top Chinese anti-hair loss shampoo brand on Tmall (Source: shangzhizhen.com). Faced with the challenge of sluggish growth in traditional offline channels, the Company, while maintaining its competitive edge in those channels, implemented a comprehensive strategy across all channels. Through scenario-based marketing, educational content promoting product benefits, and integrated short-video and live-streaming campaigns to drive conversions, we achieved a significant year-on-year increase of 21% in online sales for the health products segment, effectively fostering steady growth in that segment. In addition, driven by the optimization of the Company's product matrix and improvements in operational efficiency, the profitability of the Company's health products business continued to rise, with net profit in this segment reaching a new high for the same period since 2023.

In the first half of 2026, we focused on deepening our presence in functional segments in the oral care sector, maintaining a stable foundation for the gum care category as a core functional segment, driving expansion into new categories through professional R&D, taking into account the varying oral health needs of different demographics, and engaging in continuous innovation centering on areas such as gum care, sensitivity relief, whitening, and children's care, precisely identifying and meeting consumers' diverse and niche oral care needs, enriching the product matrix, and opening up new avenues for category growth. The sensitivity-relief toothpaste incorporates patented micron-sized hydroxyapatite and is professionally formulated with sensitivity-relief ingredients to provide specialized care for people with sensitive teeth. Whitening toothpaste features the proprietary 3S Dual-Action Whitening Technology, which fights stains, whitens teeth, and repairs enamel. Children's toothpaste utilizes yolk immunoglobulin-based biological cavity prevention technology and "Shu'anfu" cavity prevention technology to effectively reduce tooth decay in children. In the hair care and anti-hair loss category, the Yangyuanqing product line has achieved sustained growth driven by digital retail. For existing products, the brand continues to deepen research and development into the application of Yunnan's efficacious botanical ingredients, driving iterative upgrades to anti-hair loss formulations, efficacy, and fragrances. In terms of new products, the brand has launched the "Anti-Hair Loss+" Scalp Health Management Series, which precisely addresses diverse scalp care needs such as oil control, strength and resilience, and volume, further enriching the product matrix.

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 external revenue of RMB 744 million. The TCM Resources Business Group earnestly fulfilled its responsibilities as the "chain leader," with an aim to build a TCM materials industry cluster and drive coordinated development across the supply chain. We continued to perform our obligations in 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 materials 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 the first half of 2026, the business units within the TCM Resources Business Group worked together in a coordinated effort. First, we have developed the seed industry from a high starting point by implementing a targeted R&D and commercialization model of "1 variety + 1 expert team + 3-5 cooperative bases." We have systematically formulated 39 industry standards, including 33 standards for seeds and seedlings of 11 key varieties, as well as six standards such as the Procedures for the Construction and Evaluation of High-Quality Seed Propagation Bases for TCM Materials (Non-Forest Tree Species). We have fully launched the "Yunyao Seed Valley" strategy and accelerated the construction of key seed source projects, including the Pingbian Virus-Free Ginger Tissue Culture Plant, the Wenshan Panax notoginseng Seed Source Base, and the Lijiang High-Altitude Seed Source Base, thereby laying the groundwork for a modern seed industry system that spans from germplasm evaluation and elite variety selection to standardized propagation. Second, we have promoted high-standard cultivation by shifting cultivation management from "experience-based judgment" to "data-driven decision-making." We added more than 19,000 mu of GAP-certified cultivation areas and conducted six cultivation training sessions, reaching nearly 1,000 participants, thereby demonstrating and driving the overall upgrading of TCM materials cultivation across Yunnan. During the harvest season of *Carthamus tinctorius*, more than 700 metric tons were collected and stored from demonstration planting areas, benefiting over 10,000 farming households and reinforcing the quality and stable supply of "excellent Yunnan TCM resources." Third, we advanced high-level processing. We continued to advance the "One Product, One Chain" model, establishing 8 standardized origin warehouses in major medicinal materials 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 the use of energy-efficient equipment, control of processing losses, and the development of a collaborative processing network. Fourth, we developed high-level markets through "Digital Intelligence of Yunnan TCM," our independently developed "1+1+N" one-stop platform for direct supply of TCM materials from their places of origin, which is designed to achieve "optimal costs at the source" and "consistent high quality." As of the end of August 2026, the platform's cumulative transaction volume had exceeded RMB 4.2 billion, with over 90,000 farmers registered online. Leveraging the synergies between origin warehouses in Yunnan's authentic TCM production regions and distribution warehouses in markets such as Bozhou, Anhui, and Yulin, Guangxi, we continue to build a comprehensive "origin-to-market" marketing system. Fifth, we have taken a strategic approach to brand building by establishing "Rapid Testing Stations" and developing the "Yunjian Bencao" brand. We formulated 26 corporate standards for TCM materials and decoction pieces, two of which were ranked first on the provincial "leader" list. We led the revision of Pharmacopoeia standards for *Panax notoginseng* and *Atractylodes lancea*, released three group standards for Yunnan *Paris polyphylla* seeds, on-site processing, and production environment, co-established two provincial-level key laboratories and developed multiple ready-to-eat decoction pieces to diversify our product matrix, and developed a range of high-value-added foods and raw materials, including ginger oil, *Carthamus tinctorius* extract, and *Dendrobium catenatum* pulp, to drive new product development. We obtained one invention patent for *Carthamus tinctorius* extract, and organized the formulation of 15 standards for the *Dendrobium catenatum* series. Sixth, breakthroughs were achieved in cross-border business, with the first-ever exports of the medicinal materials *Dipsacus asperoides* and *Gentiana macrophylla*. Exports of eucalyptus oil opened up opportunities for cooperation in the Southeast Asian fragrance market, and the brand's influence was significantly enhanced. Seventh, steady progress has been made in other business areas. The natural plant extracts business is accelerating its transformation. Breakthroughs have been achieved in projects such as flavorings and co-branded products, and the flavor and fragrance production platform project has been approved.

Looking ahead, 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 Yunnan's inherent advantages in TCM resources. In terms of branded herbal medicines, we will leverage Yunyao resources to strengthen the foundation of the Yunyao supply chain. With regard to 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. 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 ("Yunnan Pharma")

During the reporting period, Yunnan Pharma realized revenue of RMB 12.289 billion. At the product level, the expansion of the non-pharmaceutical distribution business has begun to show results, with sales up 23.6% year-on-year. Under the "hospital-adjacent store" model, specialized pharmacies handling new and specialty drugs, which actively capture prescriptions diverted from hospitals, maintained strong growth, with sales up 36.1% year-on-year.

In the first half of 2026, faced with ongoing policy adjustments in the pharmaceutical industry and profound changes in the macroeconomic market environment, Yunnan Pharma fully implemented its "Regaining Growth" strategy, centering on "consolidating and improving existing business while driving innovation to expand new growth areas." By deepening supply chain collaboration, optimizing its business structure, and strengthening digital and intelligent operations, we have effectively enhanced our overall resilience and ability to adapt to the changing environment. First, we optimized our business structure based on the principle of seeking progress while maintaining stability. The Company continued to consolidate its core business of pharmaceutical sales in the tiered healthcare market, steadily driving the recovery and rebound of sales in the commercial market segment, and achieving significant results in expanding its in-hospital non-pharmaceutical distribution business. At the same time, the Company deeply engaged in the primary markets in prefectures and cities, continuously expanding its presence in primary healthcare facilities and third-party retail outlets. In the non-hospital market, we leveraged our "Specialty Pharmacy for New and Rare Drugs" and the "Yunzhaoyao" online platform to achieve dual improvements in sales and service efficiency. We have also piloted the use of drones to deliver emergency medical supplies to key hospitals within various service areas, providing healthcare institutions with a faster delivery experience while better fulfilling our social responsibility to safeguard people's lives and health. Second, we deepened supply chain collaboration to improve quality and efficiency and maximize management effectiveness. Taking the integration of procurement and sales as a key strategy, and incorporating collaborative mechanisms throughout the entire upstream and downstream partnership chain, the Company has comprehensively enhanced supply chain efficiency and the ability to source core products. Third, we accelerated the transition to intelligent manufacturing. Taking the development of tightlyknit county-level medical consortiums as an opportunity, the Company has innovatively created a “Medical Consortium Intelligent Medication Management Platform + Central Pharmacy” model. Employing digital tools to restructure the three-tiered (county, township, and village) pharmaceutical and medical device supply and pharmaceutical service system, we have achieved “five unifications” in drug formularies, procurement, stockpiling, monitoring, and pharmaceutical services. We helped expand and extend high-quality medical resources to underserved areas, promote the modernization of the pharmaceutical and medical device supply system in remote regions, and effectively improve the equity and accessibility of primary healthcare services.

Looking ahead, Yunnan Pharma will steadfastly implement its core business strategy of “stabilizing growth, managing risks, and improving profitability.” Leveraging our core strengths, including digital and intelligent operations, a mature compliance system, and a solid operational foundation, we will precisely capitalize on opportunities arising from the industry’s transformation and development, maintain steady growth in a complex and ever-changing market environment, and continue to consolidate and enhance our leading position in the province’s pharmaceutical distribution sector.

(5) Central Research Institute

The Company focuses on TCM and innovative drugs. On the one hand, we develop TCM by pursuing innovation and integrity. Efforts have been focused on strengthening the identification of evidence-based medical data to fully release the potential of existing products and the clinical value of TCM, resulting in significant progress in the redevelopment of major TCM products. 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 take the initiative to integrate into the national and local biomedical strategies, and deploy and develop innovative drugs with more competitiveness and market prospects. At the same time, the Company is extending the R&D capabilities it has built up in the pharmaceutical sector to empower the iterative upgrades of other health products. 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, and drive the development of health products by leveraging the R&D capabilities of pharmaceutical companies. In the short term, R&D will remain firmly focused on clinical value. We will continue to conduct clinical studies on marketed products using evidence-based medicine approaches to strengthen our evidence base, thereby expanding product indications, broadening application scenarios, and fully realizing the value of our existing product matrix. Twenty-four large varieties of TCM involving redevelopment are currently under research, and 53 projects are in progress. The progress of 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 been approved for funding by the lead institution and received ethical approval. The preparation of the study medication and the blinding of the medication have been completed.
		Orthopedics	The Multi-center Clinical Trial of Yunnan Baiyao Capsules for Treating Swelling in Limbs with Perimalleolar Fractures has enrolled 97 subjects.
		Orthopedics, Rheumatology	The Yunnan Baiyao New Rubber Plaster Project has completed the product formulation and process development, quality research, and safety evaluation, and passed the project acceptance inspection.
	Qixuekang project	Cardiovascular	A monograph detailing the clinical research findings on the effects of Qixuekang Oral Liquid in improving vascular health has been published, and the project has successfully passed its final acceptance review.
			The redevelopment and research project for Qixuekang Oral Liquid under the major TCM variety initiative has been successfully approved as a major provincial science and technology initiative by the Yunnan Provincial Department of Science and Technology. To date, the screening and enrollment of more than 220 participants has been completed for the clinical trial.
	Redevelopment project of Gongxuening	Gynecology	The pharmaceutical, nonclinical, and clinical studies have been completed, and a project acceptance application has been submitted to the Yunnan Provincial Department of Science and Technology.
	Redevelopment project of Shuliean capsules	Urology	The post-marketing re-evaluation study has received the clinical trial summary report and completed the project acceptance process.
			A preclinical study of a modified new drug for the treatment of benign prostatic hyperplasia has been successfully approved under the Major Science and Technology Special Project Program of Yunnan Provincial Department of Science and Technology.
	Toothpaste	/	The dual-action whitening toothpaste has been successfully designed to deliver teeth-whitening benefits while providing anti-stain and anti-damage protection. It uses soft-light and polishing technologies to brighten and whiten the tooth surface.
		/	Using an AI model, we have identified two peptides, obtained International Nomenclature of Cosmetic Ingredients (INCI) designations from the Personal Care Products Council (PCPC) in the United States, and filed for a national invention patent.
		/	For this gum-protecting, sensitivity-relieving toothpaste, we have developed a biomass-derived, short-rod-shaped, micron-sized hydroxyapatite dentin tubule repair material that promotes remineralization and relieves tooth sensitivity.
		/	A machine learning model for formula recommendations has been developed, and a database of Baiyao formula models has been built through autonomous learning and continuous training.
	Yangyuanqing	/	We have completed a big data study on the skin and scalp of Chinese women, identifying hair loss prevention needs, and laying the foundation for the development of Yangyuanqing's hair loss prevention technologies and products.
		/	We have completed the filing for two new shampoo products: one for volume and one for preventing hair breakage.
	Development of Caizhiji Skincare Products	/	For the development of Caizhiji's botanical active ingredients and their application in skincare products, we have obtained a patent related to *Paris polyphylla* cultivar, and completed the cosmetic registration filing for the "Sevenfold Essence Face Cream."
	Research on the Anti-Aging Components and	/	The "Yunbai Zhiyao-X" system has been successfully established; the anti-aging active components of *Panax notoginseng* 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 *Paris polyphylla*

	Mechanisms of *Panax notoginseng* and *Paris polyphylla*, and the Development of the Yunbai Zhiyao X System		have been preliminarily identified. One paper on digital cells has been published.
	Development of Nutritional Formula for Special Medical Purposes	/	We have obtained a registration certificate for foods for special medical purposes; completed the construction of the on-site laboratory and submitted the required information to the provincial bureau's production license system.

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 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	A Phase II clinical trial has been completed.
			A small-sample clinical trial has been launched.
	Fuqi Guben Ointment project	Urology	Phase III clinical trials have been initiated at 18 research centers, with 696 participants enrolled.
	Ancient classical famous prescription project	Urology, respirology, gastroenterology	The NMPA has accepted the marketing authorization application for Qingxin Lotus Seed Granules.
			The research on the production process for the commercial-scale transition batch of Ophiopogon Decoction Granules has been completed.
	Plaster projects	Orthopedics	The bioequivalence study for the Flurbiprofen Cataplasms has been completed.
			Bioequivalence studies for the Loxoprofen Sodium Cataplasms are currently underway.
			The methodological validation for the Yunnan Baiyao Gel Plaster project has been completed.
			The preliminary scale-up studies for the pilot-scale formulation has been completed for the Yunnan Baiyao Hot Melt Adhesive Plaster project.

For the long-term projects, based on its industrial expertise, financial strength, and collaborative resources spanning industry, academia, and research, guided by unmet clinical needs and empowered by cutting-edge technologies, the Company has established a differentiated innovation strategy centering on the development of radiopharmaceuticals. By advancing the R&D of multiple high-value innovative drugs in a phased manner, the Company is forging an innovation growth trajectory distinct from that of TCM enterprises and continuously fostering the momentum for its long-term sustainable development. The progress of key projects during the reporting period is as follows:

Project Cycle	Project Name	Progress Overview
Long-term	INR101 diagnostic radiopharmaceutical project	Phase III clinical trials have been initiated at 31 (a total of 32) research centers, with a patient enrollment rate of 75%.
	INR102 therapy radiopharmaceutical project	Enrollment for the Phase I clinical trial has been completed, and more than half of the Phase IIa clinical trial sites have begun operations.
	INB301 Monoclonal Antibody Project for the Treatment of Cancer Cachexia	The Company has obtained approval for clinical trials from NMPA and FDA and has initiated a Phase I clinical trial in China.

The Company will focus on building a collaborative, open, and efficient innovation system and promote the formation of a dual-helix mechanism for the coordinated development of 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 core 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 driving enterprise development through science and technology and strengthening the enterprise with talents, 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.

(6) Digital and intelligent technologies empowering business upgrades and innovative development

During the reporting period, the Company, in line with the overall framework for digital transformation outlined in the “15th Five-Year Plan” and securing key positions in areas such as AI application, AI scenario validation, data governance, data assetization, and digital marketing, actively promoted the industrial transformation and upgrading as well as innovative business development. Our proprietary “Digital Intelligence of Yunnan TCM” platform was selected as a model case of AI applications by the Ministry of Industry and Information Technology, making it the only platform in the field of TCM nationwide to be selected. Focusing on five core business areas including production, supply chain, and marketing, the Company systematically advanced its data asset inventory and governance efforts, successfully obtaining DCMM Quantitative Management Level (Level 4) certification. It became the first company in China's pharmaceutical industry to receive this certification, with its governance capabilities now on par with the top tier of domestic companies. We were the first in the TCM industry to establish a nationwide system for tracking product flow and inventory that extends down to the product specification and retail store levels, effectively empowering the development of the "Yunding Jingwei" channel value chain. The Omni-channel Marketing Platform 1.0 has been officially launched, completing the full implementation of "one product, one code" for core personal care categories such as toothpaste, thereby establishing an integrated, closed-loop system that covers omni-channel marketing outreach, business execution, and risk management. Aligning closely with the national strategic direction for reforming the market-based allocation of data as a production factor, and leveraging its proprietary "one item, one code" core dataset, the Company has become the first publicly listed company in the TCM industry to recognize data assets on its balance sheet, officially entering a new phase of data assetization.

II. Analysis on Core Competitiveness

(II) Full industrial chain advantage

We will further uphold our responsibilities as a chain leader, based on the strategic positioning of "the 'chain leader' with high-quality development of Yunnan TCM resources." Relying on the authentic medicinal resources and location advantages of Yunnan Province, we will leverage Yunnan Baiyao's strengths and influence in production, technology, distribution channels, and branding, 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, established a robust supply system for strategic medicinal materials, effectively ensured the quality stability of TCM raw materials, controlled the price fluctuations of strategic TCM raw materials, and thus 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. The Company 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 holistic wellness 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 committed 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 five 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, 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+Healthcare" 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 nearly 400,000 retail stores. In terms of healthcare facilities, our network covers the 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 along the way, all of which enhance its ability to quickly respond to evolving business trends. Such channel advantages of Yunnan Baiyao have significantly enhanced market competitiveness of the Company, laying the foundation 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, in order 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 maximize the enthusiasm and creativity of our staff in pursuing their work and building the business, and propel the Company toward high-quality development, laying a solid foundation for achieving collaborative win-win outcomes 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 repeatedly named to Interbrand's *China's Best Brands List* and *Kantar BrandZ's Top 100 Most Valuable Chinese Brands* list, among others.

III. Analysis on Principal Businesses

Overview

Refer to "I. Principal Businesses of the Company during the Reporting Period" for details.

Year-on-year changes in the key financial data

Unit: RMB

	The reporting period	The same period of the previous year	Year-on-year increase/decrease	Reasons for changes
Operating revenue	21,884,075,971.15	21,257,102,896.02	2.95%	Mainly due to increase in industrial sales revenue by RMB 268 million and increase in commercial revenue by RMB 356 million during the current period.
Operating cost	15,305,914,691.16	14,697,868,069.29	4.14%	Mainly due to increase in cost of sales resulting from higher sales revenue.
Sales expenses	2,450,428,700.94	2,516,371,857.04	-2.62%	Mainly due to a decrease in display and advertising expenses for the current period.
Administrative expenses	327,578,033.29	363,479,043.45	-9.88%	During this period, the Company continued to implement cost-cutting and efficiency-enhancing measures, resulting in a decrease in administrative expenses.
Financial expenses	18,175,003.06	-23,106,607.43	178.66%	Primarily due to a decrease in interest income for the current period compared to the same period last year.
Income tax expenses	585,309,080.65	587,271,873.85	-0.33%	No significant changes.

Investment in R&D	216,527,381.78	170,320,907.17	27.13%	R&D investment increased during the current period.
Net cash flows from operating activities	4,106,039,368.33	3,961,187,202.77	3.66%	The main reason is that cash received from sales of goods and provision of services during the current period increased by RMB 1.414 billion compared with the same period last year; cash paid for purchases of goods and services during the current period increased by RMB 1.193 billion compared with the same period last year.
Net cash flows from investing activities	-584,685,544.14	-955,287,317.14	38.79%	The main reason is that cash received from the recovery of investments for the current period increased by RMB 1.504 billion compared with the same period last year; cash received from investment income for the current period increased by RMB 81 million compared with the same period last year; cash received from other activities related to investing activities for the current period increased by RMB 521 million compared with the same period last year; and cash paid for investments for the current period increased by RMB 1.6 billion compared with the same period last year; and cash paid for other items related to investing activities during the current period increased by RMB 121 million compared with the same period last year.
Net cash flows from financing activities	-3,042,217,336.60	-2,583,841,878.43	-17.74%	The main reason is that cash received from investment activities during the current period decreased by RMB 84 million compared with the same period last year; cash paid for debt repayment during the current period decreased by RMB 251 million compared with the same period last year; and cash paid for dividends, profits, or interest during the current period increased by RMB 628 million compared with the same period last year.
Net increase in cash and cash equivalents	468,816,381.80	416,969,387.98	12.43%	The main reason is that net cash flows from operating and investing activities for the current period increased compared to the previous period.

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

□ Applicable ☑ Not applicable

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

Operating revenue structure

Unit: RMB

	The reporting period		The same period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	21,884,075,971.15	100%	21,257,102,896.02	100%	2.95%
By industries					
Income from industrial sales	8,772,075,444.26	40.08%	8,504,399,783.93	40.01%	3.15%
Income from commercial sales	13,064,278,378.91	59.70%	12,708,142,389.60	59.78%	2.80%
Technical services	4,095,884.66	0.02%	16,169,654.29	0.08%	-74.67%

Hospitality industry	7,588,226.99	0.03%	6,156,813.81	0.03%	23.25%
Income from plantation sales	1,470.00	0.00%	932,453.26	0.00%	-99.84%
Income from other businesses	36,036,566.33	0.16%	21,301,801.13	0.10%	69.17%
By products					
Industrial products (Self-made)	8,772,075,444.26	40.08%	8,504,399,783.93	40.01%	3.15%
Wholesale and retail	13,064,278,378.91	59.70%	12,708,142,389.60	59.78%	2.80%
Agricultural products	1,470.00	0.00%	932,453.26	0.00%	-99.84%
Other services	11,684,111.65	0.05%	22,326,468.10	0.11%	-47.67%
Others	36,036,566.33	0.16%	21,301,801.13	0.10%	69.17%
By regions					
Domestic	21,822,819,303.21	99.72%	21,026,816,805.98	98.92%	3.79%
Overseas	61,256,667.94	0.28%	230,286,090.04	1.08%	-73.40%

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

☑Applicable □ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross margin	Increase/decrease of operating revenue compared with the same period of the previous year	Increase/decrease of operating cost compared with the same period of the previous year	Increase/decrease of gross margin compared with the same period of the previous year
By industries						
Income from industrial sales	8,772,075,444.26	2,997,425,057.02	65.83%	3.15%	9.91%	-2.10%
Income from commercial sales	13,064,278,378.91	12,286,148,467.25	5.96%	2.80%	2.91%	-0.10%
By products						
Industrial products (Self-made)	8,772,075,444.26	2,997,425,057.02	65.83%	3.15%	9.91%	-2.10%
Wholesale and retail	13,064,278,378.91	12,286,148,467.25	5.96%	2.80%	2.91%	-0.10%
By regions						
Domestic	21,822,819,303.21	15,243,663,565.26	30.15%	3.79%	5.30%	-1.00%

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 period

□ Applicable ☑ Not applicable

IV. Analysis on Non-principal Businesses

☑Applicable □ Not applicable

Unit: RMB

	Amount	Proportion in total profits	Reasons	Whether it is sustainable
Investment income	601,930,486.00	14.06%	Mainly consisted of investment income from Shanghai Pharma.	No
Profits and losses from changes in fair value	129,325,396.89	3.02%	Mainly consisted of the change in net value of the Company's financial assets held for trading and other non-current financial assets.	No
Asset impairment	-24,068,120.33	-0.56%	Mainly consisted of provision for inventory write-down.	No
Non-operating revenue	13,148,676.97	0.31%	Mainly consisted of income not related to daily business activities.	No
Non-operating expenses	4,675,701.85	0.11%	Mainly consisted of expenses not related to daily business activities.	No
Credit impairment loss (loss is indicated with "-")	40,950,070.41	0.96%	Mainly consisted of provision for bad debt in the commercial sector.	No
Other income	63,467,539.93	1.48%	Mainly consisted of government grants.	No
Gains from disposal of assets (loss is indicated with "-")	1,111,348.76	0.03%	Mainly consisted of proceeds from the disposal of non-current assets and proceeds from the disposal of right of use assets.	No

Note: Investment income from Shanghai Pharma amounted to RMB 615 million. This investment represents a strategic collaboration between the two parties, facilitating synergies in their respective industries. The investment income is sustainable.

V. Analysis on Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	End of the reporting period		End of the previous year		Increase/decrease in proportion	Statement on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash and bank balance	9,569,904,053.50	17.35%	9,107,829,167.98	16.78%	0.57%	No significant changes.
Accounts receivable	10,182,602,486.28	18.47%	10,160,059,223.29	18.72%	-0.25%	No significant changes.
Inventories	6,147,877,228.16	11.15%	6,231,383,826.69	11.48%	-0.33%	Inventory management efficiency was improved, accelerating inventory turnover.
Investment property	46,995,322.73	0.09%	50,366,578.65	0.09%	-0.00%	No significant changes.
Long-term equity investments	13,648,237,691.06	24.75%	13,227,578,051.91	24.37%	0.38%	Mainly due to sustained investment income from Shanghai

						Pharma.
Fixed assets	3,212,622,675.46	5.83%	3,274,340,152.34	6.03%	-0.20%	No significant changes.
Contruction in progress	932,187,206.75	1.69%	807,592,848.36	1.49%	0.20%	Mainly due to ongoing investment in projects under construction.
Right-of-use assets	231,636,423.58	0.42%	248,003,380.85	0.46%	-0.04%	No significant changes.
Short-term loans	25,113,604.10	0.05%	182,775,753.21	0.34%	-0.29%	Mainly due to a decrease in credit loans and the discounting of internally issued bills.
Contractual liabilities	1,578,687,785.93	2.86%	1,505,826,938.18	2.77%	0.09%	No significant changes.
Long-term loans	2,100,000.00	0.00%	86,569,400.83	0.16%	-0.16%	The main reason is that the secured loan is due within one year.
Lease liabilities	133,099,612.83	0.24%	141,830,379.18	0.26%	-0.02%	No significant changes.
Receivables financing	838,621,388.17	1.52%	1,681,985,583.93	3.10%	-1.58%	Mainly due to a decrease in bank-accepted bills held at the end of the period.
Other receivables	632,395,561.18	1.15%	406,517,244.11	0.75%	0.40%	Mainly due to changes in dividends receivable, deposits, and guarantee deposits.
Other non-current financial assets	312,435,493.34	0.57%	210,855,260.47	0.39%	0.18%	Mainly due to changes in the fair value of other non-current financial assets held.
Receipts in advance	518,138.91	0.00%	190,841.21	0.00%	0.00%	Mainly due to the increase in prepaid rent at the end of the period.
Taxes payable	578,166,281.56	1.05%	278,051,492.11	0.51%	0.54%	Mainly due to an increase in income tax and value-

						added tax payable but not yet paid at the end of the period.
Non-current liabilities due within one year	164,848,943.89	0.30%	76,443,711.53	0.14%	0.16%	The main reason is that the secured loan is due within one year.
Estimated liabilities	32,255,978.72	0.06%	22,513,696.41	0.04%	0.02%	Mainly due to the increase in the provision for returns payable in this period.

2. Major overseas assets

□ Applicable ☑ Not applicable

3. Assets and liabilities at fair value

☑Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profits or losses on changes in fair value during the reporting period	Cumulative changes in fair value included in equity	Impairment accrued during the reporting period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (derivative financial assets excluded)	4,192,113,408.43	27,745,164.02			6,800,000,000.00	6,268,689,294.27		4,751,169,278.18
2. Other equity instrument investments	71,745,000.00							71,745,000.00
3. Other non-current financial assets	210,855,260.47	101,580,232.87						312,435,493.34
Subtotal of financial assets	4,474,713,668.90	129,325,396.89			6,800,000,000.00	6,268,689,294.27		5,135,349,771.52
Total	4,474,713,668.90	129,325,396.89			6,800,000,000.00	6,268,689,294.27		5,135,349,771.52
Financial liabilities	0.00							0.00

Other variations: None.

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

□ Yes ☑No

4. Restrictions on asset rights as of the end of the reporting period

Unit: RMB

Item	Closing book value	Reason for restriction
Cash and bank balance	29,534,231.67	Bank acceptance bill deposit, performance bond deposit, etc.
Cash and bank balance	2,657,295.33	Specifically designated for the maintenance of housing related to housing reform
Assets of the restructured special account	536,663,457.31	Assets of the restructured special account, specifically used to cover the costs of identity conversion for employees of state-owned enterprises
Accounts receivable	10,522,325.40	Accounts receivable factoring for Anguo Juyaotang Pharmaceutical Co., Ltd.
Fixed assets	133,537,692.82	Mortgage loan secured by houses and buildings of Anguo Juyaotang Pharmaceutical Co., Ltd.
Intangible assets	44,665,082.82	Land use right mortgage loan for Anguo Juyaotang Pharmaceutical Co., Ltd.
Total	757,580,085.35	--

VI. Investment Analysis

1. Overview

☑Applicable □ Not applicable

Investment during the reporting period (RMB)	Investment during the same period of the previous year (RMB)	Percentage of change
5,226,006,150.52	3,486,707,527.53	49.88%

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 in the reporting period	Cumulative actual investment as of the end of reporting period	Source of funding	Progress of project	Estimated income	Cumulative income as of the end of the reporting period	Reasons for unmet progress and estimated income	Disclosure date (if any)	Disclosure index (if any)
Yunnan Baiyao Shanghai International Center	Self-established	Yes	Pharmaceuticals, daily chemical products	37,967,484.42	1,031,469,637.86	Self-raised	98.00%			N/A	June 9, 2021	http://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1210206330&orgId=gssz0000538&announcementTime=2021-06-09
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	Self-established	Yes	Pharmaceuticals	5,479,016.71	312,551,269.25	Self-raised	57.00%			N/A		
Total	--	--	--	43,446,501.13	1,344,020,907.11	--	--	0.00	0.00	--	--	--

4. Financial assets investment

(1) Securities investment

□ Applicable ☑ Not applicable

The Company had no securities investments during the reporting period.

(2) Investments in derivatives

□ Applicable ☑ Not applicable

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

5. Use of proceeds

□ Applicable ☑ Not applicable

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

VII. Significant Assets and Equity Sales

1. Significant assets sales

□ Applicable ☑ Not applicable

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

2. Significant equity sales

□ Applicable ☑ Not applicable

VIII. Analysis on the Majority-controlled Companies and Joint-stock Companies

☑Applicable □ Not applicable

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

Unit: RMB

Company name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Yunnan Pharmaceutical, Co., Ltd.	Subsidiary	Wholesale and retail of pharmaceuticals	1,000,000,000.00	16,311,030,666.95	7,629,712,170.62	12,405,238,630.98	495,322,383.39	386,657,325.16

Yunnan Baiyao Group Health Products Co., Ltd.	Subsidiary	Production and sales of oral hygiene products	84,500,000.00	8,437,599,289.60	5,956,654,157.71	3,454,327,967.45	864,955,267.36	740,626,930.04
Yunnan Baiyao Group TCM Resources Co., Ltd.	Subsidiary	Production and sales of TCM materials, TCM decoction pieces, Chinese patent medicines, food, and health supplements	16,400,000.00	11,389,214,819.72	4,415,972,807.02	1,908,350,515.37	344,300,883.65	328,611,014.92
YNBY International Limited	Subsidiary	Specialized in trade of finished cooking oil, sugar, personal care products, and cosmetics.		415,278,149.99	310,235,818.94	671,370,535.93	4,582,739.97	2,286,416.50
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.	3,708,361,809.00	240,769,418,449.23	92,785,779,818.76	147,469,729,395.20	5,639,763,113.89	4,341,656,313.04

Note: In accordance with relevant company regulations, the Health Products Company recognized brand usage fees totaling RMB 609 million payable to the parent company for the use of the "Yunnan Baiyao" main brand trademark. Excluding brand usage fees, the Health Products Company achieved a profit of RMB 1.258 billion for the first half of 2026.

Acquisition and disposal of subsidiaries during the reporting period

☑Applicable □ Not applicable

Company name	Approaches of acquiring and disposing of subsidiaries during the reporting period	Influence on overall production, operation and performance
Yunnan Baiyao (Ziyang) Technology Co., Ltd.	Newly incorporated	No significant influence.
Shanghai Hanshi Health Consulting Co., Ltd.	Sale	No significant influence.
Shanghai Yunzhenni Medical Beauty Clinic Co., Ltd.	Sale	No significant influence.
Time Travel (Guangzhou) Intelligent Technology Co., Ltd.	Cancellation	No significant influence.

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

IX. Structured Entities Controlled by the Company

See Section VIII "X. Interest in Other Entities."

X. Risks and Countermeasures

(I) Policy changes

In recent years, a series of supportive policies for the pharmaceutical industry have been introduced successively, opening up favorable development opportunities for pharmaceutical enterprises. Meanwhile, the healthcare reform will be further deepened, and the routine centralized volume-based procurement will cover more pharmaceuticals. Comprehensive revisions to laws and regulations pertaining to drug supervision are also on the horizon. All these factors are exerting higher requirements for the healthy development of the pharmaceutical industry. Given this context, the Company will place even greater emphasis on aligning with the Chinese pharmaceutical policy direction and intensify its efforts in tracking, analyzing, and comprehending critical industry information, 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.

(II) Market uncertainties

Due to fluctuating raw material costs, price controls on pharmaceutical products, and intensified competitions at the terminal level, the pharmaceutical industry is experiencing significant operational pressure. Health consumer products are grappling with challenges such as wavering consumer confidence, which is posing obstacles to business growth. In response to these pressures, the Company will continue to leverage its full industry chain competitiveness and innovation as key drivers. By continuously consolidating the supply chain foundation, enhancing operational efficiency and refining management of channels and retail, the Company aims to deepen its innovation, cost, and channel advantages, which enables the Company to navigate through economic cycles and achieve sustainable, high-quality development in the competitive market.

(III) Transformation of innovation and R&D achievements

In pursuit of enhancing core competitiveness, the Company has consistently escalated its investment in drug R&D over recent years. Generally, new drug R&D is featured with large amount of investment, long R&D cycle, less-than-expected industry transformation rate, market uncertainty after industrialization in the future, etc. Any changes in relevant policies and market demands will be likely to affect the commercial value of the products under

R&D. Upon completion of R&D, the successful commercialization of a new drug stands as an important factor influencing R&D yields. The Company is poised to meticulously assess the R&D projects of novel drugs within the framework of its strategic direction. Resources will be apportioned to key projects, bolstering risk management capabilities throughout the R&D. Collaborative IUR efforts will be fortified, optimizing the transformation of achievements and reducing the uncertainties associated with R&D investments.

(IV) External expansion

By implementing an industrial development strategy to seek both internal growth and external expansion, the Company actively advances towards its strategic goals and strives to inject new momentum into sustainable development. In the process of pursuing external expansion, a key challenge for the Company is how to leverage investment and innovation to introduce new variables, build a new Baiyao platform, integrate more external resources, and develop a complete industry chain, to ultimately establish a strong foothold in a highly competitive and rapidly changing market. The Company will remain strategy-driven and user-centric, continuously sharpening market insight to build a healthy, sustainable portfolio.

XI. Implementation of the Market Capitalization Management System and Valuation Improvement Plan

Whether the Company implemented the market capitalization management system

☑Yes □No

Whether the Company disclosed the valuation improvement plan

□ Yes ☑No

To effectively enhance the Company’s investment value, standardize market capitalization management practices, ensure the compliance, scientific rigor, and effectiveness of such activities, maximize corporate value and shareholder interests, and actively respond 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 capitalization management systems, the Company’s 10th Board of Directors held its first session of 2025 on March 31, 2025, and approved the *Market Capitalization Management System of Yunnan Baiyao Group Co., Ltd.* For details, please refer to the system disclosed on the same day on www.cninfo.com.cn.

XII. Implementation of the “Enhancement of Quality and Returns” Initiative

Whether the Company disclosed the Announcement of the “Enhancement of Quality and Returns” Initiative

☑Yes □No

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

Firmly upholding the principle of rewarding shareholders, and consistently focusing on its principal businesses and maintaining prudent operations, the Company kept enhancing shareholder returns, while continuously advancing high-quality development. 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 capitalization management systems, the Company formulated the *Market Capitalization Management System of Yunnan Baiyao Group Co., Ltd* in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, 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 the *Listed Company Regulatory Guidance No. 10 - Market Capitalization Management*, other laws and regulations and normative documents as well as the *Articles of Association of Yunnan Baiyao Group Co., Ltd*. In accordance with the regulations and in light of our own circumstances, we adopted a comprehensive set of measures, including enhancing the quality of information disclosure, managing investor relations, conducting cash dividends, and encouraging major shareholders to increase their holdings, to promote the rational reflection of the Company's investment value and its high-quality development achievements.

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

In the first half of 2026, the Company steadily implemented its strategic plan and continued to pursue its development strategy of "growth, efficiency, and value creation." As a result, its performance maintained steady growth, and its operational resilience and long-term growth potential were further strengthened. Core flagship products in the pharmaceuticals and health products segments continued to generate stable revenue, and new products were launched in an orderly manner. The Company remained committed to innovation as drivers of growth, advancing both major TCM products and innovative drugs in parallel. Significant progress has been made in the industrial chain deployment, releasing the synergies across the supply chain of TCM materials.

During the reporting period, the Company generated operating revenue of RMB 21.884 billion, representing a year-on-year increase of 2.95%; net profit attributable to the parent company was RMB 3.701 billion, up 1.88% year on year; net profit attributable to the parent company after deducting non-recurring profits and losses, was RMB 3.518 billion, up 1.66% year on year, reaching a record high for the same period; and basic earnings per share were RMB 2.07, up 1.47% year on year. The Company's business structure continued to optimize. The industrial revenue amounted to RMB 8.772 billion, accounting for 40.08% of the total operating revenue, up 0.07 percentage points year-on-year, with the growth rate of industrial revenue reaching 3.15%. Since 2023, the proportion of industrial revenue in total revenue has continued to increase. The Company's investment income from Shanghai Pharma for the current period was affected by fluctuations in one-time extraordinary gains and losses, resulting in a year-on-year decrease of RMB 169 million. Excluding this impact, the Company's net profit attributable to the parent company for the first half of 2026 increased by 8.33% year on year, while net profit attributable to the parent company for the second quarter rose by 13.18% year on year.

In terms of growth quality, the Company's net operating cash flow for the reporting period was RMB 4.106 billion, representing a year-on-year increase of 3.66%; the weighted average return on equity was 9.04%; selling expenses decreased by 2.62% year on year, and general and administrative expenses decreased by 9.88% year on year. During the reporting period, R&D investment totaled RMB 217 million, representing a significant year-on-year increase of 27.13%, 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 55.145 billion, net assets attributable to the shareholders of the listed company amounted to RMB 40.973 billion, the asset-liability ratio was 25.56%, and the cash and bank balance stood at RMB 9.57 billion.

(II) Enhancing returns to shareholders 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, with a track record of consistently high dividends, the Company increased the frequency of dividend payments to enhance investors' sense of benefit through special dividends. In April 2026, the Company completed the distribution of dividends for the 2025, paying a cash dividend of RMB 15.84 (tax inclusive) per 10 shares to all shareholders, for a total cash dividend payout of RMB 2.824 billion. When combined with the special dividend already paid in 2025, the total cumulative cash dividend for 2025 reached RMB 4.643 billion, accounting for 90.09% of the Company's net profit attributable to parent company in 2025.

On August 28, 2026, the 11th Board of Directors of the Company considered and approved the 2026 special dividend plan at its sixth session of 2026. Based on the Company's total issued share capital of 1,784,262,603 shares as of the first half of 2026, the plan proposes to distribute a cash dividend of RMB 10.38 (tax inclusive) per 10 shares to all shareholders, with no bonus shares (tax inclusive). The total amount of this cash dividend is RMB 1,852,064,581.91, and no capital reserves will be used to increase share capital. The total amount of the 2026 special dividend represents 50.04% of the net profit attributable to the parent company for the first half of 2026.

(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 the interim 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 for the 18th consecutive time.

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

The Company has established a smooth communication channel 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 one performance briefing, with a record high level of investor participation. We received investors for a total of 16 times (online and offline), involving more than 100 organizations and more than 230 investors, and survey records were released in a timely manner in accordance with information disclosure requirements. We responded to 24 inquiries at 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, 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. The Company aims to achieve growth in revenue, profit, asset scale, and other key indicators through the two-phase strategy, which will drive the century-old Baiyao toward becoming a Chinese leading and world-class modern pharmaceutical industry group.

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, Environment and Society

I. Changes of Directors and Senior Management of the Company

☑Applicable □ Not applicable

Name	Position held	Type	Date	Reason
Zhu Zhaoyun	TCM Strategic Scientist	Resigned	February 10, 2026	Job transfer
Zhang Ning	Chief Scientist	Resigned	February 10, 2026	Job transfer
Li Jin	Former Secretary of the Commission for Discipline Inspection and Chief Quality and Process Officer	Resigned	February 10, 2026	Retired

II. Profit Distribution and Conversion of Capital Reserve into Share Capital during the Reporting Period

☑Applicable □ Not applicable

Bonus shares per 10 shares (shares)	0
Cash dividend per 10 shares (RMB, tax inclusive)	10.38
Capitalization issue per 10 shares (shares)	0
Base of share capital for the distribution plan (shares)	1,784,262,603
Cash dividend amount (RMB, tax inclusive)	1,852,064,581.91
Cash distributed via other methods (e.g., share repurchase) (RMB)	0.00
Total cash dividend (including other methods) (RMB)	1,852,064,581.91
Distributable profit (RMB)	2,698,569,875.39
Proportion of total cash dividend (including other methods) to total profit distributed	100%
The current cash dividend	
For companies in the mature stage with no material capital expenditure plans, cash dividends must account for at least 80% of the total profit distribution	
Details of the profit distribution and conversion of capital reserve into share capital	
The 2026 special dividend plan considered and approved by the Board of Directors is as follows: Based on a total of 1,784,262,603 shares, a cash dividend of RMB 10.38 (tax inclusive) for every 10 shares will be paid to all shareholders, with no bonus shares issued (tax inclusive), and no capital reserve to increase the share capital. The cash dividend represents 50.04% of the net profit attributable to the parent company for the first half of 2026.	

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

□ Applicable ☑Not applicable

The Company had no equity incentive plans, employee stock ownership plans, or other employee incentive measures and their implementation during the reporting period.

IV. Disclosure of Environmental Information

Whether the listed company and its major subsidiaries are included in the list of enterprises legally required to disclose environmental information

☑Yes □No

Number of enterprises included in the list of enterprises legally required to disclose environmental information		4
Series No.	Enterprise Name	Index for Environmental Information Disclosure Reports Required by the Law
1	Yunnan Baiyao Group Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=a0f410dc-2d86-4b05-bcb2-6c087ea96410&XH=1676796182864043921408&year=2025
2	Yunnan Baiyao Group TCM Resources Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=b18de973-4492-4d18-9e83-69981a37ac71&XH=1676796185788043921408&year=2025
3	Yunnan Baiyao Group Wenshan Qihua Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=4b16aa84-7e69-418f-a8b9-8ce6e4d8bf56&XH=1676796204034043921408&year=2025
4	Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	http://183.224.17.39:10097/ynyfpl/frontal/index.html#/home/enterpriseInfo?XTXH=31de9536-0920-46ec-9d52-1dfbae1dde08&XH=1682673698668045334528&year=2025

V. Social Responsibility

In the first half of 2026, under the guidance and arrangements of the Provincial Party Committee, the provincial government, and the Party Committee of the Provincial State-owned Assets Supervision and Administration Commission, Yunnan Baiyao Group leveraged its core strengths across the TCM materials industry chain. With an aim to precisely address the needs of Weixi County in rural revitalization, improve the quality of the TCM materials industry, and ensure the health of residents in border areas, the Group dispatched key personnel, allocated special funds, implemented distinctive projects, and effectively carried out initiatives to improve people’s livelihoods. Through these efforts, the Group advanced its targeted poverty alleviation work in a comprehensive, multi-level, and practical manner, and yielded significant phased results. Earnestly shouldering its social responsibility, the Group has effectively assisted Weixi County in consolidating and expanding the achievements of poverty alleviation while advancing the quality and efficiency of rural development.

In the first half of 2026, the Group continued to dispatch six village-based work team members to take up posts on the front lines in Weixi to carry out assistance work, making every effort to ensure the smooth implementation of the village-based work. In the first half of 2026, a total of RMB 2.3317 million was allocated for various forms of assistance, including RMB 120,000 for village-based work expenses, RMB 350,000 for industrial assistance, and RMB 1.8617 million for consumption-based assistance procurement. During this period, two key assistance projects were implemented in rural counties; 10 industrial skills training sessions were conducted, reaching 300 participants; three rural prosperity leaders were cultivated; and two public welfare initiatives were successfully completed, benefiting more than 2,100 people. All assistance efforts were carried out with precision and achieved significant results. At the same time, we continued to strengthen the medical and health security system in Diqing Prefecture, thoroughly resolving the challenges of medicine distribution in remote rural areas, achieving 100% coverage of medical supplies throughout the prefecture, and effectively safeguarding the lives and health of the people in the border regions.

(I) Accurately addressing needs, improving support mechanisms, and promoting higher quality and greater efficiency in support efforts

In the first half of 2026, taking a problem- and demand-oriented approach, the Group proactively engages and swiftly responds to assistance-related needs from Diqing Prefecture and Weixi County. It has established an efficient, interconnected and closed-loop implementation mechanism for support efforts to ensure all assistance tasks are delivered in a thorough and detailed manner.

First, we responded quickly to requests and improved the closed-loop support mechanism. In March 2026, in response to the specific assistance requests submitted by Weixi County regarding industrial upgrading, talent support, and consumption-based poverty alleviation, the Group's Party Committee attached great importance to the matter, and promptly convened a special meeting to discuss and make arrangements, systematically reviewing the list of requests item by item, clarifying the responsible parties for each item, and formulating implementation plans for each one. The Group established a working mechanism featuring "regular communication, dedicated personnel for specific tasks, and full-process tracking and supervision," ensuring that every assistance request receives a response, every matter is resolved, and progress is made every month.

Second, we established a special task force to tackle key challenges and provided targeted assistance through a multi-pronged approach. Focusing on the five key priorities for improving the quality of the TCM materials industry in Weixi County, the Group established a dedicated support task force and dispatched professionals from the TCM Resources Business Group to conduct multiple on-site surveys and provide guidance in Weixi. This effort has enabled the Group to precisely advance key initiatives, including supply chain integration, the implementation of a digital platform, the construction of high-quality seedling bases, the promotion of primary processing technologies, and guidance on Good Agricultural Practice (GAP) certification. Focusing on gaps in rural talent development and taking into account the actual conditions of Weixi's industrial development, we partnered with the county's agriculture and rural affairs department to conduct specialized skills training in areas such as cultivation, base operation and maintenance, and on-site processing of TCM materials. In the first half of 2026, we provided training to a total of 300 grassroots officials and farmers, effectively addressing the shortage of industry talent. Focusing on farmers' income-growth needs, the Group has expanded channels for consumption-based assistance. Through multiple approaches including trade-union procurement, staff internal purchases and consignment sales via platforms, the Company directly purchased TCM materials and special agricultural products from Weixi worth RMB 1.8617 million in the first half of 2026, benefiting 4,543 residents. Consumption-led support has effectively driven steady income growth for local farmers.

(II) Building on industrial strengths, deepening targeted assistance, and creating a model of Baiyao's support efforts

In the first half of 2026, the Group thoroughly implemented the requirements of the *Three-year Action Work Plan for the High-quality Development of the TCM Industry in Yunnan Province (2025-2027)*, closely aligning with Weixi County's "3455" development strategy for the TCM materials industry. Leveraging its own full-industry-chain resources in TCM, the Group focused its efforts precisely on five dimensions (standardization, digital empowerment, supply chain integration, brand building, and skills enhancement) to drive the transformation of Weixi's TCM materials industry from "extensive cultivation" to "high-quality, efficient, and standardized development," thereby producing a series of replicable and scalable outcomes in targeted assistance.

First, we achieved a breakthrough in GAP certification and lay a solid foundation for industry standardization. To address the paint points of low standardization and a lack of authoritative certification in the cultivation of TCM materials in Weixi County, the Group proactively coordinated with the provincial task force responsible for evaluating GAP bases for TCM materials, ensuring that key bases in Weixi County were included in the list for the first round of on-site inspections in 2026. We dispatched senior base management experts to provide on-site assistance to Weixi Baixin TCM Materials Co., Ltd, offering comprehensive, one-on-one professional guidance in areas such as establishing a standardization system, on-site management of cultivation bases, standardizing production records, upgrading warehousing facilities, and standardizing signage. Thanks to the targeted assistance, the Company successfully passed the GAP on-site inspection in June 2026, becoming the first model entity for standardized cultivation of TCM materials in Weixi County and laying a solid foundation for the standardized, regulated, and branded development of the county's TCM materials industry.

Second, we implemented a digital and intelligent platform to empower businesses and established a digital channel linking production and sales. To address the issues of information asymmetry and low distribution efficiency in the production and sales of TCM materials in Weixi, the Group promoted the implementation of the

"Digital Intelligence of Yunnan TCM" platform in Weixi, fully committed to building a digital production and sales system. In the first half of 2026, the platform team traveled to townships and villages to conduct specialized outreach sessions and hands-on training, covering three pilot townships (Pantiange Township, Yongchun Township, and Baohe Town) and 23 administrative villages. The team provided guidance on establishing a whitelist system for 30 enterprises affiliated with the county's TCM materials cultivation and breeding associations, and a total of 666 farming households were registered on the whitelist. By establishing a digital production-to-sales linkage mechanism based on the "enterprise + production base + farmer" model, we ensured a seamless end-to-end process for TCM materials from field cultivation and traceability at the source to corporate procurement, significantly reducing distribution costs and increasing farmers' income.

Third, we integrated local resources into the Group's supply chain system to expand product sales channels. The Group proactively integrated upstream and downstream segments of the industrial chain, established targeted partnerships with local pharmaceutical companies in Weixi, and actively promoted the inclusion of high-quality local TCM material resources into the Group's nationwide supply chain system. In the first half of 2026, we focused on conducting in-depth negotiations with local companies such as Weixi Weihong Pharmaceutical, Weixi Baixin TCM Materials, and Shangri-La Lancao Pharmaceutical. We promoted a stable "order-based inventory lock-in" cooperation model and successfully added two key local pharmaceutical companies to the Group's supplier database. We also provided on-site hands-on training on the SRM procurement system to help these companies effectively integrate with the Group's procurement channels, thereby completely resolving the challenges local TCM materials producers faced in obtaining fair prices for high-quality products and finding adequate sales channels.

Fourth, we built a distinctive medicinal cuisine brand to enhance the influence of local products. Building on Weixi's distinctive industrial resources, we focused on upgrading the "Weixi Glutinous Yam" brand, a nationally renowned, unique, high-quality, and innovative agricultural product. In the first half of 2026, the Group partnered with the Weixi County Bureau of Agriculture and Rural Affairs to host the "Weixi Glutinous Yam Feast" competition, dispatching professional TCM practitioners and culinary chefs to serve as judges and provide technical guidance. At the same time, we guided Weixi County in participating in the Yunnan Provincial Medicinal Cuisine Innovation Competition, where the signature dish featuring glutinous yam won the Specialty Award in the Lijiang division. This effectively enhanced the visibility, reputation, and market competitiveness of "Weixi Glutinous Yam," helping to boost the quality and efficiency of this specialty industry through brand empowerment.

Fifth, we organized skill competitions to comprehensively improve industrial processing standards. To comprehensively enhance farmers' capacity for the primary processing of TCM materials, the Group allocated RMB

350,000 from its special fund for the development of the TCM materials industry and, in collaboration with the Weixi County Bureau of Agriculture and Rural Affairs, successfully hosted the opening ceremony for Weixi County's first "Medicinal Herb Street," along with a medicinal herb primary processing skills competition and the "Weixi Glutinous Yam Feast" competition. The TCM materials Primary Processing Skills Competition covered more than 60 administrative villages across 8 townships in the county, with 160 core growers participating. By using the competition to promote learning and practice, the event effectively established a platform for technical exchange, standardized the primary processing procedures for TCM materials, comprehensively improved the quality of local medicinal material processing, and advanced the refined development of the Weixi TCM materials industry.

(III) Upholding our mission for public wellbeing, fortifying the health-safety line, and fully safeguarding drug safety in border areas

Diqing Prefecture is characterized by significant variations in elevation, a vast territory, and poor transportation infrastructure; as a result, difficulties in distributing medicines to rural areas and ensuring the availability of emergency medications have long been persistent challenges affecting people's livelihoods. In the first half of 2026, the Group, taking safeguarding the lives and health of people in frontier regions as the core of its livelihood assistance initiatives, continuously improved the localized pharmaceutical supply system, and thoroughly bridged the "last mile" gap in access to medications for grassroots healthcare.

First, we expanded the intelligent pharmaceutical distribution network and established an integrated county-level pharmaceutical supply system. By deepening its localized operations in Diqing, the Group has established a smart pharmaceutical supply network featuring multi-warehouse coordination, tiered distribution, and end-to-end cold chain logistics. Through innovative, refined, and agile dispatch and distribution mechanisms, the Group has achieved 100% coverage in the distribution of medical supplies to 9 prefectural and county-level medical institutions, 30 primary-level health centers, and 163 village clinics in Diqing Prefecture. Among these, we achieved direct door-to-door delivery to 42 village health clinics, completely resolving the issues of untimely medication access and inadequate distribution in remote villages. In addition, we spared no effort in assisting with the implementation of the "Integrated Procurement and Distribution for Medical Consortiums" project. Taking the construction of the central pharmacy for the Shangri-La City Medical Consortium as a model, we helped Weixi establish a standardized management model featuring "unified drug directory, unified procurement, and unified distribution," thereby significantly improving the efficiency of drug procurement at the grassroots level, the accuracy of inventory management, and end-to-end traceability capabilities, and ensuring the safety of medications for the public.

Second, we tackled the challenges in ensuring the supply of special medications and strengthened the health and safety defenses along the border. To address the challenges of distributing emergency and special cold-chain medications, such as antivenom, neonatal emergency drugs, and insulin, the Group spared no expense to ensure the supply of emergency and special medications and comprehensively safeguard the lives and health of people of all ethnic groups in border regions by utilizing diverse transportation methods, including high-speed rail, air transport, and specialized refrigerated vehicles. In 2025, the Group supplied medical and pharmaceutical supplies worth a total of RMB 105 million to public medical institutions in Diqing Prefecture, including RMB 14 million worth of drugs developed and manufactured in-house by the Group, thereby continuing to strengthen the foundation of medical and health care in border regions.

Section V Significant Events

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

☑Applicable □ Not applicable

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
Commitments made in the acquisition report or equity change report	Yunnan 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 laws and regulations to eliminate the potential impact of material horizontal competition. 3. Our company will not, by virtue of any information learned or known from the listed company, assist our company itself or any third party in engaging in any business activities that may in any way substantially or potentially constitute a horizontal competition with the principal businesses of the listed company.	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

Commitments	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 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. The financial independence of the listed company, that is: (1) The listed company continues to maintain its independent financial department and independent financial accounting system; (2) The listed company opens an independent bank account and does not share a bank account with our company or any other enterprises under our control; (3) The listed company is able to make independent financial decisions, without our company's illegal interference with its asset utilization scheduling; (4) The independence of the listed company's financial personnel who will not work part-time or receive remuneration in any other enterprises under our control; (5) The listed company legally pays taxes independently. 4. The institutional independence of the listed company, that is: (1) The listed company continues to maintain a sound corporate governance structure and has an independent and complete organizational structure; (2) The general meeting, Board of Directors, independent directors, Supervisory Committee, general manager, etc. of the listed company independently exercise their powers in accordance with laws, regulations, and the listed company's articles of association; (3) The listed company has an independent and complete organizational structure, without institutional confusion with any other enterprises under our control. 5. The business independence of the listed company, that is: (1) The listed company has the assets, personnel, qualifications, and capabilities to independently carry out business activities, and also has the capabilities to independently and continuously operate in the market; (2) The listed company has minimized related party transactions between our company and any other enterprises under our control and the listed company as much as possible, and fairly carry out necessary and inevitable related party transactions at fair prices in accordance with market-oriented principles, with transaction procedures and information disclosure obligations fulfilled in accordance with relevant laws, regulations, and normative documents. 6. The listed company maintains independence from our company and any other enterprises under our control in any other aspects.	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress

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 related party transactions	1. After the completion of this equity transfer, our company will consciously safeguard the interest of the listed company and any and all of its shareholders, and minimize and avoid related party transactions with the listed company. We will not, by virtue of our indirect stake in the listed company, seek for improper benefits or harm any interest of the listed company and any and all of its shareholders in related party transactions. 2. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek from the listed company for better commercial terms for business cooperation than that given to the third parties in the market for itself or for any other enterprises under our control. 3. Our company does not and will not, by virtue of our indirect stake in the listed company and its own controlling influence, seek for privileges for itself or any other enterprises under our control to enter into transactions with the listed company. 4. After completing this equity transfer, our company will strictly adhere to the provisions of the Company Law of the People's Republic of China, the Articles of Association of Yunnan Baiyao Group, the Rules of Procedure for the General Meetings, and the Decision System for Related Party Transactions of the Listed Company when engaging in inevitable related party transactions with the listed company. We are committed to conducting these transactions in a transparent, fair, and equitable manner. This involves adhering to commercial principles such as "fairness, impartiality, and voluntariness." We will enter into fair and reasonable transaction contracts with the listed company, ensuring that pricing policies are developed based on market fairness, impartiality, and openness. This approach guarantees the fairness of transaction prices. 5. After the completion of this equity transfer, our company and any other enterprises under our control will not illegally occupy the funds and assets of the listed company, and under no circumstances will the listed company be required to provide any form of guarantees to our company or any other enterprises under our control.	December 10, 2021	Remain effective during the period of holding indirect stake in Yunnan Baiyao	In progress
Commitments made in the acquisition report or equity change report	State-owned Assets Supervision and Administration Commission of Yunnan Provincial People's Government ("SASAC of Yunnan Province"), New Huadu	Commitments regarding horizontal competition	In the future, when the time is ripe, SASAC of Yunnan Province and New Huadu shall urge Baiyao Holdings to gradually inject the high-quality assets related to Yunnan Baiyao's existing business and future development areas into Yunnan Baiyao Group. Both SASAC of Yunnan Province and New Huadu will also strictly comply with the regulations to avoid horizontal competition.	March 23, 2017	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
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 restructuring	State-owned Equity Management Company, New Huadu and its acting-in-concert parties	Commitments regarding related party transactions	1. State-owned Equity Management Company has undertaken the previous commitments of SASAC of Yunnan Province: After the completion of this significant asset restructuring, SASAC of Yunnan Province will try its best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, SASAC of Yunnan Province will undertake to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. SASAC of Yunnan Province will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by SASAC of Yunnan Province. SASAC of Yunnan Province warrants the effective fulfillment of these commitments, and the listed company has the right to supervise its fulfillment of this commitment letter. If SASAC of Yunnan Province fails to effectively fulfill this commitment letter, leading to any actual losses to the listed company, SASAC of Yunnan Province will compensate for any and all of such direct or indirect losses so caused to the listed company. 2. New Huadu and its acting-in-concert parties undertake that: after the completion of this merger and overall listing, our company/I and any enterprises under our/my control will try the best to avoid related party transactions with the listed company. For inevitable related party transactions or those occurring for reasonable reasons, our company/I undertake (s) to conduct such transactions on an equal and voluntary basis in the principles of fairness, impartiality, and compensation for equal value, with the transaction prices to be determined based on the reasonable prices recognized in the market. Our company/I and any other enterprises under our/my control will strictly comply with the provisions of relevant laws, regulations, normative documents, and the articles of association of the listed company, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of the listed company and any other shareholders through related party	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
			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 made during asset restructuring	Baiyao Holdings, State-owned Equity Management Company, New Huadu	Commitments regarding real estate business	If Yunnan Baiyao and its subsidiaries within the scope of its consolidated financial statements, and, Baiyao Holdings and its subsidiaries within the scope of its consolidated financial statements engaged in any illegal activities in the domestic real estate development business during the reporting period, such as undisclosed land vacancy, speculation of land, property hoarding, and price gouging, which have caused any losses to Yunnan Baiyao and investors, our company/institution will bear any and all of corresponding compensation liabilities for such losses as required by relevant laws, regulations and securities regulatory authorities.	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
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	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
Commitments made during asset restructuring	Baiyao Holdings, State-owned Equity Management Company, New Huadu	Commitments regarding compensatory measures after dilution of immediate returns	1. Our company/institution will not interfere with any operation and management activities of the listed company beyond authority, nor will it encroach on any interest of the listed company. 2. After the date of issuance of this commitment letter, if the securities regulatory authorities make other regulatory requirements regarding compensatory measures and related commitments, and the above commitments fail to meet such new regulatory regulations of the securities regulatory authorities, our company/institution will undertake to issue supplementary commitments in accordance with their then latest relevant regulations. 3. Our company/institution undertakes to effectively fulfill the relevant compensatory measures formulated by the listed company and the relevant commitments made by our company/institution. If our company/institution violates these commitments and causes any losses to the listed company or investors, our company/institution is willing to legally bear any and all of the corresponding compensation liabilities for such losses.	December 11, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress
Commitments made during asset restructuring	Directors, supervisors, and senior management of the listed company	Commitments regarding compensatory measures after dilution of immediate returns	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	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
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 not directly engage in any businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company. 2. New Huadu undertakes that: As of the issuance date of this commitment letter, our company and any enterprises under our control have not invested in any company, enterprise or other operating entity engaged in any business the same as, or similar to, the principal businesses of the listed company or co-operating or co-engaged, with others, in business the same as, or similar to, the principal businesses of the listed company. After the completion of this transaction, our company and any enterprises under our control will not directly or indirectly engage in any form (including but not limited to investment, M&A, affiliation, joint ventures, cooperation, partnership, contracting or leasing operations, and equity participation) in businesses that are the same as or similar to, and constitute a competition with, the principal businesses of the listed company, nor will we directly or indirectly own any absolute or relative control over any other companies, enterprises or operating entities that engage in businesses that are the same as or similar to, and constitute a competition with the principal businesses of the listed company. During the commitment period mentioned above, if the listed company actually further expands its existing principal businesses, and our company and any enterprises under our control have not yet engaged in production or operation of such new businesses, our company and any enterprises under our control will not engage in such new businesses that compete with the principal businesses of the listed company unless the listed company notifies us in writing that it would no longer engage in such new businesses. During the aforementioned commitment period, if our company and any enterprises under our control obtain from any third party any business opportunity that competes or may compete with the principal businesses of the listed company, we shall immediately notify the listed company. If the listed company provides a positive response that it is willing to take advantage of that business opportunity within the reasonable period specified in the notice, our company and any enterprises under our control will abandon that business opportunity. If our company and any enterprises under our control violate any of the above statements and commitments, leading to any damages to any rights and interest of the listed company, our company agrees to bear any and all of the corresponding compensation liabilities for such damages so caused to the listed company.	October 31, 2018	Remain effective during the period of holding the shares of Yunnan Baiyao (directly and indirectly)	In progress

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

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
			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 restructuring	State-owned Equity Management Company	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	1. On October 31, 2018, SASAC of Yunnan Province, as a shareholder of the listed company, issued the *Commitment Letter of SASAC of Yunnan Province on Maintaining the Independence of the Listed Company*, *Commitment Letter of SASAC of Yunnan Province on Reducing and Regulating Related Party Transactions*, and *Commitment Letter of SASAC of Yunnan Province on Avoiding Horizontal Competition*. On April 7, 2020, our company issued the *Commitment Letter of State-owned Equity Management Company on Its Undertaking of the Relevant Commitments Made in the Process of Yunnan Baiyao's Merger Transaction by SASAC of Yunnan Province* (hereinafter referred to as the "*Commitment Letter on Undertaking*"), committing to fully undertake, as of the date of completion of this equity transfer (calculated from the date of registration of the underlying equity in the name of our company), the responsibilities and obligations specified in the commitment documents previously made by SASAC of Yunnan Province and continuously effective at the time of this equity transfer as set out in the following list. The list includes the foregoing three commitment letters issued by SASAC of Yunnan Province. 2. As of the date of signing this commitment letter, our company has always strictly fulfilled the commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition in accordance with the requirements of the *Commitment Letter on Undertaking*, and has not violated any of the commitments made. After the completion of this transaction, our company will continue to strictly fulfill the *Commitment Letter on Undertaking* to safeguard the interest of the listed company and any and all of its shareholders.	June 10, 2021	Remain effective	In progress

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
Commitments made during asset restructuring	New Huadu and its acting-in-concert parties	Commitments to maintain the independence of the listed company, reduce and regulate related party transactions, and avoid horizontal competition	1. As of the date of signing this commitment letter, our company has always strictly fulfilled the *Commitment Letter on Maintaining the Independence of the Listed Company, Commitment Letter on Reducing and Regulating Related Party Transactions*, and *Commitment Letter on Avoiding Horizontal Competition* all issued on October 31, 2018. Our company's acting-in-concert parties have always strictly fulfilled the *Commitment Letter on Reducing and Regulating Related Party Transactions* issued on October 31, 2018, and have not violated any of the commitments made. After the completion of this transaction, our company and our acting-in-concert parties will continue to strictly fulfill this commitment letter to safeguard the interest of the listed company and any and all of its shareholders. 2. After the completion of this transaction, our company's acting-in-concert parties will maintain independence from the listed company in terms of personnel, assets, business, institutions, and finance in accordance with relevant laws, regulations, and normative documents, and will not, by virtue of the identity as a shareholder and a related party of the listed company, engage in the acts that affect the independence of the listed company's personnel, assets, business, institutions, and finances, or harm any rights and interest of the listed company and other shareholders. Instead, they will effectively ensure the independence of the listed company in terms of personnel, assets, business, institutions, finance, etc. 3. As of the date of signing this commitment letter, our company's acting-in-concert parties and any other companies or enterprises under their control have not engaged in any business that constitute a horizontal competition with the principal businesses of the listed company and any other companies or enterprises under its control. In order to avoid horizontal competition with the listed company and safeguard the legitimate rights and interest of the listed company and other shareholders, after the completion of this transaction, our company's acting-in-concert parties and any other companies or enterprises under their control will not directly engage in businesses that are the same as, or similar to, and constitute a competition with, the principal businesses of the listed company. 4. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company and our acting-in-concert parties. Our company and our acting-in-concert parties warrant the effective fulfillment of these commitments, and the listed company has the right to supervise their fulfillment of this commitment letter. If our company and our acting-in-concert parties fail to effectively fulfill this commitment letter, leading to any actual losses to the listed company, our company and our acting-in-concert parties will compensate for any and all of such direct or indirect losses so caused to the listed company.	June 10, 2021	Remain effective	In progress

Commitments	Commitment Party	Commitment Type	Contents	Commitment Time	Commitment Period	Performance Status
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 Articles of Association of Shanghai Pharma, perform the decision-making procedures and information disclosure obligations for related party transactions, and warrant not to harm any legitimate rights and interest of Shanghai Pharma and any other shareholders through related party transactions. This commitment letter shall come into effect and be irrevocable as of the date of official signature by our company. Our company warrants the effective fulfillment of these commitments, and Shanghai Pharma has the right to supervise the fulfillment of this commitment letter. If our company fails to effectively fulfill this commitment letter, leading to any actual losses to Shanghai Pharma, our company will compensate for any and all of such direct or indirect losses so caused to Shanghai Pharma.	June 10, 2021	Remain effective	In progress
Whether the commitments are fulfilled as scheduled	Yes					
If the commitments are overdue and have not been fulfilled, the specific reason for the failure and further work plan shall be explained in detail	N/A					

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

□ Applicable ☑Not applicable

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

III. Non-compliant Provision of External Guarantees

□ Applicable ☑Not applicable

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

IV. Engagement and Disengagement of Auditor

Whether the interim financial statements were audited or not

□ Yes ☑No

The Company's interim financial statements were unaudited.

V. Explanations Given by the Board of Directors Regarding the Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

□ Applicable ☑Not applicable

VI. Explanations Given by the Board of Directors Regarding the Auditor's "Modified Opinion" on the Financial Statements of Previous Year

□ Applicable ☑Not applicable

VII. Bankruptcy and Reorganization

□ Applicable ☑Not applicable

There were no bankruptcy or reorganization related events during the reporting period.

VIII. Legal Matters

Material litigation or arbitration matters

□ Applicable ☑Not applicable

During the reporting period, the Company had no material litigation or arbitration matters.

Other litigation

☑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
Summary of events not meeting the disclosure standards for being included in significant litigation (arbitration)	41,246.97	No	Some cases have been filed to be tried; some are being under trials to be adjudicated; some have been adjudicated; Some are in the process of enforcement	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 the lawsuit		

IX. Punishments and Rectifications

□ Applicable ☑Not applicable

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

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

□ Applicable ☑Not applicable

XI. Significant Related Party Transactions

1. Related party transactions 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

Based on its routine business needs for 2026, the Company has made reasonable estimates regarding various related-party transactions related to daily operations, including procurement and sales of goods. The Company estimated that the total amount of routine related-party transactions with Shanghai Pharma and Tibet Jiushi Zhihe

Marketing Co., Ltd in 2026 would be RMB 2,300 million, accounting for 5.74% of the Company's audited net assets of RMB 40,044.0588 million as of the end of 2025, which shall be submitted to the Company's 2025 Annual Shareholders' Meeting for consideration.

This matter has been considered and approved by the Company's 11th Board of Directors at its second session of 2026 and at the 2025 Annual Shareholders' Meeting. For details, please refer to the *Announcement on Estimated Routine Related-Party Transactions for 2026* (Announcement No. 2026-11), the *Announcement on the Resolutions of the Second Meeting of the 11th Board of Directors in 2026* (2026-08), and the *Announcement on the Resolutions of the 2025 Annual Shareholders' Meeting* (2026-15).

Inquiries regarding the website for the disclosure of interim reports on significant related-party transactions

Title of the Temporary Announcement	Date of Disclosure of the Temporary Announcement	Name of Website for the Disclosure of Temporary Announcements
Announcement on Estimated Routine Related-Party Transactions for 2026	April 1, 2026	http://www.cninfo.com.cn
Announcement on the Resolutions of the Second Session of the 11th Board of Directors in 2026	April 1, 2026	http://www.cninfo.com.cn
Announcement on the Resolutions of the 2025 Annual Shareholders' Meeting	April 22, 2026	http://www.cninfo.com.cn

XII. Major Contracts and Their Performance

1. Entrustment, contracting and leases

(1) Entrustment

□ Applicable ☑Not applicable

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

(2) Contracting

□ Applicable ☑Not applicable

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

(3) Leases

□ Applicable ☑Not applicable

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

2. Major guarantees

□ Applicable ☑Not applicable

There were no major guarantees of the Company during the reporting period.

3. Entrusted wealth management

☑Applicable □ Not applicable

Unit: RMB’0,000

Product category	Risk characteristics	Balance of entrusted wealth management during the Reporting Period	Unrecovered overdue amount
Bank financial products	Self-owned capital	142,000	0
Brokerage financial products	Self-owned capital	330,000	0

Details regarding the Company’s engagement of financial institutions as a single client to conduct asset management or invest in high-risk wealth management products with lower safety and poorer liquidity

☑Applicable □ Not applicable

Unit: RMB’0,000

Name of trustee	Type of trustee	Risk characteristics	Product category	Amount	Starting date	Ending date	Investment allocation	Actual Gains or Losses for the Reporting Period	Actual Recovery of Gains or Losses for the Reporting Period	Overview of Matters and Related Inquiry Index (if any)
Shanghai International Trust Corp., Ltd.	Trust	-	Fixed-Income Fund Trusts	HKD 50,000.00	October 28, 2020		Debt Assets	-774.08	On February 27, 2026, YNBY International allotted and issued 1,937,984,496 shares of YNBY International to Shanghai International Trust Corp., Ltd, a designated trustee of Yunnan Baiyao (which subscribed to and holds the convertible bonds on behalf of Yunnan Baiyao), at a conversion price of HKD 0.258 per share. Upon completion of the exercise and conversion of options, the Company will implement the subsequent matters related to the trust products in accordance with the established plan and operational procedures.	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224988569&orgId=gssz0000538&announcementTime=2026-02-28
Total				HKD 50,000.00	--	--	--	-774.08	--	--

4. Other Significant Contracts

□ Applicable ☑Not applicable

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

XIII. Registration Form of 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 21, 2026	Office building at the headquarters	Telephone communication	Institutional investors	6 persons from E-Fund Fund, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224948225&orgId=gssz0000538&announcementTime=2026-01-23
January 22, 2026	Office building at the headquarters	Telephone communication	Institutional investors	5 persons from PICC Asset Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224948249&orgId=gssz0000538&announcementTime=2026-01-23
January 22, 2026	Office building at the headquarters	Telephone communication	Institutional investors	2 persons from Orient Securities Asset Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224948227&orgId=gssz0000538&announcementTime=2026-01-23
January 23, 2026	Office building at the headquarters	Telephone communication	Institutional investors	2 persons from ABC-CA Fund Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224952206&orgId=gssz0000538&announcementTime=2026-01-27
January 23, 2026	Office building at the headquarters	Telephone communication	Institutional investors	4 persons from Zhong Hui Life Insurance, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1224952208&orgId=gssz0000538&announcementTime=2026-01-27
April 1, 2026	Office building at the headquarters	Telephone communication	Individual and institutional investors	151 persons, including those from institutional investors and individual investors	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225072712&orgId=gssz0000538&announcementTime=2026-04-01
April 2, 2026	Office building at the headquarters	Field research	Institutional investors	18 persons from ICBC Credit Suisse, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225075992&orgId=gssz0000538&announcementTime=2026-04-02
April 8, 2026	Office building at the headquarters	Telephone communication	Institutional investors	5 persons from China Universal Asset Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225085370&orgId=gssz0000538&announcementTime=2026-04-08
April 8, 2026	Office building at the headquarters	Telephone communication	Institutional investors	3 persons from Dacheng Fund, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225085372&orgId=gssz0000538&announcementTime=2026-04-08
April 8, 2026	Office building at the headquarters	Telephone communication	Institutional investors	3 persons from NCI, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225085375&orgId=gssz0000538&announcementTime=2026-04-08
April 10, 2026	Office building at the headquarters	Telephone communication	Institutional investors	9 persons from Taiping Asset Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225094986&orgId=gssz0000538&announcementTime=2026-04-10
April 10, 2026	Office building at the headquarters	Telephone communication	Institutional investors	5 persons from China Life Asset Management, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225095024&orgId=gssz0000538&announcementTime=2026-04-10

April 10, 2026	Office building at the headquarters	Telephone communication	Institutional investors	2 persons from E-Fund Fund, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225095076&orgId=gssz0000538&announcementTime=2026-04-10
April 21, 2026	Office building at the headquarters	Field research	Institutional investors, individual investors	The individual and institutional investors participating in the investor Q&A session of 2025 Annual Shareholders' Meeting	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225142365&orgId=gssz0000538&announcementTime=2026-04-21
April 22, 2026	Office building at the headquarters	Telephone communication	Institutional investors	9 persons from Huaxing Securities, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225146303&orgId=gssz0000538&announcementTime=2026-04-22
June 4, 2026	Office building at the headquarters	Field research	Institutional investors	10 persons from E-Fund Fund, etc.	To understand the business situation of the Company and other related issues	https://www.cninfo.com.cn/new/disclosure/detail?stockCode=000538&announcementId=1225352226&orgId=gssz0000538&announcementTime=2026-06-04

XIV. Explanation for Other Significant Events

☑Applicable □ Not applicable

1. Progress of R&D projects

On April 1, 2026, the Company issued the *Announcement on the Approval of INB301 Injection for Drug Clinical Trial* (Announcement No. 2026-13). The Company received the *Notice of Approval for Clinical Trials of Drugs* (Notice No.: 2026LP01002) issued by the National Medical Products Administration. Upon review, the clinical trial application for INB301 Injection ("the Product"), which was accepted on February 24, 2026, was found to comply with the relevant requirements for drug registration, and approval was granted to conduct clinical trials of the Product for cancer cachexia.

On June 3, 2026, the Company issued the *Announcement on the Approval of a New Drug Clinical Trial Application for INB301 Injection by U.S. Food and Drug Administration* (Announcement No. 2026-20). The Company received notification from the U.S. Food and Drug Administration (the "U.S. FDA") that the New Drug Clinical Trial Application for INB301 Injection submitted by the Company has been approved by the U.S. FDA, which has granted permission to conduct clinical trials. The intended indication for development is cancer cachexia.

2. Progress on the private placement of exchangeable corporate bonds to shareholders

On April 20, 2026, the Company disclosed the *Reminder Announcement Regarding the Entry into the Exchange Period for Exchangeable Corporate Bonds Issued Privately to Shareholders Holding More Than 5% of the Shares* (Announcement No. 2026-14). The Company received a written notice from New Huadu, a shareholder holding more than 5% of our shares, stating that these exchangeable bonds will enter the exchange period on April 23, 2026, with the current exchange price set at RMB 71.66 per share. The exchange period runs from the first trading day six months after the completion of the exchangeable bond issuance until the trading day immediately preceding the delisting of the exchangeable bonds, specifically from April 23, 2026 to October 20, 2028.

On April 27, 2026, the Company issued the *Notice Regarding the Adjustment of the Exchange Price for Exchangeable Corporate Bonds Issued Privately to Shareholders Holding More Than 5% of the Shares* (Announcement No. 2026-17). On April 27, 2026, the Company received a written notice from New Huadu, a shareholder holding more than 5% of our shares, stating that the exchange price for these exchangeable bonds would be adjusted. As the Company has disclosed the specific plan for Yunnan Baiyao's 2025 annual equity distribution, in accordance with the relevant provisions of the *Prospectus*, the conversion price of these exchangeable bonds will be adjusted from RMB 71.66 per share to RMB 70.08 per share, effective from April 30, 2026, the ex-dividend and ex-rights date for this equity distribution.

3. Pledge and lifting of pledge of some shares by the shareholders

(1) On January 23, 2026, the Company issued the *Announcement Regarding the Lifting of Pledge of Certain Shares by a Shareholder* (Announcement No. 2026-01), stating that the Company was informed that New Huadu had released 75,000,000 shares of the Company (representing 4.20% of the total issued share capital) from pledge.

(2) On February 3, 2026, the Company issued the *Announcement Regarding the Pledge of Certain Shares by a Shareholder* (Announcement No. 2026-02), stating that the Company was informed that New Huadu had pledged 6,750,000 shares of the Company (representing 0.38% of the total issued share capital).

(3) On February 25, 2026, the Company issued the *Announcement Regarding the Pledge of Certain Shares by a Shareholder* (Announcement No. 2026-05), stating that the Company was informed that New Huadu had pledged 7,470,000 shares of the Company (representing 0.42% of the total issued share capital).

(4) On March 24, 2026, the Company issued the *Announcement Regarding the Pledge of Certain Shares by a Shareholder* (Announcement No. 2026-07), stating that the Company was informed that New Huadu had pledged 10,450,000 shares of the Company (representing 0.59% of the total issued share capital).

XV. Significant Events of the Company's Subsidiaries

☑Applicable □ Not applicable

On May 22, 2026, at the Annual General Meeting of Shareholders, the Board of Directors of YNBY International received a share repurchase authorization from the shareholders of YNBY International to repurchase on the open market no more than 10% of the total number of issued shares of YNBY International as of the date the resolution was passed at the Annual General Meeting of Shareholders. The Board of Directors of YNBY International has formally resolved to authorize the management to exercise this repurchase authorization from time to time, as appropriate, on the open market to implement the share repurchase program. YNBY International may repurchase shares at an appropriate time, depending on the circumstances. If YNBY International repurchases any shares pursuant to the repurchase authorization, YNBY International may, based on market conditions at the time of the repurchase and its capital management needs, cancel such repurchased shares and/or hold them as treasury shares.

As of August 14, 2026, YNBY International had repurchased a total of 109,936,000 shares under its repurchase authorization, representing approximately 1.15% of YNBY International's total issued shares. The repurchased shares will be canceled or held as treasury shares, depending on market conditions and YNBY International's capital management needs.

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	Bonus Shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares subject to trading moratorium	11,329,233	0.63%				-11,199,023	-11,199,023	130,210	0.01%
1. State-owned shares									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic shareholders	11,329,233	0.63%				-11,199,023	-11,199,023	130,210	0.01%
Of which: shares held by domestic legal persons									
Shares held by domestic natural persons	11,329,233	0.63%				-11,199,023	-11,199,023	130,210	0.01%
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	1,772,933,370	99.37%				11,199,023	11,199,023	1,784,132,393	99.99%

1. RMB-denominated ordinary shares	1,772,933,370	99.37%				11,199,023	11,199,023	1,784,132,393	99.99%
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

Progress of share repurchase implementation

□ Applicable ☑Not applicable

Progress of the implementation of the reduction and repurchase of shares through centralized bidding

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

Other disclosures 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	Number of shares released from trading moratorium during the reporting period	Increase in shares subject to trading moratorium during the reporting period	Number of shares subject to trading moratorium at the end of the reporting period	Reason for moratorium	Date of shares released from trading moratorium
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	14,000	56,000	Locked-up shares held by senior	Implemented in accordance with

					management	regulatory requirements
Yang Fan	8,250	0	0	8,250	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Li Jin	42,000	0	14,000	56,000	Locked-up shares held by senior management	Implemented in accordance with regulatory requirements
Yu Juan	110,625	110,625	0	0	Locked-up shares held by senior management	May 6, 2026
Yin Pinyao	189,000	189,000	0	0	Locked-up shares held by senior management	May 6, 2026
Yang Yong	75,768	75,768	0	0	Locked-up shares held by senior management	May 6, 2026
Wang Minghui	567,000	567,000	0	0	Locked-up shares held by senior management	May 6, 2026
Wang Jin	378,000	378,000	0	0	Locked-up shares held by senior management	May 6, 2026
Qin Wanmin	378,000	378,000	0	0	Locked-up shares held by senior management	May 6, 2026
Chen Yanhui	133,009	133,009	0	0	Locked-up shares held by senior management	May 6, 2026
Chen Fashu	9,395,621	9,395,621	0	0	Locked-up shares held by senior management	May 6, 2026
Total	11,329,233	11,227,023	28,000	130,210	--	--

II. Issuance and Listing of Securities

□ Applicable ☑Not applicable

III. Number of Shareholders of the Company and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the end of the reporting period			189,362		Total number of preferred shareholders with resumed voting rights at the end of the reporting period (if any)		0	
Shareholdings of ordinary shareholders holding more than 5% of the shares or the top 10 ordinary shareholders (excluding lending of shares through securities finance)								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of ordinary shares held at the end of the reporting period	Change during the reporting period	Number of ordinary shares subject to trading moratorium	Number of ordinary shares not subject to trading moratorium	Pledged, marked or frozen	
							Status	Quantity

State-owned Equity Management Company	State-owned legal person	26.20%	467,431,774	0	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	0	0	379,742,244	Pledged	42,170,000
Yunnan Hehe (Group) Co., Ltd.	State-owned legal person	8.19%	146,185,851	0	0	146,185,851	N/A	0
China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L-CT001 Shanghai	Others	4.14%	73,948,314	48,779,065	0	73,948,314	N/A	0
New Huadu Group – Guosen Securities – 25 New Huadu EB01 Guaranteed and Trust Property Special Account	Domestic non-state-owned legal person	3.14%	56,000,000	0	0	56,000,000	N/A	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.08%	37,164,164	-11,983,902	0	37,164,164	N/A	0
China Construction Bank Corporation − E Fund CSI 300 Medical and Healthcare Trading Open-End Index Securities Investment Fund	Others	0.81%	14,498,382	2,584,036	0	14,498,382	N/A	0
Chen Fashu	Domestic natural person	0.70%	12,527,495	0	0	12,527,495	N/A	0
Taiping (Shenzhen) Private Equity Securities Investment Fund Management Co., Ltd. - Taiping Zhuoyuan No. 1 Private Securities Investment Fund	Others	0.51%	9,079,675	1,617,775	0	9,079,675	N/A	0
Huatai Securities Co., Ltd.	State-owned legal person	0.33%	5,877,654	3,047,144	0	5,877,654	N/A	0
Strategic investors or general legal persons who become the top 10 ordinary shareholders due to rights issue (if any)		N/A						
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 *Administration of the Takeover of Listed Companies Procedures*.						
Above shareholders involved in entrusting/being entrusted with voting rights and giving up voting rights		N/A						
Special account for share repurchases		N/A						

(if any) among the top 10 shareholders			
Shareholdings of the top 10 ordinary shareholders not subject to trading moratorium (excluding lending of shares through securities finance, and locked-up shares held by senior management)			
Name of shareholder	Number of ordinary shares not subject to trading moratorium held at the end of the reporting period	Type of shares	
		Type	Quantity
State-owned Equity Management Company	467,431,774	RMB-denominated ordinary share	467,431,774
New Huadu Industrial Group Co., Ltd.	379,742,244	RMB-denominated ordinary share	379,742,244
Yunnan Hehe (Group) Co., Ltd.	146,185,851	RMB-denominated ordinary share	146,185,851
China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L-CT001 Shanghai	73,948,314	RMB-denominated ordinary share	73,948,314
New Huadu Group – Guosen Securities – 25 New Huadu EB01 Guaranteed and Trust Property Special Account	56,000,000	RMB-denominated ordinary share	56,000,000
Hong Kong Securities Clearing Company Limited	37,164,164	RMB-denominated ordinary share	37,164,164
China Construction Bank Corporation − E Fund CSI 300 Medical and Healthcare Trading Open-End Index Securities Investment Fund	14,498,382	RMB-denominated ordinary share	14,498,382
Chen Fashu	12,527,495	RMB-denominated ordinary share	12,527,495
Taiping (Shenzhen) Private Equity Securities Investment Fund Management Co., Ltd. - Taiping Zhuoyuan No. 1 Private Securities Investment Fund	9,079,675	RMB-denominated ordinary share	9,079,675
Huatai Securities Co., Ltd.	5,877,654	RMB-denominated ordinary share	5,877,654
Related or acting-in-concert parties among the top 10 ordinary shareholders not subject to trading moratorium, and the top 10 ordinary shareholders not subject to trading moratorium and the top 10 ordinary shareholders	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 *Administration of the Takeover of Listed Companies Procedures*.		
Top 10 ordinary shareholders involved in securities margin trading (if any)	N/A		

Note: New Huadu Industrial Group Co., Ltd (hereinafter referred to as "New Huadu") completed the issuance of exchangeable bonds of RMB 2 billion on October 22, 2025. On September 29, 2025, New Huadu transferred 56,000,000 unrestricted tradable shares of Yunnan Baiyao it held to the "New Huadu Group – Guosen Securities – 25 New Huadu EB01 Guaranteed and Trust Property Special Account" opened at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. Guosen Securities Co., Ltd, the trustee for this bond issue, will act as the nominee holder, and the shares will be used to provide collateral for the exchange of shares by holders of this exchangeable corporate bond and for the repayment of principal and interest on this bond issue. The shares subject to this security and trust registration (including dividends accrued during the trust registration period) will be held in the name of Guosen Securities, the bond trustee, and registered in the Company's securities holder registry under the name "New Huadu Group – Guosen Securities – 25 New Huadu EB01 Guaranteed and Trust Property Special Account." When exercising voting rights attached to shares subject to security and trust registration, Guosen Securities will seek New Huadu's opinion in advance and act in accordance with New Huadu's opinion, provided that such actions shall not harm the interests of the holders of this series of bonds.

Shareholders holding more than 5% of shares, top 10 shareholders and top 10 shareholders not subject to trading moratorium participating in the lending of shares in the securities finance

□ Applicable ☑Not applicable

Changes in top 10 shareholders and top 10 shareholders with shares not subject to trading moratorium compared to the previous period due to lending/returning of shares in the securities finance

□ 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.

IV. Changes in Shareholdings of Directors and Senior Management

□ Applicable ☑Not applicable

There was no change in the shareholdings of the directors and senior management of the Company during the reporting period. For details, please refer to the 2025 Annual Report.

V. Changes in Controlling Shareholders or De Facto Controllers

If the Company has previously disclosed that its actual controller is planning a change in control but the change has not yet been completed, please describe the progress of the change in control.

□ Applicable ☑Not applicable

Changes in controlling shareholders during the reporting period

□ Applicable ☑Not applicable

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

Change of de facto controllers during the reporting period

□ Applicable ☑Not applicable

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

VI. 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. Auditors' Report

Whether the Interim Report has been audited

□Yes ☑ No

The Company's interim financial statements were unaudited.

II. Financial Statements

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

1. Consolidated balance sheet

Prepared by: Yunnan Baiyao Group Co., Ltd.

June 30, 2026

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Cash and bank balance	9,569,904,053.50	9,107,829,167.98
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets held for trading	4,751,169,278.18	4,192,113,408.43
Derivative financial assets		
Notes receivable	626,199,670.96	585,366,210.93
Accounts receivable	10,182,602,486.28	10,160,059,223.29
Accounts receivable financing	838,621,388.17	1,681,985,583.93
Prepayment	337,934,281.51	434,442,949.73
Premium receivable		
Reinsurance premium receivable		
Reserves for reinsurance contract receivable		
Other receivables	632,395,561.18	406,517,244.11
Including: Interest receivable		
Dividends receivable	232,969,378.60	79,875,215.52
Financial assets held under resale agreements		
Inventory	6,147,877,228.16	6,231,383,826.69
Including: Data resources		
Contractual assets		
Held-for-sales assets		

Non-current assets due within one year		
Other current assets	1,181,461,092.17	1,234,895,158.04
Total current assets	34,268,165,040.11	34,034,592,773.13
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investment		
Long-term receivables		
Long-term equity investments	13,648,237,691.06	13,227,578,051.91
Investment in other equity instruments	71,745,000.00	71,745,000.00
Other non-current financial assets	312,435,493.34	210,855,260.47
Investment properties	46,995,322.73	50,366,578.65
Fixed assets	3,212,622,675.46	3,274,340,152.34
Construction in progress	932,187,206.75	807,592,848.36
Productive biological assets	558,674.79	644,624.85
Oil and gas assets		
Right-of-use assets	231,636,423.58	248,003,380.85
Intangible assets	683,001,612.22	699,193,405.35
Including: Data resources	1,190,987.32	
Development expenses	125,163,486.09	98,211,219.56
Including: Data resources		
Goodwill	300,805,632.99	300,805,632.99
Long-term deferred expenses	119,477,510.15	108,871,585.00
Deferred income tax assets	1,021,868,341.03	974,220,393.56
Other non-current assets	170,369,539.17	161,560,224.80
Total non-current assets	20,877,104,609.36	20,233,988,358.69
Total assets	55,145,269,649.47	54,268,581,131.82
Current liabilities:		
Short-term loans	25,113,604.10	182,775,753.21
Borrowings from the central bank		
Placements from banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable	1,668,214,258.64	1,846,714,475.61
Accounts payable	5,719,113,254.81	5,523,021,856.86
Receipts in advance	518,138.91	190,841.21
Contractual liabilities	1,578,687,785.93	1,505,826,938.18
Financial assets sold under repurchase agreements		

Deposits from customers and interbank		
Customer brokerage deposits		
Acting underwriting of securities		
Payroll payable	1,234,856,594.21	1,482,601,305.72
Taxes and duties payable	578,166,281.56	278,051,492.11
Other payables	1,378,906,340.85	1,461,459,334.99
Including: Interest payable		
Dividends payable	1,317,388.73	1,317,388.73
Fees and commissions payable		
Reinsurance amounts payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	164,848,943.89	76,443,711.53
Other current liabilities	637,544,159.21	533,163,346.13
Total current liabilities	12,985,969,362.11	12,890,249,055.55
Non-current liabilities:		
Reserves for insurance contract		
Long-term loans	2,100,000.00	86,569,400.83
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	133,099,612.83	141,830,379.18
Long-term payables	535,500,453.36	556,079,941.48
Long-term payroll payable	1,598,405.18	1,718,946.33
Estimated liabilities	32,255,978.72	22,513,696.41
Deferred income	240,714,191.91	271,769,812.59
Deferred income tax liabilities	164,130,283.73	148,417,516.74
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	1,111,330,480.09	1,230,831,247.92
Total liabilities	14,097,299,842.20	14,121,080,303.47
Owners' equity		
Share capital	1,784,262,603.00	1,784,262,603.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,697,085,699.03	17,632,117,190.85
Less: Treasury stock		
Other comprehensive income	-117,648,883.03	-105,091,380.51
Special reserves		

Surplus reserves	2,530,458,968.58	2,530,458,968.58
Provision for general risk		
Undistributed profit	19,078,994,395.52	18,202,311,462.52
Total owners' equity attributable to parent company	40,973,152,783.10	40,044,058,844.44
Minority interests	74,817,024.17	103,441,983.91
Total owners' equity	41,047,969,807.27	40,147,500,828.35
Total liabilities and owners' equity	55,145,269,649.47	54,268,581,131.82

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	7,016,821,187.34	7,898,899,516.62
Financial assets held for trading	4,746,569,278.18	4,187,513,408.43
Derivative financial assets		
Notes receivable	438,581,176.21	407,360,145.42
Accounts receivable	2,260,119,873.38	1,959,868,853.22
Accounts receivable financing	273,840,198.29	437,824,968.41
Prepayment	1,352,120,894.74	1,321,672,589.52
Other receivables	7,115,340,906.37	6,632,088,211.74
Including: Interest receivable		
Dividends receivable	232,969,378.60	79,875,215.52
Inventory	681,317,124.94	915,778,341.49
Including: Data resources		
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		
Other current assets	502,776,236.34	526,360,546.17
Total current assets	24,387,486,875.79	24,287,366,581.02
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	16,027,235,530.90	15,606,066,432.75
Investment in other equity instruments		
Other non-current financial assets	311,935,493.34	210,355,260.47
Investment properties	478,888,763.64	486,768,216.63
Fixed assets	1,490,781,721.97	1,542,652,814.35

Construction in progress	82,030,107.89	25,493,467.64
Productive biological assets		
Oil and gas assets		
Right-of-use assets	107,671,357.30	110,808,820.06
Intangible assets	244,245,418.19	249,740,403.29
Including: Data resources		
Development expenses	131,620,766.76	116,497,399.09
Including: Data resources		
Goodwill		
Long-term deferred expenses	21,165,234.90	27,248,415.57
Deferred income tax assets	379,709,056.12	378,492,475.32
Other non-current assets	420,758,573.62	407,180,610.18
Total non-current assets	19,696,042,024.63	19,161,304,315.35
Total assets	44,083,528,900.42	43,448,670,896.37
Current liabilities:		
Short-term loans		150,010,000.00
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	4,846,805,034.59	4,801,338,529.81
Receipts in advance	178,100.28	83,822.40
Contractual liabilities	1,083,725,891.30	1,034,888,677.35
Payroll payable	937,764,791.63	1,098,078,735.81
Taxes and duties payable	275,927,645.34	46,701,616.03
Other payables	11,278,433,776.07	10,214,340,163.01
Including: Interest payable		
Dividends payable		
Held-for-sales liabilities		
Non-current liabilities due within one year	4,214,461.95	4,725,069.53
Other current liabilities	33,609,569.89	25,640,252.72
Total current liabilities	18,460,659,271.05	17,375,806,866.66
Non-current liabilities:		
Long-term loans	1,100,000.00	1,100,000.00
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	105,369,320.17	107,226,300.59
Long-term payables	534,659,360.59	554,689,731.33
Long-term payroll payable		

Estimated liabilities		
Deferred income	133,505,061.08	166,140,712.09
Deferred income tax liabilities	53,035,337.98	37,035,887.84
Other non-current liabilities	1,931,554.36	1,931,554.36
Total non-current liabilities	829,600,634.18	868,124,186.21
Total liabilities	19,290,259,905.23	18,243,931,052.87
Owners' equity:		
Share capital	1,784,262,603.00	1,784,262,603.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	17,848,330,505.77	17,797,498,647.03
Less: Treasury stock		
Other comprehensive income	-67,191,607.05	-61,252,370.53
Special reserves		
Surplus reserves	2,529,297,618.08	2,529,297,618.08
Undisturbed profits	2,698,569,875.39	3,154,933,345.92
Total owners' equity	24,793,268,995.19	25,204,739,843.50
Total liabilities and owners' equity	44,083,528,900.42	43,448,670,896.37

3. Consolidated income statement

Unit: RMB

Item	H1 2026	H1 2025
I. Total operating revenue	21,884,075,971.15	21,257,102,896.02
Including: Operating revenue	21,884,075,971.15	21,257,102,896.02
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	18,422,708,603.11	17,836,286,155.07
Including: Operating cost	15,305,914,691.16	14,697,868,069.29
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	131,037,059.41	125,773,653.15
Selling expenses	2,450,428,700.94	2,516,371,857.04

Administrative expenses	327,578,033.29	363,479,043.45
R&D expenses	189,575,115.25	155,900,139.57
Financial expenses	18,175,003.06	-23,106,607.43
Including: Interest expenses	10,236,543.28	10,821,177.16
Interest income	19,118,451.87	49,581,264.78
Plus: other income	63,467,539.93	27,406,398.49
Investment income (loss is indicated with “-”)	601,930,486.00	839,628,716.65
Including: Income from investment in associates and joint ventures	615,750,695.41	783,530,345.39
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 “-”)	129,325,396.89	70,037,496.76
Credit impairment losses (loss is indicated with “-”)	40,950,070.41	-98,382,642.61
Asset impairment losses (loss is indicated with “-”)	-24,068,120.33	-41,743,184.35
Gains from asset disposal (loss is indicated with “-”)	1,111,348.76	2,552,729.83
III. Operating profit (loss is indicated with “-”)	4,274,084,089.70	4,220,316,255.72
Plus: Non-operating revenue	13,148,676.97	17,525,440.99
Less: Non-operating expenses	4,675,701.85	5,969,854.92
IV. Total profit (total loss is indicated with “-”)	4,282,557,064.82	4,231,871,841.79
Less: Income tax expenses	585,309,080.65	587,271,873.85
V. Net profit (net loss is indicated with “-”)	3,697,247,984.17	3,644,599,967.94
(I) Classification by operation continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	3,697,247,984.17	3,644,599,967.94
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 “-”)	3,701,170,618.67	3,632,911,303.12
2. Minority interests (net loss to be listed with “-”)	-3,922,634.50	11,688,664.82
VI. Other comprehensive income, net of tax	-15,517,150.66	4,613,102.15
Other comprehensive income attributable to owners of parent company, net of tax	-12,557,502.52	3,258,451.54
(I) Other comprehensive income that cannot be reclassified into profits or losses	-2,105,340.95	-1,680,417.88
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	-2,105,340.95	-1,680,417.88
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	-10,452,161.57	4,938,869.42
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-3,833,895.57	2,427,464.76
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	-6,618,266.00	2,511,404.66
7. Others		
Other comprehensive income attributable to minority interests, net of tax	-2,959,648.14	1,354,650.61
VII. Total comprehensive income	3,681,730,833.51	3,649,213,070.09
Total comprehensive income attributable to owners of parent company	3,688,613,116.15	3,636,169,754.66
Total comprehensive income attributable to minority interests	-6,882,282.64	13,043,315.43
VIII. Earnings per share		
(I) Basic earnings per share	2.07	2.04
(II) Diluted earnings per share	2.07	2.04

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

Legal representative: Zhang Wenxue Accounting officer: Ma Jia Head of accounting center: Xu Jing

4. Income statement of parent company

Unit: RMB

Item	H1 2026	H1 2025
I. Operating revenue	5,500,491,883.80	5,535,899,310.73
Less: Operating cost	2,021,009,289.30	1,893,024,450.97
Taxes and surcharges	65,263,114.42	68,991,175.77
Selling expenses	1,217,872,078.01	1,344,109,035.90
Administrative expenses	144,060,121.27	164,503,932.65
R&D expenses	122,009,259.76	100,674,255.21
Financial expenses	5,259,199.20	-36,991,769.80
Including: Interest expenses	46,000.00	80,000.00
Interest income	17,051,609.87	42,203,815.87
Plus: Other income	36,643,814.80	13,586,306.55
Investment income (loss is indicated with “-”)	611,454,729.08	813,972,731.59
Including: Income from investment in associates and joint ventures	609,245,854.53	772,957,330.00
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 "-")	129,325,396.89	53,978,663.05
Credit impairment losses (loss is indicated with "-")	854,572.75	-627,361.48
Asset impairment losses (loss is indicated with "-")	-9,457,760.13	-26,399,519.27
Gains from asset disposal (loss is indicated with "-")	47,871.63	
II. Operating profit (loss is indicated with "-")	2,693,887,446.86	2,856,099,050.47
Plus: Non-operating revenue	1,614,027.89	11,400,991.25
Less: Non-operating expenses	512,696.04	3,216,437.18
III. Total profit (total loss is indicated with "-")	2,694,988,778.71	2,864,283,604.54
Less: Income tax expenses	326,864,563.57	339,419,273.87
IV. Net profit (net loss is indicated with "-")	2,368,124,215.14	2,524,864,330.67
(I) Net profit from continuing operations (net loss is indicated with "-")	2,368,124,215.14	2,524,864,330.67
(II) Net profit from discontinued operations (net loss is indicated with "-")		
V. Other comprehensive income, net of tax	-5,939,236.52	747,046.88
(I) Other comprehensive income that cannot be reclassified into profits or losses	-2,105,340.95	-1,680,417.88
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	-2,105,340.95	-1,680,417.88
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	-3,833,895.57	2,427,464.76
1. Other comprehensive income that can be reclassified into profits or losses under the equity method	-3,833,895.57	2,427,464.76
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	2,362,184,978.62	2,525,611,377.55
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	H1 2026	H1 2025
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	25,032,335,561.86	23,618,604,701.00
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	-1,125,399.10	3,375,249.41
Other cash receipts related to operating activities	257,522,866.05	380,592,063.79
Subtotal of cash inflows from operating activities	25,288,733,028.81	24,002,572,014.20
Cash paid for goods purchased and services received	16,381,571,633.98	15,188,614,073.94
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	1,578,175,029.66	1,531,166,171.38
Payments of all types of taxes	1,229,014,992.42	1,479,024,101.67
Other cash paid relating to operating activities	1,993,932,004.42	1,842,580,464.44
Subtotal of cash outflows from operating activities	21,182,693,660.48	20,041,384,811.43
Net cash flows from operating activities	4,106,039,368.33	3,961,187,202.77
II. Cash flows from investment activities:		
Cash received from disposal of investments	3,850,000,000.00	2,345,628,996.48
Cash received from returns on investments	119,011,633.21	38,011,539.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	479,654.90	982,974.51
Net cash received from disposal of subsidiaries and other business units	6,098,162.67	1,680,000.00
Other cash received relating to investment activities	665,731,155.60	145,116,700.00

Subtotal of cash inflows from investment activities	4,641,320,606.38	2,531,420,210.39
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	222,045,750.52	204,046,627.53
Cash paid for acquisition of investments	4,400,000,000.00	2,800,040,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	603,960,400.00	482,620,900.00
Subtotal of cash outflows from investment activities	5,226,006,150.52	3,486,707,527.53
Net cash flows from investment activities	-584,685,544.14	-955,287,317.14
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		10,169,668.64
Other cash received relating to financing activities	23,985,516.95	39,062,080.04
Subtotal of cash inflows from financing activities	23,985,516.95	133,715,072.03
Cash payments for settlement of debts	170,424,516.74	421,749,695.51
Cash payments for distribution of dividends and profits or repayment of interest	2,831,274,723.16	2,203,314,851.78
Including: Dividends and profits paid to minority shareholders by subsidiaries		
Other cash payments relating to financing activities	64,503,613.65	92,492,403.17
Subtotal of cash outflows from financing activities	3,066,202,853.55	2,717,556,950.46
Net cash flow from financing activities	-3,042,217,336.60	-2,583,841,878.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-10,320,105.79	-5,088,619.22
V. Net increase in cash and cash equivalents	468,816,381.80	416,969,387.98
Plus: Opening balance of cash and cash equivalents	8,532,232,687.39	10,275,529,575.34
VI. Closing balance of cash and cash equivalents	9,001,049,069.19	10,692,498,963.32

6. Cash flow statement of parent company

Unit: RMB

Item	H1 2026	H1 2025
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	5,728,165,859.37	5,478,720,727.93
Receipts from tax refunds		
Other cash receipts related to operating activities	13,990,837,496.52	3,202,527,946.76
Subtotal of cash inflows from operating activities	19,719,003,355.89	8,681,248,674.69
Cash paid for goods purchased and services received	1,565,240,428.68	955,466,642.34
Cash paid to and on behalf of employees	738,016,632.04	715,770,512.83

Payments of all types of taxes	491,993,968.08	741,623,236.23
Other cash paid relating to operating activities	14,157,928,986.56	2,981,032,782.60
Subtotal of cash outflows from operating activities	16,953,180,015.36	5,393,893,174.00
Net cash flows from operating activities	2,765,823,340.53	3,287,355,500.69
II. Cash flows from investment activities:		
Cash received from disposal of investments	3,850,000,000.00	2,100,000,000.00
Cash received from returns on investments	117,715,899.41	27,547,530.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	380,780.90	
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investment activities	500,000,000.00	108,199,500.00
Subtotal of cash inflows from investment activities	4,468,096,680.31	2,235,747,030.21
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	149,289,590.14	63,316,121.69
Cash paid for acquisition of investments	4,400,000,000.00	2,800,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investment activities	568,674,000.00	272,043,000.00
Subtotal of cash outflows from investment activities	5,117,963,590.14	3,135,359,121.69
Net cash flows from investment activities	-649,866,909.83	-899,612,091.48
III. Cash flows from financing activities:		
Cash received from absorption of investments		
Cash received from borrowings		
Other cash received relating to financing activities	23,985,516.95	39,062,080.04
Subtotal of cash inflows from financing activities	23,985,516.95	39,062,080.04
Cash payments for settlement of debts	150,000,000.00	400,000,000.00
Cash payments for distribution of dividends and profits or repayment of interest	2,824,543,687.24	2,194,360,177.18
Other cash payments relating to financing activities	23,955,527.49	56,402,942.56
Subtotal of cash outflows from financing activities	2,998,499,214.73	2,650,763,119.74
Net cash flow from financing activities	-2,974,513,697.78	-2,611,701,039.70
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-3,229,820.84	-426,505.07
V. Net increase in cash and cash equivalents	-861,787,087.92	-224,384,135.56
Plus: Opening balance of cash and cash equivalents	7,345,468,896.19	7,795,079,954.83
VI. Closing balance of cash and cash equivalents	6,483,681,808.27	7,570,695,819.27

7. Consolidated statement of changes in owners' equity

Amount for the current period

Unit: RMB

Item	H1 2026														
	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				17,632,117,190.85		-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
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				17,632,117,190.85		-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
III. Increase/decrease for the period (decrease is indicated with "-")					64,968,508.18		-12,557,502.52				876,682,933.00		929,093,938.66	-28,624,959.74	900,468,978.92
(I) Total comprehensive income							-12,557,502.52				3,701,170,618.67		3,688,613,116.15	-6,882,282.64	3,681,730,833.51
(II) Contribution and withdrawal of capital by owners					14,136,649.44								14,136,649.44	-21,742,677.10	-7,606,027.66
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					14,136,649.44								14,136,649.44	-21,742,677.10	-7,606,027.66
(III) Profit distribution											-2,824,487,685.67		-2,824,487,685.67		-2,824,487,685.67
1. Withdrawal of surplus reserves															

2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-2,824,487,685.67		-2,824,487,685.67		-2,824,487,685.67
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					50,831,858.74								50,831,858.74		50,831,858.74
IV. Closing balance for the period	1,784,262,603.00				17,697,085,699.03		-117,648,883.03		2,530,458,968.58		19,078,994,395.52		40,973,152,783.10	74,817,024.17	41,047,969,807.27

Amount for the previous year

Unit: RMB

Item	H1 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 "-")					52,836,059.54		3,258,451.54				1,518,560,118.56		1,574,654,629.64	60,234,443.96	1,634,889,073.60
(I) Total comprehensive income							3,258,451.54				3,632,911,303.12		3,636,169,754.66	13,043,315.43	3,649,213,070.09
(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														47,191,128.53	47,191,128.53
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											-2,114,351,184.56		-2,114,351,184.56		-2,114,351,184.56
1. Withdrawal of surplus reserves															
2. Withdrawal of															

general risk provision															
3. Distribution to owners (or shareholders)											-2,114,351,184.56		-2,114,351,184.56		-2,114,351,184.56
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					15,826,190.78								15,826,190.78		15,826,190.78
IV. Closing balance for the period	1,784,262,603.00				17,689,984,883.02		-98,004,904.77		2,530,458,968.58		18,499,899,504.32		40,406,601,054.15	94,372,581.72	40,500,973,635.87

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

Amount for the current period

Unit: RMB

Item	H1 2026											
	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				17,797,498,647.03		-61,252,370.53		2,529,297,618.08	3,154,933,345.92		25,204,739,843.50
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				17,797,498,647.03		-61,252,370.53		2,529,297,618.08	3,154,933,345.92		25,204,739,843.50
III. Increase/decrease for the period (decrease is indicated with "-")					50,831,858.74		-5,939,236.52			-456,363,470.53		-411,470,848.31
(I) Total comprehensive income							-5,939,236.52			2,368,124,215.14		2,362,184,978.62
(II) Contribution and withdrawal of capital by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others												
(III) Profit distribution										-2,824,487,685.67		-2,824,487,685.67
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-2,824,487,685.67		-2,824,487,685.67
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					50,831,858.74							50,831,858.74
IV. Closing balance for the period	1,784,262,603.00				17,848,330,505.77		-67,191,607.05		2,529,297,618.08	2,698,569,875.39		24,793,268,995.19

Amount for the previous year

Unit: RMB

Item	H1 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 "-")					15,826,190.78		747,046.88			410,513,146.11		427,086,383.77
(I) Total comprehensive income							747,046.88			2,524,864,330.67		2,525,611,377.55
(II) Contribution and withdrawal of capital by owners												
1. Ordinary shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share payment credited to owners' equity												
4. Others												
(III) Profit distribution										-2,114,351,184.56		-2,114,351,184.56
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-2,114,351,184.56		-2,114,351,184.56
3. Others												

(IV) Internal carry-over of owner’s equity												
1. Transfer of capital reserves to capital (or share capital)												
2. Transfer of surplus reserves to capital (or share capital)												
3. Covering loss with surplus reserves												
4. Change of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(V) Special reserves												
1. Provision for the period												
2. Utilization for the period												
(VI) Others					15,826,190.78							15,826,190.78
IV. Closing balance for the period	1,784,262,603.00				17,855,366,339.20		-60,755,342.13		2,529,297,618.08	2,698,199,803.38		24,806,371,021.53

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, Ltd 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 June 30, 2026, 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 August 28, 2026.

As of June 30, 2026, there were 112 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 1 new entity included and 3 entities excluded in its consolidated financial statements compared to the end of the previous year.

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 at least 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 30 "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 June 30, 2026 as well as the business results and cash flows of the Company and the Group for the first half of 2026. 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 whose investment for a single project accounts for more than 2% of the net assets, as well as other key R&D projects identified by the Company
Significant outsourced project under research	R&D projects whose investment for a single project accounts for more than 2% of the net assets, as well as 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 equity 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 “Impairment of Long-term Assets” under Note V.

(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 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 is the original and planned investigation undertaken with the objective of acquiring and understanding new scientific or technical knowledge. Expense at the research phase is recognized in the current profits and losses when incurred.

Development is the application of research findings or other knowledge to a plan or design prior to commercial production or use, for the production of new or substantially improved materials, devices, products and so on. Expenditures incurred during the development phase shall be capitalised if all of the following conditions are met. Expenditures in the development phase that fail to satisfy any of the conditions below shall be recognized in profit or loss for the current period:

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. Segment Reporting

The Company determines its operating segments on the basis of its internal organizational structure, management requirements and internal reporting system. An operating segment of the Company is a component that satisfies all of the following conditions simultaneously:

1. The component is capable of generating revenues and incurring expenses in its ordinary-course activities;

2. The management regularly evaluates the component's operating results for the purposes of resource-allocation decisions and performance assessment;

3. Relevant accounting information concerning the component's financial position, operating results and cash flows can be obtained through analysis.

36. 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.

37. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☑ Applicable □ Not applicable

① Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 19 issued by the Ministry of Finance, "Accounting Treatment of Indemnification Assets in a Business Combination Not Under Common Control," and applied a retrospective adjustment to indemnification assets existing as at January 1, 2026.

This change in accounting policy has no impact on the Company's financial statements.

② Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 19 issued by the Ministry of Finance, "Accounting Treatment of Relevant Capital Reserve upon Disposal of a-Subsidiary Previously Acquired through a Business Combination Under Common Control," with retrospective adjustment made accordingly.

This change in accounting policy has no impact on the Company's financial statements.

③ Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 19 issued by the Ministry of Finance, "Derecognition of Financial Liabilities Settled via Electronic Payment Systems." In accordance with the transitional requirements between the old and new standards, comparative-period information shall not be restated. The cumulative effect at the date of initial application shall be adjusted against opening retained earnings and other relevant items in the financial statements for the current reporting period.

This change in accounting policy has no impact on the Company's financial statements.

④ Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 19 issued by the Ministry of Finance, "Assessment of Contractual Cash-flow Characteristics of Financial Assets and Related Disclosures." In accordance with the transitional requirements between the old and new standards, comparative-period information shall not be restated. The cumulative effect at the date of initial application shall be adjusted against opening retained earnings and other relevant items in the financial statements for the current reporting period.

This change in accounting policy has no impact on the Company's financial statements.

⑤ Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 19 issued by the Ministry of Finance, "Disclosures for Equity Instruments Designated as Measured at Fair Value Through Other Comprehensive Income."

⑥ Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation

No. 20 issued by the Ministry of Finance, "Assessment of Contractual Cash-flow Characteristics of Financial Assets." In accordance with the transitional requirements between the old and new standards, comparative-period information shall not be restated. The cumulative effect at the date of initial application shall be adjusted against opening retained earnings and other relevant items in the financial statements for the current reporting period.

This change in accounting policy has no impact on the Company's financial statements.

⑦ Effective January 1, 2026, the Company has adopted the provisions of Accounting Standards Interpretation No. 20 issued by the Ministry of Finance, "Accounting Treatment and Related Disclosures in the Absence of Currency Convertibility." Pursuant to the transitional requirements between the old and new standards, comparative-period information shall not be restated. Where an entity reports foreign-currency transactions in its functional currency and determines that such foreign currency is not convertible into its functional currency, it shall translate affected foreign-currency monetary items and non-monetary items measured at fair value in a foreign currency using the estimated spot exchange rate at the date of initial application; the effect of initially applying this Interpretation shall be adjusted against opening retained earnings. Where an entity's presentation currency differs from its functional currency, or when translating the financial position and operating results of a foreign operation, and a lack of convertibility is identified between the entity's / foreign operation's functional currency and the entity's presentation currency, the entity shall translate affected assets and liabilities using the estimated spot exchange rate at the date of initial application. If the entity's functional currency is subject to hyperinflation, affected equity items shall also be translated at the estimated spot exchange rate at the date of initial application. The impact arising from initial-application of this Interpretation shall be treated as an adjustment to the accumulated amount of translation differences (recognized as a separate component of equity).

This change in accounting policy has no impact on the Company's financial statements.

(2) Changes in significant accounting estimates

□ Applicable ☑ Not applicable

(3) First-time implementation of the new accounting standard in 2026 to adjust relevant items in the financial statements at the beginning of the year of first-time implementation

□ Applicable ☑ Not applicable

38. 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%, 3%, 0%
Consumption tax	Quantity-based collection and price-based collection	Price-based collection: 15%, 10%; Quantity-based collection: 20% plus RMB 0.5 per 0.5kg (or 500 mL)
Urban maintenance and construction tax	Amount of turnover tax payables	7%, 5%, 1%
Education surcharge	Amount of turnover tax payables	3%

Local education surcharge	Amount of turnover tax payables	2%
Enterprise income tax	Taxable income	25%, 20%, 16.5%, 15%, 8.25%

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 Institute of Materia Medica	15.00%
Yunnan Tianzheng Testing Technology Co., Ltd.	20.00%
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%
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 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%
Yunnan Pharmaceutical Xiongyi Co., Ltd.	20.00%
Yunnan Baiyao Group Shanghai Technology Co., Ltd.	20.00%
YNBY Healthcare (Shenzhen) Limited	20.00%
YNBY Healthcare Technology (Yunnan) Co., Ltd.	20.00%

2. Preferential tax treatment

(1) A total of 8 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, and Yunnan Baiyao Group Dali Pharmaceutical 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 enjoys 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 Juyaotang 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) YNBY International Limited and its profitable Hong-Kong-based subsidiaries are eligible for Hong Kong's "two-tiered tax-rate" policy. Under this policy, the tax rate is 8.25% on the first HKD 2 million of assessable profits for a tax year, and 16.5% on the portion of assessable profits in excess of HKD 2 million. Certain Hong-Kong-based subsidiaries of Yunbaiyao Hong Kong Co., Limited and YNBY International Limited are not subject to Hong Kong's "two-tiered tax-rate" policy, as they conduct minor-scale operations, have no significant operating revenue and generate no assessable profits.

(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 by the Ministry of Finance and the State Taxation Administration [2022] No. 13), "the part of the annual taxable

income of small and micro profit enterprises exceeding RMB 1 million but not exceeding RMB 3 million shall be included in the taxable income at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The period of implementation of this announcement is from January 1, 2022 to December 31, 2024," the *Announcement of the General Administration of Taxation of the Ministry of Finance on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement by the Ministry of Finance and the State Taxation Administration [2023] No. 6), "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 by the Ministry of Finance and the State Taxation Administration [2023] No. 12), "For small, low-profit enterprises, the taxable income amount shall be calculated at a reduced rate of 25%, and the enterprise income tax shall be paid at a tax rate of 20%. The policy shall be continued until December 31, 2027." Thirty-four 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	172,822.40	125,243.29
Bank deposit	9,451,514,106.22	9,042,351,401.06
Other cash and bank balance	118,217,124.88	65,352,523.63
Total	9,569,904,053.50	9,107,829,167.98
Including: Total amount of money deposited overseas	54,213,276.77	112,994,332.70

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	4,751,169,278.18	4,192,113,408.43
Including:		
Others	4,751,169,278.18	4,192,113,408.43
Including:		
Total	4,751,169,278.18	4,192,113,408.43

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	270,909,670.96	239,281,210.93
Commercial acceptance bill	290,000.00	85,000.00
Domestic letter of credit	355,000,000.00	346,000,000.00
Total	626,199,670.96	585,366,210.93

(2) Disclosure by the method of 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	
Bills receivable with provision for bad debts by portfolio	626,199,670.96	100.00%			626,199,670.96	585,366,210.93	100.00%			585,366,210.93
Including:										
Banker's acceptance bill	270,909,670.96	43.26%			270,909,670.96	239,281,210.93	40.88%			239,281,210.93
Commercial acceptance bill	290,000.00	0.05%			290,000.00	85,000.00	0.01%			85,000.00
Domestic letter of credit	355,000,000.00	56.69%			355,000,000.00	346,000,000.00	59.11%			346,000,000.00
Total	626,199,670.96	100.00%			626,199,670.96	585,366,210.93	100.00%			585,366,210.93

Provision for bad debts by portfolio:

Unit: RMB

Item	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Banker's acceptance bill	270,909,670.96		
Commercial acceptance bill	290,000.00		
Domestic letter of credit	355,000,000.00		
Total	626,199,670.96		

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	310,000.00	
Domestic letter of credit	497,000,000.00	
Total	497,310,000.00	

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

4. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within 1 year (inclusive of 1 year)	9,934,100,036.23	9,956,655,013.57
1 to 2 years	996,006,510.56	865,042,333.71
2 to 3 years	110,621,127.73	211,881,274.53
Above 3 years	76,870,127.26	81,486,165.98
Total	11,117,597,801.78	11,115,064,787.79

(2) Disclosure by the method of 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%	
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%	
Accounts receivable with provision for bad debts on portfolio basis	11,111,931,613.78	99.95%	929,329,127.50	8.36%	10,182,602,486.28	11,109,398,599.79	99.95%	949,339,376.50	8.55%	10,160,059,223.29
Including:										
Age-based portfolio	11,111,931,613.78	99.95%	929,329,127.50	8.36%	10,182,602,486.28	11,109,398,599.79	99.95%	949,339,376.50	8.55%	10,160,059,223.29
Total	11,117,597,801.78	100.00%	934,995,315.50	8.41%	10,182,602,486.28	11,115,064,787.79	100.00%	955,005,564.50	8.59%	10,160,059,223.29

Provision for bad debts made on an individual basis:

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:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Age-based portfolio	11,111,931,613.78	929,329,127.50	8.36%
Total	11,111,931,613.78	929,329,127.50	

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 for the period:

Unit: RMB

Category	Opening balance	Changes in this period				Closing balance
		Provision	Recovery or reversal	Write-off	Others	
Single account receivable with provision for bad debts	5,666,188.00					5,666,188.00
Age-based portfolio	949,339,376.50		16,897,402.35	3,089,632.32	-23,214.33	929,329,127.50
Total	955,005,564.50		16,897,402.35	3,089,632.32	-23,214.33	934,995,315.50

Including significant amount recovered or reversed provision for bad debts during the reporting 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	3,089,632.32

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	589,685,104.67		589,685,104.67	5.30%	111,406,193.66
Customer B	528,450,977.39		528,450,977.39	4.75%	27,423,495.43
Customer C	427,238,675.06		427,238,675.06	3.84%	21,793,150.27
Customer D	253,899,752.49		253,899,752.49	2.28%	17,751,371.49
Customer E	236,783,795.31		236,783,795.31	2.13%	24,573,454.07
Total	2,036,058,304.92		2,036,058,304.92	18.30%	202,947,664.92

5. Accounts receivable financing

(1) Accounts receivable financing by type

Unit: RMB

Item	Closing balance	Opening balance
Banker’s acceptance bill	513,382,144.02	1,230,423,455.01
Domestic letter of credit	325,239,244.15	451,562,128.92
Total	838,621,388.17	1,681,985,583.93

(2) Classified disclosure according to the method of bad debt provision: None.

(3) The bad debt provisions accrued, recovered, or reversed during the period: None.

(4) Financing of receivable pledged by the Company at the end of the reporting period: None.

(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	8,362,529,551.50	
Domestic letter of credit	492,383,997.93	
Total	8,854,913,549.43	

(6) Financing of the actual write-off of accounts receivable during the reporting period: None.

(7) Increase/decrease in the financing of accounts receivable and in their fair values during the reporting period: None.

(8) Other explanations: None.

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	232,969,378.60	79,875,215.52
Other receivables	399,426,182.58	326,642,028.59
Total	632,395,561.18	406,517,244.11

(1) Interests receivable

1) Interests receivable by type: None.

2) Major overdue interests: None.

3) Disclosure by method of provision for bad debts

□Applicable ☑Not applicable

4) Provision for bad debts accrued, recovered or reversed during the reporting period: None.

5) Actual write-off of interests 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.	232,969,378.60	79,875,215.52
Total	232,969,378.60	79,875,215.52

2) Significant dividends receivable aged over one year: None.

3) Disclosure by the method of provision for bad debts

□Applicable ☑Not applicable

4) Provision for bad debts accrued, recovered or reversed during the reporting 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 book balance	Opening book balance
Deposits and guarantees	347,905,012.77	261,910,279.76
Borrowings	2,677,211.78	2,677,211.78
Current account and petty cash	63,419,778.47	106,645,507.97
Others	302,691,456.54	316,089,936.01
Total	716,693,459.56	687,322,935.52

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive of 1 year)	391,944,545.69	336,848,203.09
1 to 2 years	41,297,727.61	17,700,710.11
2 to 3 years	12,089,540.86	6,347,352.58
Above 3 years	271,361,645.40	326,426,669.74
Total	716,693,459.56	687,322,935.52

3) Disclosure by the method of 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, 2026	89,420,232.39	0.00	271,260,674.54	360,680,906.93
Balance as of January 1, 2026 in the current period				
Current reversal	23,380,567.72	0.00	664,393.96	24,044,961.68
Current transfer	0.00	0.00	0.00	0.00
Current write-off	0.00	0.00	19,368,668.27	19,368,668.27
Balance as of June 30, 2026	66,039,664.67		251,227,612.31	317,267,276.98

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: None.

5) Actual write-off of other receivables for the period

Unit: RMB

Item	Write-off Amount
Other receivables	19,368,668.27

Write-off of other significant receivables:

Unit: RMB

Entity name	Nature of Other Receivables	Write-off Amount	Reason for Write-off	Write-off Procedures Performed	Arising from Related Party Transactions
Hong Kong Yuhe Trading Co., Limited	Others	19,368,668.27	See explanation below		No
Total		19,368,668.27			

Explanations on write-off of other receivables: In 2022, YNBY International Limited had outstanding current receivables totalling HKD 22.3 million from Hong Kong Yuhe Trading Co., Limited. Following a forensic investigation conducted by KPMG, YNBY International Limited made full impairment provisions against the above receivables in the financial statements for 2022. In mid-2026, the Company received official statutory notification from the liquidator confirming that the liquidation proceedings of the debtor were nearing completion and no residual assets were available for distribution to creditors. Accordingly, YNBY International Limited formally wrote off the total amount of HKD 22.3 million during the reporting period.

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
Customer A	Deposits and guarantees	100,000,000.00	Within 1 year	13.95%	5,000,000.00
Customer B	Deposits and guarantees	59,990,000.00	Within 1 year	8.37%	2,999,500.00
Customer C	Deposits and guarantees	37,799,431.74	Within 1 year	5.27%	1,889,971.59
Customer D	Current account and petty cash	22,742,400.00	Within 1 year	3.17%	1,137,120.00
Customer E	Deposits and guarantees	19,200,000.00	Within 1 year	2.68%	960,000.00
Total		239,731,831.74		33.45%	11,986,591.59

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	327,167,395.43	96.81%	425,475,454.48	97.94%
1 to 2 years	4,267,756.19	1.26%	4,135,029.82	0.95%
2 to 3 years	2,648,728.29	0.78%	2,124,307.70	0.49%
Above 3 years	3,850,401.60	1.14%	2,708,157.73	0.62%
Total	337,934,281.51		434,442,949.73	

Explanations 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	19,621,407.07	5.81%
2	Supplier B	18,042,131.36	5.34%
3	Supplier C	17,361,818.91	5.14%
4	Supplier D	14,711,863.23	4.35%
5	Supplier E	14,351,440.46	4.25%
Total		84,088,661.03	24.89%

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 performance costs	Book value	Book balance	Provision for decline in value of inventories or provision for impairment of contract performance costs	Book value
Raw materials	1,715,935,501.51	117,270,196.82	1,598,665,304.69	1,515,887,407.03	139,864,005.50	1,376,023,401.53
Construction in process	132,717,752.84	6,824,914.85	125,892,837.99	246,090,458.23	6,824,914.85	239,265,543.38

Finished goods	4,455,859,395.58	139,306,443.44	4,316,552,952.14	4,664,617,530.93	145,683,078.79	4,518,934,452.14
Consumptive biological assets	45,800,788.30		45,800,788.30	36,331,281.28		36,331,281.28
Materials outsourced for processing	1,467,372.95		1,467,372.95			
Packaging materials and low value consumables	60,460,573.03	962,600.94	59,497,972.09	61,727,408.47	898,260.11	60,829,148.36
Total	6,412,241,384.21	264,364,156.05	6,147,877,228.16	6,524,654,085.94	293,270,259.25	6,231,383,826.69

(2) Data resources confirmed as inventory: None.

(3) Provision for decline in value of inventories 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	139,864,005.50	8,050,940.20		30,644,748.88		117,270,196.82
Construction in process	6,824,914.85	0.00				6,824,914.85
Stocks	145,683,078.79	18,858,668.41		25,214,563.71	20,740.05	139,306,443.44
Goods sent for processing						
Packaging materials and low value consumables	898,260.11	127,635.40		63,294.57		962,600.94
Total	293,270,259.25	27,037,244.01	0.00	55,922,607.16	20,740.05	264,364,156.05

Provision for decline in value of inventories on a portfolio basis: None.
Standards for provision for decline in value of inventories on a portfolio basis: 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. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Cost of returned goods receivable	174,920,435.17	161,604,003.07
Time deposits and other wealth-management products	303,007,339.00	373,132,815.85
Input tax to be deducted and certified	461,367,013.80	364,066,091.69
Prepaid taxes and fees	16,343,267.13	101,041,664.39

Others	225,823,037.07	235,050,583.04
Total	1,181,461,092.17	1,234,895,158.04

Information on indemnification assets: None.

Other explanations: None.

10. Other equity instrument investments

Unit: RMB

Item name	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	Closing balance	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:

Item name	Dividend income recognized	Cumulative gains	Cumulative losses	Amounts reclassified from other comprehensive income to retained earnings	Reason for designating measurement at fair value through other comprehensive income	Reasons for reclassification from other comprehensive income to retained earnings
ImmuneSensor Therapeutics Inc.					The investment is strategic and is a non-trading equity instrument investment	

Other explanations: None.

11. 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 recognized under the equity method	Adjustment of other comprehensive income	Change in other equities	Cash dividends or profit declared to distribute	Provision for impairment	Others		
I. Joint ventures												
II. Associates												
Shanghai Pharmaceuticals Holding Co., Ltd.	12,727,754,542.87				608,027,114.39	-5,939,236.52	50,831,858.74	232,969,378.60			13,147,704,900.88	
Yunnan TCM Comprehensive Health Innovation Equity Investment Fund Partnership (Limited Partnership)	499,823,509.04				709,281.14						500,532,790.18	
Lijiang Changgengming Trading Co., Ltd.												
Subtotal	13,227,578,051.91				608,736,395.53	-5,939,236.52	50,831,858.74	232,969,378.60	-	-	13,648,237,691.06	
Total	13,227,578,051.91				608,736,395.53	-5,939,236.52	50,831,858.74	232,969,378.60	-	-	13,648,237,691.06	

The recoverable amount is determined based on the net amount obtained by the 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 years: None.

Other explanations: None.

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profits or losses	312,435,493.34	210,855,260.47
Total	312,435,493.34	210,855,260.47

Other explanations: None.

13. Investment properties

(1) Adoption of the cost measurement model for investment properties

☑Applicable □Not applicable

Unit: RMB

Item	Houses and buildings	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	65,586,463.80	36,595,425.89		102,181,889.69
2. Increase in the current period				
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\ construction in progress				
(3) Increase in business combination				
3. Decrease in the current period	1,174,896.46			1,174,896.46
(1) Disposal				
(2) Other transfer out	1,174,896.46			1,174,896.46
4. Closing balance	64,411,567.34	36,595,425.89		101,006,993.23
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	42,075,914.85	6,963,893.99		49,039,808.84

2. Increase in the current period	1,528,948.03	714,052.70		2,243,000.73
(1) Provision or amortization	1,528,948.03	714,052.70		2,243,000.73
3. Decrease in the current period	46,641.27			46,641.27
(1) Disposal				
(2) Other transfer out	46,641.27			46,641.27
4. Closing balance	43,558,221.61	7,677,946.69		51,236,168.30
III. Provision for impairment				
1. Opening balance	2,775,502.20			2,775,502.20
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer out				
4. Closing balance	2,775,502.20			2,775,502.20
IV. Book value				
1. Closing book value	18,077,843.53	28,917,479.20		46,995,322.73
2. Opening book value	20,735,046.75	29,631,531.90		50,366,578.65

The recoverable amount is determined based on the net amount obtained by the 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 years: 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.

14. Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	3,212,019,003.42	3,273,782,844.91
Liquidation of fixed assets	603,672.04	557,307.43

Total	3,212,622,675.46	3,274,340,152.34

(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	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
2. Increase in the current period	1,227,139.23	54,723,338.05	797,801.09	5,587,741.73	50,901.40	62,386,921.50
(1) Purchase	-	38,315,807.97	797,801.09	5,587,741.73	50,901.40	44,752,252.19
(2) Transfer from construction in progress	52,242.77	16,407,530.08				16,459,772.85
(3) Increase in business combination						
(4) Other transfer-in	1,174,896.46					1,174,896.46
3. Decrease in the current period	-150,404.06	16,698,313.32	895,612.17	5,523,811.37		22,967,332.80
(1) Disposal or scrapping		14,439,918.50	895,612.17	324,238.70		15,659,769.37
(2) Other transfer-out	-150,404.06					-150,404.06
(3) Decrease in business combination		2,258,394.82		5,199,572.67		7,457,967.49
4. Closing balance	3,229,598,338.32	2,001,040,615.32	69,750,119.73	212,875,289.97	11,358,238.31	5,524,622,601.65
II. Accumulated depreciation						
1. Opening 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
2. Increase in the current period	41,952,504.53	58,628,865.51	2,061,655.42	12,541,744.16	469,362.69	115,654,132.31
(1) Provision	41,905,863.26	58,628,865.51	2,061,655.42	12,541,744.16	469,362.69	115,607,491.04
(2) Other transfer-in	46,641.27					46,641.27
3. Decrease in the current period	39,222.50	7,528,235.61	661,957.46	3,442,451.34		11,671,866.91
(1) Disposal or scrapping		6,682,408.75	661,957.46	465,075.28		7,809,441.49
(2) Other transfer-out	39,222.50					39,222.50
(3) Decrease in business combination		845,826.86		2,977,376.06		3,823,202.92
4. Closing balance	779,166,658.64	1,260,808,646.28	43,676,232.89	156,426,998.35	4,093,866.39	2,244,172,402.55
III. Provision for impairment						
1. Opening balance	42,494,354.75	25,478,506.18		3,257,169.96		71,230,030.89
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period	-56,339.21	1,212,775.67		1,642,398.75		2,798,835.21
(1) Disposal or scrapping		89,022.87		15,346.82		104,369.69
(2) Other transfer-out	-56,339.21					-56,339.21

(3) Decrease in business combination		1,123,752.80		1,627,051.93		2,750,804.73
4. Closing balance	42,550,693.96	24,265,730.51		1,614,771.21		68,431,195.68
IV. Book value						
1. Closing book value	2,407,880,985.72	715,966,238.53	26,073,886.84	54,833,520.41	7,264,371.92	3,212,019,003.42
2. Opening 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) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Houses and buildings	4,629,817.80	2,774,687.70	0	1,855,130.10	
Machinery and equipment	44,051,179.29	12,931,065.71	19,433,112.03	11,687,001.55	
Transportation vehicles	230,619.47	114,497.49	0	116,121.98	
Electronic equipment	10,079,412.95	8,586,457.25	567,755.55	925,200.15	
Others	54,060.15	52,914.52		1,145.63	

(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
Yunjian Assets	1,841,283.01	Acquired through judicial auction, with land use certificate but no property certificate
Commercial properties in Xiaguan, Dali	1,417,591.45	The property rights of the resettlement housing to be processed
Buildings in planting base of Yunquan	1,017,746.00	The land is a leased land
Overall relocation project of Wenshan Qihua	15,284,523.09	Partial ownership has been secured, and the remaining is in process
Drug Division of Dali Pharmaceutical Economic Development Zone	31,298,481.20	In process
No. 1 Building of Shanghai Center	98,077,012.85	In process
Kunming Center	270,168,951.56	In process

Other explanations: None.

(5) Impairment test of fixed assets

□Applicable ☑ Not applicable

(6) Liquidation of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment	555,465.76	495,495.35
Electronic equipment	48,206.28	61,812.08
Total	603,672.04	557,307.43

Other explanations: None.

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	932,187,206.75	807,592,848.36
Total	932,187,206.75	807,592,848.36

(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	768,899,314.04		768,899,314.04	730,931,829.62		730,931,829.62
Yunnan Baiyao TCM Industry Culture Park Project	71,570,974.99		71,570,974.99	22,041,089.96		22,041,089.96
Construction Project for the Decoction Pieces Production Center in the Qidian Industrial Zone	29,528,700.13		29,528,700.13	5,964,702.46		5,964,702.46
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	28,591,656.94		28,591,656.94	38,967,429.33		38,967,429.33
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	6,729,998.59		6,729,998.59	1,250,981.88		1,250,981.88
Second Phase of the Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	4,872,642.17		4,872,642.17			-
Yunnan Baiyao Teayield Upgrade-and-Renovation Project	3,587,467.12		3,587,467.12	363,853.83		363,853.83
Renovation Costs for the Wuxi Laboratory	2,341,749.33		2,341,749.33	150,479.94		150,479.94
Steam Renovation Project of Yunnan Baiyao Group Health Industrial Park	1,885,399.99		1,885,399.99	40,754.72		40,754.72
Filling-line Replacement Project at Jingkai Toothpaste Factory, Yunnan Baiyao Group Health Products Co., Limited	1,698,458.77		1,698,458.77			
Upgrade-and-Renovation Project for Combined-packaging Filling-packaging Lines, Yunnan Baiyao	1,020,081.24		1,020,081.24			

Smart-Health Factory						
Phase-II Oral-liquid Project of Wenshan Company	265,605.91		265,605.91			
Other projects	11,195,157.53		11,195,157.53	7,881,726.62		7,881,726.62
Total	932,187,206.75		932,187,206.75	807,592,848.36		807,592,848.36

(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	730,931,829.62	37,967,484.42			768,899,314.04	74.25%	98.00%				Self-funded
Yunnan Baiyao R&D Platform - Kunming Center Construction Project	921,670,000.00	1,250,981.88	5,479,016.71			6,729,998.59	34.80%	57.00%				Self-funded
Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	146,650,000.00	38,967,429.33	27,928,314.05	15,982,928.32	22,321,158.12	28,591,656.94	73.42%	73.51%				Self-funded
Yunnan Baiyao TCM Industry Culture Park Project	183,000,000.00	22,041,089.96	49,529,885.03			71,570,974.99	69.00%	85.00%				Self-funded
Construction Project for the Decoction Pieces	83,893,300.00	5,964,702.46	23,563,997.67			29,528,700.13	35.20%	48.00%				Self-funded

Production Center in the Qidian Industrial Zone												
Second Phase of the Government-Enterprise Cooperation Project of Yunnan Baiyao Group in Lijiang Ecological Science and Technology Industrial Park (Phase II)	64,100,000.00		4,872,642.17			4,872,642.17	7.60%	15.96%				Self-funded
Phase-II Oral-liquid Project of Wenshan Company	137,360,500.00		265,605.91			265,605.91	0.19%	0.75%				Self-funded
Total	2,925,844,300.00	799,156,033.25	149,606,945.96	15,982,928.32	22,321,158.12	910,458,892.77						

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

(4) Impairment test of construction in progress

□ Applicable ☑ Not applicable

(5) Project materials: None.

16. 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		0.00
1. Opening balance	1,933,875.15	1,933,875.15
2. Increase in the current period	85,950.06	85,950.06
(1) Provision	85,950.06	85,950.06
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance	2,019,825.21	2,019,825.21
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
(2) Others		
4. Closing balance		
IV. Book value		
1. Closing book value	558,674.79	558,674.79
2. Opening book value	644,624.85	644,624.85

(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

17. 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	416,859,685.85	4,591,241.37	14,781,939.40	436,232,866.62
2. Increase in the current period	40,771,785.95	431,728.06	3,608,514.21	44,812,028.22
(1) Lease	40,771,785.95	431,728.06	3,608,514.21	44,812,028.22
(2) Others				
3. Decrease in the current period	64,803,261.25		870,366.49	65,673,627.74
(1) Lease expiration	48,751,995.58			48,751,995.58
(2) Disposal	16,051,265.67		870,366.49	16,921,632.16
(3) Others				
4. Closing balance	392,828,210.55	5,022,969.43	17,520,087.12	415,371,267.10
II. Accumulated depreciation				
1. Opening balance	182,550,735.23	1,249,962.46	4,428,788.08	188,229,485.77
2. Increase in the current period	52,687,802.05	412,695.20	875,345.70	53,975,842.95
(1) Provision	52,687,802.05	412,695.20	875,345.70	53,975,842.95
(2) Others				
3. Decrease in the current period	58,181,025.80		289,459.40	58,470,485.20
(1) Lease expiration	48,751,995.58			48,751,995.58
(2) Disposal	9,429,030.22		289,459.40	9,718,489.62
(3) Others				
4. Closing balance	177,057,511.48	1,662,657.66	5,014,674.38	183,734,843.52
III. Provision for impairment				
1. Opening balance				
2. Increase in the current period				
3. Decrease in the current period				
4. Closing balance				
IV. Book value				
1. Closing book value	215,770,699.07	3,360,311.77	12,505,412.74	231,636,423.58
2. Opening book value	234,308,950.62	3,341,278.91	10,353,151.32	248,003,380.85

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

□ Applicable ☑ Not applicable

Other explanations: None.

18. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patent technology	Software	Trademark	Franchise rights	Data assets	Others	Total
I. Original book value									
1. Opening 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
2. Increase in the current period			1,000,000.00	2,713,613.64			1,276,057.83		4,989,671.47
(1) Purchase			1,000,000.00	2,713,613.64					3,713,613.64
(2) Internal R&D							1,276,057.83		1,276,057.83
(3) Increase in business combination									
3. Decrease in the current period				84,377.47	26,335.93				110,713.40
(1) Disposal					6,335.93				6,335.93
(2) Decrease in business combination				84,377.47	20,000.00				104,377.47
4. Closing balance	743,969,528.65	34,492,676.60	82,432,377.88	134,164,455.48	40,961.24	154,081,682.57	1,276,057.83	218,474.55	1,150,676,214.80
II. Accumulated amortization									
1. Opening 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
2. Increase in the current period	7,607,758.45	787,100.52	6,229,093.32	6,429,255.73	3,454.89		85,070.51	21,489.30	21,163,222.72
(1) Provision	7,607,758.45	787,100.52	6,229,093.32	6,429,255.73	3,454.89		85,070.51	21,489.30	21,163,222.72
(2) Increase in business combination									
3. Decrease in the current period				44,532.55	8,094.05				52,626.60
(1) Disposal					501.84				501.84
(2) Decrease in business combination				44,532.55	7,592.21				52,124.76
4. Closing balance	205,502,976.05	32,678,286.91	16,315,132.72	52,073,194.81	5,988.93	17,664,216.34	85,070.51	175,495.95	324,500,362.22
III. Provision for impairment									
1. Opening balance	6,382,453.60			414,165.45		136,417,466.23			143,214,085.28
2. Increase in the current period									
(1) Provision									
3. Decrease in the current period				39,844.92					39,844.92
(1) Disposal									

(2) Decrease in business combination				39,844.92					39,844.92
4. Closing balance	6,382,453.60			374,320.53		136,417,466.23			143,174,240.36
IV. Book value									
1. Closing book value	532,084,099.00	1,814,389.69	66,117,245.16	81,716,940.14	34,972.31		1,190,987.32	42,978.60	683,001,612.22
2. Opening 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

The proportion of intangible assets formed through the Company's internal R&D at the end of the period is 0.22% of the total intangible assets balance.

(2) Data resources for recognition of intangible assets

Unit: RMB

Item	Data-resource intangible assets externally purchased	Data-resource intangible assets internally developed	Data-resource intangible assets obtained via other methods	Total
I. Original book value				
1. Opening balance				0.00
2. Increase in the current period		1,276,057.83		1,276,057.83
Including: Internal R&D		1,276,057.83		1,276,057.83
3. Closing balance		1,276,057.83		1,276,057.83
II. Accumulated amortization				
1. Opening balance				
2. Increase in the current period		85,070.51		85,070.51
Others: Provision		85,070.51		85,070.51
3. Closing balance		85,070.51		85,070.51
III. Book value				
1. Closing book value		1,190,987.32		1,190,987.32

In accordance with the *Interim Provisions on the Accounting Treatment of Enterprise-Related Data Resources*, the Company has recognized data resources meeting the capitalization criteria under the "One-Item-One-Code Health Promotion Development" project as intangible assets - data assets.

(3) Land use rights for which the title certificate has not been obtained: None.

(4) Impairment test of intangible assets

□Applicable ☑Not applicable

19. 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 Juyaotang 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	0
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
Total	913,196,075.36	0.00	23,247,992.08	889,948,083.28

(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	0
Lijiang Yunquan Biological Development Co., Ltd.	721,770.39			721,770.39
Total	612,390,442.37		23,247,992.08	589,142,450.29

(3) Related information on asset group or combination of asset groups containing goodwill: None.

(4) Determination of recoverable amount

The recoverable amount is determined based on the net amount obtained by the 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 years: 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

Unit: RMB’0,000

Item	Performance commitment fulfilment						Goodwill impairment loss	
	Current period			Previous period			Current period	Previous period
	Committed performance	Actual performance	Completion rate	Committed performance	Actual performance	Completion rate		
Acquisition of 100% equity interest in Anguo Juyaotang Pharmaceutical Co., Ltd.	Full-year 2026 principal-business revenue of no less than RMB 61,6000,000	31,833.34	51.68%					
Acquisition of 100% equity interest in Anguo Juyaotang Pharmaceutical Co., Ltd.	Full-year 2026 net profit of no less than RMB 59,700,000	2,236.71	37.47%					

Other explanations: The original shareholders of Juyaotang (Ma Xinhong, Ma Zhanjiang, Zhang Shuang, Shi Yuexin and Shi Guang) undertake commitments in respect of the audited net profit and principal-business revenue achieved by Juyaotang for the period from January 1, 2025 to December 31, 2027 (the “Performance Commitment Period”). Compensation shall be payable to the TCM Resources Company if Juyaotang fails to meet the committed net-profit or principal-business-revenue targets. Juyaotang shall cooperate with the TCM Resources Company to ensure that its financial audit is completed on or before April 30 each year, and whether the performance commitment has been satisfied shall be determined based on the audit results.

“Net profit” means the net profit of Juyaotang presented in its consolidated financial statements, audited and confirmed by an accounting firm appointed or approved by the TCM Resources Company, after deducting non-recurring gains and losses and excluding the impact of accrued credit-impairment losses and the corresponding income-tax expenses. Net-profit calculation also includes government subsidies, subject to a cap of RMB 5 million.

Anguo Juyaotang Pharmaceutical Co., Ltd was acquired through a business combination not under common control in October 2025; accordingly, no comparative-period information was disclosed in the previous-year column.

20. 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	107,205,063.25	30,417,784.79	19,694,724.77	66,770.56	117,861,352.71
Others	1,666,521.75	255,044.46	305,408.77		1,616,157.44
Total	108,871,585.00	30,672,829.25	20,000,133.54	66,770.56	119,477,510.15

Other explanations: None.

21. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	251,839,745.27	48,893,608.57	256,615,532.88	49,817,175.53
Unrealized profits of intra-group transactions	482,520,191.19	73,352,897.91	381,194,243.82	58,116,998.22
Contractual liabilities	1,309,240,479.25	209,649,037.73	1,108,022,102.46	174,861,064.03
Provision for credit impairment	958,796,883.39	234,665,563.45	1,007,784,161.87	246,778,896.60
Payroll payable and long-term employee benefits payable	908,753,950.20	139,980,023.11	876,439,754.41	138,521,511.70
Other payables	617,032,257.54	92,977,751.05	574,640,684.63	91,924,056.78
Lease liabilities	255,138,284.62	49,923,649.53	232,212,961.75	49,716,850.19
Deferred income	218,209,749.92	34,022,840.27	249,515,197.31	38,583,222.00
Losses that can be offset	192,640,599.81	44,982,533.54	206,673,510.27	47,304,724.31
Estimated revenue from returns	217,186,332.05	54,158,823.95	193,306,921.10	48,198,621.99
Expenses beyond overall planning for employee status conversion expenses of state-owned enterprises and social security expenses of retirees	36,550,060.60	5,482,509.09	35,561,860.54	5,334,279.08
Others	135,683,129.57	33,779,102.83	114,628,658.17	25,062,993.13
Total	5,583,591,663.41	1,021,868,341.03	5,236,595,589.21	974,220,393.56

(2) Deferred income 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	225,783,968.74	48,196,824.06	239,818,175.63	51,042,693.07
Changes in fair value	234,419,511.73	35,162,926.76	125,288,066.60	18,793,209.99
Fixed assets subject to one-time pre-tax deduction	5,891,418.50	1,472,854.63	5,932,346.78	1,483,086.70
Appreciation of asset valuation	103,134,274.68	25,783,568.67	117,186,331.29	29,296,582.81

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	205,398,223.78	51,221,808.53	182,911,787.55	45,609,995.85
Others	11,478,050.67	1,721,707.60	10,809,032.18	1,621,354.84
Total	788,387,822.00	164,130,283.73	684,228,113.93	148,417,516.74

(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		1,021,868,341.03		974,220,393.56
Deferred income tax liabilities		164,130,283.73		148,417,516.74

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	1,108,781,367.24	1,013,209,963.03
Provision for asset impairment	580,808,329.53	561,351,160.73
Deferred income	22,504,441.99	22,254,615.28
Others	1,079,831.10	6,532,431.38
Total	1,713,173,969.86	1,603,348,170.42

(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
2026	129,769,505.04	125,496,431.94	
2027	199,441,320.92	191,835,644.06	
2028	240,527,425.15	244,229,846.52	
2029	219,073,244.53	230,918,592.53	
2030	182,069,095.20	210,522,367.97	
2031	129,516,337.71	2,135,102.79	
2032	1,599,912.28	1,599,912.28	

2033	355,122.11	355,122.11	
2034	2,006,985.93	2,006,985.93	
2035	2,396,930.47	4,109,956.90	
2036	2,025,487.90		
Total	1,108,781,367.24	1,013,209,963.03	

Other explanations: None.

22. Other non-current assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Cost of returned goods receivable	30,477,788.61		30,477,788.61	21,307,784.48		21,307,784.48
Indemnification assets			0.00			0.00
Reserved special-purpose supplies	42,004,661.40		42,004,661.40	42,004,661.40		42,004,661.40
VAT excess-input tax credit	52,259,747.67		52,259,747.67	52,259,747.67		52,259,747.67
Prepayments for purchase of fixed assets and other items	45,627,341.49		45,627,341.49	45,988,031.25		45,988,031.25
Total	170,369,539.17		170,369,539.17	161,560,224.80		161,560,224.80

Information on indemnification assets: None.

Other explanations: None.

23. Assets with restricted ownership or use rights

Unit: RMB

Item	At the end of the period				At the beginning of the period			
	Book balance	Book value	Type of restriction	Restriction	Book balance	Book value	Type of restriction	Restriction
Cash and bank balance	29,534,231.67	29,534,231.67	Security deposit	Banker's acceptance bill deposits, performance bond deposits, etc.	14,353,427.82	14,353,427.82	Security deposit	Guarantee deposit, banker's acceptance bill deposits, performance bond deposits, etc.
Cash and bank balance	2,657,295.33	2,657,295.33	Special use	Specially used for maintenance of housing-reform housing	2,650,040.09	2,650,040.09	Special use	Specially used for maintenance of housing-reform housing
Cash and bank balance	536,663,457.31	536,663,457.31	Special use	All assets of the special account for	557,103,568.81	557,103,568.81	Special use	All assets of the special account

				restructuring, the special fund for paying the cost of employee status conversion in state-owned enterprises				for restructuring, the special fund for paying the cost of employee status conversion in state-owned enterprises
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
Accounts receivable	11,076,132.00	10,522,325.40	Accounts receivable factoring	Accounts receivable factoring of Anguo Juyaotang Pharmaceutical Co., Ltd.	12,541,236.47	11,914,174.65	Accounts receivable factoring	Accounts receivable factoring of Anguo Juyaotang Pharmaceutical Co., Ltd.
Fixed assets	204,156,457.15	133,537,692.82	Mortgage loan	Mortgage loans secured by buildings and structures of Anguo Juyaotang Pharmaceutical Co., Ltd.	165,119,200.00	140,829,049.75	Mortgage loan	Mortgage loans secured by buildings and structures of Anguo Juyaotang Pharmaceutical Co., Ltd.
Intangible assets	57,000,237.75	44,665,082.82	Mortgage loan	Mortgage loans secured by land use rights of Anguo Juyaotang Pharmaceutical Co., Ltd.	57,000,237.75	45,520,086.38	Mortgage loan	Mortgage loans secured by land use rights of Anguo Juyaotang Pharmaceutical Co., Ltd.
Total	841,087,811.21	757,580,085.35			810,257,154.81	773,859,791.37		

Other explanations: None.

24. Short-term loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	11,076,132.00	12,541,236.47
Guaranteed borrowings	14,037,472.10	
Loan in credit	0.00	150,010,000.00
Discounted internal bills	0.00	20,224,516.74
Total	25,113,604.10	182,775,753.21

Explanations on classification of short-term loans: The pledged borrowings for the current period were taken out by Juyaotang; the guaranteed borrowings were borrowed by the subsidiary of YNBY International.

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

25. Notes payable

Unit: RMB

Type	Closing balance	Opening balance
Banker's acceptance bill	1,668,214,258.64	1,846,714,475.61
Total	1,668,214,258.64	1,846,714,475.61

Total notes payable due and unpaid at the end of the period were RMB 0.00. No amounts were due but unpaid.

26. Accounts payable

(1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	5,415,236,276.82	5,242,447,200.83
Payment for engineering equipment and others	303,876,977.99	280,574,656.03
Total	5,719,113,254.81	5,523,021,856.86

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

27. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	1,317,388.73	1,317,388.73
Other payables	1,377,588,952.12	1,460,141,946.26
Total	1,378,906,340.85	1,461,459,334.99

(1) Interests payable: None.

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Chuxiong Yunzhu Trading Co., Ltd.	743,156.77	743,156.77
Kunming Nuo'an Enterprise Management Co., Ltd.	574,231.96	574,231.96
Total	1,317,388.73	1,317,388.73

Other explanations: It included the major payable but unpaid dividends aged over one year. The reasons for the unpayment should be disclosed: None.

(3) Other payables

1) Other payables by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Market maintenance fee	617,914,324.45	625,164,703.25
Deposits and guarantees	342,974,999.24	377,010,766.64
Other current accounts	129,647,265.61	128,759,561.20
Collection and payment	110,214,318.18	98,268,582.83
Hospital management fee payable	5,683,393.98	52,353,461.90
Equity transfer payment	132,000,000.00	132,000,000.00
Others	39,154,650.66	46,584,870.44
Total	1,377,588,952.12	1,460,141,946.26

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

28. Receipts in advance

(1) Receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance - lease	518,138.91	190,841.21
Total	518,138.91	190,841.21

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

29. Contractual liabilities

Unit: RMB

Item	Closing balance	Opening balance
Contract receipts in advance	1,578,641,211.36	1,504,554,209.16
Others	46,574.57	1,272,729.02
Total	1,578,687,785.93	1,505,826,938.18

Significant contractual liabilities aged more than 1 year: None.

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

30. 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	1,410,415,900.90	1,211,814,094.84	1,457,290,166.51	1,164,939,829.23
II. Welfare after demission - defined contribution plan	70,917,819.80	131,524,830.89	133,104,694.61	69,337,956.08

III. Dismissal welfares	1,267,585.02	3,081,706.11	3,770,482.23	578,808.90
Total	1,482,601,305.72	1,346,420,631.84	1,594,165,343.35	1,234,856,594.21

(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	613,649,047.12	871,104,159.17	1,077,025,442.86	407,727,763.43
2. Staff welfare	24,602,536.57	68,304,211.97	52,352,468.56	40,554,279.98
3. Social insurance contribution	8,483,413.39	64,585,795.50	71,578,766.53	1,490,442.36
Including: Medical insurance premiums	8,280,108.23	55,612,261.53	62,510,865.14	1,381,504.62
Industrial injury insurance premiums	68,440.31	4,540,985.62	4,533,471.22	75,954.71
Maternity insurance premiums	134,864.85	4,432,548.35	4,534,430.17	32,983.03
4. Housing provident fund	1,989,133.03	82,024,880.98	82,168,689.66	1,845,324.35
5. Union dues and staff training fees	43,082,357.77	21,616,857.51	14,041,721.68	50,657,493.60
7. Short-term profit-sharing plan	700,364,428.31		51,343,809.09	649,020,619.22
8. Other short-term compensation	18,244,984.71	104,178,189.71	108,779,268.13	13,643,906.29
Total	1,410,415,900.90	1,211,814,094.84	1,457,290,166.51	1,164,939,829.23

(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	2,656,346.28	126,427,981.02	126,405,793.82	2,678,533.48
2. Unemployment insurance premiums	98,780.71	5,096,849.87	5,095,858.89	99,771.69
3. Corporate pension payment	68,162,692.81	0.00	1,603,041.90	66,559,650.91
Total	70,917,819.80	131,524,830.89	133,104,694.61	69,337,956.08

Other explanations: None.

31. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Corporate income tax	242,709,957.82	127,452,678.42
Individual income tax	12,406,573.68	5,223,796.68

Value added tax	256,009,802.26	90,500,172.56
Property tax	13,025,796.99	12,877,107.87
Land use tax	5,393,098.15	5,382,781.43
Stamp duty	5,085,208.07	5,448,846.28
Resource tax		1,804.00
Education surcharge	8,288,496.25	3,345,171.01
Urban maintenance and construction tax	18,586,398.70	9,360,180.43
Local education surcharge	5,115,020.97	3,439,910.43
Environmental protection tax	3,688.38	4,316.61
Water conservancy fund	9,792.04	28,387.12
Vehicle and vessel usage tax		2,850.00
Collected and remitted taxes and fees	11,532,448.25	14,983,489.27
Total	578,166,281.56	278,051,492.11

Other explanations: None.

32. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	84,662,275.00	400,330.00
Lease liabilities due within one year	80,186,668.89	76,043,381.53
Total	164,848,943.89	76,443,711.53

Other explanations: The long-term borrowings due within one year were drawn by Juyaotang.

33. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Refunds payable	184,930,353.43	170,793,224.69
Deferred output tax	450,813,805.78	360,570,121.44
Special financial support funds of "transferring loan to subsidy" for the use of intelligent voice cluster development base in the R&D project of intelligent medical devices based on medical big data	1,800,000.00	1,800,000.00
Total	637,544,159.21	533,163,346.13

Changes in short-term bonds payable: None.

Other explanations: None.

34. Long-term loans

(1) Long-term loans by type

Unit: RMB

Item	Closing balance	Opening balance
Mortgaged borrowings		84,469,400.83
Loan in credit	2,100,000.00	2,100,000.00

Total	2,100,000.00	86,569,400.83

Explanation on classification of long-term loans: None.

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

35. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Houses and buildings	199,076,755.51	205,042,296.11
Machinery and equipment	1,255,704.71	965,984.38
Right of land use	12,953,821.50	11,865,480.22
Less: Non-current liabilities reclassified to liabilities due within one year	-80,186,668.89	-76,043,381.53
Total	133,099,612.83	141,830,379.18

Other explanations: None.

36. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	530,661,869.20	551,241,357.32
Special payables	4,838,584.16	4,838,584.16
Total	535,500,453.36	556,079,941.48

(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	529,820,776.43	549,851,147.17
Boiler room investment boiler and supporting equipment transfer and operation contract	841,092.77	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 Panax notoginseng 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 redesigned drugs for treating cardiovascular and cerebrovascular diseases (TCM)	258,031.60			258,031.60	Transfer from Baiyao Holdings due to merger by absorption
Total	4,838,584.16			4,838,584.16	

Other explanations: None.

37. Long-term payroll payable

(1) Details of long-term payroll payable

Unit: RMB

Item	Closing balance	Opening balance

II. Dismissal welfares	743,921.48	825,601.53
III. Other long-term welfares	854,483.70	893,344.80
Total	1,598,405.18	1,718,946.33

(2) Change of defined benefit plan: None.

38. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reasons
Returns payable	32,255,978.72	22,513,696.41	Returns payable not settled within one year
Total	32,255,978.72	22,513,696.41	

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

39. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government subsidies	271,769,812.59	10,387,500.00	41,443,120.68	240,714,191.91	
Including: Government subsidies related to income	119,513,816.80	1,789,948.03	34,435,227.41	86,868,537.42	
Government subsidies related to assets	152,255,995.79	8,597,551.97	7,007,893.27	153,845,654.49	
Total	271,769,812.59	10,387,500.00	41,443,120.68	240,714,191.91	

Other explanations: None.

40. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Receipts of real estate sale under staff housing reform	1,931,554.36	1,931,554.36
Total	1,931,554.36	1,931,554.36

Other explanations: None.

41. Share capital

Unit: RMB

		Increase or decrease (＋,－)	

	Opening balance	Issuance of new shares	Share dividend	Capitalization of capital reserve into share capital	Others	Subtotal	Closing balance
Total number of shares	1,784,262,603.00						1,784,262,603.00

Other explanations: None.

42. 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	57,154,279.89	6,007,761.69	17,531,333,853.31
Other capital reserves	151,929,855.74	13,821,989.98		165,751,845.72
Total	17,632,117,190.85	70,976,269.87	6,007,761.69	17,697,085,699.03

Other explanations, including changes and reasons thereof during the reporting period:

(1) The allotment and issue of shares by YNBY International constitutes a transaction that changes the Company's ownership interest in a subsidiary while retaining control over the subsidiary. This transaction is accounted for as an equity-based transaction, with a corresponding increase in capital surplus of RMB 57,154,279.89.

(2) In June 2026, YNBY International repurchased treasury shares. This transaction represents a change in the ownership interest in a subsidiary without loss of control. It is accounted for as an equity-based transaction, resulting in a reduction to capital surplus of RMB 6,007,761.69.

(3) Other equity adjustments recognized in respect of associates during the current year led to an increase in capital surplus of RMB 13,821,989.98.

43. 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 parent after tax	That attributable to minority interests after tax	
I. Other comprehensive incomes that will not be reclassified into profits or losses	-3,634,014.66	-2,105,340.95				-2,105,340.95		-5,739,355.61
Other comprehensive income that cannot be transferred to profits or losses under equity method	-3,634,014.66	-2,105,340.95				-2,105,340.95		-5,739,355.61
II. Other comprehensive incomes to be reclassified into profits and losses	-101,457,365.85	-13,411,809.71				-10,452,161.57	-2,959,648.14	-111,909,527.42
Including: Other comprehensive income that can be transferred to profits or losses under equity method	-58,949,724.34	-3,833,895.57				-3,833,895.57		-62,783,619.91
Exchange differences from translation of financial statements denominated in foreign currencies	-42,507,641.51	-9,577,914.14				-6,618,266.00	-2,959,648.14	-49,125,907.51
Total other comprehensive income	-105,091,380.51	-15,517,150.66				-12,557,502.52	-2,959,648.14	-117,648,883.03

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.

44. 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.

45. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	18,202,311,462.52	16,981,339,385.76
Undistributed profit at the beginning of the period after adjustment	18,202,311,462.52	16,981,339,385.76
Plus: Net profits attributable to equity owners of the parent in the current period	3,701,170,618.67	5,153,486,838.91
Ordinary share dividends payable	2,824,487,685.67	3,932,514,762.15
Undistributed profit at the end of the period	19,078,994,395.52	18,202,311,462.52

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 of losses offset by capital surplus: None.

46. Operating revenue and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal businesses	21,848,039,404.82	15,290,593,430.87	21,235,801,094.89	14,684,081,632.34
Other businesses	36,036,566.33	15,321,260.29	21,301,801.13	13,786,436.95
Total	21,884,075,971.15	15,305,914,691.16	21,257,102,896.02	14,697,868,069.29

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	4,529,889,186.43	1,306,277,004.03	3,468,925,584.70	1,016,630,693.83	1,253,836,525.94	1,122,164,609.15	11,971,038,200.56	11,279,042,283.11	660,386,473.52	581,800,101.04	21,884,075,971.15	15,305,914,691.16
Including:												
Industry sales income	4,529,889,186.43	1,306,277,004.03	3,468,925,584.70	1,016,630,693.83	753,796,878.59	667,903,267.63			19,463,794.54	6,614,091.53	8,772,075,444.26	2,997,425,057.02
Commercial sales income					500,038,177.35	454,195,057.06	11,971,038,200.56	11,279,042,283.11	593,202,001.00	552,911,127.08	13,064,278,378.91	12,286,148,467.25
Technical services									4,095,884.66	949,622.30	4,095,884.66	949,622.30
Hotel									7,588,226.99	6,003,999.84	7,588,226.99	6,003,999.84

catering industry												
Planting sales income					1,470.00	66,284.46					1,470.00	66,284.46
Others									36,036,566.33	15,321,260.29	36,036,566.33	15,321,260.29
By operating areas	4,529,889,186.43	1,306,277,004.03	3,468,925,584.70	1,016,630,693.84	1,253,836,525.94	1,122,164,609.15	11,971,038,200.56	11,279,042,283.11	660,386,473.52	581,800,101.03	21,884,075,971.15	15,305,914,691.16
Including:												
In Yunnan province	433,234,311.74	118,024,830.07	24,071,020.73	6,881,410.79	381,704,090.81	272,289,690.68	11,958,661,255.91	11,259,288,616.52	81,176,264.54	54,466,918.43	12,878,846,943.73	11,710,951,466.49
Outside Yunnan province (excluding overseas)	4,101,613,530.01	1,189,836,705.26	3,443,979,871.09	1,009,234,746.04	808,160,708.41	787,889,283.67	12,376,944.65	19,753,666.59	577,841,305.32	525,997,697.21	8,943,972,359.48	3,532,712,098.77
Overseas	-4,958,655.32	-1,584,531.30	874,692.88	514,537.01	63,971,726.72	61,985,634.80	-	-	1,368,903.66	1,335,485.39	61,256,667.94	62,251,125.90

Information on performance obligations: 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.

Other explanations: None.

Information on the transaction price allocated to remaining performance obligations: None.

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 on variable consideration in the contract: None.

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

Other explanations: None.

47. Taxes and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Consumption tax	6,179.97	90,599.59
Urban maintenance and construction tax	56,935,716.08	56,335,793.96
Education surcharge	24,834,564.95	23,824,953.63
Property tax	15,855,096.83	12,418,205.22
Land use tax	5,652,683.44	5,379,563.73
Vehicle and vessel use tax	80,039.35	68,236.50
Stamp duty	11,066,568.47	10,413,199.41
Local education surcharge	16,556,320.31	17,085,636.36
Others	49,890.01	157,464.75
Total	131,037,059.41	125,773,653.15

Other explanations: None.

48. Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	190,952,507.81	220,150,105.14
Depreciation and amortization	45,757,079.66	42,231,339.89
Technical service fee	12,418,785.40	12,247,751.22
Office expenses	12,123,845.02	13,222,610.61
Agency service fee	11,642,436.35	15,634,005.27
Travel expenses	7,646,030.57	8,830,501.17
Utilities and property management fee	5,871,631.59	4,143,847.39
Security and cleaning fee	4,072,380.78	4,932,048.51
Business entertainment fee	3,090,822.94	4,533,911.81
Afforestation and pollution discharge fee	1,918,874.86	1,537,568.00
Lease cost	1,585,099.82	1,249,073.17
Maintenance fee	649,094.24	578,273.51
Others	29,849,444.25	34,188,007.76
Total	327,578,033.29	363,479,043.45

Other explanations: None.

49. Selling expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	710,001,318.72	678,291,868.07
Display expenses	459,124,707.55	535,889,331.94
Business promotion expenses	426,268,136.76	451,443,263.66
Advertising expenses	227,594,159.72	283,935,986.74
Marketing service fees	103,327,960.39	84,210,520.18
Promotional staff expenses	103,583,612.33	92,216,999.74
Travel expenses	64,955,920.32	63,980,897.09
Conference service fees	129,301,795.39	41,064,583.09
Depreciation and amortization	43,151,430.29	41,044,875.76
Others	183,119,659.47	244,293,530.77
Total	2,450,428,700.94	2,516,371,857.04

Other explanations: None.

50. R&D expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	77,979,832.34	74,108,094.35
Materials consumption and inspection fee	25,842,360.72	26,337,827.78
Commissioned R&D cost	25,568,700.75	23,531,702.05
New product design fee	3,716,778.50	126,423.35
Experimental expenses	20,911,270.83	6,045,969.30
Depreciation and amortization	17,439,183.74	13,240,528.82
Others	18,116,988.37	12,509,593.92
Total	189,575,115.25	155,900,139.57

Other explanations: None.

51. Financial expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Interest expenses	10,236,543.28	10,821,177.16
Less: interest income	19,118,451.87	49,581,264.78
Net loss on foreign exchange	23,435,146.50	13,055,426.98
Bank charges	3,621,765.15	2,598,053.21
Total	18,175,003.06	-23,106,607.43

Other explanations: None.

52. 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	14,381,092.88	12,325,615.11
Amortization of government subsidies related to assets	7,007,893.27	6,088,809.60
Amortization of government subsidies related to income	34,249,581.41	1,767,257.96
Return of individual income tax service charge	7,043,990.74	3,802,493.92
Others	784,981.63	3,422,221.90
Total	63,467,539.93	27,406,398.49

53. 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	27,745,164.02	33,268,150.43
Other non-current financial assets	101,580,232.87	36,769,346.33
Total	129,325,396.89	70,037,496.76

Other explanations: None.

54. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gain on long-term equity investments under the equity method	615,750,695.41	783,530,345.39
Investment income from disposal of long-term equity investment	2,138,533.71	
Investment income from disposal of financial assets held for trading	17,162,500.72	62,659,897.96
Investment income from disposal of other non-current financial assets		15,898,940.95
Others	-33,121,243.84	-22,460,467.65
Total	601,930,486.00	839,628,716.65

Other explanations: None.

55. Credit impairment losses

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Bad debt losses on accounts receivable	16,897,402.35	-133,537,271.89
Bad debt losses on other receivables	24,052,668.06	35,154,629.28
Total	40,950,070.41	-98,382,642.61

Other explanations: None.

56. 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	-24,068,120.33	-41,743,184.35
Total	-24,068,120.33	-41,743,184.35

Other explanations: None.

57. 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	3,051.83	2,262,598.53
Profit from disposal of right-of-use assets	1,108,296.93	290,131.30
Total	1,111,348.76	2,552,729.83

58. 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	367,533.29	460.18	367,533.29
Others	12,781,143.68	17,524,980.81	12,781,143.68
Total	13,148,676.97	17,525,440.99	13,148,676.97

Other explanations: None.

59. Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the previous period	Amount of non-recurring profits or losses included in the current period
Losses from destruction and scrapping of non-current assets	259,110.10	147,310.51	259,110.10
External donations	150,000.00	3,042,269.30	150,000.00
Others	4,266,591.75	2,780,275.11	4,266,591.75
Total	4,675,701.85	5,969,854.92	4,675,701.85

Other explanations: None.

60. 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	617,263,528.73	757,017,264.51
Deferred income tax expenses	-31,954,448.08	-169,745,390.66
Total	585,309,080.65	587,271,873.85

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

Unit: RMB

Item	Amount for the current period
Total profit	4,282,557,064.82
Income tax expense calculated at statutory/applicable tax rate	642,383,559.72
Effect of different tax rates applied to subsidiaries	75,836,436.22
Effect of adjusting income tax for prior periods	-1,440,763.61
Effect of non-taxable income	-143,868,175.83
Effect of non-deductible costs, expenses and losses	16,975,526.70
Effect of the use of the deductible losses of the deferred tax assets not recognized in prior periods	346,596.34
Effect of deductible temporary differences or deductible losses of the deferred income tax assets not recognized in the current period	12,913,222.03
Change in the balance of deferred income tax assets/liabilities at the beginning of the year due to tax rate adjustments	-64,389.01
Extra deductions for R&D costs	-22,027,521.92
Others	4,254,590.01
Income tax expenses	585,309,080.65

Other explanations: None.

61. Other comprehensive income

For details, please refer to Note 43 “Other comprehensive income.”

62. Cash flow statement

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period

Interest income	19,118,451.87	49,581,264.78
Deposits and guarantees	107,826,547.89	79,075,011.67
Government subsidy	31,306,051.61	35,902,118.61
Current account and petty cash	93,034,832.20	118,959,071.16
Others	6,236,982.48	97,074,597.57
Total	257,522,866.05	380,592,063.79

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

Other cash payments relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Expenses of cost nature	1,763,015,913.46	1,628,887,047.85
Deposits and guarantees	193,077,884.45	80,757,823.69
Current account and petty cash	32,934,883.93	96,355,202.04
Others	4,903,322.58	36,580,390.86
Total	1,993,932,004.42	1,842,580,464.44

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

(2) Cash relating to investment activities

Other cash received relating to 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	665,731,155.60	145,116,700.00
Total	665,731,155.60	145,116,700.00

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	3,850,000,000.00	2,345,628,996.48
Principal and interest of time deposits and other financial products redeemed	665,731,155.60	145,116,700.00
Collecting financial management income and dividends	119,011,633.21	38,011,539.40
Total	4,634,742,788.81	2,528,757,235.88

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

Other cash payments relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other bank deposits	603,960,400.00	482,620,900.00
Total	603,960,400.00	482,620,900.00

Important cash payments relating to investment activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Time deposits and other bank deposits	603,960,400.00	482,620,900.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	222,045,750.52	204,046,627.53
Purchasing banking products and other wealth management products	4,400,000,000.00	2,800,000,000.00
Total	5,226,006,150.52	3,486,667,527.53

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

(3) Cash relating to financing activities

Other cash received relating to 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	22,980,906.32	39,062,080.04
Refund of dividend distribution guarantee deposit	1,004,610.63	0.00
Total	23,985,516.95	39,062,080.04

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

Other cash payments relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Payment of lease costs	39,313,059.28	45,446,663.39
Handling fee for dividend distribution	611,486.67	421,750.46
Withholding and remittance of individual income tax on dividend distribution	17,566,695.38	46,623,989.32
Dividend distribution guarantee deposit	1,004,610.63	0.00
Share repurchase of YNBY International	6,007,761.69	
Total	64,503,613.65	92,492,403.17

Explanations on other cash payments relating to 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	182,775,753.21		19,119,197.10	170,280,516.74	6,500,829.47	25,113,604.10
Long-term borrowings (including long-	86,969,730.83		384,194.16	591,649.99		86,762,275.00

term borrowings due within one year)						
Lease liabilities (Lease liabilities due within one year inclusive)	217,873,760.71		49,866,384.45	43,866,327.63	10,587,535.81	213,286,281.72
Dividend payable	1,317,388.73		2,824,487,685.67	2,824,487,685.67		1,317,388.73
Total	488,936,633.48		2,893,857,461.38	3,039,226,180.03	17,088,365.28	326,479,549.55

(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.

63. 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	3,697,247,984.17	3,644,599,967.94
Plus: Impairment provision for assets	-16,881,950.08	140,125,826.96
Depreciation of fixed assets, depreciation of oil and gas assets, depreciation of productive biological assets	117,936,441.83	101,222,940.05
Depreciation of right-of-use assets	53,975,842.95	56,286,759.64
Amortization of intangible assets	21,163,222.72	13,534,265.25
Amortization of long-term deferred expenses	20,000,133.54	27,032,910.50
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain is indicated with "-")	-3,051.83	-2,262,598.53
Losses on scrapping of fixed assets (gain is indicated with "-")	-108,423.19	146,850.33
Losses on changes in fair value (gain is indicated with "-")	-129,325,396.89	-70,037,496.76
Financial expenses (income is indicated with "-")	10,236,543.28	10,821,177.16
Investment losses (gain is indicated with "-")	-636,982,682.99	-873,839,341.77
Decrease of deferred income tax assets (increase is indicated with "-")	-47,647,947.47	-204,069,581.29
Increase of deferred income tax liabilities (decrease is indicated with "-")	15,712,766.99	34,342,180.17
Decrease in inventories (increase is indicated with "-")	59,459,218.25	417,205,595.88
Decrease in operating receivable items (increase is indicated with "-")	913,107,195.15	-148,312,791.38

Increase in operating payable items (decrease is indicated with "-")	28,149,471.90	804,585,525.61
Others		9,805,013.01
Net cash flows from operating activities	4,106,039,368.33	3,961,187,202.77
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	9,001,049,069.19	10,692,498,963.32
Less: Opening balance of cash	8,532,232,687.39	10,275,529,575.34
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	468,816,381.80	416,969,387.98

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

(3) Net cash received from disposal of subsidiaries for the period

Unit: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries during the period	6,111,111.00
Including:	
Shanghai Hanshi Health Consulting Co., Ltd.	6,111,111.00
Shanghai Yunzhenni Medical Aesthetic Outpatient Department Co., Ltd.	0.00
Less: Cash and cash equivalents held by the subsidiary at the date of loss of control	12,948.33
Including:	
Shanghai Hanshi Health Consulting Co., Ltd.	3.00
Shanghai Yunzhenni Medical Aesthetic Outpatient Department Co., Ltd.	12,945.33
Including:	
Net cash received from disposal of subsidiaries	6,098,162.67

Other explanations: None.

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	9,001,049,069.19	8,532,232,687.39
Including: Cash on hand	172,822.40	125,243.29
Bank deposit available for payment at any time	8,912,122,326.67	8,482,597,792.16

Other cash and bank balance available for payment at any time	88,753,920.12	49,509,651.94
III. Closing balance of cash and cash equivalents at the end of the reporting period	9,001,049,069.19	8,532,232,687.39

(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.	29,534,231.68	14,353,427.82	Cannot be withdrawn at any time
Fund for litigation preservation		1,489,443.87	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.
Specially used for housing reform and maintenance	2,657,295.33	2,650,040.09	Cannot be withdrawn at any time
Specially used for identity conversion for employees in state-owned enterprises	536,663,457.31	557,103,568.81	Cannot be withdrawn at any time
Total	568,854,984.32	575,596,480.59	

Other explanations: None.

(7) Explanations on other significant activities: None.

64. Notes to statement of changes in owners' equity

Explanations on item "Others" adjusted in terms of closing balance at the end of the previous year, the adjusted amount thereof, etc.: None.

65. 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	193,587,480.53	0.868550	168,140,386.45
USD	9,508,917.09	6.810900	64,764,283.41
Euro	1,822,216.71	7.767100	14,153,339.41

Japanese yen	27,148.00	0.042045	1,141.43
South Korean won	21,324,422.00	0.004403	93,884.62
THB	4,369,259.56	0.204244	892,394.66
CAD	1,858.88	4.784700	8,894.19
SGD	108,129.91	5.260500	568,817.48
MYR	119,956.90	1.673416	200,737.85
Accounts receivable			
Including: HKD	238,592,282.07	0.868550	207,229,317.44
USD	2,104,842.45	6.810900	14,335,871.45
Japanese yen	2,484,592.00	0.042045	104,464.11
Other receivables			
Including: HKD	1,964,289.00	0.868550	1,706,083.65
THB	20,500.00	0.204244	4,187.00
Other current assets			
Including: HKD	301,169,448.57	0.868550	261,580,724.93
USD	10,000,000.00	6.810900	68,109,000.00
Accounts payable			
Including: HKD	8,871,939.54	0.868550	7,704,960.76
Other payables			
Including: HKD	8,431,149.45	0.868550	7,322,987.28
THB	2,785.00	0.204244	568.82
SGD	513.00	5.260500	2,698.64
Non-current liabilities due within one year			
Including: HKD	3,511,242.15	0.868550	3,049,689.09

Other explanations: None.

(2) The nature of the currency's lack of convertibility and its financial impacts, the spot exchange rates adopted together with their estimation process, and the risks to which the entity is exposed as a result of the currency-inconvertibility

□ Applicable ☑Not applicable

(3) 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

The subsidiary, YNBY International Limited, operates in Hong Kong. Since Hong Kong Dollar is the currency of the primary economic environment in this region, Hong Kong Dollar has been adopted as its functional currency, with no change occurring since it was brought into the consolidation scope. Its subsidiaries determine their respective functional currencies based on the economic environments of their places of operation. In preparing the consolidated financial statements of YNBY International, all amounts are translated into Hong Kong Dollar for presentation.

(4) Lack-of-convertibility between functional currency of foreign operations and the entity's presentation currency

□ Applicable ☑Not applicable

66. 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	3,315,146.94	1,971,216.70

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	8,051,070.57	7,203,084.89
Total	8,051,070.57	7,203,084.89

After-sales leaseback transactions: None.

(2) The Company as the lessor

Operating lease where the Company is the lessor

☑ Applicable □ Not applicable

Item	Receipts from lease	Including: Receipts related to variable lease payments not included in lease receipts
Houses and buildings	9,746,054.17	
Total	9,746,054.17	

Finance lease where the Company is the lessor

□ Applicable ☑ Not applicable

Undiscounted lease receipts for each of the next five years

□ Applicable ☑ Not applicable

Reconciliation of undiscounted lease receipts to net investment in leases: None.

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

☐ Applicable ☑ Not applicable

67. Data Resources

For details, see Note 18 - Intangible Assets.

68. Others: None.

VIII. R&D Expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Employee compensation	85,578,009.89	74,262,697.80
New product design fee	5,400,059.13	126,423.35
Commissioned R&D cost	31,902,397.26	37,644,068.94
Experimental expenses	27,927,316.07	6,045,969.30
Materials consumption and inspection fees	24,840,846.08	26,341,779.99
Depreciation and amortization	18,912,077.13	13,328,808.65
Others	21,966,676.22	12,571,159.14
Total	216,527,381.78	170,320,907.17
Including: Expensed R&D expenditure	189,575,115.25	155,900,139.57
Capitalized R&D expenditure	26,952,266.53	14,420,767.60

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	
INR101 Injection, New Drug Application (NDA) research project	56,564,450.04	24,174,664.93				80,739,114.97
Phase III clinical trial of Fuji Guben Ointment	15,711,255.23	1,767,073.81				17,478,329.04
P137 Project R&D (IND)	25,935,514.29	17,745.78				25,953,260.07
Yunnan Baiyao Plaster Project - Flurbiprofen	0.00	992,782.01				992,782.01
Total	98,211,219.56	26,952,266.53				125,163,486.09

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 during this reporting period: None.

(2) Cost of business combination and goodwill: None

(3) Identifiable assets and liabilities of the acquiree on the acquisition date: None.

(4) Proceeds or losses caused by remeasurement of the equity held before the acquisition date at the fair value

Whether there was any trading that contributed to a progressive realization of business combination by multiple transactions and during this reporting period, through this business combination, control was acquired.

□Yes ☑No

(5) Explanations on no reasonable recognition of the business combination consideration or the acquiree's identifiable assets and liabilities on the acquisition date or at the end of the period of the business combination: None.

(6) Other explanations: None.

2. Business combination under common control

(1) Business combination under common control during this reporting period: None.

(2) Cost of business combination: None.

(3) The book value of the merged party's assets and liabilities on the merger date: None.

3. Reverse acquisition: 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 Hanshi Health Consulting Co., Ltd.	6,111,111.00	100.00%	Transfer by agreement	February 28, 2026		2,138,533.71						

Other explanations: Shanghai Yunzhenni Medical Aesthetic Outpatient Department Co., Ltd was a wholly-owned subsidiary of Shanghai Hanshi Health Consulting Co., Ltd. As control over this entity was lost concurrently, it is no longer included in the consolidation scope.

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 for other reasons

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

Newly-established subsidiary: Yunnan Baiyao Group Health Products Co., Ltd invested in and incorporated Yunnan Baiyao (Ziyang) Technology Co., Ltd, with a registered capital of RMB 1,000,000 and an equity holding of 100%. Yunnan Baiyao brought Yunnan Baiyao (Ziyang) Technology Co., Ltd into the consolidation scope effective March 2026.

Deregistration: Time Travel (Guangzhou) Intelligent Technology Co., Ltd was deregistered in June 2026.

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	1,000,000,000.00	Kunming	Kunming	Pharmaceutical wholesale and	100.00%	0.00%	Allotment of shares

Co., Ltd.				retail			
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%	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%	40.82%	Business combination not under the same control
Yunnan Baiyao Tiancui Business Management Co., Ltd.	3,000,000.00	Kunming	Kunming	Catering	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Beijing Co., Ltd.	50,000,000.00	Beijing	Beijing	Technology promotion service	100.00%	0.00%	Set-up or investment
Yunhe Pharmaceutical (Tianjin) Co., Ltd.	20,000,000.00	Tianjin City	Tianjin City	Research and experimental development	100.00%	0.00%	Set-up or investment
Yunnan Baiyao Group Health Pharmacy Co., Ltd.	5,000,000.00	Kunming	Kunming	Hygiene	100.00%	0.00%	Business combination under common control
Yunnan Baiyao Group Digital Intelligence Technology	11,152,470.00	Kunming	Kunming	Software and information technology service industry	100.00%	0.00%	Set-up or investment

Co., Ltd.							

Explanations on the inconsistency of the ratio of shareholding 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 has the ability to use its power over the investee to influence its variable returns, the Group has control over such structured entities.

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

Other explanations: None.

(2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Percentage of shares held by minority shareholders	Profit and loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Balance of minority shareholders' equity at the end of the period
YNBY International Limited	26.94%	310,526.73		-33,270,088.12

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

Other explanations: None.

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

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
YNBY International Limited	407,359,326.02	7,918,823.97	415,278,149.99	103,512,949.99	1,529,381.06	105,042,331.05	523,888,159.10	10,489,436.18	534,377,595.28	207,416,955.49	3,628,959.12	211,045,914.61

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	671,370,535.93	2,286,416.50	-9,374,516.54	-21,380,118.65	365,374,936.94	2,133,674.99	-1,089,543.60	-3,655,973.04

Other explanations: None.

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

(5) Financial support or other support provided for structured entities included in the scope of consolidation for the consolidated financial statements: None.

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

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

(2) Impact of the transaction on the minority shareholders' equity and the owners' equity attributable to the parent company

Unit: RMB

Acquisition cost/disposal consideration	
--Cash	6,007,761.69
--Fair value of the non-cash assets	
Total acquisition cost/disposal consideration	6,007,761.69
Less: the subsidiary's net asset shares calculated in proportion to the acquired /disposed equity ratio	20,144,411.13
Amount difference	-14,136,649.44
Including: Adjustment of capital reserves	-14,136,649.44
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

Explanations on the inconsistency of the ratio of shareholding 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	188,381,450,861.08	180,463,695,237.78
Non-current assets	52,387,967,588.15	52,685,071,529.43
Total assets	240,769,418,449.23	233,148,766,767.21
Current liabilities	140,421,743,446.62	135,198,106,270.50
Non-current liabilities	7,561,895,183.85	8,163,366,773.11
Total liabilities	147,983,638,630.47	143,361,473,043.61
Minority interests	14,437,823,921.39	13,895,965,899.43
Equity attributable to shareholders of the parent company	78,347,955,897.37	75,891,327,824.17
Share of net assets based on percentage of shareholding	14,062,948,821.85	13,622,000,050.81
Adjustment		
- Goodwill	934,312,752.73	934,312,752.73
- Unrealized profit from internal transactions	-7,078,928.16	-7,314,646.14
- Others	-1,842,477,745.54	-1,821,243,614.53
Book value of equity investment in associates	13,147,704,900.88	12,727,754,542.87
Fair value of equity investments in associates for which publicly quoted prices exist	10,250,652,658.40	11,888,094,576.56
Operating revenue	147,469,729,395.20	141,592,782,502.79
Net profits	4,341,656,313.04	4,994,784,030.29
Net profits from discontinued operations		
Other comprehensive income	-33,890,811.10	19,680,758.31
Total comprehensive income	4,307,765,501.94	5,014,464,788.60
Dividends received from associates during the year	79,875,215.52	

Other explanations: None.

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

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
Associates:		
Total book value of investments	500,532,790.18	499,823,509.04
Total of the followings based on the percentage of shareholdings		

- Net profit	709,281.14	-565,965.37
- Other comprehensive income		
- Total comprehensive income		

(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

Name of joint venture or associate	Cumulative unrecognized losses in the previous periods	Unrecognized losses in the current period (or net profit shared in the current period)	Cumulative unrecognized losses at the end of the current period
Lijiang Changgengming Trading Co., Ltd.	-473,812.41	-83.06	-473,895.47

(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: 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	119,513,816.80	1,789,948.03		34,249,581.41	185,646.00	86,868,537.42	Related to income
Deferred income	152,255,995.79	8,597,551.97		7,007,893.27		153,845,654.49	Related to assets

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

☑Applicable ☐Not applicable

Unit: RMB

Accounting item	Amount for the current period	Amount for the previous period
Other income	55,638,567.56	20,181,682.67

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 June 30, 2026, 18.31% (December 31, 2025: 16.98%) 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

Item	Closing balance				
	Book value	Undiscounted contract amount	Within one year	1-3 years	More than 3 years
Short-term borrowings	25,113,604.10	25,207,453.18	25,207,453.18		
Notes payable	1,668,214,258.64	1,668,214,258.64	1,668,214,258.64		
Accounts payable	5,719,113,254.81	5,719,113,254.81	5,719,113,254.81		
Other payables	1,378,906,340.85	1,378,906,340.85	1,378,906,340.85		
Lease liabilities (including those maturing within one year)	213,286,281.72	223,030,115.41	87,280,501.94	109,038,567.56	26,711,045.91
Long-term borrowings (including those maturing within one year)	86,762,275.00	88,626,211.39	86,526,211.39	0.00	2,100,000.00
Subtotal	9,091,396,015.12	9,103,097,634.28	8,965,248,020.81	109,038,567.56	28,811,045.91

(Continued)

Item	Closing balance of the previous year				
	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		
Notes payable	1,846,714,475.61	1,846,714,475.61	1,846,714,475.61		
Accounts payable	5,523,021,856.86	5,523,021,856.86	5,523,021,856.86		
Other payables	1,461,459,334.99	1,461,459,334.99	1,461,459,334.99		
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
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

Subtotal	9,318,814,912.21	9,326,875,059.42	9,097,271,003.66	104,628,624.93	124,975,430.83

(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 June 30, 2026, the Company's bank loans with floating interest rates amounted to RMB 98,637,472.10 (as of December 31, 2025: RMB 234,800,000.00). 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 65. Foreign Currency Monetary Items."

2. Hedging

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

☐Applicable ☑Not applicable

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

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

☐Applicable ☑Not applicable

3. Financial assets

(1) Classification by type of transfer

☐Applicable ☑Not applicable

(2) Derecognition of financial assets due to transfer

☐Applicable ☑Not applicable

(3) Financial assets involved in continued assets transfer

☐Applicable ☑Not applicable

Other explanations: None.

XIII. Disclosure of Fair Value

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

Unit: RMB

Item	Closing fair value			
	Level I fair value measurement	Level II fair value measurement	Level III fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets held for trading		4,746,569,278.18	4,600,000.00	4,751,169,278.18
1. Financial assets measured at fair value with changes recognized in current profit and loss		4,746,569,278.18	4,600,000.00	4,751,169,278.18
(1) Others				
2. Financial assets measured at fair value with changes recognized in current profit and loss				
(1) Investment in debt instruments				
(2) Investment in equity instruments				
(II) Accounts receivable financing			6,937,103,313.15	6,937,103,313.15
(1) Notes receivable			6,937,103,313.15	6,937,103,313.15
(III) Investment in other equity instruments			71,745,000.00	71,745,000.00
(IV) Other non-current financial assets			312,435,493.34	312,435,493.34

Investment in equity instruments			312,435,493.34	312,435,493.34
Total assets at continuous fair value measurement		4,746,569,278.18	902,162,637.36	5,648,731,915.54

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. Other non-current financial assets represent the Company's equity investments in unlisted companies, whose closing-date fair values are determined on the basis of the appraised value of such equity interests.

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 level 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 not measured at fair value mainly include: cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable, other payables, long-term borrowings, lease liabilities, long-term payables, etc. Their carrying amounts do not differ materially from their fair values.

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:

Controlling shareholders and ultimate controller

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

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

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

On August 7, 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 shareholdings in the Company by 17,807,463 or 0.9980% shares through the Shenzhen Stock Exchange's centralized bidding system during the period from August 6, 2024 to February 5, 2025. As of February 6, 2025, the State-owned Equity Management Company held 467,431,774 shares of the Company, accounting for 26.20% 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 other 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
YEIG Property Services Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Drug Technology Development Operation Co., Ltd.	Investee company of a minority shareholder of the sub-subsidiary
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
MB Packaging Limited [Note 1]	Sub-subsidiary of the former substantial shareholder
Kunming Yusi Pharmaceutical Co., Ltd. [Note 2]	Sub-subsidiary of the former substantial shareholder
Yunnan Salt Wenshan Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Gongtou TCM Materials and Decoction Pieces Industry Development Co., Ltd. [Note 5]	Previous employers of the director
Yunnan Energy-Saving Technology Development and Operation Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Sports Industry Investment Co., Ltd.	Sub-subsidiary of the substantial shareholder
Hongta Securities Co., Ltd. [Note 3]	Previous employers of the senior management
Yunnan Medical Investment Management Group Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Industry Dianzhong Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Geological Engineering Survey Co., Ltd.	Sub-subsidiary of the substantial shareholder
Kunming Dehe Canned Food Co., Ltd and its subsidiaries	Subsidiary of the substantial shareholder
YEIG Electric Power Assembly Park Development Co., Ltd.	Sub-subsidiary of the substantial shareholder
Tibet Jiushi Zhihe Marketing Co., Ltd.	Subsidiary of the substantial shareholder
Tibet Jiujia E-Commerce Co., Ltd.	Sub-subsidiary of the substantial shareholder
Jiuai Zhihe (Beijing) Technology Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Hongta Bank Co., Ltd.	Subsidiary of the substantial shareholder
Yunnan Health & Cultural Tourism Holding Group Co., Ltd.	Employers of family members of the senior management
Yunnan Jianshui County Xingda Medicine Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Baoshan Medicine Co., Ltd. [Note 4]	Former 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
Chuxiong Yunzhu Trading Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Kunming Nuo'an Enterprise Management Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder
Qiubei County Wanhe Pharmaceutical Co., Ltd.	Minority shareholder that has significant influence on the subsidiary
Yunnan Salt Industry Dianzhong Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Kunhua Hospital Investment Management Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Salt Rixin Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Geotechnical Engineering Survey and Design Research Institute Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Labor Force Center Market Co., Ltd.	Sub-subsidiary of the substantial shareholder
Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	Sub-subsidiary of the substantial shareholder
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] Its former controlling shareholder, Yunnan Energy Research Institute Co., Ltd (a subsidiary of Yunnan Investment Holdings Group), reduced its shareholding to become the third-largest shareholder on February 14, 2025 and no longer exercises control over the entity.
[Note 2] It was 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 its subsidiary with effect from October 18, 2024.
[Note 3] This is a company where the Company's current senior management previously served. It was a connected legal person of the Company for the period from June 11, 2025 to June 11, 2026.
[Note 4] It ceased to be a minority shareholder with significant influence over the subsidiary with effect from July 2024.
[Note 5] This is a company where the Company's current director served within the 12-month period prior to his appointment. It was a related party of the Company for the period from June 11, 2024 to June 11, 2025.

5. Related party transactions

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

Information on 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
YEIG Property Services Co., Ltd.	Receipt of services	349,993.64			556,163.40
Yunnan Drug Technology Development Operation Co., Ltd.	Purchase of goods	4,612,634.67			267,380.84
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Purchase of goods				481,400.58
Kunming Yusi Pharmaceutical Co., Ltd.	Purchase of goods				579,216.92

Yunnan Salt Wenshan Co., Ltd.	Purchase of industrial salt				30,600.00
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Purchase of goods and services	363,239,327.99	1,200,000,000.00		330,329,271.95
MB Packaging Limited	Purchase of goods				1,321,193.92
Yunnan Gongtou TCM Materials and Decoction Pieces Industry Development Co., Ltd.	Purchase of TCM materials				394,948.67
Yunnan Energy-saving Technology Development and Operation Co., Ltd.	Technical services				48,000.00
Yunnan State-owned Equity Operation Management Co., Ltd.	Purchase of services	1,661,477.28			1,658,970.50
Yunnan Sports Industry Investment Co., Ltd.	Purchase of services	1,000,000.00			
Hongta Securities Co., Ltd.	Purchase of services	100,000.00			
Yunnan Medical Investment Management Group Co., Ltd.	Purchase of goods	390,486.73			
Yunnan Salt Industry Dianzhong Co., Ltd.	Purchase of goods	30,911.52			
Yunnan Geological Engineering Survey Co., Ltd.	Purchase of services	12,400.00			
Kunming Dehe Canned Food Co., Ltd and its subsidiaries	Purchase of goods	5,197.33			

Information on commodities sold/labor services provided

Unit: RMB

Related Party	Contents of related party transaction	Amount for the current period	Amount for the previous period
Yunnan Provincial Pharmaceutical Technology Development and Operation Co., Ltd.	Sale of drugs	4,736,783.46	15,870,951.51
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	Sales of drugs	-1,278.00	2,179,474.73
Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	Sales of goods	248,119,338.30	282,839,620.84
Tibet Jiushi Zhihe Marketing Co., Ltd.	Sale of goods	174,978,625.82	113,621,290.60
Tibet Juliang E-Commerce Co., Ltd.	Sale of goods	64,230.79	45,405.66
Jiuai Zhihe (Beijing) Technology Co., Ltd.	Sale of goods	82,300.88	29,911.51

Yunnan Hongta Bank Co., Ltd.	Sales of drugs		7,100.38
Yunnan Hehe (Group) Co., Ltd.	Sales of drugs		1,944.11
Yunnan Health & Cultural Tourism Holding Group Co., Ltd.	Sales of drugs		2,086.37

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 in accounting treatment (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							31,554.51	61,490.47		
Yunnan Jianshui County Xingda Medicine Co., Ltd.	House							76,181.48	104,593.90		
Yunnan Tianma Pharmaceutical Co., Ltd.	House							22,065.55	28,286.13		
Yunnan Jingxing Pharmaceutical Group Co., Ltd.	House						1,108,799.34	22,761.60	44,623.38		-835,516.44
Kaiyuan Sanfa Pharmaceutical Trade Co., Ltd.	Vehicle and equipment	125,840.71	248,495.58								

Explanations on leasing between related parties: None.

(4) Related party guarantees: None.

(5) Borrowings with related parties: None.

(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	10,262,778.50	17,481,615.90

Note: The current-period and previous-period amounts of remuneration paid to key management personnel represent the basic compensation received by directors and senior management from the Company for the first half-year, including base salaries, post allowances and other items.

(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	11,879,812.33	593,915.40	15,165,860.65	758,293.03
Accounts receivable	Lijiang Changgengming Trading Co., Ltd.	2,849,942.43	2,675,994.41	2,849,942.43	2,302,794.52
Accounts receivable	Yunnan Jingxing Pharmaceutical Group Co., Ltd.			384,707.89	18,877.75
Accounts receivable	Yunnan Drug Technology Development and Operation Co., Ltd.	3,000,328.57	150,016.43	100,454.55	5,022.73
Notes receivable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	834,828.38		8,377,326.34	
Accounts receivable financing	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	3,531,101.31			
Dividends receivable	Shanghai Pharmaceuticals Holding Co., Ltd.	232,969,378.60		79,875,215.52	
Prepayment	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries			17,046.50	
Prepayment	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	28,871.00		28,871.00	
Prepayment	Qiubei County Wanhe Pharmaceutical Co., Ltd			72,206.41	
Prepayment	Yunnan Salt Industry Dianzhong Co., Ltd.			3,500.00	
Other receivables	Yunnan Kunhua Hospital Investment Management Co., Ltd.	200,000.00	60,000.00	200,000.00	60,000.00

(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	84,118,197.66	71,609,299.66
Accounts payable	MB Packaging Limited		862,711.03
Accounts payable	Yunnan Drug Technology Development Operation Co., Ltd.	2,961,463.68	92,915.38
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
Accounts payable	Kunming Dehe Canned Food Co., Ltd.	5,655.00	5,655.00
Accounts payable	Yunnan Geotechnical Engineering Survey and Design Research Institute Co., Ltd.	167,338.81	167,338.81
Notes payable	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	974,298.00	1,101,228.80
Contractual liabilities	Tibet Jiushi Zhihe Marketing Co., Ltd.	19,233,009.57	17,545,544.65
Contractual liabilities	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	4,182,926.90	11,316,812.74
Contractual liabilities	Yunnan Tianma Pharmaceutical Co., Ltd.	14,832.33	13,125.96
Other payables	Yunnan Labor Force Center Market Co., Ltd.	82,130.72	94,981.90
Other payables	Shanghai Pharmaceuticals Holding Co., Ltd and its subsidiaries	42,600.00	317,419.54
Other payables	Yunnan Salt Rixin Co., Ltd.	5,000.00	5,000.00
Other payables	Yunnan Medical Investment Management Group Kunming Technology Co., Ltd.	4,229.99	4,229.99
Other payables	Ma Xinhong	46,200,000.00	46,200,000.00
Other payables	Ma Zhanjiang	26,400,000.00	26,400,000.00
Other payables	Shi Guang	18,480,000.00	18,480,000.00
Lease liabilities	Yunnan Jianshui County Xingda Medicine Co., Ltd.	3,212,218.84	3,165,586.27
Non-current liabilities due within one year	Yunnan Baoshan Medicine Co., Ltd.		3,679,384.19
Non-current liabilities due within one year	Yunnan Jianshui County Xingda Medicine Co., Ltd.	1,521,623.88	1,492,074.97
Non-current liabilities due within	YEIG Power Assembly Park Development Co., Ltd.	1,419,089.96	1,382,344.99

one year			
Non-current liabilities due within one year	Yunnan Tianma Pharmaceutical Co., Ltd.	1,456,597.43	
Accounts payable	Yunnan Medical Investment Management Group Co., Ltd.	151,810.00	
Accounts payable	Yunnan Jianshui County Xingda Medicine Co., Ltd.	540.03	
Other payables	Yunnan Drug Technology Development Operation Co., Ltd.	2,850,000.00	
Accounts payable	Kunming Dehe Economic and Trade Co., Ltd.	29,527.63	
Non-current liabilities due within one year	Yunnan Jingxing Pharmaceutical Group Co., Ltd.	1,257,355.18	
Contractual liabilities	Yunnan Jingxing Pharmaceutical Group Co., Ltd.	1,278.23	
Dividends payable	Chuxiong Yunzhu Trading Co., Ltd.	743,156.77	743,156.77
Dividends payable	Kunming Nuo’an Enterprise Management Co., Ltd.	574,231.96	574,231.96

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 commitments on the balance sheet date: None.

2. Contingencies

(1) Significant contingencies on the balance sheet date: None.

(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

Proposed dividend per 10 shares (RMB)	10.38
Proposed bonus shares per 10 shares (shares)	0.00
Proposed capitalization-issue shares per 10 shares (shares)	0.00
Approved and declared dividend per 10 shares (RMB)	10.38
Approved and declared bonus shares per 10 shares (shares)	0.00
Approved and declared capitalization-issue shares per 10 shares (shares)	0.00
Profit distribution plan	Based on the Company's total issued share capital of 1,784,262,603 shares as of the first half of 2026, the plan proposes to distribute a cash dividend of RMB 10.38 (tax inclusive) per 10 shares to all shareholders, with no bonus shares (tax inclusive). The total amount of this cash dividend is RMB 1,852,064,581.91, and no capital reserves will be used to increase share capital. The total amount of the 2026 special dividend represents 50.04% of the net profit attributable to the parent company for the first half of 2026.

3. Sales return: None.

4. Explanation on other events subsequent to the balance sheet date: None.

XVIII. Other Significant Events

1. Correction of previous accounting errors

(1) Retrospective restatement method: None.

(2) Prospective application method: None.

2. Debt restructuring: None.

3. Assets exchange

(1) Exchange of non-cash and bank balance: None.

(2) Exchange of other assets: None.

4. Annuity plan

(1) The Company has established an enterprise annuity plan in accordance with the *Trial Measures for Enterprise Annuity*, the *Trial Measures for Enterprise Annuity Fund Management* and other regulations issued by

the Ministry of Labor and Social Security. The enterprise annuity plan was submitted to the Department of Labor and Social Security of Yunnan Province, and the Company obtained the *Reply on the Filing of the Enterprise Annuity Plan of Yunnan Baiyao Group Co., Ltd* (Yun Lao She Han [2006] No. 267). Amendments to the annuity plan were submitted to the Department of Human Resources and Social Security of Yunnan Province, and the Company obtained the *Letter on Amendments to the Enterprise Annuity Plan of Yunnan Baiyao Group Co., Ltd* (Yun-Ren-She-Han [2023] No. 207). Employees of the Company who meet the criteria under the plan may participate on a voluntary basis. The annual enterprise contribution is 5% of the Company's total payroll of the previous year, while individual employee contributions equal 10% of the enterprise's contribution amount. Individual contributions are withheld by the Company from employees' salaries. The account manager for the annuity plan has been changed to Bank of China Limited. Guotai Asset Management Co., Ltd and Ping An Annuity Insurance Company Of China, Ltd have been added as investment managers. The trustee and custodian remain unchanged.

(2) Yunnan Pharmaceutical Co., Ltd, a subsidiary of the Company, has established an enterprise annuity plan in accordance with the *Trial Measures for Enterprise Annuity*, the *Trial Measures for Enterprise Annuity Fund Management* and other regulations issued by the Ministry of Labor and Social Security. The enterprise annuity plan was submitted to the Department of Human Resources and Social Security of Yunan Province and the Kunming Municipal Bureau of Labor and Social Security, and the Company obtained the *Confirmation Letter on the Enterprise Annuity Plan of Yunnan Pharmaceutical Co., Ltd issued by the Department of Human Resources and Social Security of Yunan Province* (Yun Ren She Han [2009] No. 79) and the *Reply on the Filing of the Enterprise Annuity Plan of Yunnan Pharmaceutical Co., Ltd issued by the Kunming Municipal Bureau of Labor and Social Security* (Kun Lao She Han [2008] No. 204). Amendments to the annuity plan were submitted to the Kunming Municipal Bureau of Human Resources and Social Security, and the Company obtained the *Letter on Filing of Amendments to the Enterprise Annuity Plan of Yunnan Pharmaceutical Co., Ltd* (Kun Ren She Han [2019] No. 2). Employees of the Company who meet the criteria under the plan may participate on a voluntary basis. The annual enterprise contribution is 5% of Yunnan Pharmaceutical Co., Ltd's total payroll of the previous year, while individual employee contributions equal 10% of the enterprise's contribution amount. Individual contributions are withheld by the Company from employees' salaries. The account manager of the enterprise annuity plan remains unchanged.

(3) Yunnan Institute of Materia Medica, a subsidiary of the Company, has established an enterprise annuity plan in accordance with the *Reply Letter on the Implementation Plan for the Enterprise Annuity of Yunnan Institute of Materia Medica* issued by the Department of Human Resources and Social Security of Yunnan Province (Yun Ren She Han [2009] No. 79) and the Kunming Municipal Bureau of Labor and Social Security (Kun-Ren-She-Han [2016] No. 21). Adjustments to the annuity plan were submitted to the Kunming Municipal Bureau of Human Resources and Social Security, and the Company obtained the *Reply Letter on Adjustment to the Enterprise Annuity Plan of Yunnan Institute of Materia Medica* (Kun Ren She Han [2024] No. 105). Employees of the Company who meet the criteria under the plan may participate on a voluntary basis. The annual enterprise contribution is 5% of Yunnan Institute of Materia Medica's total payroll of the previous year, while individual employee contributions equal 10% of the enterprise's contribution amount. Individual contributions are withheld by the Company from

employees' salaries. The manager of the enterprise annuity plan remains unchanged.

(4) Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd, a subsidiary of the Company, has established an enterprise annuity plan in accordance with the *Reply on the Establishment of the Enterprise Annuity Plan for Yunnan Baiyao Group* (Xi Ren She Fu [2018] No. 27) issued by the Wuxi Municipal Bureau of Human Resources and Social Security. Amendments to the annuity plan were submitted to the Wuxi Municipal Bureau of Human Resources and Social Security, and the Company obtained the *Reply on Re-filing of the Enterprise Annuity Plan of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd* (Xi Ren She Fu [2025] No. 14). Employees of the Company who meet the criteria under the plan may participate on a voluntary basis. The annual enterprise contribution is 5% of Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd's total payroll of the previous year, while individual employee contributions equal 10% of the enterprise's contribution amount. Individual contributions are withheld by the Company from employees' salaries. The manager of the enterprise annuity plan remains unchanged.

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)	1,538,783,326.64	1,244,764,619.52
1 to 2 years	10,627,149.53	8,224,921.66
2 to 3 years	3,256,443.61	1,685,144.62
Above 3 years	728,405,904.55	726,736,143.29
Total	2,281,072,824.33	1,981,410,829.09

(2) Disclosure by the method of 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	
Account receivables with provision for bad debt on portfolio basis	2,281,072,824.33	100.00%	20,952,950.95	0.92%	2,260,119,873.38	1,981,410,829.09	100.00%	21,541,975.87	1.09%	1,959,868,853.22
Including:										
Related party portfolio	2,219,125,757.38	97.28%			2,219,125,757.38	1,882,817,812.89	95.02%			1,882,817,812.89
Age-based portfolio	61,947,066.95	2.72%	20,952,950.95	33.82%	40,994,116.00	98,593,016.20	4.98%	21,541,975.87	21.85%	77,051,040.33
Total	2,281,072,824.33	100.00%	20,952,950.95	0.92%	2,260,119,873.38	1,981,410,829.09	100.00%	21,541,975.87	1.09%	1,959,868,853.22

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	2,219,125,757.38		
Age-based portfolio	61,947,066.95	20,952,950.95	33.82%
Total	2,281,072,824.33	20,952,950.95	

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

Unit: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	130,978.95

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

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	922,765,374.00		922,765,374.00	13.12%	
Customer B	823,175,632.58		823,175,632.58	11.70%	
Customer C	242,319,413.31		242,319,413.31	3.45%	
Customer D	143,722,655.80		143,722,655.80	2.04%	
Customer E	35,865,651.89		35,865,651.89	0.51%	
Total	2,167,848,727.58		2,167,848,727.58	30.82%	

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	232,969,378.60	79,875,215.52
Other receivables	6,882,371,527.77	6,552,212,996.22
Total	7,115,340,906.37	6,632,088,211.74

(1) Interest receivable: None.

(2) Dividends receivable

1) Category of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Shanghai Pharmaceuticals Holding Co., Ltd.	232,969,378.60	79,875,215.52
Total	232,969,378.60	79,875,215.52

2) Significant dividends receivable aged above 1 year: None.

3) Disclosure by the method of 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 due from/to related-parties within the consolidation scope	7,013,260,766.49	6,686,598,659.88
Deposits and guarantees	2,867,232.36	4,639,663.00
Petty cash and others	17,585,499.12	12,713,170.32
Total	7,033,713,497.97	6,703,951,493.20

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)	3,184,081,801.79	2,754,961,521.16
1 to 2 years	775,777,592.02	801,370,373.68
2 to 3 years	1,042,537,442.61	1,596,345,756.81
Above 3 years	2,031,316,661.55	1,551,273,841.55
Total	7,033,713,497.97	6,703,951,493.20

3) Disclosure by the method of 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	
Provision for bad debts by portfolio	7,033,713,497.97	100.00%	151,341,970.20	2.15%	6,882,371,527.77	6,703,951,493.20	100.00%	151,738,496.98	2.26%	6,552,212,996.22
Including:										
Age-based portfolio	20,452,731.48	0.29%	5,367,300.66	26.24%	15,085,430.82	17,352,833.32	0.26%	5,763,827.44	33.22%	11,589,005.88
Related party portfolio	7,013,260,766.49	99.71%	145,974,669.54	2.08%	6,867,286,096.95	6,686,598,659.88	99.74%	145,974,669.54	2.18%	6,540,623,990.34
Total	7,033,713,497.97	100.00%	151,341,970.20	2.15%	6,882,371,527.77	6,703,951,493.20	100.00%	151,738,496.98	2.26%	6,552,212,996.22

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	20,452,731.48	5,367,300.66	26.24%
Related party portfolio	7,013,260,766.49	145,974,669.54	2.08%
Total	7,033,713,497.97	151,341,970.20	

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, 2026	151,738,496.98			151,738,496.98
Balance as of January 1, 2026 in the current period				
Current reversal	396,526.78			396,526.78
Balance as of June 30, 2026	151,341,970.20			151,341,970.20

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 for the period:

Unit: RMB

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Others	
Age-based portfolio	5,763,827.44		396,526.78			5,367,300.66
Related party portfolio	145,974,669.54					145,974,669.54
Total	151,738,496.98	0.00	396,526.78			151,341,970.20

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
Customer A	Amounts due from/to related-parties within the consolidation scope	2,110,054,946.99	Within 1 year, 1 to 2 years, 2 to 3 years，above 3 years	30.00%	
Customer B	Amounts due from/to related-parties within the consolidation scope	1,010,474,351.77	Within 1 year, 1 to 2 years, 2 to 3 years，above 3 years	14.37%	
Customer C	Amounts due from/to related-parties within the consolidation scope	986,717,000.79	Within 1 year	14.03%	
Customer D	Amounts due from/to related-parties within the consolidation scope	823,745,699.09	Within 1 year, 1 to 2 years, 2 to 3 years，above 3 years	11.71%	
Customer E	Amounts due from/to related-parties within the consolidation scope	522,943,846.89	Within 1 year, 1 to 2 years, 2 to 3 years，above 3 years	7.43%	
Total		5,453,935,845.53		77.54%	

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	2,603,195,450.92	244,474,941.95	2,358,720,508.97
Investments in associates and joint ventures	13,668,515,021.93	0.00	13,668,515,021.93	13,247,345,923.78	0.00	13,247,345,923.78
Total	16,271,710,472.85	244,474,941.95	16,027,235,530.90	15,850,541,374.70	244,474,941.95	15,606,066,432.75

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Opening balance of impairment provision	Increase or 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	0.00
Yunnan Baiyao Group Health Products Co., Ltd.	168,297,661.03						168,297,661.03	0.00
Yunnan Baiyao Group TCM Resources Co., Ltd.	130,894,518.14						130,894,518.14	0.00
Yunnan Baiyao Group Wuxi Pharmaceutical Co., Ltd.	39,627,253.25						39,627,253.25	0.00
Yunnan Baiyao Group Dali Pharmaceutical Co., Ltd.	16,489,200.00						16,489,200.00	0.00
Yunnan Baiyao Group (Hainan) Co., Ltd.	457,198,438.74						457,198,438.74	0.00
Yunnan Baiyao Group Shanghai Co., Ltd.	11,350,000.00						11,350,000.00	0.00
Yunnan Digital-Intelligent TCM Materials Development Co., Ltd.	56,059,850.00						56,059,850.00	0.00
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	0.00
Yunnan Baiyao Holding Investment Co., Ltd.	193,992,837.67						193,992,837.67	0.00
Yunnan Institute of Materia Medica	101,075,329.94						101,075,329.94	0.00
Yunnan Baiyao Group Medical Technology Hefei Co., Ltd.	85,700,000.00						85,700,000.00	0.00
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	0.00
Yunnan Baiyao Group Digital-Intelligent Technology Co., Ltd.	10,000,000.00						10,000,000.00	
Total	2,358,720,508.97	244,474,941.95					2,358,720,508.97	244,474,941.95

(2) Investments in associates and joint ventures

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	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 distribute	Provision for impairment	Others		
I. Joint ventures												
II. Associates												
Shanghai Pharmaceuticals Holding Co., Ltd.	12,729,067,728.22				607,479,774.72	-5,939,236.52	50,831,858.74	232,969,378.60			13,148,470,746.56	
Yunnan TCM Comprehensive Health Innovation Equity Investment Fund Partnership (Limited Partnership)	499,823,509.04				709,281.14						500,532,790.18	
Yunnan Tianzheng Testing Technology Co., Ltd.	18,454,686.52				1,056,798.67						19,511,485.19	
Subtotal	13,247,345,923.78				609,245,854.53	-5,939,236.52	50,831,858.74	232,969,378.60			13,668,515,021.93	
Total	13,247,345,923.78	0.00			609,245,854.53	-5,939,236.52	50,831,858.74	232,969,378.60			13,668,515,021.93	0.00

The recoverable amount is determined based on the net amount obtained by 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 years: 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
Principal business	4,820,988,776.92	1,969,426,499.88	4,870,362,127.22	1,839,210,250.39
Other business	679,503,106.88	51,582,789.42	665,537,183.51	53,814,200.58
Total	5,500,491,883.80	2,021,009,289.30	5,535,899,310.73	1,893,024,450.97

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	4,772,938,933.99	1,929,954,380.69	48,001,095.46	39,472,119.19	679,551,854.35	51,582,789.42	5,500,491,883.80	2,021,009,289.30
Including:								
Industry sales income	4,772,938,933.99	1,929,954,380.69	-	-			4,772,938,933.99	1,929,954,380.69
Commercial sales income			48,001,095.46	39,472,119.19			48,001,095.46	39,472,119.19
Technical services income					48,747.47		48,747.47	-
Others					679,503,106.88	51,582,789.42	679,503,106.88	51,582,789.42
By operating areas	4,772,938,933.99	1,929,954,380.69	48,001,095.46	39,472,119.19	679,551,854.35	51,582,789.42	5,500,491,883.80	2,021,009,289.30
Including:								
In Yunnan province	560,483,171.10	197,907,019.61	47,933,803.01	39,400,823.49	679,551,854.35	49,450,591.52	1,287,968,828.46	286,758,434.62
Outside Yunnan province (excluding overseas)	4,212,455,762.89	1,732,047,361.08	67,292.45	71,295.70		2,132,197.90	4,212,523,055.34	1,734,250,854.68
Overseas								

Information on performance obligations: None.

Other explanations: None.

Information on the transaction price allocated to the 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.

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
Income from long-term equity investment under the equity method	609,245,854.53	772,957,330.00
Investment income from disposal of financial assets held for trading	17,162,500.72	26,695,771.21
Others	-14,953,626.17	14,319,630.38
Total	611,454,729.08	813,972,731.59

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	3,357,305.66	
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)	55,632,035.55	
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	129,325,396.89	
Profits and losses from entrusted investment or asset management	17,162,500.72	
Reversal of impairment provision of accounts receivable subject to individual impairment test	764,946.00	
Non-operating revenue and expenses other than the above	8,365,551.93	
Other profits and losses satisfying the definition of non-recurring profits and losses	2,706,934.78	
Less: Amount affected by the income tax	34,145,671.34	
Amount affected by minority interests (after tax)	413,923.88	
Total	182,755,076.31	--

Details of 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 value-added tax reduction and exemption.

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	9.04%	2.07	2.07
Net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	8.61%	1.97	1.97

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 a difference adjustment is made to data audited by an overseas audit institution, the name of the institution shall be provided: None.

4. Others: None.

Yunnan Baiyao Group Co., Ltd.

Board of Directors

August 28, 2026